



MEMBERSHIP
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(Translated from the Japanese original)

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Notice regarding Revision of Directors' Compensation

TIS Inc. (hereafter, "TIS" and "the Company") hereby gives notice that the Company's Board of Directors decided at its meeting on this date to revise the compensation system (hereafter, "Compensation System Revision") for directors, executive officers and executive fellows (excluding external directors, non-executive directors and non-residents of Japan; hereafter, collectively "Directors"). Details are provided below.

In line with Compensation System Revision, the Board of Directors decided to put forward at the 16th Annual General Meeting of Shareholders to be held on June 25, 2024 (hereafter, "the General Meeting of Shareholders"), a proposal to increase maximum compensation for directors and corporate auditors as well as a proposal to revise the upper limit on stock acquisition funds under a performance-linked stock incentive plan and the total number of Company shares granted to directors and executive officers (excluding non-executive directors and non-residents of Japan). Revisions, conditioned upon approval of these proposals at the General Meeting of Shareholders, will go into effect with compensation paid to Directors from July 2024.

Compensation System Revision was submitted to and approved by the Board of Directors, based on recommendations by the Compensation Committee, a voluntary advisory body to the Board of Directors comprising a majority of independent outside directors.

Details

1. Purpose of Compensation System Revision

To establish an executive compensation system designed to maximize corporate value by setting a globally competitive compensation level that will attract and keep management personnel with exceptional talent, providing high performance-linked ratios that motivate executives to actively contribute to sustainable corporate growth, and incorporating incentives to improve long-term management efficiency and promote sustainability initiatives.

2. Summary of the Compensation System Revision

The contents of Compensation System Revision include changes to compensation composition ratios for Directors as well as the level of total compensation, a review of performance evaluation metrics, changes to compensation limits for directors and auditors, and changes to the performance-linked stock incentive plan.

- (1) Changes to compensation composition ratios for Directors as well as level of total compensation
Current compensation for Directors comprises the following three components:

- i. Basic compensation (monetary): Monthly compensation set for each position in order to serve according to responsibilities of the job
- ii. Performance-linked compensation (monetary): Compensation linked to degree of success in achieving previous fiscal year's initial performance targets
- iii. Performance-linked stock incentive (stock-based): Compensation linked to degree of success in achieving medium- to long-term performance targets*

* In each fiscal year, operating income, earnings-per-share, service-style business gross profit, job satisfaction, customer/service satisfaction, business partner satisfaction

The revision calls for a review of the level of total compensation and the ratio for performance-linked compensation, based on the aforementioned composition structure, with reference to compensation market research data compiled by a specialized external agency. In regard to composition ratios, the ratio of performance-linked compensation will increase and greater emphasis will be placed on a performance-linked stock incentive to provide healthy motivation that will translate into higher corporate value over the medium to long term and fuel sustainable growth. A model case demonstrating the defining attributes of composition ratios for basic compensation, performance-linked compensation and a performance-linked stock incentive is presented below.

If performance targets (standard) are achieved

(Before revision)

Title	Basic compensation	Performance-linked compensation	Performance-linked stock incentive
Director (excluding part-time)	60%	30%	10%

(After revision)

Title	Basic compensation	Performance-linked compensation	Performance-linked stock incentive
Directors			
President	50.0%	25.0%	25.0%
Executive Vice President, Senior Managing Executive Officer	55.0%	22.5%	22.5%
Managing Executive Officer, Executive Officer	60.0%	20.0%	20.0%
Director (non-executive officer)	100.0%	—	—

Performance-linked compensation will vary from 0 to 1.5 times and the performance-linked incentive will vary from 0.5 to 1.5 times, depending on the degree of success in achieving targets, where the performance-linked ratio increases in relation to management accountability. At the first general meeting of shareholders, held on June 25, 2009, a proposal was adopted whereby TIS pays performance-linked compensation based on the results of the previous fiscal year, effective from the Company's second fiscal year, with performance-linked compensation divided into 12 equal parts and paid monthly. Based on compensation market research data compiled by a specialized external agency, TIS will change from monthly payments of performance-linked compensation to a single, annual lump-sum payment. For payment of performance-linked compensation based on fiscal 2024 business results, the current payment method will be used as a transitional measure to the new system, and payment of performance-linked compensation based on fiscal 2025 business results will be a lump-sum payment in 2025.

- (2) Review of performance evaluation indicators
Seeking to maximize corporate value, TIS will introduce new metrics for performance-linked compensation and performance-linked stock incentives that will further encourage efforts to contribute to improving management efficiency and promoting ESG initiatives.

i. Performance-linked compensation

TIS will introduce coefficients linked to the degree of success in achieving conventional single-year consolidated performance, with consolidated net sales, consolidated operating income and EPS as financial indicators and stakeholder satisfaction (*), ESG score and governance items as non-financial indicators.

(*) Stakeholder satisfaction is based on the results of surveys to garner satisfaction among employees, clients and business partners.

ii. Performance-linked stock incentive

TIS will revise coefficients similar to the degree of success in achieving conventional performance-linked compensation targets and introduce a metric linked to total shareholder return (TSR).

(3) Changes to compensation limits for directors and auditors

At the first General Meeting of Shareholders, held on June 25, 2009, shareholders approved a proposal that set a limit on director compensation at ¥400 million per year (of which, ¥50 million was for outside directors) and a limit on auditor compensation at ¥85 million per year. However, in line with Compensation System Revision, TIS will put forward a proposal at the General Meeting of Shareholders to raise the limit on director compensation to ¥800 million (of which, ¥100 million will be for outside directors) and the limit on auditor compensation to ¥150 million.

(4) Changes to performance-linked stock incentive plan

On May 10, 2018, TIS announced the introduction of a performance-linked stock incentive plan (hereafter, “the Plan”; adopting a framework known as a Board Incentive Plan Trust (“the Trust”); wherein, the Trust is set up under a trust contract with Mitsubishi UFJ Trust and Bank Corporation which performs trust-related administrative tasks). The Plan was approved as director compensation by shareholders at the 10th General Meeting of Shareholders, on June 26, 2018, and a proposal to continue the Plan was similarly approved by shareholders at the 13th General Meeting of Shareholders, on June 24, 2021, and remains in effect at this time. TIS has acquired Company’s shares from the market through the Trust in a number reasonably expected to be required for delivery and payment of Company’s shares (Note 1) in each applicable period (Note 2). However, in line with Compensation System Revision, the upper limit on funds contributed by TIS to acquire shares in each period will revise, from ¥700 million (of which, Company portion is ¥520 million) to ¥1,810 million (of which, Company portion is ¥1,630 million). In addition, the Company will put forward a proposal at the General Meeting of Shareholders to increase the compensation limit related to the Plan and change the recipients of compensation from directors who are currently eligible for compensation to directors and executive officers (excluding non-executive directors and non-residents of Japan). The Plan will have a limit set separately from the director compensation limit described in (3) above. In line with this, TIS will partially revise the content of the Plan. For details, please refer to the press release “Notice regarding Continuation of Performance-Linked Stock Incentive Plan and Partial Changes,” dated today.

- Notes:
1. Refers to Company’s shares and cash equivalent to amount of Company’s shares converted to market value.
 2. The three business years, from the year ended March 31, 2019, through the year ended March 31, 2021, and the three business years that begin after the previous three business years are each referred to as the applicable period.

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