TIS
TIS INTEC Group
Go Beyond

# Information Meeting Materials for the First Two Quarters of the Fiscal Year Ending March 31, 2021

**November 10, 2020**

TIS Inc.

## Fiscal 2021 First Two Quarters Financial Highlights

## Fiscal 2021 Performance Forecast

## Return to Shareholders

## Progress on Medium-Term Management Plan (2018-2020)

## Change in Representative Director (President)

## Reference Materials

- All statements described in these materials are based on information available to management regarding the TIS INTEC Group—that is, TIS and the subsidiaries under its umbrella—as of the presentation date and certain assumptions deemed reasonable at this time. No intent is implied of promise by the Company to achieve such forward-looking statements. Indeed, various factors may cause future results to be substantially different from the assumptions presented in these materials.
- Amounts for each three-month quarter are calculated by subtracting data for the respective period from the cumulative total.
- Segment sales include intersegment sales.
- The Company carried out a three-for-one common stock split on April 1, 2020. The impact of said stock split is reflected in “Net income per share” and "Dividends per share" presented for fiscal 2020.
- Due to a shift from business based on expert service know-how specific to the financial sector to knowledge-intensive business using a template of general, financial sector know-how, transactions with certain clients were booked under Financial IT Business in fiscal 2020 and under Service IT Business in fiscal 2021. Pages affected: 6, 7, 9, 12, 13, 17, 19 and 38.

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# Fiscal 2021 First Two Quarters: Performance Highlights (YOY change)

- Year-on-year decrease in sales and income, reflecting sluggish order activity due to COVID-19 pandemic. But both net sales and operating income exceeded targets.
- Despite challenging circumstances, maintained strategic investments for the future, including improved benefits for employees and enhanced brand presence.

| [Millions of yen] | First two quarters of fiscal 2020 | First two quarters of fiscal 2021 | YOY change | |
|---|---|---|---|---|
| Net Sales | 216,296 | **211,308** | -4,988 | [-2.3%] |
| Operating Income | 19,100 | **18,211** | -888 | [-4.7%] |
| Operating Margin | 8.8% | **8.6%** | -0.2P | - |
| Net Income Attributable to Owners of the Parent Company | 13,266 | **10,277** | -2,989 | [-22.5%] |
| Net Income to Net Sales Ratio | 6.1% | **4.9%** | -1.2P | - |

- Non-operating income: ¥1,179 million
  (YOY change -¥212 million)
  →Dividend income ¥675 million etc.
- Non-operating expenses: ¥3,998 million
  (YOY change +¥3,516 million)
  →Equity in losses of affiliates: ¥3,722 million etc.
- Extraordinary income: ¥3,662 million
  (YOY change -¥2,708 million)
  →Gain on sale of investment securities ¥3,660 million etc.
- Extraordinary loss: ¥1,653 million
  (YOY change -¥4,390 million)
  →Impairment loss ¥701 million
  Loss on valuation of investment securities ¥625 million, etc.

# Fiscal 2021 First Two Quarters: Performance Highlights (Compared with estimate)

- Net sales and operating income surpassed targets and shifted generally along anticipated trajectory in line with full-year forecast
- Net income attributable to owners of the parent company, came in below target, reflecting impact from sizable write-down of impairment on goodwill equivalent related to an overseas affiliate accounted for by the equity method.

| [Millions of yen] | First two quarters of fiscal 2021 estimate | First two quarters of fiscal 2021 actual | Compared with estimate | |
|---|---|---|---|---|
| Net Sales | 210,000 | **211,308** | +1,308 | [+0.6%] |
| Operating Income | 17,500 | **18,211** | +711 | [+4.1%] |
| Operating Margin | 8.3% | **8.6%** | +0.3P | - |
| Net Income Attributable to Owners of the Parent Company | 12,000 | **10,277** | -1,723 | [-14.4%] |
| Net Income to Net Sales Ratio | 5.7% | **4.9%** | -0.8P | - |

# Fiscal 2021 First Two Quarters: Sales and Income for Key Business Segments (YOY change)

| [Millions of yen] | | First two quarters of fiscal 2020 | First two quarters of fiscal 2021 | YOY change | |
|---|---|---|---|---|---|
| Service IT Business | Net Sales | 59,867 | **62,869** | +3,002 | [+5.0%] |
| | Operating Income | 2,457 | **2,572** | +115 | [+4.7%] |
| | Operating margin | 4.1% | **4.1%** | -0.0P | - |
| BPO | Net Sales | 16,221 | **17,066** | +844 | [+5.2%] |
| | Operating Income | 993 | **1,309** | +316 | [+31.8%] |
| | Operating margin | 6.1% | **7.7%** | +1.6P | - |
| Financial IT Business | Net Sales | 55,456 | **53,590** | -1,865 | [-3.4%] |
| | Operating Income | 6,925 | **6,675** | -250 | [-3.6%] |
| | Operating margin | 12.5% | **12.5%** | -0.0P | - |
| Industrial IT Business | Net Sales | 99,413 | **91,473** | -7,940 | [-8.0%] |
| | Operating Income | 8,512 | **7,799** | -712 | [-8.4%] |
| | Operating margin | 8.6% | **8.5%** | -0.1P | - |

- **Service IT Business:** Despite challenging demand situation for ERP-related services, sales and income up, largely due to wider demand for payment-related services. Absorbed costs associated with newly consolidated subsidiary.
- **BPO:** Sales and income up, reflecting increased demand for outsourcing services, including call center operations, and operations related to special cash payments.
- **Financial IT Business:** Despite firm IT investment among core clients, sales and income down, mainly because of project delays caused by sluggish corporate activity.
- **Industrial IT Business:** Sales and income down, reflecting stronger trend toward reduced IT investment, primarily among regional, small and medium-sized companies, including members of the manufacturing, distribution and medical services sectors.

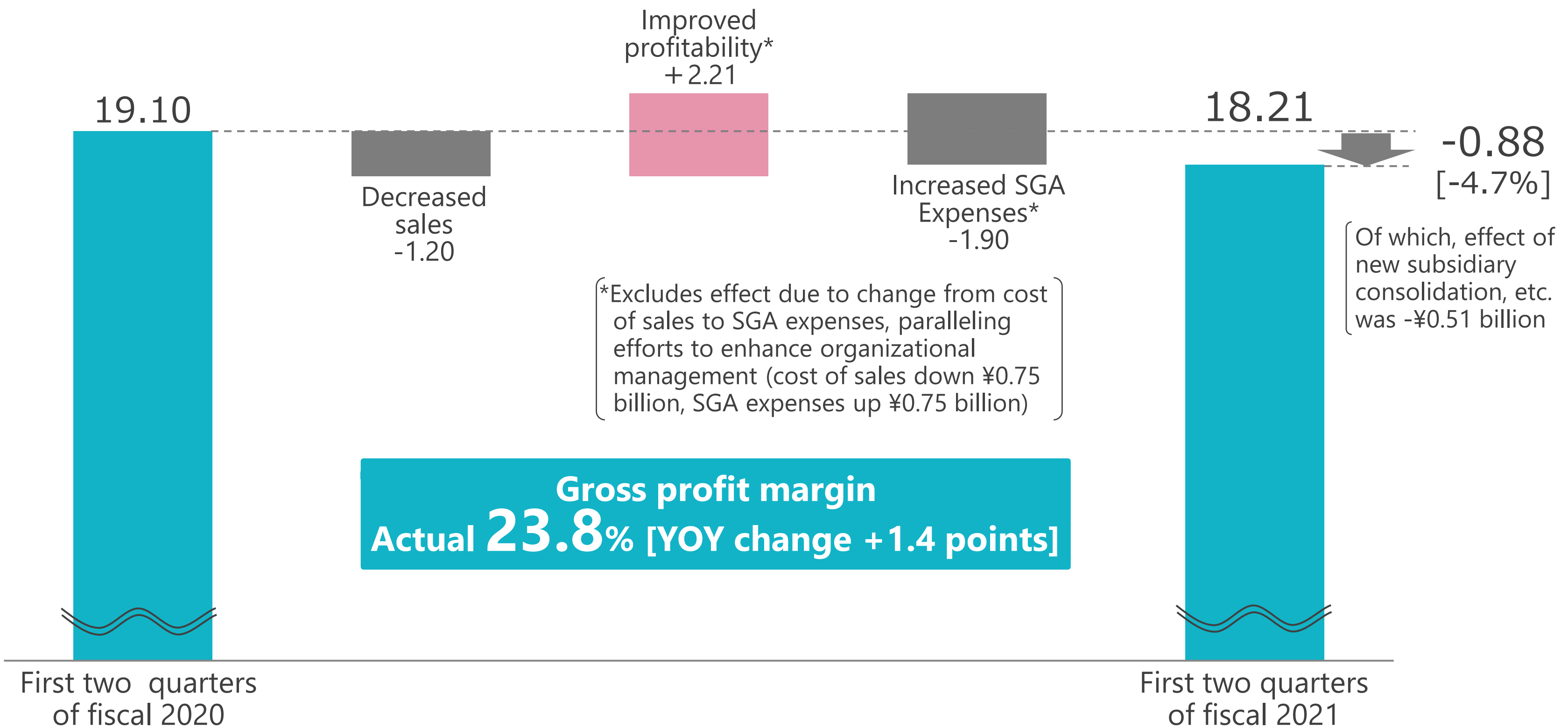
# Fiscal 2021 First Two Quarters: Sales and Income for Key Business Segments (Compared with estimate)

| [Millions of yen] | | First two quarters of fiscal 2021 estimate | First two quarters of fiscal 2021 actual | Compared with estimate | |
|---|---|---|---|---|---|
| Service IT Business | Net Sales | 64,000 | **62,869** | -1,131 | [-1.8%] |
| | Operating Income | 2,500 | **2,572** | +72 | [+2.9%] |
| | Operating margin | 3.9% | **4.1%** | +0.2P | - |
| BPO | Net Sales | 16,700 | **17,066** | +366 | [+2.2%] |
| | Operating Income | 1,200 | **1,309** | +109 | [+9.1%] |
| | Operating margin | 7.2% | **7.7%** | +0.5P | - |
| Financial IT Business | Net Sales | 53,000 | **53,590** | +590 | [+1.1%] |
| | Operating Income | 6,400 | **6,675** | +275 | [+4.3%] |
| | Operating margin | 12.1% | **12.5%** | +0.4P | - |
| Industrial IT Business | Net Sales | 91,000 | **91,473** | +473 | [+0.5%] |
| | Operating Income | 7,400 | **7,799** | +399 | [+5.4%] |
| | Operating margin | 8.1% | **8.5%** | +0.4P | - |

- **Service IT Business:** Did not meet net sales target, primarily because start of ERP-related projects got pushed back, but managed to exceed operating income target just a bit.
- **BPO:** Exceeded targets, thanks to wider demand for outsourcing as clients accelerate implementation of business continuity plans and embrace telework and distributed staffing workstyles.
- **Financial IT Business:** Efforts by clients to streamline expenses created challenging demand backdrop, but segment topped targets, largely due to solid demand from core clients in credit card industry.
- **Industrial IT Business:** Exceeded targets, as trend toward reduced IT investment created a challenging environment but not beyond that which was anticipated.

# Fiscal 2021 First Two Quarters: Operating Income Analysis, Increase/Decrease Reasons (YOY change)

[Billions of yen]




**Prior investment costs for promoting structural transformation: Down ¥0.1 billion (YOY change)**

- ✓ Software investment to create new services
- ✓ Investment in human resources to fuel structural transformation
- ✓ Investment in R&D to acquire advanced technologies

} Costs related to

**Brand-related costs incurred to ensure quick recognition in market: Up ¥0.8 billion (YOY change)**

**Changes in SGA Expenses**

| | |
|---|---|
| Fiscal 2020 first two quarters (Actual) | 29.39 |
| Enhanced organizational management | +0.75 |
| Effect of new subsidiary consolidation, etc. | +0.65 |
| Other decrease | +1.25 |
| Fiscal 2021 first two quarters (Actual) | 32.04 |

# Reference: Fiscal 2021 Second Quarter (July-September) Sales and Income for Key Business Segments

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| [Millions of yen] | | Second quarter of fiscal 2020 | Second quarter of fiscal 2021 | YOY change | |
|---|---|---|---|---|---|
| Net Sales | | 115,306 | **110,909** | -4,397 | [-3.8%] |
| Operating Income | | 11,040 | **10,533** | -507 | [-4.6%] |
| Operating Margin | | 9.6% | **9.5%** | -0.1P | - |
| Net Income Attributable to Owners of the Parent Company | | 7,159 | **4,749** | -2,410 | [-33.7%] |
| Net Income to Net Sales Ratio | | 6.2% | **4.3%** | -1.9P | - |
| **Key Business Segments** | | | | | |
| Service IT Business | Net Sales | 31,508 | **32,721** | +1,212 | [+3.8%] |
| | Operating Income | 1,233 | **1,427** | +194 | [+15.8%] |
| | Operating Margin | 3.9% | **4.4%** | +0.5P | - |
| BPO | Net Sales | 8,360 | **8,785** | +425 | [+5.1%] |
| | Operating Income | 578 | **751** | +173 | [+30.0%] |
| | Operating Margin | 6.9% | **8.6%** | +1.7P | - |
| Financial IT Business | Net Sales | 28,852 | **27,869** | -983 | [-3.4%] |
| | Operating Income | 3,848 | **3,900** | +51 | [+1.3%] |
| | Operating Margin | 13.3% | **14.0%** | +0.7P | - |
| Industrial IT Business | Net Sales | 54,112 | **47,999** | -6,112 | [-11.3%] |
| | Operating Income | 5,246 | **4,695** | -550 | [-10.5%] |
| | Operating Margin | 9.7% | **9.8%** | +0.1P | - |

# Reference: Fiscal 2021 Second Quarter (July-September) Operating Income Analysis, Increase/Decrease Reasons (YOY change)

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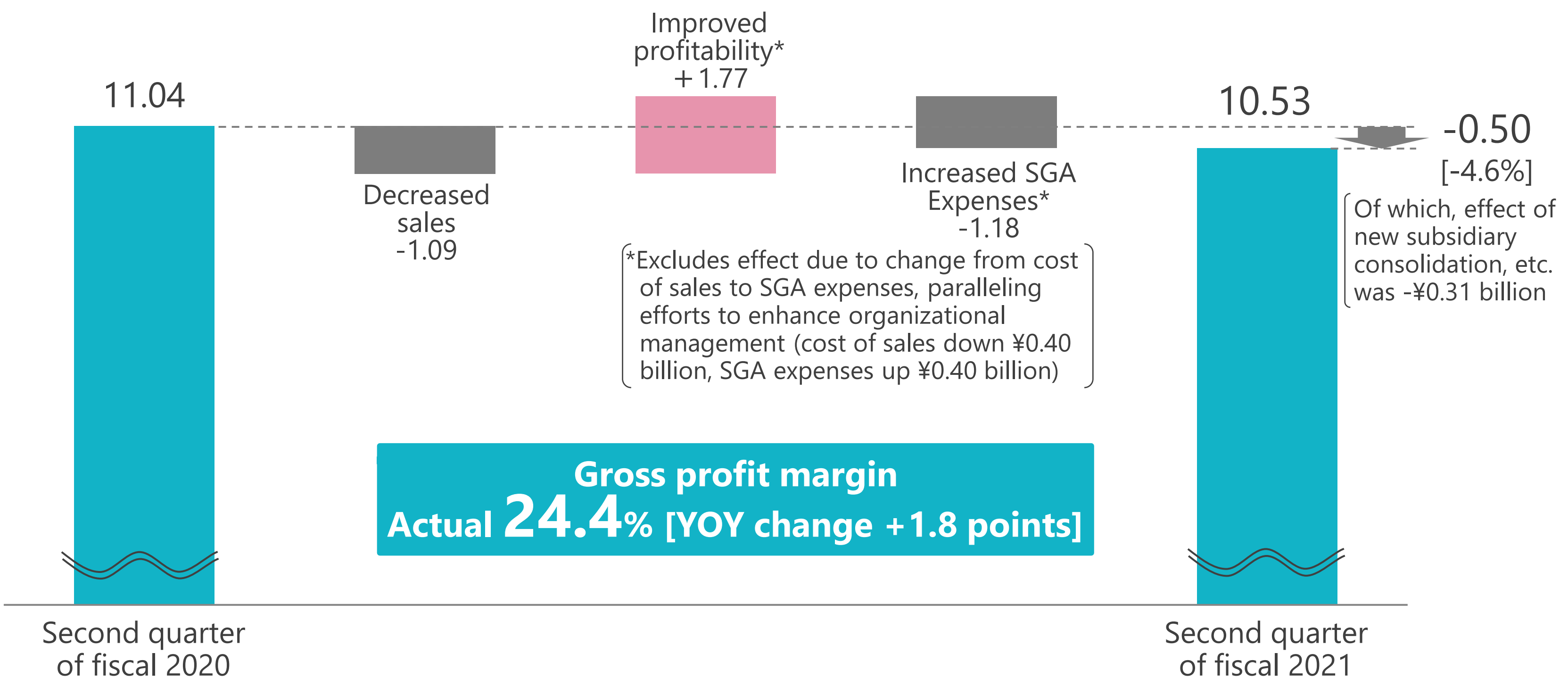
[Billions of yen]




**Prior investment costs for promoting structural transformation: Down ¥0.6 billion (YOY change)**

- ✓ Software investment to create new services
- ✓ Investment in human resources to fuel structural transformation
- ✓ Investment in R&D to acquire advanced technologies

Costs related to

**Brand-related costs incurred to ensure quick recognition in market: Up ¥0.72 billion (YOY change)**

**Changes in SGA Expenses**

| | |
|---|---|
| Fiscal 2020 second quarter (Actual) | 14.99 |
| Enhanced organizational management | +0.40 |
| Effect of new subsidiary consolidation, etc. | +0.43 |
| Other decrease | +0.76 |
| Fiscal 2021 second quarter (Actual) | 16.58 |

# Fiscal 2021 First Two Quarters: Sales by Client Sector

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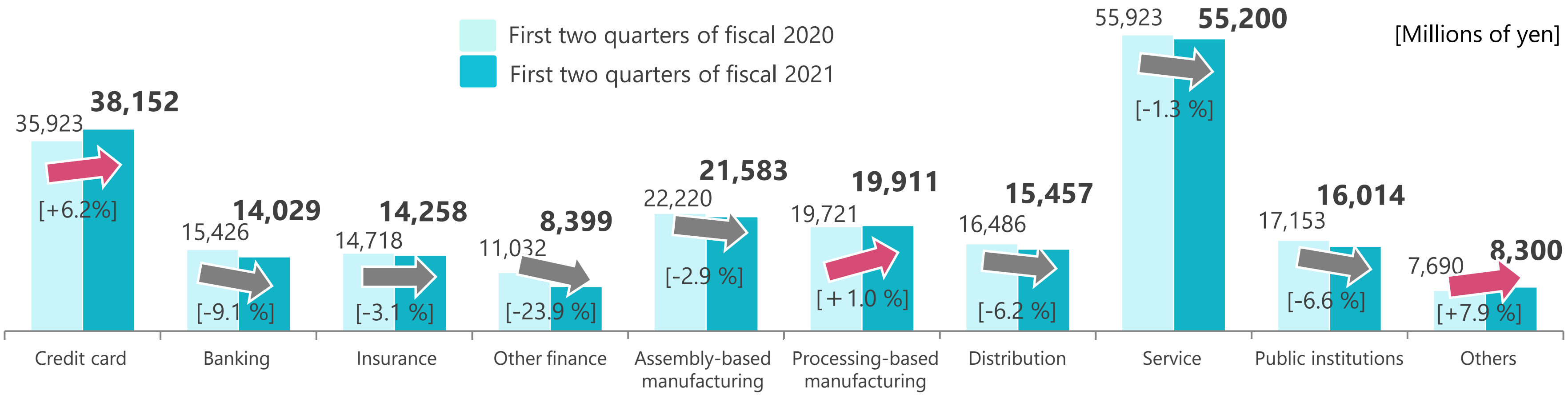
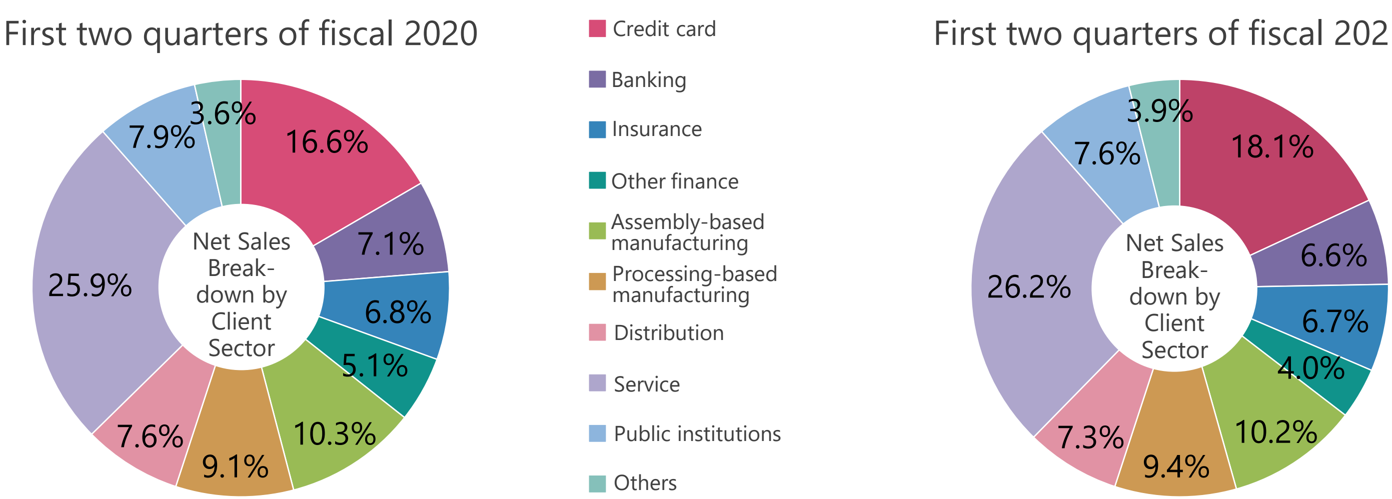
・Against a backdrop of challenges in many sectors, including banking, business with core clients in credit card and processing-based manufacturing sectors was favorable.




Financial sector: 35.6% Industrial sector: 52.9%
Public sector: 7.9% Other sectors: 3.6%

Financial sector: 35.4% Industrial sector: 53.1%
Public sector: 7.6% Other sectors : 3.9%

# Fiscal 2021 First Two Quarters: Order Status (Software Development)

・Order volume decreased significantly, primarily because marketing activities to pick up new projects became difficult under states of emergency. But on quarter-to-quarter basis, extent of decrease less in second quarter than in first quarter. Situation for Industrial IT Business remained challenging but Financial IT Business marked big increase in second quarter.

| [Millions of yen] | First two quarters of fiscal 2020 | First two quarters of fiscal 2021 | YOY change | |
|---|---|---|---|---|
| Orders received during first two quarters | 119,450 | **109,420** | -10,029 | [-8.4%] |
| Service IT Business | 27,941 | **27,450** | -491 | [-1.8%] |
| Financial IT Business | 32,082 | **30,578** | -1,504 | [-4.7%] |
| Industrial IT Business | 59,425 | **51,391** | -8,034 | [-13.5%] |
| Order backlog at end of first two quarters | 78,219 | **75,908** | -2,310 | [-3.0%] |
| Service IT Business | 16,905 | **17,164** | +258 | [+1.5%] |
| Financial IT Business | 23,504 | **25,815** | +2,310 | [+9.8%) |
| Industrial IT Business | 37,808 | **32,929** | -4,879 | [-12.9%] |

**Reference: Second Quarter Performance Comparison.**

| [Millions of yen] | Second quarter of fiscal 2020 | Second quarter of fiscal 2021 | YOY change | |
|---|---|---|---|---|
| Orders received during second quarter | 62,826 | **59,616** | -3,210 | [-5.1%] |
| Service IT Business | 13,601 | **12,382** | -1,219 | [-9.0%] |
| Financial IT Business | 19,092 | **20,807** | +1,715 | [+9.0%] |
| Industrial IT Business | 30,132 | **26,426** | -3,706 | [-12.3%] |

# Fiscal 2021 First Two Quarters: Order Status (Total)

- Primary cause of year-on-year decrease is reduction in software development orders, but order status for other businesses, including system operation, remained favorable.
- If orders held by TIS Chiyoda Systems, which became a consolidated subsidiary of TIS on October 1, 2020, are taken into account, order balance at end of second quarter would be on par with end of second quarter a year ago.

| [Millions of yen] | First two quarters of fiscal 2020 | First two quarters of fiscal 2021 | YOY change | |
|---|---|---|---|---|
| Orders received during first two quarters | 220,358 | **214,169** | -6,189 | [-2.8%] |
| Service IT Business | 59,187 | **63,330** | +4,142 | [+7.0%] |
| BPO | 14,804 | **15,732** | +928 | [+6.3%] |
| Financial IT Business | 55,472 | **52,489** | -2,982 | [-5.4%] |
| Industrial IT Business | 90,894 | **82,617** | -8,276 | [-9.1%] |
| Order backlog at end of first two quarters | 139,045 | **137,965** | -1,080 | [-0.8%] |
| Service IT Business | 39,871 | **41,172** | +1,301 | [+3.3%] |
| Financial IT Business | 41,812 | **43,560** | +1,748 | [+4.2%] |
| Industrial IT Business | 57,361 | **53,232** | -4,129 | [-7.2%] |

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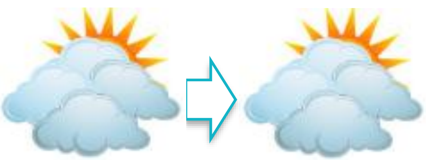
# Understanding the External Environment

・Must remain watchful over short term as COVID-19 pandemic could affect demand and response. No change to views of trend toward greater IT investment in long term or acceleration in demand once pandemic ends.

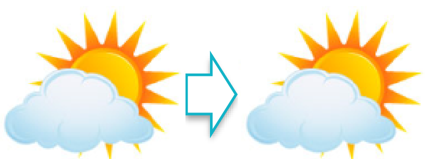
To date　From now

**Service IT Business**



- ✓ Demand for digital transformation and trend toward cashless society should remain firm. However, restrictions on movement have led to a sudden decrease in cross-border settlement demand and inbound travel-related services, which will impact Service IT Business significantly. Challenges also possible, including heightened competition among payment settlement players. Social landscape marked by major evolving need for certain companies to provide cloud-based access. Growth in security market accelerating, prompting wider demand.
- ✓ Rising demand for digital transformation from local government offices and favorable demand for network services
- ✓ In ERP, despite rebuild demand to support migration to S/4HANA before SAP's end-of-service deadline on the existing platform, high possibility that timing for mission-critical upgrades will be postponed, especially in manufacturing industry.

**BPO**

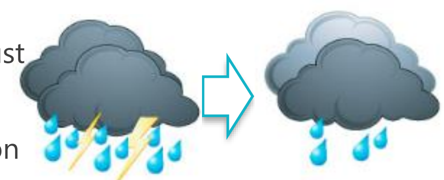


- ✓ Wider demand for outsourcing as clients accelerate implementation of business continuity plans and embrace telework and distributed staffing workstyles.
- ✓ Anticipate growth, notably higher demand for outsourcing related to business reforms that contribute to improved corporate management.
- ✓ Digital innovation needs will remain firm due to prolonged labor shortage and progress in workstyle reform.

**Financial IT Business**

- ✓ In addition to solid demand for businesses that support key components of social infrastructure, such as payment services, demand for new projects to sharpen competitive edge on the rise, paralleling changes in payment settlement structure.
- ✓ Must pay close attention to supply-demand balance based on review of services provided on client premises.

**Industrial IT Business**



- ✓ Deteriorating business results and pressure on investment budgets, regardless of industry, will be unavoidable due to sudden changes in business environment.
  Biggest impact will be felt in manufacturing industry and small and medium-sized companies, and trends must be watched closely going forward.
- ✓ Expect changes in social structure to be drivers of demand creation, especially in public sector and medicine.
- ✓ Must be sensitive to changes in operating environment of each client and have ability to anticipate information concepts and digital transformation needs in each situation.

* These trends may differ from general industry trends since management's assumptions also take into consideration the status of IT investment by TIS INTEC group clients.

# Revisions to Fiscal 2021 Performance Forecast (1)

- Business results for first two quarters shifted generally in line with expectations and along full-year trajectory.
- Net sales and operating income revised upward after factoring in business results of newly consolidated subsidiaries, such as MFEC, brought under consolidation in fiscal 2021.

| [Millions of yen] | Fiscal 2021 initial estimate | Fiscal 2021 revised estimate | Compared with initial estimate | |
|---|---|---|---|---|
| Net Sales | 440,000 | **445,000** | +5,000 | [+1.1%] |
| Operating Income | 44,000 | **44,500** | +500 | [+1.1%] |
| Operating Margin | 10.0% | **10.0%** | ±0.0P | - |
| Net Income Attributable to Owners of the Parent Company | 29,500 | **29,500** | - | - |
| Net Income to Net Sales Ratio | 6.7% | **6.6%** | -0.1P | - |
| Net Income per Share (Yen) | 117.86 | **117.80** | -0.06 | [-0.1%] |
| ROE | 11.8%* | **11.8%*** | ±0.0P | - |

*ROE for fiscal 2021 is a calculated value.

# Revisions to Fiscal 2021 Performance Forecast (2)

| [Millions of yen] | | Fiscal 2021 initial estimate | Fiscal 2021 revised estimate | Compared with initial estimate | |
|---|---|---|---|---|---|
| Service IT Business | Net Sales | 131,500 | **134,500** | +3,000 | [+2.3%] |
| | Operating Income | 8,500 | **8,800** | +300 | [+3.5%] |
| | Operating margin | 6.5% | **6.5%** | +0.1P | - |
| BPO | Net Sales | 33,500 | **33,500** | - | - |
| | Operating Income | 2,600 | **2,600** | - | - |
| | Operating margin | 7.8% | **7.8%** | - | - |
| Financial IT Business | Net Sales | 115,000 | **115,000** | - | - |
| | Operating Income | 15,300 | **15,300** | - | - |
| | Operating margin | 13.3% | **13.3%** | - | - |
| Industrial IT Business | Net Sales | 194,000 | **196,000** | +2,000 | [+1.0%] |
| | Operating Income | 17,900 | **18,100** | +200 | [+1.1%] |
| | Operating margin | 9.2% | **9.2%** | +0.0P | - |

# Fiscal 2021: Performance Forecasts

・Business results impacted by COVID-19 pandemic, but effect of M&A activity also apparent. Seek to hold performance level around year-on-year par.
・Will maintain management policy on profitability emphasis and keep operating margin at 10%.

| [Millions of yen] | Fiscal 2020 actual | Fiscal 2021 revised estimate | YOY change | |
|---|---|---|---|---|
| Net Sales | 443,717 | **445,000** | +1,283 | [+0.3%] |
| Operating Income | 44,839 | **44,500** | -339 | [-0.8%] |
| Operating Margin | 10.1% | **10.0%** | -0.1P | - |
| Net Income Attributable to Owners of the Parent Company | 29,411 | **29,500** | +89 | [+0.3%] |
| Net Income to Net Sales Ratio | 6.6% | **6.6%** | +0.0P | - |
| Net Income per Share (Yen) | 116.78 | **117.80** | +1.02 | [+0.9%] |
| ROE | 12.5% | **11.8%*** | -0.7P | - |

*ROE for fiscal 2021 is a calculated value.

**Assumptions in Fiscal 2021 Performance Forecast**
・No possible to realistically predict when COVID-19 will be stamped out, making it difficult to estimate business results with high degree of accuracy.
・Fiscal 2021 performance forecast based on assumption that TIS INTEC Group's business environment will normalize from the third quarter, paralleling gradual recovery in economic activity.
・Possibility that performance forecast will change, depending on actual status of COVID-19 pandemic.

# Fiscal 2021: Sales and Income for Key Business Segments [Forecast]

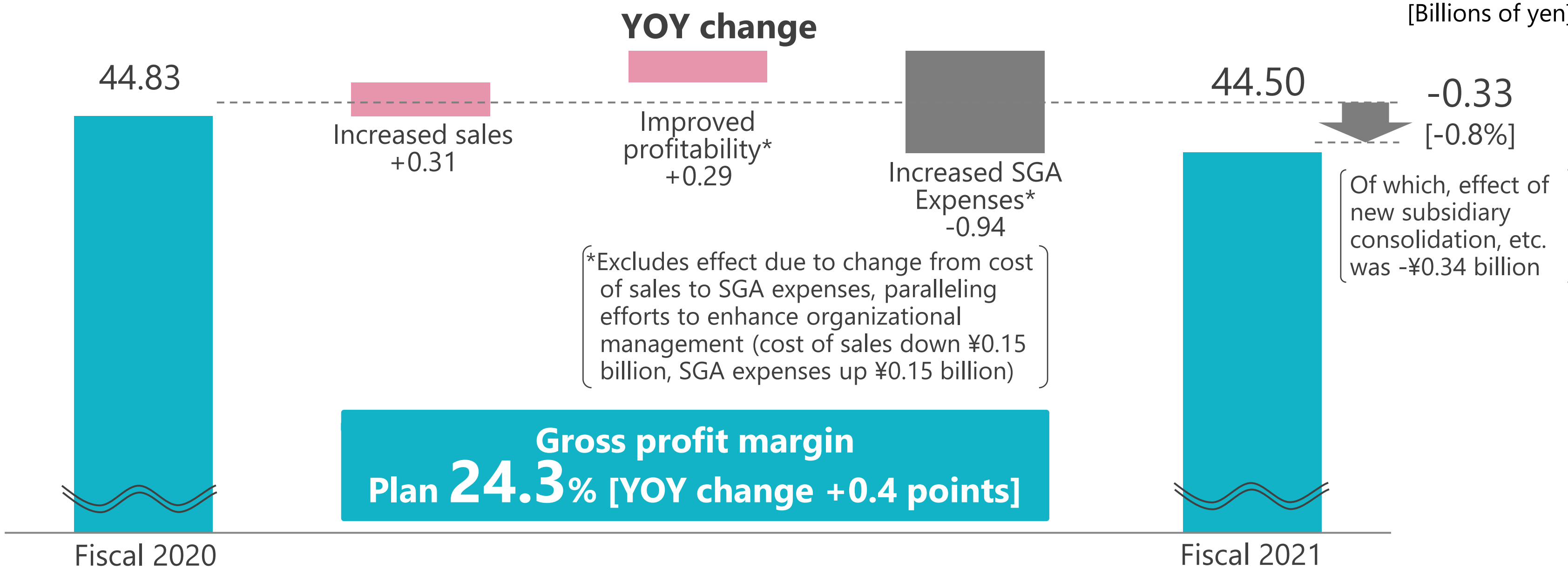
| [Millions of yen] | | Fiscal 2020 actual | Fiscal 2021 revised estimate | YOY change | |
|---|---|---|---|---|---|
| Service IT Business | Net Sales | 125,518 | **134,500** | +8,982 | [+7.2%] |
| | Operating Income | 8,198 | **8,800** | +602 | [+7.3%] |
| | Operating margin | 6.5% | **6.5%** | ±0.0P | - |
| BPO | Net Sales | 33,699 | **33,500** | -199 | [-0.6%] |
| | Operating Income | 2,622 | **2,600** | -22 | [-0.8%] |
| | Operating margin | 7.8% | **7.8%** | ±0.0P | - |
| Financial IT Business | Net Sales | 114,472 | **115,000** | +528 | [+0.5%] |
| | Operating Income | 14,936 | **15,300** | +364 | [+2.4%] |
| | Operating margin | 13.0% | **13.3%** | +0.3P | - |
| Industrial IT Business | Net Sales | 202,701 | **196,000** | -6,701 | [-3.3%] |
| | Operating Income | 19,159 | **18,100** | -1,059 | [-5.5%] |
| | Operating margin | 9.5% | **9.2%** | -0.3P | - |

- **Service IT Business:** Anticipate higher sales and income as clients' investment in IT, such as payment services and the cloud, generates demand. Positive impact from M&A activity during fiscal 2021 should support higher results.
- **BPO:** New orders may be impacted by prevailing challenges, but changes in the business environment will probably have only minimal overall impact. Nevertheless, expecting slightly lower sales and operating income.
- **Financial IT Business:** Will capture IT investment demand from core clients, emphasize value-added services and improve productivity, which should underpin higher sales and income.
- **Industrial IT Business:** Despite positive aspect of M&A activity, anticipate negative effect from reduced IT investment by clients in manufacturing sector and small and medium-sized companies, causing drop in sales and income.

# Fiscal 2021: Operating Income Analysis, Increase/Decrease Reasons [Forecast]

- Expect to maintain year-on-year par on a performance basis excluding such factors as the impact of newly consolidated subsidiaries.
- Will maintain investment that contributes to future growth, while promoting enhanced cost-control, which includes sustained approaches to boost productivity and the results of "G20" project to elevate head office functions.

[Billions of yen]




**Anticipated prior investment costs for promoting structural transformation: Up ¥1.10 billion (YOY change)**

✓ Software investment to create new services
✓ Investment in human resources to fuel structural transformation
✓ Investment in R&D to acquire advanced technologies

Costs related to

**Anticipated brand-related costs incurred to ensure quick recognition in market: Up ¥0.50 billion (YOY change)**

**Changes in SGA Expenses**

| | |
|---|---|
| Fiscal 2020 (Actual) | 61.05 |
| Enhanced organizational management | +1.50 |
| Effect of new subsidiary consolidation, etc. | +1.59 |
| Other decrease | -0.65 |
| Fiscal 2021 (Plan) | 63.50 |

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Fiscal 2021 Performance Forecast

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Change in Representative Director (President)

Reference Materials

# Return to Shareholders in Fiscal 2021

・No change in dividend outlook for fiscal 2021. Interim dividend set at ¥11 per share.
→ Maintain return to shareholders in line with yardsticks of 40% total return ratio and 30% payout ratio.

| [Millions of yen] | Fiscal 2020 | Fiscal 2021 |
|---|---|---|
| Interim dividend per share | ¥10 | **¥11 [YOY +¥1]** |
| Annual dividend per share | ¥30 | **¥35 [YOY+¥5]** |
| Acquired treasury shares | Total ¥4.14 billion | **Total ¥3.02 billion** |
| Total return ratio | 39.8% | **40.0%** |
| Payout ratio | 25.7% | **29.8%** |

*Total return ratio: Total amount of dividends and treasury stock buybacks as a percentage of net income.
*Treasury stock buyback during fiscal 2021 was completed in May 2020.

**Basic Policy on Return to Shareholders in Medium-Term Management Plan (2018–2020)**

Balance effort to promote growth investment with effort to maintain financial health while reinforcing shareholder returns.

**Total return ratio (yardstick) 40% (up from 35%)**

**Payout ratio (yardstick) 30% (by March 31, 2021)**

**Upper limit on treasury stock holdings at 5% (excess cancelled)**

Fiscal 2021 First Two Quarters Financial Highlights

Fiscal 2021 Performance Forecast

Return to Shareholders

**Progress on Medium-Term Management Plan (2018-2020)**

Change in Representative Director (President)

Reference Materials

# Outline of Medium-Term Management Plan (2018-2020)

TIS
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## Transformation to 2020

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

Company where diverse human resources, reliable, proud and carrying a sense of solidarity,
**approach work enthusiastically**

Increase high-value-added quality (boost value of technology/social research results) through
**value chain reform**

Budget for growth investment to fuel structural transfmoration
**¥80** billion
in 3 years

**Structural transformation**
to deliver ratio of 50% from strategic domain sales

Net sales **¥430** billion

Operating income **¥43** billion

Operating margin **10** %

ASEAN Region
Become
**top class**
group united in IT

Through enhanced management efficiency
ROE **12**%

Become corporate group that contributes
**solutions to environment/social issues**
through business activities



Reposted from Medium-Term Management Plan information meeting materials dated May 10, 2018.

# Basic Policy/Key Performance Indicators

TIS
TIS INTEC Group

## Basic Policy

**Sustainable profit growth**

- With solutions to social issues derived through business activities, establish structure generating medium- to-long-term benefits for society as well as profits to sustain corporate presence
- Achieve cost reduction through enhanced, more efficient headquarters function

**Emphasis on employee self-fulfillment**

- Create environment, culture and programs that motive employees to work hard
- Build human resources portfolio that supports structural transformation, and optimize deployment throughout Group

### Constant transformation, with sense of speed

**Concentrate on core businesses**

- Actively invest to rev up growth engines
- Improve value provided to clients, reinforce existing fields through productivity innovation

**Shift to prior investment style of business development**

- Proactively propose solutions to markets/clients and transform structure to realize business creation
- Pursue strategically directed, robust investment, mainly through M&A and service investment

**Expand global business**

- Become top-class IT group in ASEAN region
- Hone global strengths, emphasizing payment settlement/banking/ERP solutions

## Key Performance Indicators (Fiscal 2021)

| | |
|---|---|
| Strategic Domain Sales Ratio | 50% |
| Operating Income | ¥43 billion |
| Operating Margin | 10% |
| ROE | 12% |



Reposted from Medium-Term Management Plan information meeting materials dated May 10, 2018.

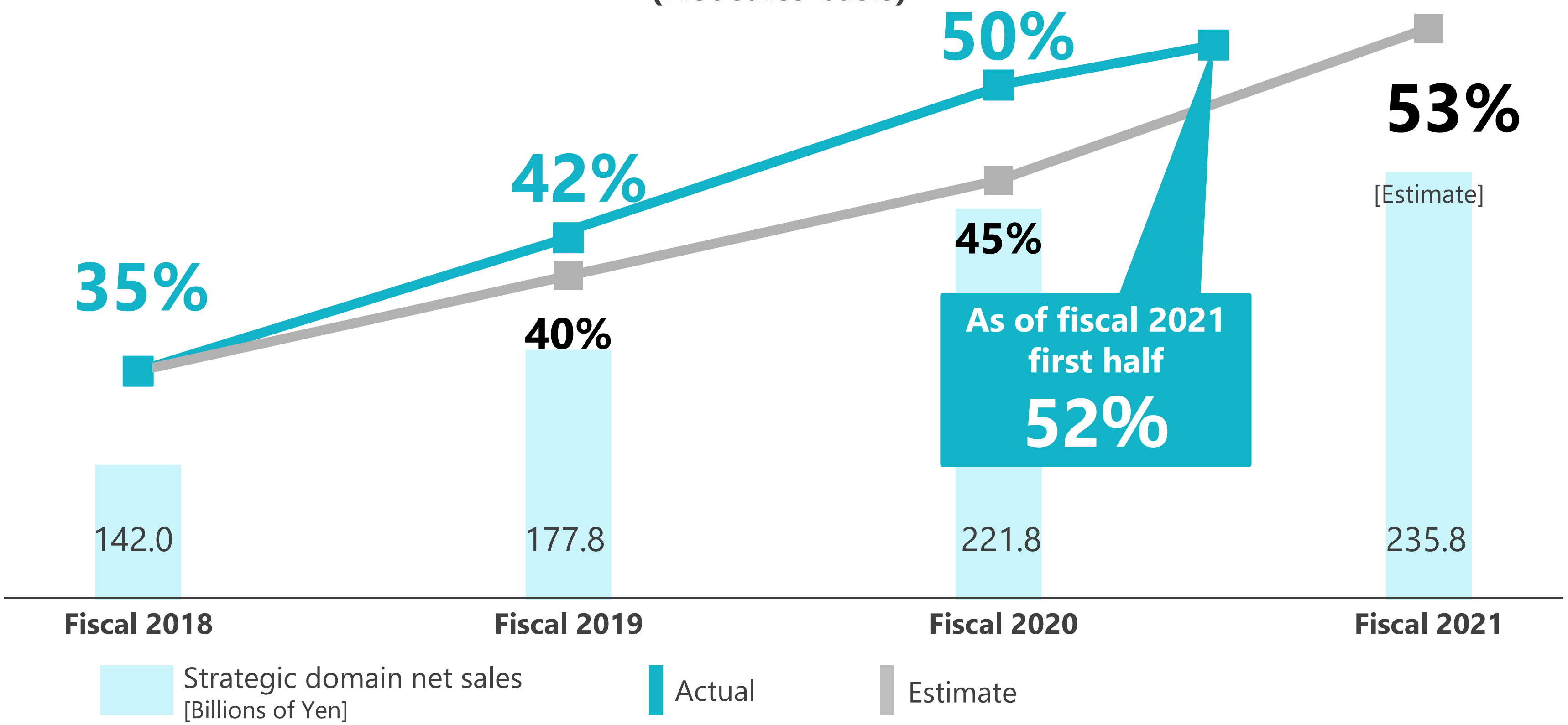
# Activities under Medium-Term Management Plan
# Group Management Direction in Fiscal 2021

| | Fiscal 2021 Group Management Direction | | Status Update as of Second Quarter |
|---|---|---|---|
| ① | **Deepen unified, groupwide management practices and ensure safe office environment and higher efficiency to better cope with sudden changes in operating environment**<br>Instill awareness of OUR PHILOSOPHY, deepen unified, groupwide management practices through office centralization and business and system integration, and respond quickly to ensure safety | ○ | ➢ Group's new common system released as planned, and efforts moving steadily forward to unify shared services for business operations within Group.<br>➢ Introduction of new workstyles in conjunction with opening of new offices, and process continues.<br>➢ Dramatically raised group recognition among business people, hitting 43% —up 11 points year on year—through strategic brand investment. |
| ② | **Maintain financial health while creating social value and engaging in robust growth investment to strengthen ability to provide digital transformation value**<br>Ensure financial health while selectively investing in growth fields and areas of expertise to underpin service-style business and improve ability to provide digital transformation value | ○ | ➢ Strategic domain ratio steadily climbing toward target.<br>➢ Continuing with review to give shape to Group strategy for platform business.<br>➢ Reinforcing management infrastructure to achieve further quality transformation in service-style business.<br>➢ Promoted M&A activity as part of effort to strengthen ability to provide digital transformation value. |
| ③ | **Promote measures and review business portfolio to build stable revenue base**<br>Concentrate on forte fields, pursue stock businesses, eliminate unprofitable projects, emphasize order profitability and thoroughly implement enhancement upgrades | △ | ➢ Continued to emphasize various approaches, including order profitability and enhancement upgrades, even in challenging environment. Gross profit margin continued to improve, reaching 23.8%.<br>➢ Amid difficult conditions, unprofitable projects are likely to hit ¥1 billion for full-year. |
| ④ | **Promote growth strategy aimed at becoming top-class IT group in ASEAN region**<br>Reinforce ties to targets of capital participation and promote joint projects, based on overseas business strategy, and expand global partnerships to cultivate more extensive market presence | △ | ➢ Turned MFEC into a consolidated subsidiary.<br>➢ Continued to draw on composite capabilities facilitated through alliances to maintain prior investments aimed at joint promotion of new platform services.<br>➢ Overseas affiliates accounted for by equity method had negative effect on business results. |
| ⑤ | **Motivate employees and invest in richly diverse human resources who will drive growth in services and fuel demand for digital transformation**<br>Create framework that raises convertibility of value with diverse human resources — the driving force behind the Group's growth — and invest in human resources who will fuel the trend in digital transformation | △ | ➢ Working to firmly establish groupwide human resources strategy to motivate employees, and promoting enhanced capabilities.<br>➢ Still at midway point on human resources investment to attract and train high-level talent who will drive growth in services and fuel efforts in digital transformation. |

# Activities under Medium-Term Management Plan (Topics)
# 1. Structural Transformation Strategy (1)

- Marked favorable progress, particularly with steady expansion in demand for existing Strategic Partnership Business (SPB) and IT Offering Service (IOS).
- Looking to achieve Group Vision 2026, realized structural transformation toward higher-earning-potential, stock-style services in strategic domains and accelerated shift with a sense of speed.

## Charting Growth in Strategic Domain Ratio
**(Net sales basis)**




Strategic domains: Four business areas forming core activities of TIS INTEC Group by 2026. Go to page 39 for details on each strategic domain.

# Activities under Medium-Term Management Plan (Topics)
# 1. Structural Transformation Strategy (2)

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・Roll out review of business portfolio, emphasizing M&A opportunities as well as business concentration and collaboration within the Group.

## Providing higher digital transformation value

### ■ Turned Miotsukushi Analytics Co., Ltd. into consolidated subsidiary (August 2020)

- Formed capital and business alliance as strategic partner (51% equity)
- Working with a team of data analysis experts, TIS will strengthen data analysis and AI-related services, which are key components in clients' digital transformation and pursuit of digital businesses.

### ■ Established TIS Chiyoda Systems, Inc. (October 2020)

- Established joint venture with Chiyoda Corporation (66% equity), and will create strategic partnership to facilitate digital transformation of Chiyoda Group.
- Aim to provide IT solutions to plant engineering sector in the future.

## Reinforcing cooperation within Group

### ■ Continued progress in centralizing operations within the Group

- Following on centralization of EDI business in April 2020, decision made to put some businesses serving administrative authorities, such as local governments, under INTEC (November 2020). Goal is to solidify business brand and sharpen competitive edge through centralization effect.

### ■ Promote Group collaboration with regional subsidiaries

- Leverage stronger connections between TIS and regional subsidiaries. Seek to achieve qualitative structural transformation on groupwide basis and demonstrate composite capabilities by strengthening flagship operations and developing skills of human resources through training and personnel exchanges.

# Activities under Medium-Term Management Plan (Topics)
# 2. Payment Services Strategy

・Take advantage of trend toward cashless transactions and rising demand for noncontact and e-commerce payment services to steadily expand scale of service-style business.
→ Good progress, on track to reach sales of ¥28.5 billion in fiscal 2021.

## ■ Progress in first half of fiscal 2021

### Digital account services (CreditSaaS, DebitSaaS, PrepaidSaaS)

CreditSaaS ・・・ Projects with first corporate users moving smoothly ahead
DebitSaaS ・・・ Sustained demand from regional banks complementing interest from megabanks
PrepaidSaaS・・・Orders coming from wide range of clients, even Fintech ventures

### Digital wallet services

Following on success of MUFG Wallet and TOYOTA Wallet, now planning for fiscal 2021 launch of digital wallet service for wearable devices

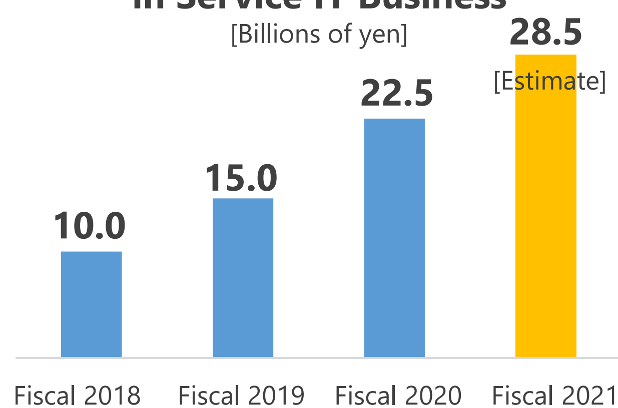
### Beyond Payment

Expanding scope of verification tests for MaaS and Super City platforms and seeing steady progress.

PAYCIERGE®

For a new, more convenient society and beyond

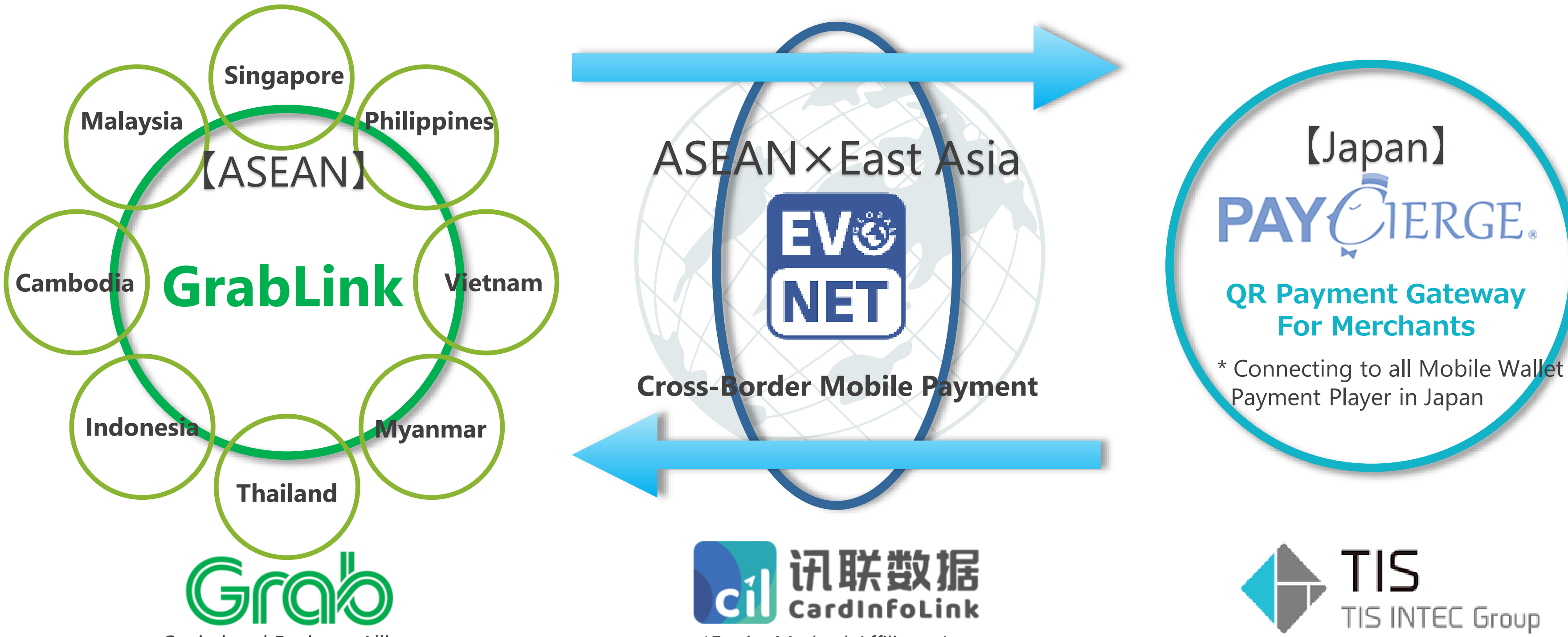
**Sales from payment solutions in Service IT Business**




**Anticipating era of change prompted by swift advances in technology and wider embrace of digitization, and will bring new value and innovation to society through payment solutions.**

# Activities under Medium-Term Management Plan (Topics)
# 3. Overseas Business Strategy (1)

・Based on Capital and Business Alliance with Grab Holdings Inc., TIS and Grab has started the business collaboration
→ To accelerate one of TIS Global Business Vision which is expanding payment solution for global market




＊Capital and Business Alliance
In February, 2020

*Equity Method Affiliates Investees
In March, 2020

- Established a JV, “GrabLink” with Grab and CIL in Singapore to provide IT platform service for GrabLink’s Payment Acquiring Business
- CIL as the preferred partner of GrabLink to co-develop the cross-border mobile payment service called “EVONET” which will connect to GrabPay

**To capitalize on SEA’s rapid cashless growth, TIS will enable SEA and East Asia merchants to accept cross-border wallet payments via EVONET with Grab and GrabLink**



For details on the EVONET business, please go to page 40.

# Activities under Medium-Term Management Plan (Topics)
# 3. Overseas Business Strategy (2)

・TIS and MFEC built a film relationship since we entered into the capital and business alliance. TIS has converted MFEC into a consolidated subsidiary to further strengthen our relationship.
→ Accelerating business transform traditional SI model into next generation Technology & Service Provider, in order to be one of the leading IT Consortium in SEA Region.

## ■Overview of MFEC Public Company Limited

A Leading company providing IT solutions to Thai enterprises , which established in March 1997.
Listed on the Stock Exchange of Thailand and it consist of 10 group companies.

MFEC Public Company Limited

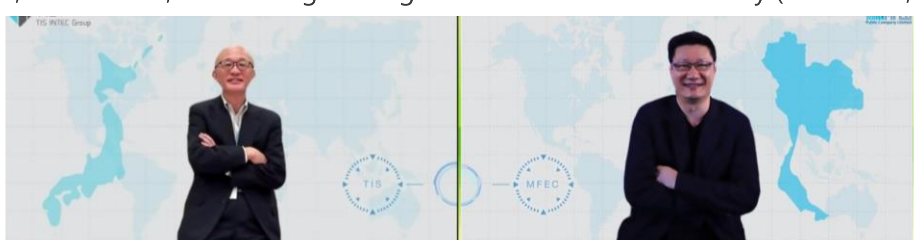
| Consolidated net sales | Consolidated operating income | Number of employees (consolidated basis) |
|---|---|---|
| ¥13.3 billion | ¥0.87 billion | 1,361 |
| (Fiscal year ended December 31, 2019) | (Fiscal year ended December 31, 2019) | (As of December 31, 2019) |

*Calculation based on conversion of actual amount using rate that prevailed on Decembe 31, 2019

## ■Steps toward consolidation

- April 2014 Capital and business alliance (17.7%)
- March 2017 Became affiliate accounted for by equity method (20.0%)
- December 2018 Purchased additional shares (24.9%)
- **October 2020 Became consolidated subsidiary (49.0%)**

Event, held online, celebrating turning into consolidated subsidiary (October 6, 2020)


# Activities under Medium-Term Management Plan (Topics)

## 4. Enhanced Management Practices, Improved Efficiency, and Corporate Brand

・Continuous efforts to promote strategy-driven brand-boosting activities to reinforce management foundation emphasizing TIS INTEC brand.
→ Intensive investment initiated in second half of fiscal 2020 generating results, steadily pushing recognition rate higher.

■TV commercial
First run, February-March 2020, followed by second run, August-September 2020.

First installment: The IT Genie Appears


Second installment : Providing Check-Out Solutions


**Knowledge of TV commercial**
**(Among business people)**
**46%→57%**
(February → August *TIS survey)

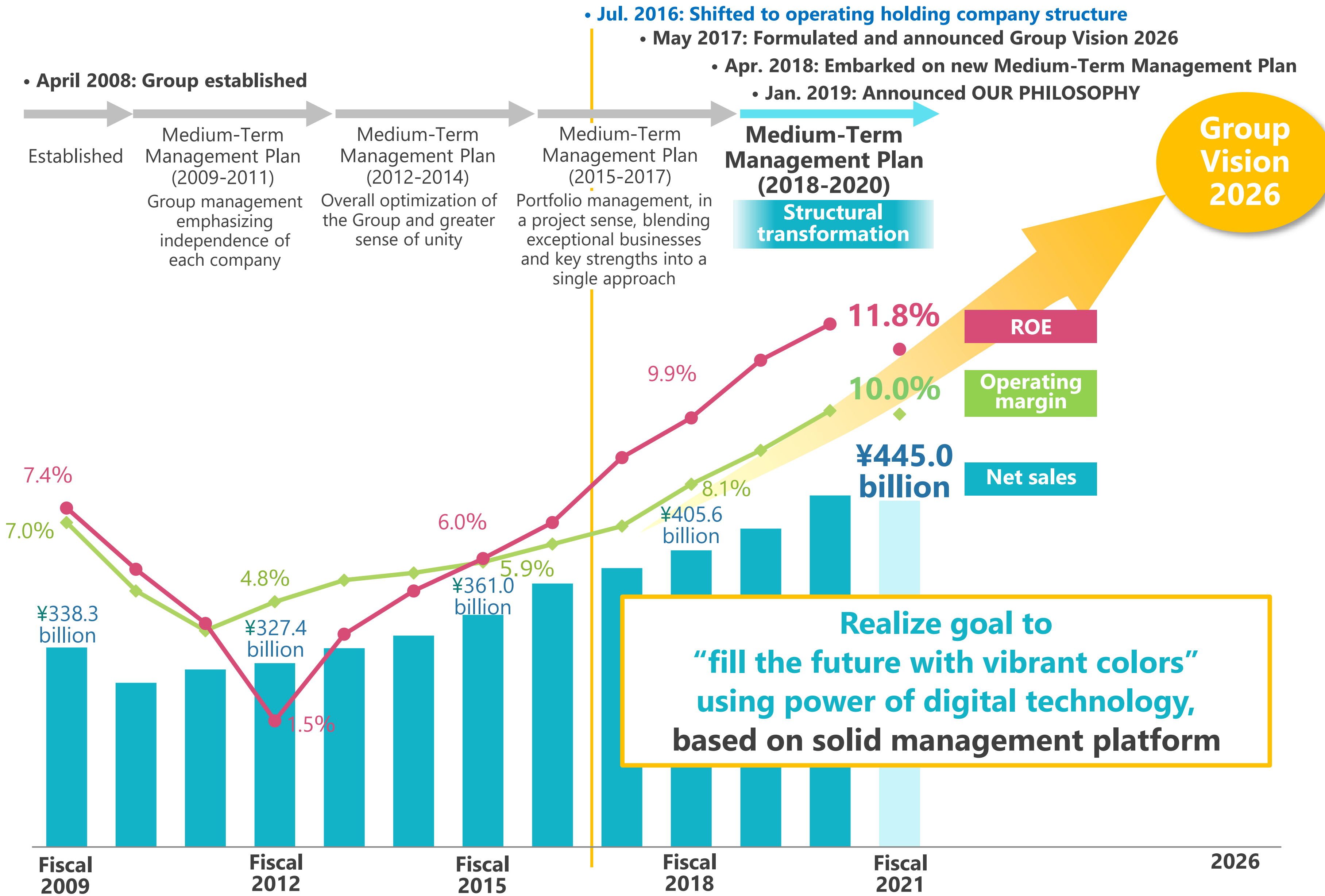
**Group recognition**
**(Among business people)**
**19% → 32% → 43%**
(Before TV CM → February → August *TIS survey)

**IT industry new graduate job seekers Company ranking by popularity**
**Overall: No.15 → No.13**
**Science-based: No.16 → No. 9**

Business policy is the basis for the commercials, which highlight the catchphrase “Make society’s wishes come true through IT.” Measures will be put in place to make TIS INTEC Group the choice of all stakeholders and to raise brand profile.

Make society’s wishes come true through IT.

# Seeking Greater Improvement in Corporate Value



# Deepening Sustainability Management

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- TIS identified four priority themes that will be addressed through business activities and five core business areas where efforts will be focused long term.

→ By creating economic value and social value, we will contribute to the realization of a sustainable society while achieving sustainable improvement in corporate value.

To deepen integration of business and solutions to social issues, TIS established the Sustainability Project Team. This team brings together a diverse set of individuals with specialized knowledge and experience and backcasts from a picture of the world in 2050, imagined through PEST analysis, to consider and discuss possible activities to be planned and taken now.

■ Direction of activities that TIS INTEC Group will embrace

**Social issues that TIS INTEC Group can help with**

**01 Financial inclusion**
More individuals unable to access financial services, such as loans, leading to economic disparity because people cannot participate in economic activity.

**02 Urban concentration and regional decline**
Environmental, social and economic stresses are building because of a concentration of people and government resources into cities. Depopulation continues to impact regions as people leave for urban centers.

**03 Low-carbon/decarbonization**
Increase in economic losses due to natural disasters and other events triggered by climate change.

**04 Health concerns**
Increase in lifestyle-related diseases paralleling changes in lifestyle and aging of society

**Business domains identified by TIS INTEC Group for active engagement as core future businesses**

| | |
|---|---|
| Economy | Finance, production (manufacturing) |
| Governance | e-government, urban design |
| Mobility | Human movement, logistics |
| Energy & Environment | Energy (grid-related) |
| Living | Medical treatment, healthcare |

**In the next medium-term management plan, we plan to incorporate various strategies, including business strategies, investment strategies and R&D strategies, into the five core business areas.**

Fiscal 2021 First Two Quarters Financial Highlights

Fiscal 2021 Performance Forecast

Return to Shareholders

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**Change in Representative Director (President)**

Reference Materials

# Change in Representative Director (President)

• A decision was made to appoint a new president, under a new management execution structure, to fuel sustainable growth of the TIS INTEC Group and raise corporate value still higher through steady implementation of the next medium-term management plan, which launches in April 2021.

■ Introducing the new president *Appointment planned for April 1, 2021

**Yasushi Okamoto** (currently, Director, Executive Vice President)

(Born March 3, 1962)

Catchphrases that underscore sustained improvement in corporate value

- **Unified Group management**
- **Sustainability management**
- **Profitability emphasis**
- **Enhanced frontline**

Toru Kuwano, currently Representative Director, Chairman and President, will assume the position of Director and Chairman, as of April 1, 2021. He will be a non-executive director and chairman and focus his efforts on enhancing the corporate governance structure from a position that oversees the execution of business activities.

Fiscal 2021 First Two Quarters Financial Highlights

Fiscal 2021 Performance Forecast

Return to Shareholders

Progress on Medium-Term Management Plan (2018-2020)

Change in Representative Director (President)

## Reference Materials

# Fiscal 2021 Second Half:
# Sales and Income for Key Business Segments [Forecast]

| [Millions of yen] | | Fiscal 2020 second half | Fiscal 2021 second half | YOY change | |
|---|---|---|---|---|---|
| Net Sales | | 227,420 | 233,692 | +6,272 | [+2.8%] |
| Operating Income | | 25,739 | 26,289 | +550 | [+2.1%] |
| Operating Margin | | 11.3% | 11.2% | -0.1P | - |
| Net Income Attributable to Owners of the Parent Company | | 16,144 | 19,223 | +3,079 | [+19.1%] |
| Net Income to Net Sales Ratio | | 7.1% | 8.2% | +1.1P | - |
| **Key Business Segments** | | | | | |
| Service IT Business | Net Sales | 65,650 | 71,631 | +5,981 | [+9.1%] |
| | Operating Income | 5,741 | 6,228 | +487 | [+8.5%] |
| | Operating Margin | 8.7% | 8.7% | ±0.0P | - |
| BPO | Net Sales | 17,478 | 16,434 | -1,044 | [-6.0%] |
| | Operating Income | 1,629 | 1,291 | -338 | [-20.7%] |
| | Operating Margin | 9.3% | 7.9% | -1.5P | - |
| Financial IT Business | Net Sales | 59,016 | 61,410 | +2,394 | [+4.1%] |
| | Operating Income | 8,010 | 8,625 | +615 | [+7.7%] |
| | Operating Margin | 13.6% | 14.0% | +0.5P | - |
| Industrial IT Business | Net Sales | 103,287 | 104,527 | +1,240 | [+1.2%] |
| | Operating Income | 10,646 | 10,301 | -345 | [-3.2%] |
| | Operating Margin | 10.3% | 9.9% | -0.4P | - |

*Estimated amounts for the second half of Fiscal 2021 are calculated by subtracting the first half results from the annual estimates of Fiscal 2021.

# Structural Transformation Strategy: Desired Status and Promotion Measures (Create/Transform/Expand)

## 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**

***Promotion Measures***

- Help solve clients' management concerns through hypotheses and proposals
- Demonstrate composite strengths of Group; utilize advanced technologies and forte products
- Build closer client connections at each level, hinging on management class
- Launch joint projects with business partners

## 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**

***Promotion Measures***

- Establish schemes/systems emphasizing speed
- Build eco-systems in cooperation with business partners
- Utilize and provide access to Group's marketing channels

## 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**

***Promotion Measures***

- Take on responsibility for clients' value chain and contribute to business expansion
- Escape from labor-intensive business through greater use of machines and automation
- Add business services to Group's IT Offering Service
- Utilize and provide access to Group's market channels

## 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**

***Promotion Measures***

- Team up with clients to pursue new business opportunities
- Demonstrate innovation through creative alliances with business partners
- Encourage business creation using business ideas of individuals



Reposted from Medium-Term Management Plan information meeting materials dated May 10, 2018.

# Overseas Business Strategy: EVONET Business

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TIS INTEC Group

## ■ Overview of cross-border payment service EVONET

Build **global payment network EVONET**, which will connect payment settlement providers* in East Asia and ASEAN region, and provide **IT platform for cross-border payments** required in each nation.

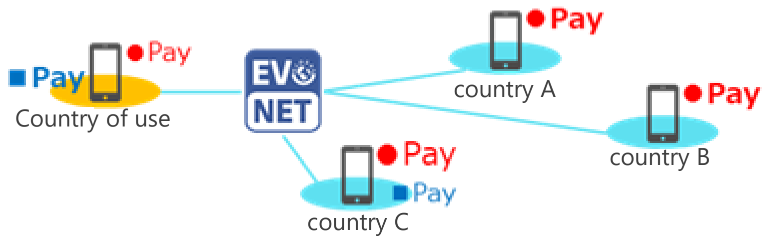
*Mobile wallet and Card Brand, ACQ, ISS, Bank

### What EVONET achieves

Connecting mobile wallet to EVONET will

(1) enable payment with ● Pay, which could only be used in country of issue, at stores overseas

(2) enable payment with ■ Pay, issued in overseas country C, at merchants in home country




- For users: Enhanced convenience as users can pay at overseas stores using ● Pay, and there is no need to exchange money.
- For providers/merchants: Increase Revenue as outbound customers use mobile wallet overseas and inbound customers use Mobile wallet at local shops

### Target Countries and regions

Japan, China, Hong Kong, South Korea, Singapore, Thailand, Indonesia, the Philippines, Vietnam, Malaysia, Myanmar and Cambodia

## ■ Overview of CardInfoLink

A Fintech company established in 2010 and headquartered in Shanghai, China. Has ties to Alipay, Wechat Pay, UnionPay, VISA, MasterCard, JCB, Diners Club, AMEX and payment service providers in Japan and Asia, and provides payment transaction processing services and data services. Authorized by GrabLink Pte. Ltd. as Preferred External Mobile Wallet Integration Service Provider.

## TIS INTEC Group Logo Underlying Concepts

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

## Brand Message "Go Beyond"

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