



TIS
TIS INTEC Group

Go Beyond

Transformation to 2020

Embarking on new medium-term management plan to realize Group vision



Integrated Report 2018

Year Ended March 31, 2018
(From April 1, 2017, to March 31, 2018)

Securities Code: 3626

About the TIS INTEC Group

We will achieve structural transformation as a cohesive corporate group to realize Group Vision 2026.

Corporate Image in 2026

Create Exciting Future

Utilize advanced technologies and know-how to realize business innovation and market creation

New Medium-Term Management Plan

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—



The TIS INTEC Group has embraced a forward-looking group vision for 2026 that will raise corporate value of the entire group even higher. To build a solid foundation for success, the Group embarked on a new medium-term management plan in April 2018 that runs until 2020.

Under the slogan “Transformation to 2020—Achieving structural transformation as a corporate family and taking the lead in finding solutions to social issues,” we aim to achieve continuous corporate growth and higher corporate value.

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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 2018

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.

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TIS INTEC GROUP

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TIS INTEC GROUP



What does the TIS INTEC Group do?

The TIS INTEC Group accurately addresses the diverse needs of a client base that extends across many industry sectors, as one of Japan's leading IT corporate groups. As a cohesive group, comprising about 20,000 people, we will provide IT services that draw on the individual strengths

of each company and its human resources to support the business activities of a vast client base in such industries as finance, manufacturing, services and the public sector, at home and abroad, and contribute to efforts that support personal lifestyles and social infrastructure.

*Market data including market share is calculated/estimated by TIS INTEC Group.



History of the TIS INTEC Group

1964

Toyama Computer Center, Inc. (now, INTEC) established.

1971

Toyo Information Systems, Co., Ltd. (now, TIS) established.

April 2008

ITHD is created through the management integration of TIS and INTEC Holdings, Ltd.

2008–2009

ITHD Group is reorganized. INTEC Holdings is merged into INTEC, and nine TIS subsidiaries are put under the direct control of ITHD.

December 2009

SORUN Corporation joined the ITHD Group.

April 2011

ITHD orchestrated a three-company merger involving TIS, SORUN and UFIT Co., Ltd., with TIS as the surviving company.

June 2014

ITHD debuted a single logo for all Group companies and adopted a new brand message, "Go Beyond".

March 2015

ITHD turned AGREX Inc. into a 100% consolidated subsidiary.

May 2015

Discussions on Group reorganization began

July 2016

Shift to TIS INTEC Group

ITHD executed an absorption-style merger with TIS, adopted its subsidiary's high-profile name and transitioned to an operating holding company.

May 2017

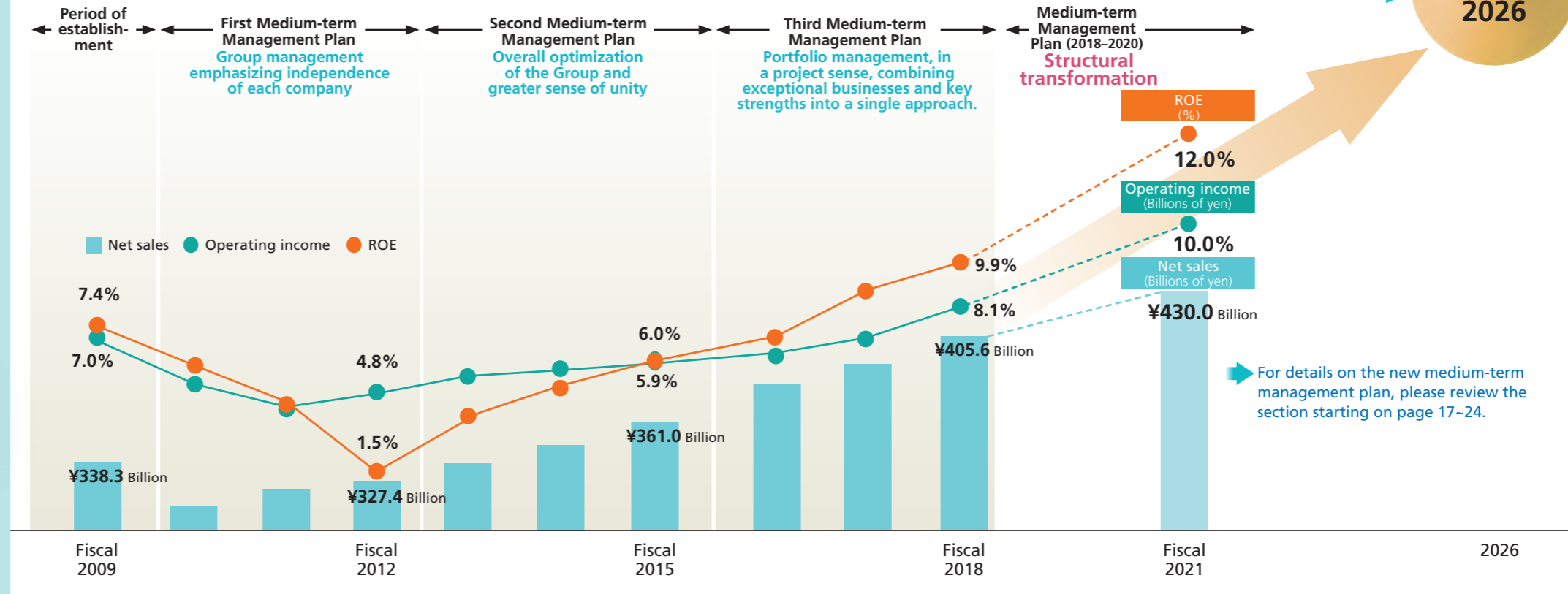
Announced "Group Vision 2026", the overall picture of the Group in 2026

April 2018

Launched new medium-term management plan

Group Vision 2026

TIS INTEC Group companies have been leaders in the information services industry since its inception

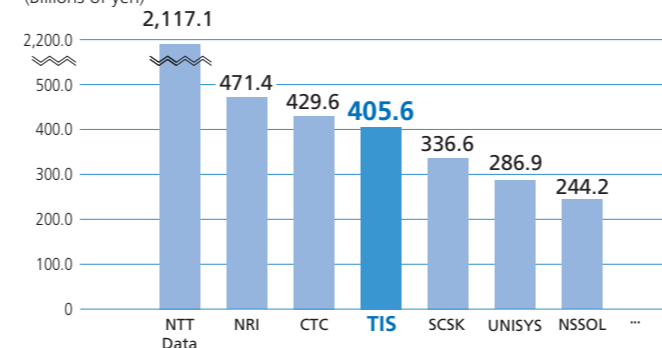


IT Services Industry Market Scale and Industry Position

The TIS INTEC Group belongs to the IT services industry. TIS, a core member of the Group, is a leading, independent prime contractor, ranked as the industry's No. 2 system integrator on a consolidated sales basis.

Net Sales of Japan's Leading IT Companies

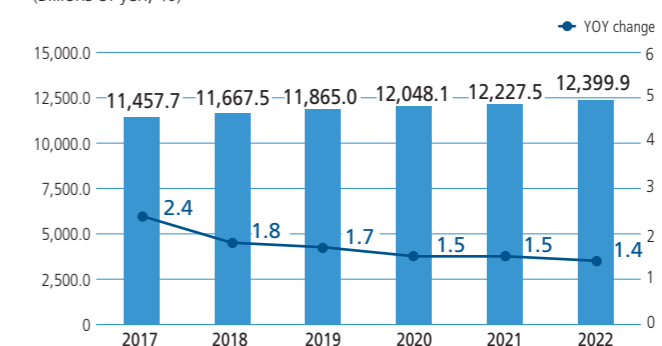
(Year ended March 31, 2018)
(Billions of yen)



* The graph data indicates net sales of NTT DATA Corporation, Nomura Research Institute, Ltd., ITOCHU Techno-Solutions Corporation (CTC), SCSK Corporation, Nihon Unisys, Ltd., NS Solutions Corporation, and TIS INTEC Group.
* 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 Services, Japan, 2016-2022, 2Q18 Update" M. Sawai/September 5, 2018
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.

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TIS INTEC GROUP

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TIS INTEC GROUP

Profile

Group History

Value Creation Process

Consolidated Financial/Non-Financial Highlights

To Our Stakeholders

Medium-Term Management Plan

Group Business Strategies

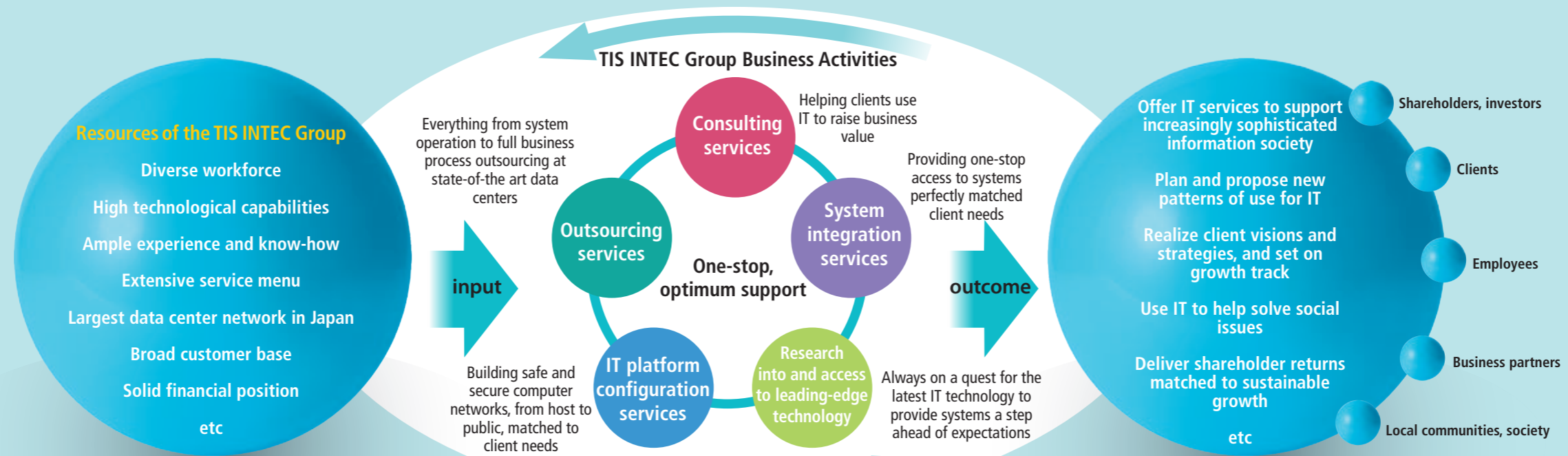
Platform that Supports Value Creation Process (ESG Section)

Consolidated Financial Summary

Corporate Data

TIS INTEC Group Value Creation Process

“Create value through IT” “Change society through IT” “Open doors to the future through IT”



We help solve social issues through business activities

The Group acts delivering the best solutions to address clients' IT needs. At the same time, we create new value for society and contribute to improvements that pave the way to a better future.

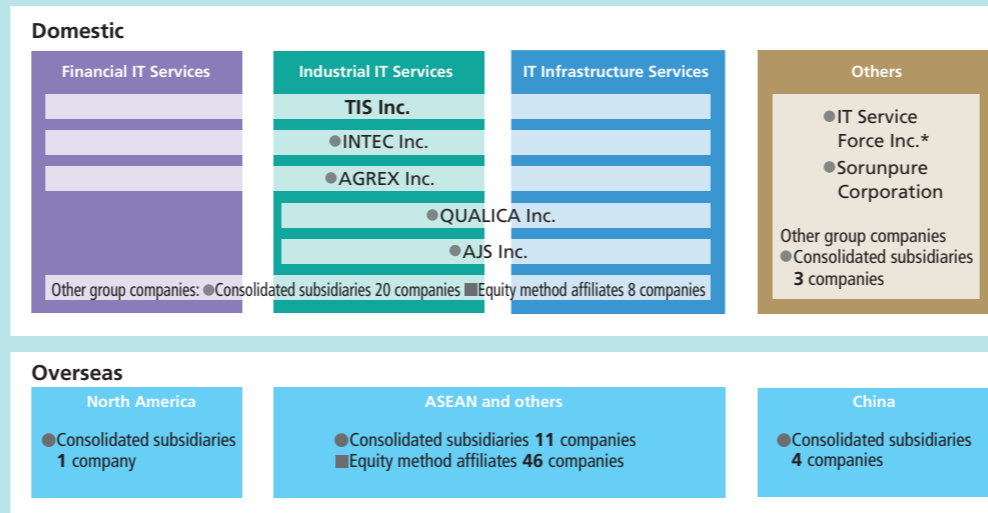


Group Management Philosophy

The TIS INTEC Group seeks to be a corporate citizen whose activities, namely, the provision of various services utilizing information technology (IT), match its status as a leading corporate group, and will strive 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.

- We will cultivate a vibrant corporate culture that encourages companies and individuals under TIS INTEC Group umbrella to work toward higher goals and embrace new challenges, and thereby ensure corporate growth.
- We will always provide our very best to clients by combining Group strengths to foster higher quality and greater sophistication in our technological capabilities.
- We will uphold high corporate morals and fulfill our social obligations.

As of March 31, 2018, the TIS INTEC Group consists of the parent company, 45 consolidated subsidiaries, and 54 affiliated companies accounted for under the equity method.



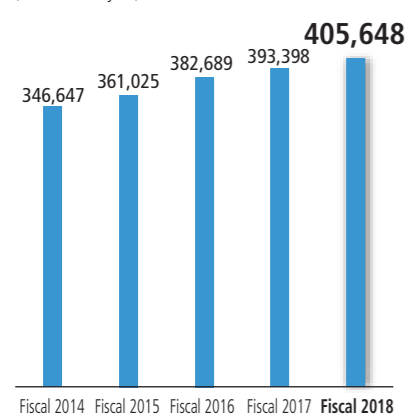
*As of July 1, 2018, the Company merger It Service Force Inc.

About the Group's Five Principal Companies

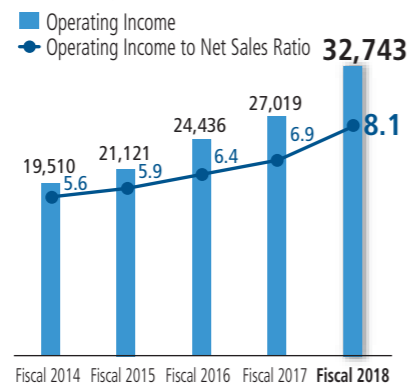
Company Name	Shareholding Ratios	Description of Business
TIS Inc.	—	Focuses on credit card companies but pursues business opportunities in a wide range of sectors, including services and manufacturing. Merged with SORUN and UFIT in April 2011 and implemented structural reforms. Merged with pure holding 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

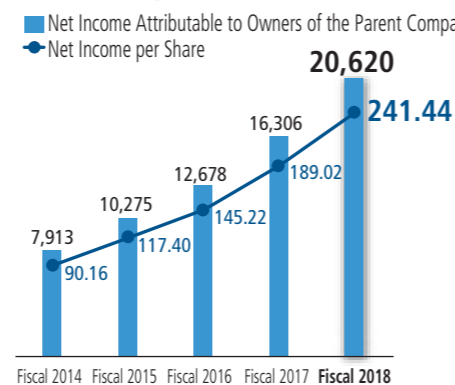
Net Sales (Millions of yen)



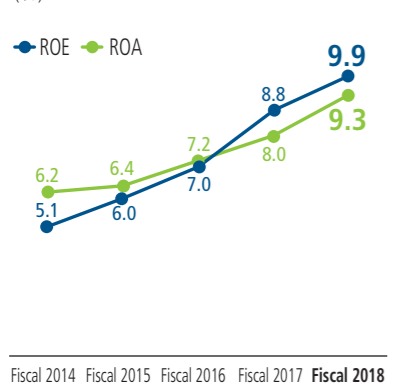
Operating Income, Operating Income to Net Sales Ratio (Millions of yen, %)



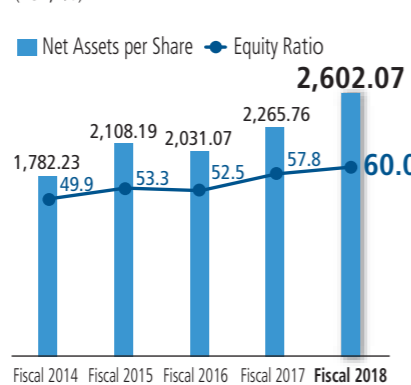
Net Income Attributable to Owners of the Parent Company (Millions of yen), Net Income per Share (Yen)



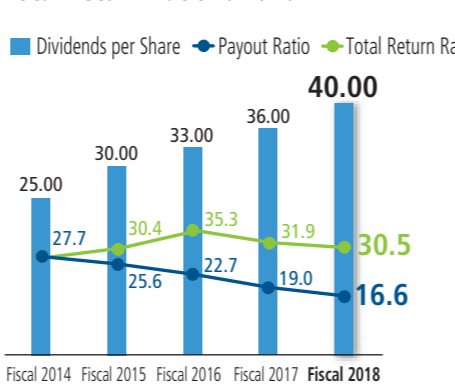
ROE, ROA (%)



Net Assets per Share, Equity Ratio (Yen, %)

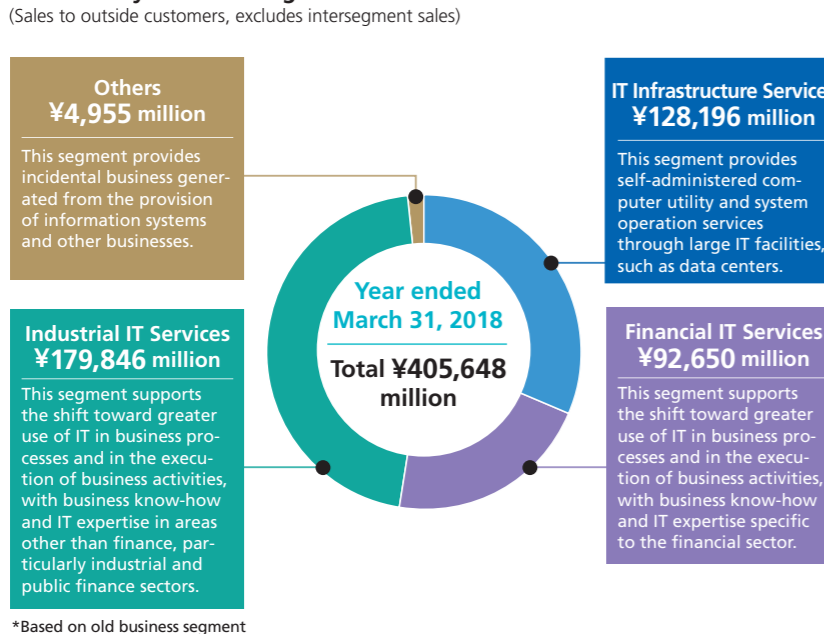


Dividends per Share, Payout Ratio, Total Return Ratio* (Yen, %)



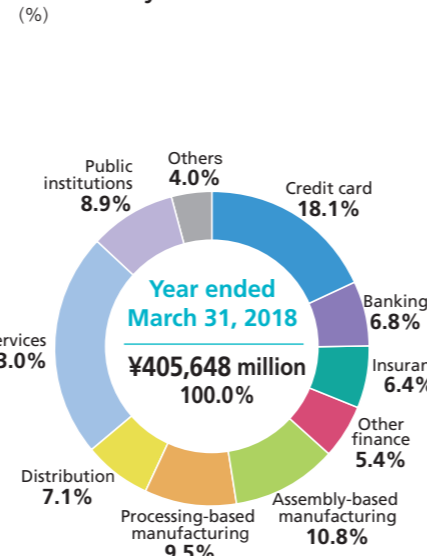
*Total return ratio: Total amount of dividends and treasury stock buybacks as a percentage of net income.

Net Sales by Business Segment (Sales to outside customers, excludes intersegment sales)

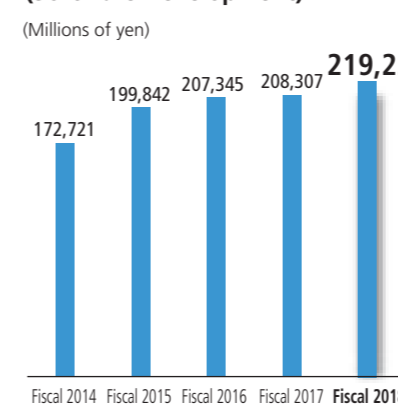


*Based on old business segment

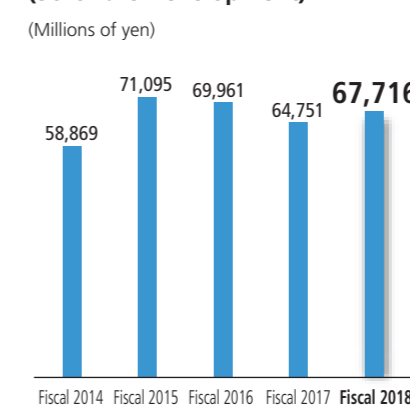
Net Sales by Client Sector (%)



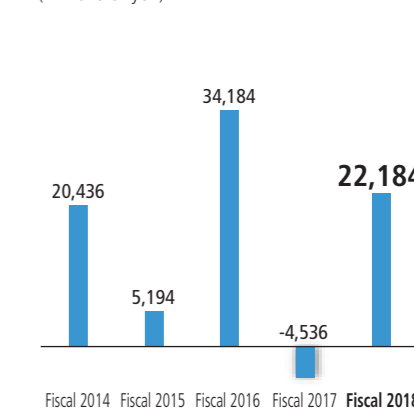
Orders Received during the Term (Software Development) (Millions of yen)



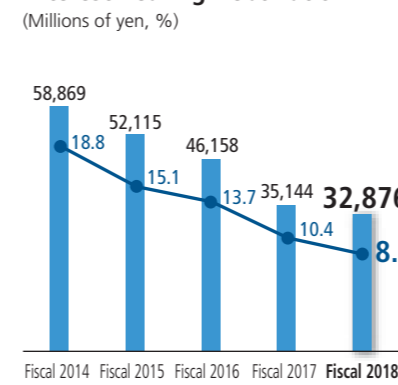
Order Backlog at Year-End (Software Development) (Millions of yen)



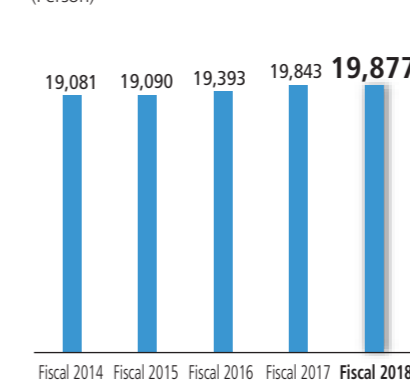
Free Cash Flow (Millions of yen)



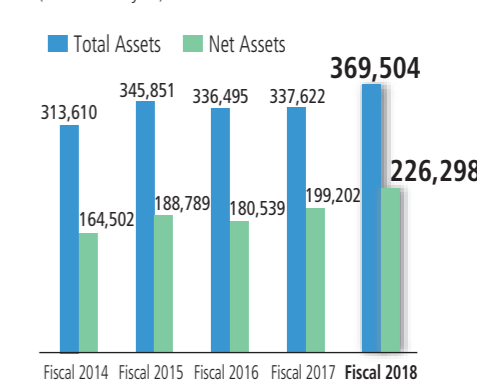
Interest-Bearing Debt Balance, Interest-Bearing Debt Ratio (Millions of yen, %)



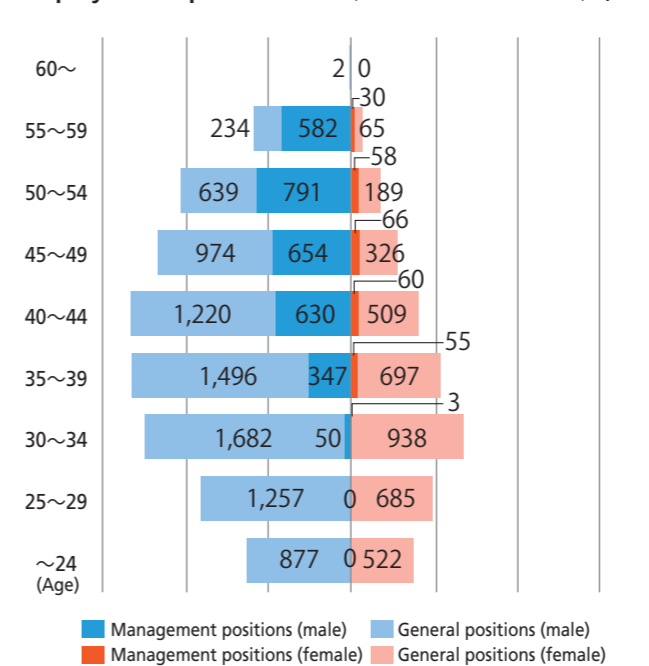
Number of Employees at Year-End (Person)



Total Assets, Net Assets (Millions of yen)



Employee Composition (As of April 1, 2018) (Number of employees)



Non-Financial Data (As of April 1, 2018)

Number of full-time employees	Male	11,435	Average total working hours	168.37
	Female	4,203	Non-scheduled hours worked	20.63
	Total	15,638	Ratio of annual paid leave taken	67.63
Average age	Male	39.87	Number of employees on maternity leave	463
	Female	35.63	Of this, men (paternity leave)	27
	Total	38.73	Number of employees working shorter number of hours to care for young children	670
Average length of service (years)	Male	15.49	Of this, men	12
	Female	11.47	Employees on nursing care leave	13
	Total	14.40	Employees working shorter number of hours to care for elderly family	3
Turnover rate		4.63	Number of non-Japanese employees (foreign nationals)	156
Number of employees in management positions	Male	3,056	Percentage of employees with a disability Note 2	2.18
	Female	272	Percentage of employees over the age of 60 Note 3	1.97
	Total	3,328		
Number of employees in general positions	Male	8,379		
	Female	3,931		
	Total	12,310		
Percentage of employees in management positions	Male	26.72		
	Female	6.47		
	Total	21.28		

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 : 8,550.0 people; employees with a disability: 186.0 people).
3. Percentage of employees over the age of 60 is calculated based on June 1, 2018.



We will restructure into a cohesive group, seeking to be an innovator that can create new markets.

Toru Kuwano, TIS Chairman and President, talks about Medium-Term Management Plan (2018–2020), which began in April 2018.

Toru Kuwano, CEO and President

桑野 徹

Summary of Medium-Term Management Plan (2018 – 2020)

Q1. Where is this medium-term management plan placed in the greater scheme of corporate strategy ?
“It’s a vital three year period that forms the first stage of our journey to achieve Group Vision 2026.”

The new medium-term management plan, which runs from 2018 to 2020, is important because it is the first stage of a journey toward achieving Group Vision 2026. This vision was created through repeated discussions that started when the new structure for the TIS INTEC Group, with TIS as the operating holding company, took effect on July 1, 2016. The objective of Group Vision 2026 is to move forward as a cohesive corporate group, with everyone traveling in the same direction to boost corporate value. In 2017, we laid the groundwork through activities to promote a deeper understanding and appreciation of Vision 2026 and concurrently drafted the current medium-term management plan. What makes this plan different from those that have come before it is that we planned backwards from the image defined under Group Vision 2026. With the end point as our starting point, we determined what we have to do to reach that destination and where our efforts should put us when the current medium-term management plan concludes.

The theme is, in a nutshell, “structural transformation.” Essentially, we will strive for sustainable profit growth and an emphasis on employee self-fulfillment by realizing structural transformation in three areas—concentrating on core businesses, shifting to a prior investment style of business development and expanding global business. Key performance indicators for March 2021 are a strategic domain sales ratio of 50%, operating income of ¥43 billion, an operating margin of 10% and return-on-equity of 12%. In addition, we will actively engage in prior investment and capitalize on M&A opportunities to leverage structural transformation, with investment up to a maximum of ¥80 billion over three years.

Q2. What is the objective behind a strategic domain sales ratio of 50%?
“Growth in IT offering service, which includes service-style business, is essential.”

Group Vision 2026 sees the core businesses of the Group shifting toward four strategic domains— strategic partnership business (SPB), IT offering service (IOS), business function service (BFS) and frontier market creation business (SPB)—by 2026.

Our emphasis on structural transformation and efforts to boost the strategic domain sales ratio, which currently sits at 35% and hinges on the SPB, is a reflection of a rapidly changing social landscape. Client companies are struggling with leading-edge digital technologies, notably, artificial intelligence (AI) and the Internet of Things (IoT), as well as diversifying user needs, and they persist in a trial-and-error process in an attempt to figure out how best to adjust their business models and services to the new environment. It was typical, at one time, that system development required clear-cut issues and goals and then time and money invested over the medium to long term to address those issues and achieve those goals. But today, companies need IT and digital methods to get services and products to market as quickly as possible and then constantly update these services and products based on market response. In this environment, the TIS INTEC Group must also change, responding with flexibility and a sense of speed. That is, we have a different role to fulfill, moving away from a mission-accomplished style in favor of a solution-proposal style emphasizing speed. Given this situation, management tapped IT offering service as a strategic domain of particular importance for expansion during the medium-term management plan and placed service-style business*—at the heart of IT offering service—as a key growth engine.

An example of service-style business is CreditCube+, a retail payment settlement-related business and a Group strength. Paralleling diversification in business models, the retail payment settlement business has attracted the interest of companies in distribution, communications and various other industries beyond financial institutions, including credit card companies. CreditCube+ is a SaaS*-style solution providing a credit card settlement platform system and services. It has the potential to reduce the time and cost needed prior to the start of a retail payment settlement business and will therefore play a part in the spread of cashless settlement by supporting companies that have entered this realm.

The TIS INTEC Group's retail payment settlement business strategy will continue to emphasize building and operating large-scale core systems for major financial institutions, which is an existing strength. But we will complement these activities with multi-payment gateways, such as wallet services and QR code settlement using token services*, through alliances with companies in Silicon Valley, in the United States, and companies in China. We will be making preparations during the current medium-term management plan. Through these efforts, our retail payment settlement-related business will become more comprehensive. I believe the TIS INTEC Group might be the only provider capable of offering such a thorough response, so our strengths are bound to shine even more brightly.

* Service-style business: Business that goes beyond building and delivering customized solutions matched to specific requirements for systems and other provided structures to provide standardized services that can be used by an unspecified large number of customers in any given industry or industry sector.

* SaaS (Software as a Service): Structure or service that distributes software over the Internet or through some other communication network and is on-demand so that the user can access required software whenever needed.

* Token service: A service that substitutes sensitive data with a non-sensitive equivalent—a token—to facilitate payment settlement over the Internet without putting data at risk.

Q3.

What is the difference between strategic partnership business and IT offering service?

“In the SPB we become a strategic business partner to our corporate clients, and in the IOS, we create services that support a more technologically oriented society.”

It would be no exaggeration to say that today IT = management strategy. TIS has to demonstrate a consulting function that extends to the management strategy of its corporate clients, and this is the ideal that the Strategic partnership business strives (SPB) for. For this business, our first step is to steadily develop account managers in the truest sense from industry-specific business divisions and significantly expand capabilities by 2026. At the same time, the IT offering service (IOS) will create vital platform-style services for society through prior investment and promote access to all sorts of companies that need such services.

The two domains differ in perspective, with the SPB characterized by a per-customer approach and the IOS taking a per-service approach based on social needs. The billing structures, required personnel and evaluation standards differ as well. Consequently, we undertook a review of employee performance evaluations and the compensation structure, and in April 2018, we changed the management structure at TIS by adding two new business units—the Industry Strategy Sector and the Service Strategy Sector—and clarified the role of each unit. In conjunction with this, the reporting segments for TIS were changed. Financial IT and Industrial IT pursue industry-specific business activities with strategic partnership business in mind, while Service IT focuses on IT offering service. The two other reporting segments are BPO, which provides business process outsourcing services, and Other.



Q4.

Describe your strategy for human resources.

“A corporate atmosphere that motivates employees and enables them to achieve personal goals is essential for corporate growth.”

I believe, without a doubt, that people are a company's most important management resource. So, you could say, of the five basic policies listed in the current medium-term management plan, the emphasis on employee self-fulfillment is the most important. It would be no exaggeration to say that the success of the current medium-term management plan hinges on a good human resources strategy because we have to embrace a much different approach to work and a different perspective on work to be the kind of company—and corporate group—we aspire to be.

A work environment that provides motivation and job satisfaction leads to enhanced capabilities of diverse human resources as well as higher corporate value. Aware of the benefits that such an atmosphere can produce, we started to reshape our human resources structure ahead of the current medium-term management plan and introduced an employee performance evaluation and the compensation structure, including a high-end professional position, that is better matched to activities, such as service-style business and consultations, which differ from earlier business pursuits. In addition, we set up Human Resources SBU in April 2018, formulated a corporate manifesto highlighting such points as creating a comfortable workplace, optimizing assignment of human resources and ensuring compliance from a labor perspective. We also disclosed an activity policy on efforts to become a company where employees love to work, and we established concrete numerical targets for the current medium-term management plan that will be regularly updated with progress reports.

On the management side, we will continue to promote various measures under workstyle reform and health management to cultivate the skills of each and every one of our diverse employees and realize sustainable corporate growth. Our purpose is to encourage employees to acquire a strong sense of professional awareness and pride in what they do, which will motivate everyone to embrace challenges without fear of failure and ultimately achieve personal goals. This is what I would like to see.

Q5.

Any measures to enhance the performance level and efficiency of management overall?

“We will raise the transparency and social aspect of our operations and fulfill our function as an innovator to create new markets.”

To enhance the performance level and efficiency of management, we will continue to emphasize corporate governance. From fiscal 2019, independent outside directors represent one-third of all directors, and one of the three outside directors is a woman—a first for TIS. We also set up two committees—the Nomination Committee and the Compensation Committee—to ensure objectivity and transparency in the decision-making process for appointing and compensating directors. Meanwhile, with a view toward such factors as future implementation of international accounting standards, we intend to cut ¥2 billion, equivalent to 10% of head office costs, by fiscal 2021 through the integration of Group core systems between TIS and INTEC. Furthermore, to provide an incentive to directors and employees, we introduced a performance-linked stock incentive plan for directors and a trust-type employee stock ownership incentive plan for employees. Another new structure is the Corporate Sustainability Committee, which is part of an effort to make directors and employees more personally aware of the social aspect of operations as well as corporate social responsibility, that is, the contribution we can make through our business activities to provide solutions to social issues and thus support sustainable social development, and also to strengthen group-wide initiatives.

Today might be called the age of digital transformation—a time when various leading-edge technologies create a significantly different society than before. Against this backdrop, what is the TIS INTEC Group's raison d'être? It is vital for each and every employee to be aware of our mission to create new markets and a bright future as an innovator, and that, as the external environment around us changes, so too much we change.

I believe the previous medium-term management plan made it possible for us to exceed all numerical targets and, thanks to measures underpinned by three basic concepts—profit emphasis, IT brain and portfolio management—we achieved growth on a groupwide basis. But is that good enough? No. Through the current medium-term management plan, we will promote structural transformation and build a solid platform to support realization of Group Vision 2026. I am convinced that this will allow us to contribute even more to society through our business activities and constantly improve corporate value. There are many issues to address, but the path toward solutions is clear. All directors and employees under the TIS INTEC Group umbrella will strive as a cohesive team to reach new goals. The continued support of our stakeholders will, as always, be integral to our success.

Looking Back on Third Medium-Term Management Plan "Beyond Borders 2017"

(From April 2015 to March 2018)

Despite some issues still to address, the Group achieved growth overall and exceeded numerical targets in all categories through the previous medium-term management plan "Beyond Borders 2017".

Numerical Targets→Exceeded in all categories Basic Concepts

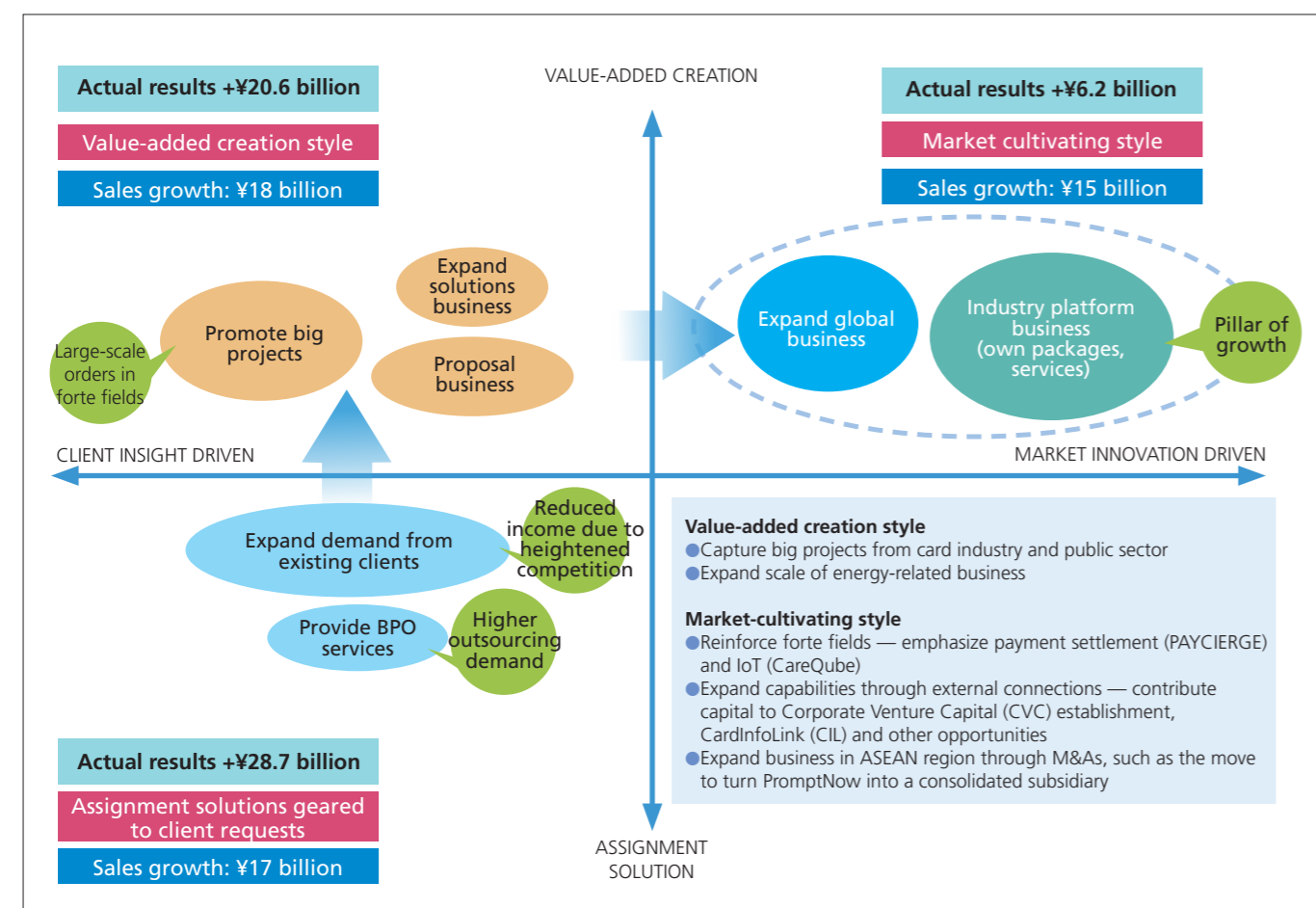
Numerical Targets (Fiscal 2018)		
	Estimates	Actual results
Net Sales	¥400.0 billion	¥405.6 billion
Operating Income [Operating Margin]	¥30.0 billion [7.5%]	¥32.7 billion [8.1%]
Net Income Attributable to Owners of Parent Company [Net income to net sales ratio]	¥16.0 billion [4.0%]	¥20.6 billion [5.1%] <i>Achieved a year ahead of schedule</i>
ROE	8.0%	9.9% <i>Achieved a year ahead of schedule</i>

Profit Emphasis	
●	Steadily improve profitability, matched to expanding business results
●	Work to prevent appearance of unprofitable projects, and continual theme to keep at low level

IT Brain	
●	Wider demand for value-added creation style responses, along with assignment solutions geared to client requests, will fuel expansion of consolidated sales
●	Shift toward market-cultivating style services requires greater sense of speed

Portfolio Management	
●	Steadily leverage measures aimed at optimizing Group capabilities, including transition into operating holding company

Progress Made Through Third Medium-Term Management Plan: IT Brain



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TIS INTEC GROUP

Results Made Through Third Medium-Term Management Plan: Portfolio Management

	Results of Key Activities
Promote total optimization of Group operations	<ul style="list-style-type: none"> ● Implemented shift to operating holding company to strengthen Group governance ● Executed transfer of businesses (national health insurance, electricity and gas sectors) between TIS→INTEC ● Promoted concentration of domestic and overseas BPO operations under AGREX
Integrate/centralize shared functions within Group	<ul style="list-style-type: none"> ● Prioritized integration of systems with highly effective components to expand scope of shared systems within Group ● Integrated offices in Tokyo, Osaka and Nagoya ● Realized full Group rollout of CMS, improved capital efficiency of Group overall ● Conducted review of strategic stockholdings and data centers, improved asset efficiency
Realize higher level of administrative management	<ul style="list-style-type: none"> ● Promoted project to pursue possible introduction of IFRS ● Reviewed business segments with eye toward breakdown better matched to new management structure ● Strengthened response to taxation topics (BEPS response), mainly at overseas Group companies ● Promoted enhanced IR content through production of integrated report, effective from fiscal 2016 ● Organized and consolidated internal control management systems, and brought unified system under Group Internal Control Committee supervision ● Emphasized efforts to encourage women to be more active in workplace, seeking to build career-path diversity <small>*Four companies under Group umbrella received highest level certification under "Eruboshi" system, based on the Act Concerning the Promotion of Women's Career Activities.</small>
Cultivate corporate culture with sense of solidarity	<ul style="list-style-type: none"> ● Debuted unified Group logo in July 2016 ● Formulated Group Vision 2026, and worked to foster widespread awareness of vision content ● Published first Group newsletter

To realize sustainable growth and higher corporate value, we must stay ahead of major changes in society and, through constant transformation of the Group, promote structural renewal and establish a resilient management foundation.

To New Medium-Term Management Plan

Change in Reporting Segments to Promote Structural Transformation

In April 2018, the Company changed its management system to promote structural transformation and restructured Service Strategy Sector and Industry Strategy Sector. Consequently, TIS changed its reporting segments from a management approach perspective, effective from the fiscal year ending March 31, 2019.

Key Points Regarding Change in Segments

- Service IT created as business unit, facilitating visualization of progress in structural transformation into service-style business, which is positioned as future core operations.
- BPO created as business unit, promoting business through high-level BPO combining service know-how and use of advanced technologies
- Data center business positioned as IT platform supporting SI business and service-style business, and integrated into each segment.

New Reporting Segments

Service IT Business	Business providing knowledge intensive style IT services that turn TIS' own service and industry know-how into universalized, template-oriented solutions. (Includes default configuration, and ERP)	Strategic domains fueling growth	IT Offering Services
BPO	Business using extensive service and IT know-how to provide BPO, including marketing and sales services and office and contract operations.		Business Function Services
Financial IT Business	Business drawing on business and operating know-how specific to financial sector to make operations more high-value-added, expand application of IT to operations and support the execution of operations using IT.		Strategic Partnership Business
Industrial IT Business	Business drawing on business and operating know-how specific to industries other than finance to make operations more high-value-added, expand application of IT to operations and support the execution of operations using IT.		

*In addition to the above, there is an "Other" segment.

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TIS INTEC GROUP

To realize sustainable growth and higher corporate value, we must stay ahead of major changes in society and, through constant transformation of the Group, promote structural renewal to 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—

Corporate Targets in 2020

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 transformation in three years **¥80 billion**

Key Performance Indicators (Fiscal 2021)

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

Key Performance Indicators (Fiscal 2021)

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

Outline of New Medium-Term Management Plan "Transformation to 2020" Basic Policy

- 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

Sustainable profit growth

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

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

Constant transformation, with sense of speed

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.

2026 Corporate Ideal

"Create Exciting Future"

Utilize advanced technologies and know-how to realize business innovation and market creation

Seeking Position on Global Stage

- Be seen by leading companies in different industries as having an appealing presence, always trusted as a strategic partner
- Always embrace reform in existing industries and markets, and earn reputation as market-creating innovator
- Transcend the limits of an IT enterprise; be a leading company with innovative market concepts
- Proudly demonstrate high profile and showcase solid standing as a corporate group chosen by clients, society, employees—everyone

Strategic Domains

- Strategic Partnership Business: Lay both a revenue base and a technology/know-how base
- IT Offering Services: Prior-investment business functioning as pillar of profit
- Business Function Services: Recognized as Group forte, driver of growth
- Frontier Market Creation Business: Driver of explosive growth through creative destruction of prevailing walls

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.

2016 **Medium-Term Management Plan (2018-2020)** 2026

Business Domains in 2016

Business Creator		
Supporting clients/businesses	Marketable services	Network infrastructure services BPO services
	Specific responses	IT system configuration and operation Provide IT engineering expertise
		IT domains Service domains

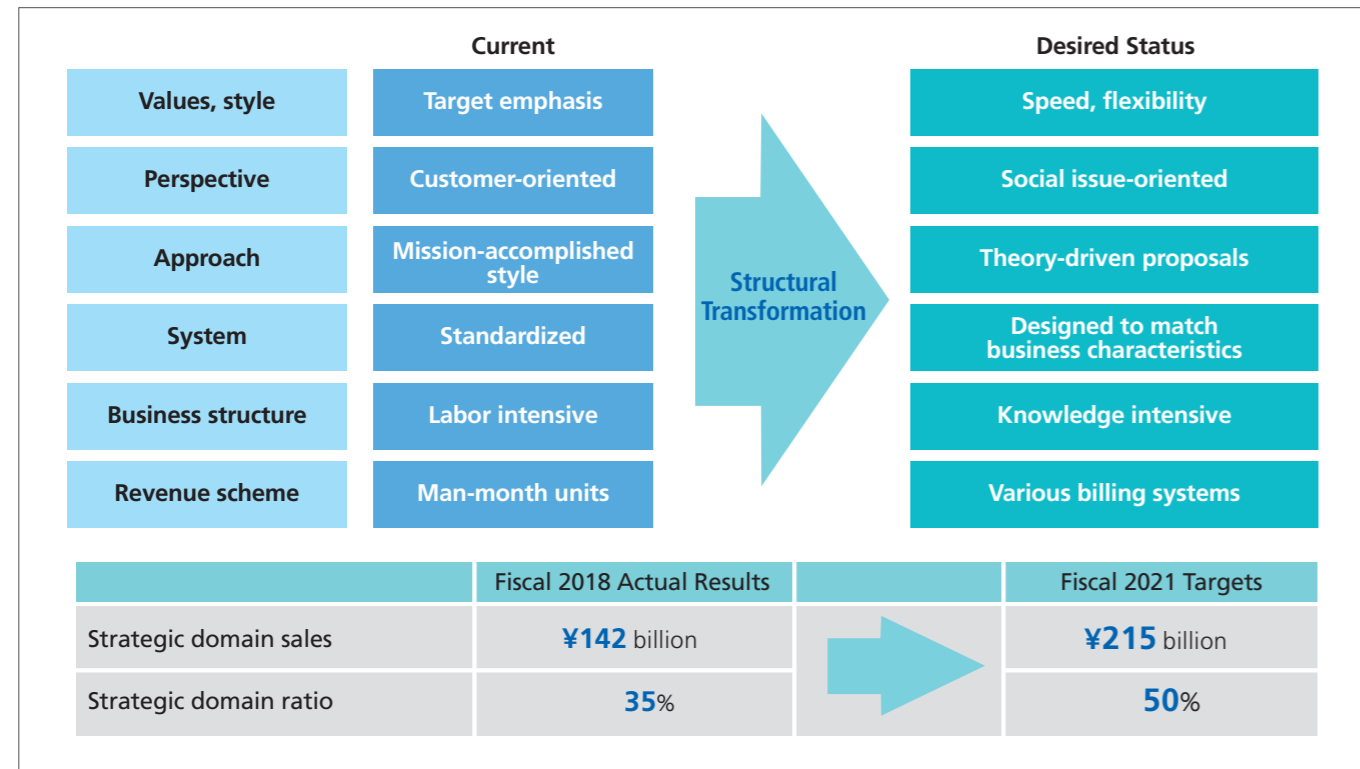
Evolution of strategic domains

Strategic domain ratio (net sales basis)

Fiscal 2018: **35%** → Fiscal 2021: **50%** → **Above 70%**

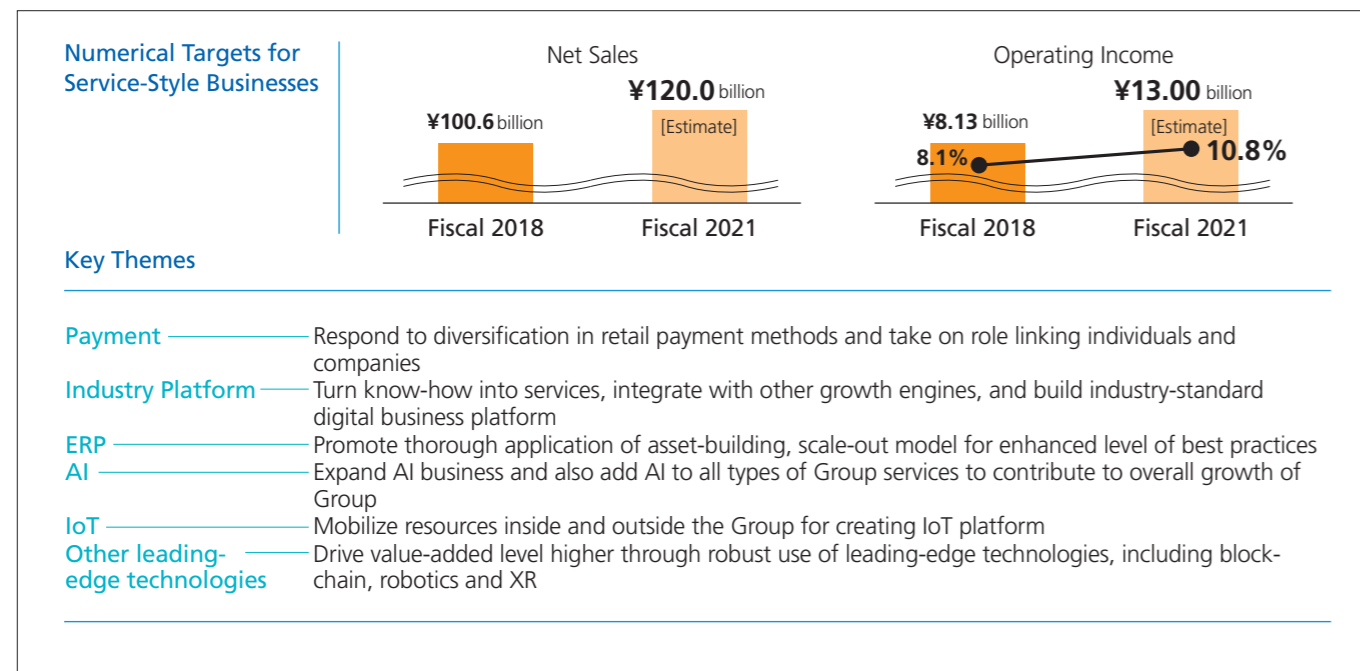
Structural Transformation Strategy

Promote structural transformation that includes new set of values and systems to achieve sustainable growth through expansion of strategic domains



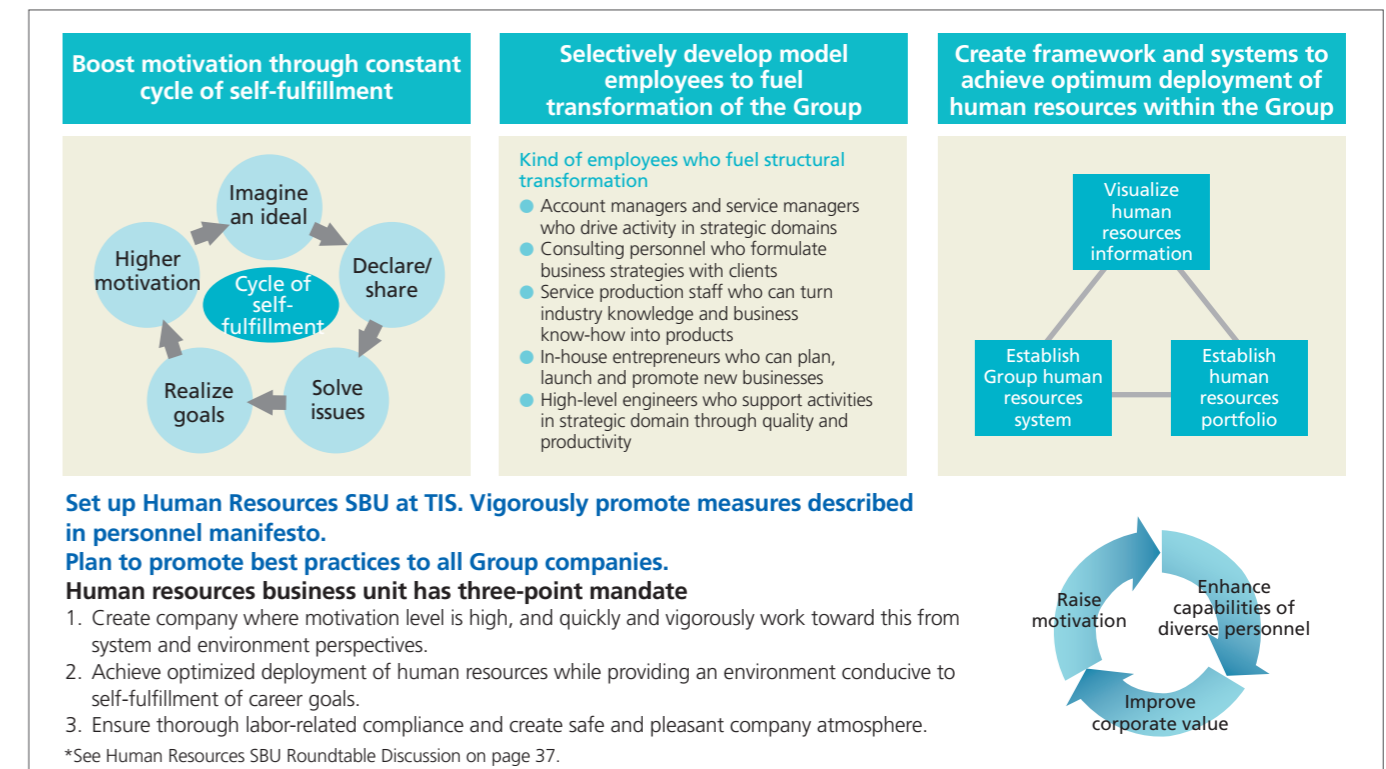
Structural Transformation Strategy: Promoting Service-Style Business

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.

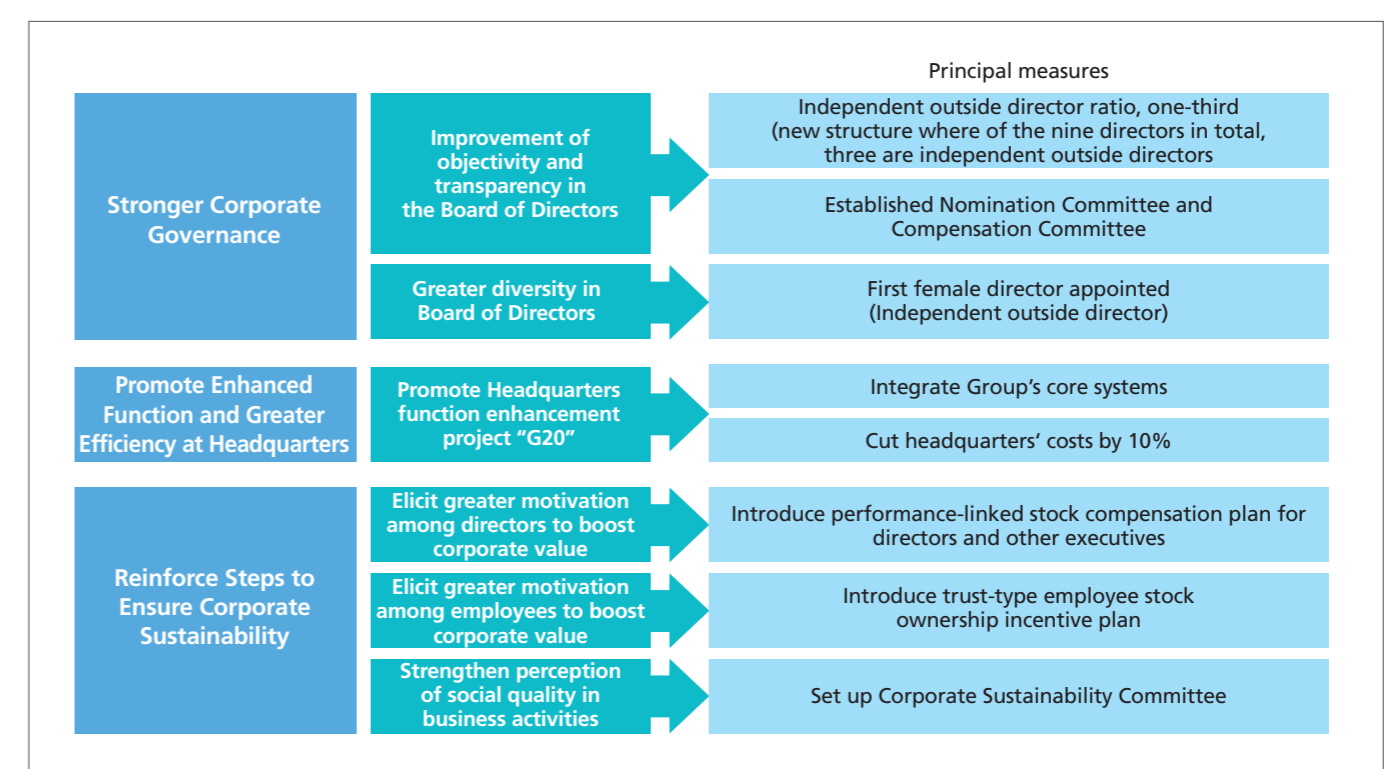


Human Resources Strategy

Employees are huge source of power driving the Group's growth. Prioritize efforts to help employees achieve career goals. Strive to create framework and corporate culture in which diverse human resources can thrive by boosting motivation and reinforcing human resource management.

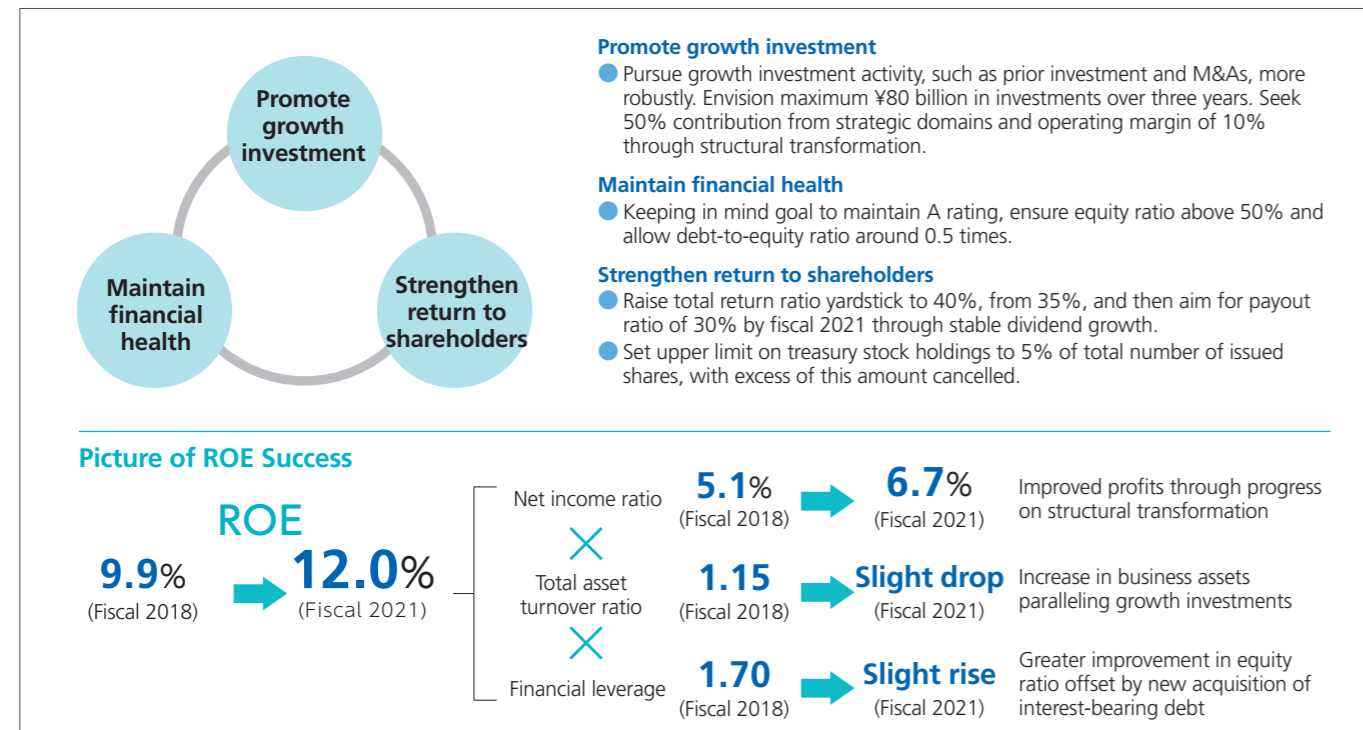


Strategies for Enhanced Management Practices and Improved Efficiency



Toward Further Improvement in ROE

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.



Promote growth investment

- Pursue growth investment activity, such as prior investment and M&As, more robustly. Envision maximum ¥80 billion in investments over three years. Seek 50% contribution from strategic domains and operating margin of 10% through structural transformation.

Maintain financial health

- Keeping in mind goal to maintain A rating, ensure equity ratio above 50% and allow debt-to-equity ratio around 0.5 times.

Strengthen return to shareholders

- Raise total return ratio yardstick to 40%, from 35%, and then aim for payout 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.

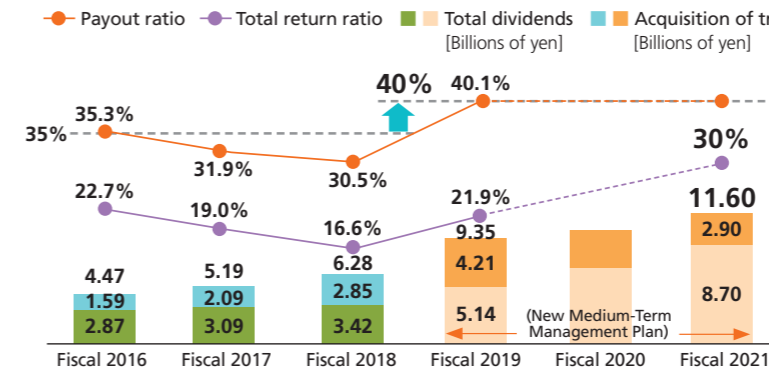
Basic Policy on Return to Shareholders

- 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.

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)



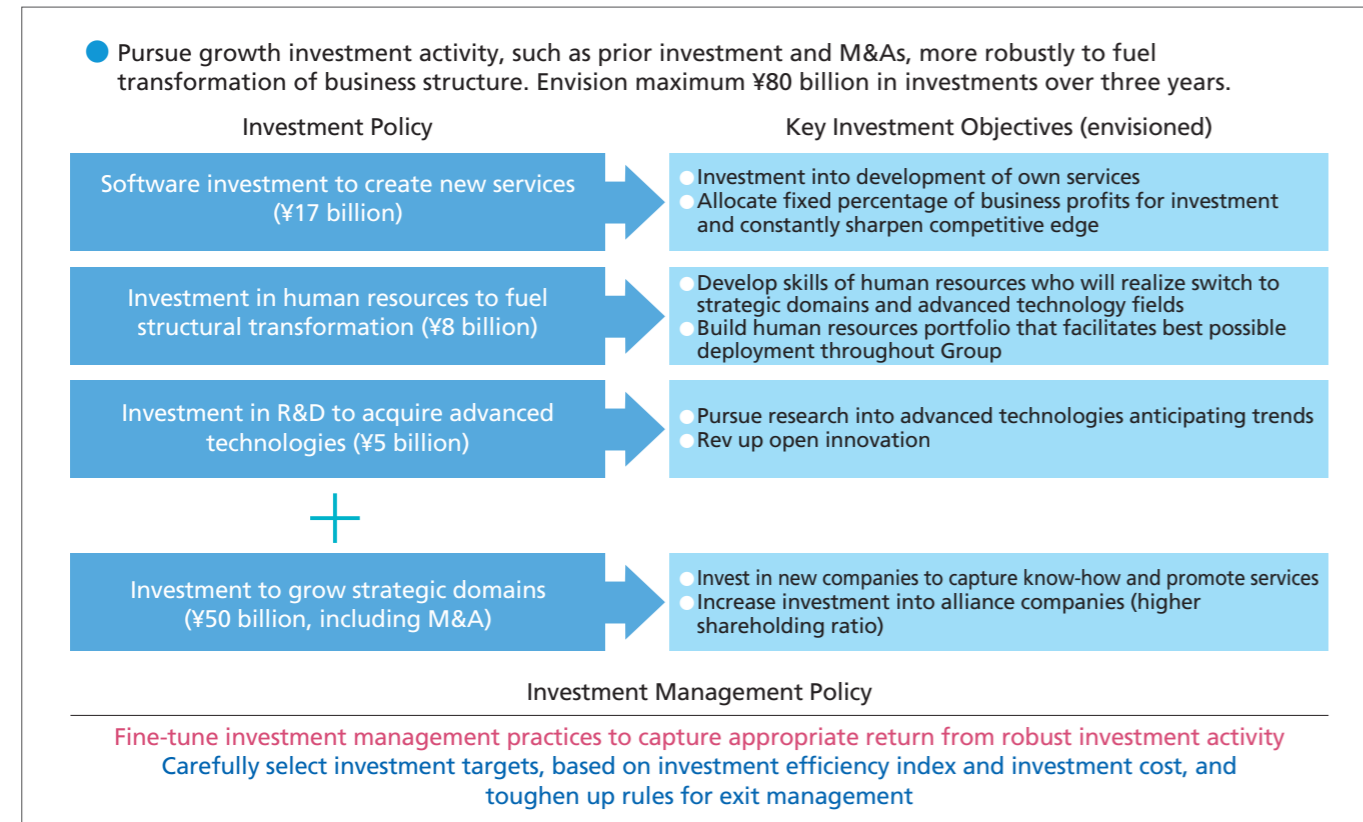
Dividends

For fiscal 2018, the Company paid a year-end cash dividend of ¥26.00 per share (the annual dividend of ¥40.00 per share). For fiscal 2019, the Company plans to pay an annual dividend of ¥60 per share, including an interim dividend of ¥20 per share.

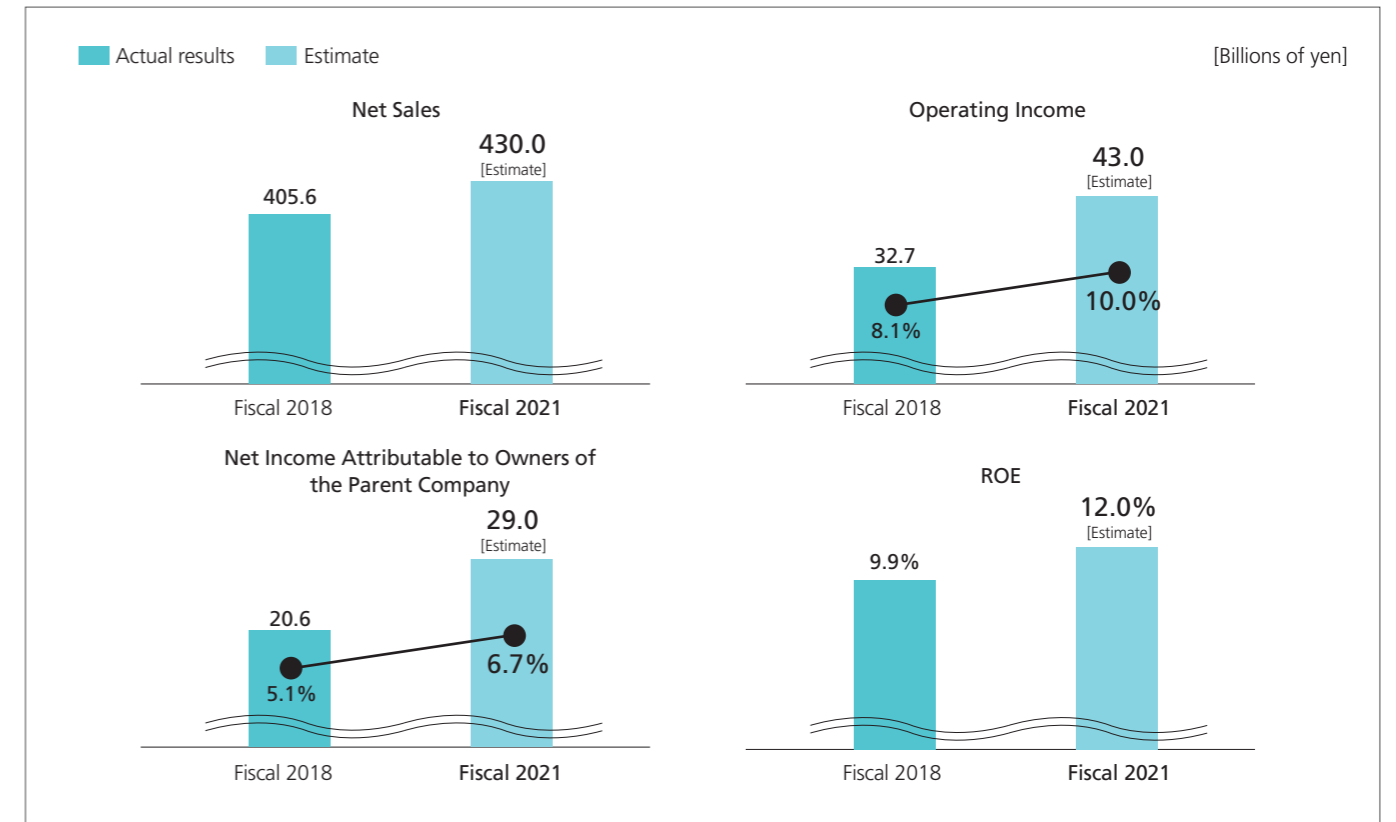
Acquisition of treasury shares

For fiscal 2018, the Company acquired treasury stock of 908,300 shares (worth ¥2,859 million). For fiscal 2019 (From May 2018 to July 2018), the Company acquired treasury stock of 809,100 shares (worth ¥4,209 million).

Investment Strategy



Numerical Targets



Fiscal 2018 Performance Highlights, Fiscal 2019 Performance Forecast

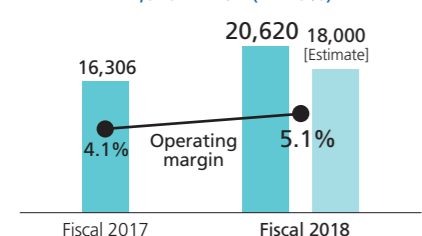
Fiscal 2018 Performance Highlights

Point

- Against a favorable business backdrop, sales and income were up over the corresponding period a year ago, thanks to higher business volume and efforts to improve profitability. Exceeded target.
- ROE improved year-on-year, thanks to higher profitability. Exceeded initial target.

Net Income Attributable to Owners of the Parent Company (Millions of yen)

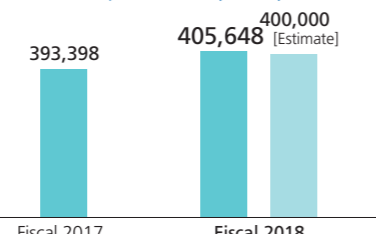
YOY change +¥ 4,314 million (+26.5%)
Compared with estimate: +¥ 2,620 million (+14.6%)



Net income attributable to owners of parent company was up year-on-year, buoyed mainly by higher operating income. Exceeded target.

Net Sales (Millions of yen)

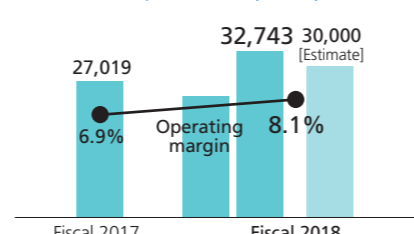
YOY change +¥12,249 million (+3.1%)
Compared with estimate: +¥5,648 million (+1.4%)



In sectors where IT investment is showing renewed growth, we emphasized accurate identification of client needs and were rewarded with higher sales, year-on-year. Exceeded target.

Operating Income (Millions of yen)

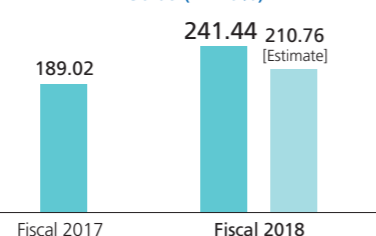
YOY change +¥ 5,724 million (+21.2%)
Compared with estimate: +¥ 2,743 million (+9.1%)



Year-on-year improvement in income reflects higher net sales starting point and successful efforts to boost profitability, including steps to prevent unprofitable projects, which absorbed cost increases incurred to enhance employee benefits and sharpen competitiveness. Exceeded target.

Net Income per Share (Yen)

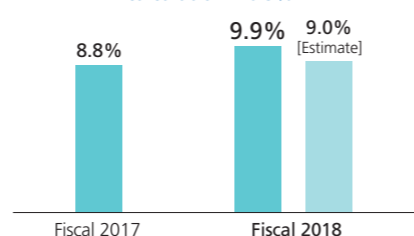
YOY change: +¥52.42 (+27.7%)
Compared with estimate: +¥ 30.68 (+14.6%)



Year-on-year improvement, paralleling higher net income attributable to owners of parent company. Exceeded target.

ROE (Percent)

YOY change: +1.1%
Compared with preliminary calculation: +0.9%



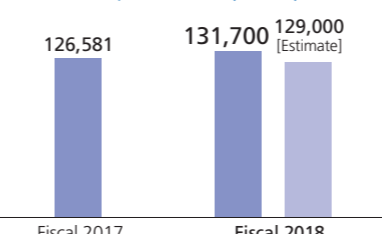
Year-on-year improvement, mainly reflecting higher profitability. Better than initially projected.

Fiscal 2018: Sales and Income for Key Business Segments

*Segment sales include intersegment sales.

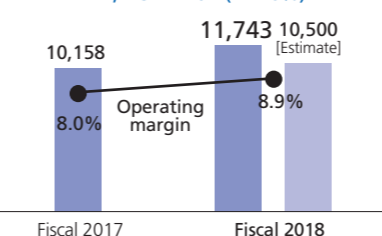
IT Infrastructure Services

Net Sales (Millions of yen)
YOY change: +¥5,118 million (+4.0%)
Compared with estimate: +¥2,700 million (+2.1%)



Operating Income (Millions of yen)

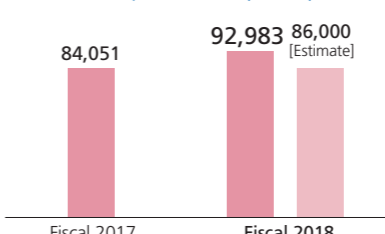
YOY change: +¥1,584 million (+15.6%)
Compared with estimate: +¥1,243 million (+11.8%)



Sales and income up year-on-year and above target, as wider demand for BPO services as well as contribution from large management projects for clients in public-sector and brisk demand for data center services fueled by interest in cloud-based services absorbed higher costs incurred to strengthen business capabilities.

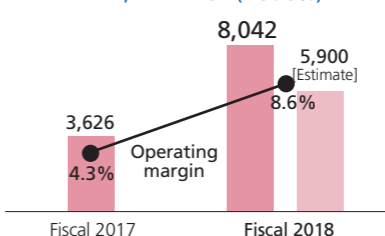
Financial IT Services

Net Sales (Millions of yen)
YOY change: +¥8,931 million (+10.6%)
Compared with estimate: +¥6,983 million (+8.1%)



Operating Income (Millions of yen)

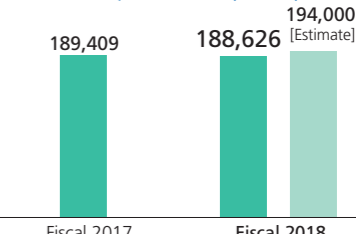
YOY change: +¥4,416 million (+121.8%)
Compared with estimate: +¥2,142 million (+36.3%)



Sales and income up year-on-year and above target, owing to contribution from large development projects for clients in credit card sector as well as increase in business volume paralleling greater IT investment by clients in payment settlement sector. Successful efforts to prevent unprofitable projects also helped boost segment results.

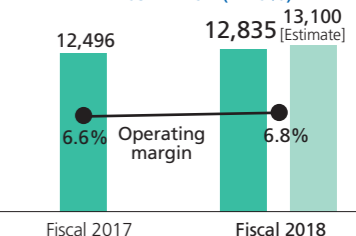
Industrial IT Services

Net Sales (Millions of yen)
YOY change: - ¥782 million (-0.4%)
Compared with estimate: - ¥5,374 million (-2.8%)



Operating Income (Millions of yen)

YOY change: +¥339 million (+2.7%)
Compared with estimate: - ¥265 million (-2.0%)



Sales were at a year-on-year par, as greater IT investment by clients offset a reactionary drop in demand for large projects. Operating income up year on year, owing to higher costs related to the establishment of a dedicated structure and system improvements amid a push to boost profitability. Did not meet target.

Fiscal 2019 Performance Forecast

Point

- Amid brisk business conditions, absorb reactionary drop in large projects and work toward higher sales and higher income.
- Vigorously invest into growth domains and forte fields to facilitate structural transformation described in new medium-term management plan.
- Seeking to exceed initial 10% ROE target.

	Fiscal 2019 estimates	YOY changes
Net Sales	¥414,000 million	YOY change: +¥8,352 million [+2.1%]
Operating Income	¥35,000 million	YOY change: +¥2,257 million [+6.9%]
[Operating Margin]	8.5%	YOY change: +0.4 points
Net Income Attributable to Owners of Parent Company	¥23,300 million	YOY change: +¥2,680 million [+13.0%]
[Net income to net sales ratio]	5.6%	YOY change: +0.5 points
Net Income per Share	¥273.55	YOY change: + ¥32.11 [+13.3%]
ROE	10.2% (Current calculations)	YOY change: + 0.3 points

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TIS INTEC GROUP

Profile

Group History

Value Creation Process

Consolidated Financial/Non-Financial Highlights

To Our Stakeholders

Medium-Term Management Plan

Group Business Strategies

Platform that Supports Value Creation Process (ESG Section)

Consolidated Financial Summary

Corporate Data

For references

Fiscal 2018 Performance Results, New Business Segment Basis (Net Sales and Operating Income)

Old Business Segment	Fiscal 2018	New Business Segment	Fiscal 2018
Net Sales	405,648	Net Sales	405,648
IT Infrastructure Services	131,700	Service IT Business	100,603
Financial IT Services	92,983	BPO	38,257
Industrial IT Services	188,626	Financial IT Business	106,655
Other business	10,791	Industrial IT Business	176,485
Intersegment elimination/adjustments	(18,453)	Other business	10,688
Operating Income	32,743	Intersegment elimination/adjustments	(27,041)
IT Infrastructure Services	11,743	Operating Income	32,743
Financial IT Services	8,042	Service IT Business	8,139
Industrial IT Services	12,835	BPO	1,638
Other business	1,006	Financial IT Business	11,331
Intersegment elimination/adjustments	(884)	Industrial IT Business	11,509
		Other business	1,010
		Intersegment elimination/adjustments	(884)

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TIS INTEC GROUP



We will reshape the business model from a profit emphasis while pursuing robust growth investment.

Masahiko Adachi, Representative Director and Executive Vice President

Focus on evolving business model to boost strategic domain sales ratio to 50%

One of the themes in the new medium-term management plan is our business model—that is, reshaping it. Specifically, we set a strategic domain sales ratio of 50% and made this target a top key performance indicator.

Currently, the strategic domain sales ratio sits around 35% and hinges on the strategic partnership business (SPB). This is an extremely vital business, forming the backbone of Group operations, and the importance of this business will not change. But a particularly crucial key in raising the strategic domain sales ratio to 50% is the IT offering service (IOS), with service-style business at its core. As for the other two domains, we aim to expand the business function service (BFS) through efforts to enhance value-added features, with an emphasis on existing BPO and back-office service know-how. The frontier market creation business (FCB), which will involve the Group as a whole, does not carry much weight in terms of profit contribution in the current medium-term management plan. It will take time for this domain to generate profit, but we will cultivate demand that ultimately leads to a 70% strategic domain sales ratio by 2026.

Emphasize operating income while emphasizing profitability to prevent diminishing equilibrium

Key performance indicators for fiscal 2021, ending March 31, 2021, which is the last year of the current medium-term management plan, are operating income of ¥43 billion, an operating margin of 10% and ROE of 12%, along with the aforementioned 50% strategic domain sales ratio.

Net sales is not tapped as a key performance indicator because we are pushing forward on structural transformation. And it is because, in expanding the service-style business, which is always booking standard system user fees and other revenue under sales, we have to change our emphasis from typical contract development, which books huge revenue over the course of a project in a relatively short period of time, in favor of profit, based on various criteria, including evaluation standards applicable to corporate structure and personnel. In addition, we have to pay more attention to profitability given that the number of employees is not going to suddenly rise over the next three years. There is a chance of diminishing equilibrium if the operating margin is one of the key performance indicators used, so we also highlight operating income.

Fiscal 2019, ending March 31, 2019, is the first year of the current medium-term management plan, and operating income is held back to a gradual rate of growth, owing to the burden of upfront expenses accompanying various prior investments designed to promote growth in the future. But these prior investments are going to deliver results in the second and third years. As the ratio of sales from value-added, high-profit strategic domains, which currently hovers around 35%, rises to 50%, operating income and the operating margin—at ¥32.7 billion and 8.1%, respectively, in fiscal 2018—should expand to ¥43 billion and 10%, respectively, by fiscal 2021.

Higher ROE and return to shareholders

To improve ROE, we will seek appropriate capital composition by balancing efforts to promote growth investments, ensure financial health and reinforce return to shareholders. We are targeting ROE of 12.0% by fiscal 2021, but the key factor in this formula is the net profit margin. We will leverage structural transformation through robust growth investment and, with an operating margin of 10% achieved by expanding the strategic domain sales ratio and zero-net assumed extraordinary income, the net profit margin will go up, rising from 5.1% in fiscal 2018 to 6.7% in fiscal 2021. However, under conventional contract development, software is typically a customer asset, while under the service-style business, software belongs to the TIS INTEC Group. Therefore, as the business expands, so will assets, and total asset turnover may decrease slightly. Also, because of our emphasis on growth investment, we keen to retain our A-rating and will maintain an equity ratio of at least 50%. But as a control measure, we intend to procure funds, primarily interest-bearing debt, and we expect financial leverage to increase slightly but within the acceptable limit for the debt/equity ratio which we have set at 0.5 times.

On the topic of return to shareholders, we will increase the total return ratio yardstick to 40%, from 35%, and aim for a dividend ratio of 30% by fiscal 2021, up from 16.6% as of fiscal 2018, through stable dividend growth. With this in mind, we are thinking of a rather sizable increase in the annual dividend per share for fiscal 2019, with a distribution of ¥60 per share, up from ¥40 for fiscal 2018. Note that we have established a policy on holdings of treasury stock, setting the limit at 5% of the total number of issued shares, with the excess of this amount cancelled.

Investment strategy

As for specifics on growth investment, our focus will be on prior investment and M&As to leverage structural transformation during the current medium-term management plan, and we envision a maximum of ¥80 billion directed to such activity over the next three years. This amount will be broken down into two applications—one, totaling ¥30 billion, earmarks ¥17 billion for software investment to create new services, ¥8 billion for investment in human resources to fuel structural transformation, and ¥5 billion for investment in R&D to acquire advanced technologies; and the other, ¥50 billion, is for investment to grow strategic domains, including capital for M&A opportunities. Both applications are important, but the ¥8 billion for investment in human resources is definitely a key point. Our approach is to promote investment in human resources along with the human resources strategy driven by the Human Resources SBU at TIS and described in the personnel manifesto to develop the skills of human resource who will realize the switch to strategic domains and advanced technology fields and to build a human resources portfolio that facilitates the best possible deployment of talent throughout the Group.

And for investment to grow strategic domains, including capital for M&A opportunities, we envision equity contributions into new companies to access know-how and promote services and additional investment into alliance companies. Investment up to ¥80 billion is a massive level of investment so, naturally, we will fine-tune investment management practices to capture appropriate return from robust investment activity and carefully select investment targets, based on investment efficiency index and investment cost, and also toughen up rules for exit management. This perspective will guide investment to expand overseas business as well. As represented by PT Anabatic Technologies Tbk, in Indonesia, and MFEC Public Company Limited, in Thailand, which are affiliates accounted for by the equity method, we will not obsess over a majority stake right off the bat. Our policy is to enter markets through minority stakes in prominent IT companies in the ASEAN region. And then, after confirming the potential for business expansion through sufficient mutual understanding and joint business activities, we will consider additional investment.

I assumed my current position in April 2018. I will utilize the experience gained in the operating divisions that I have worked in to date, open wider channels of communication between marketing divisions and the frontlines, and close any gap in perceptions. This is the role I will fulfill. At the same time, I will draw on numerical analysis know-how acquired during my early career at a bank and give shareholders and investors numbers, wherever possible, and straightforward explanations to facilitate a clear understanding of the current status of the TIS INTEC Group and its future prospects.

The TIS INTEC Group will pursue growth investment to fuel structural transformation and thus achieve Group Vision 2026 while steadily charting corporate growth and enriching return to shareholders. TIS will lead the Group in meeting stakeholders' expectations and fulfilling the responsibility to boost corporate value. The continued support of our stakeholders will be instrumental to our mutual success.

Business Strategies by Segment

Here is a description of business strategies by segment that we will follow during the new medium-term management plan.

We will focus on expanding service-style business—one of the Group's growth engines.



Yasushi Okamoto,
Director, Senior Managing Executive Officer
and Manager of Service Strategy Sector

Service IT business is a segment that emphasizes service-style business, which has been positioned as a growth driver and will fuel the TIS INTEC Group's efforts at structural transformation.

To achieve anticipated growth, we must redefine the strengths that we, as a corporate group, have cultivated so far, create IT solution services that are applicable to as many customers as possible under a prior investment format, and provide these services with a sense of speed. The business model that we envision for this purpose is completely different from what we have used in the past, and it brings many challenging aspects. But to turn service-style business into a core business that powers the Group's future prospects, we must always be conscious of change and keep words like "anticipate" and "speed" in mind when we provide services. As this business grows, so will our ability to help as many client companies as possible deal with management concerns.

BPO is also a forte field for the TIS INTEC Group. Going forward, companies are going to be looking at outsourcing various services to deal with the consequences of a smaller workforce, paralleling a falling birthrate and the graying of society. To decisively address these needs, we will promote an improved level of value-added features, including combination BPO services, and expand business volume and profitability through business restructuring.

We will leverage transformation as a true business partner supporting customers' growth strategies.



Josaku Yanai,
Director, Senior Managing Executive Officer
and Manager of Industry Strategy Sector

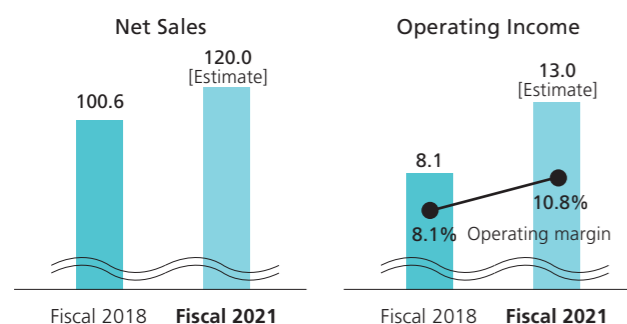
Financial IT business and Industrial IT business are built on expertise and know-how specific to customer operations and comprise businesses that support solutions to management issues at client companies. These segments form core pillars of the TIS INTEC Group.

The Group's strength lies in a diverse customer base—broad and deep, created through IT-related business expansion achieved to date. Right now, many customers in different industries are engaged in digital transformation. We will draw on extensive points of contact with customers and actively present solutions using leading-edge technologies to address identified issues that customers know they must address as well as latent needs that have not yet surfaced, and thereby support customers in their transformation process.

We will establish solid partnerships with excellent client companies representing Japan on the world stage and be a true business partner by supporting their growth strategies. This approach will not only promote the evolution of our own business pursuits but also benefit the customers of our customers, inevitably serving to solve social issues as well.

Service IT Business

Actual Estimate (Billions of yen)



Business Growth Strategies, Focus Points

- 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

Fiscal 2019 Performances Forecast

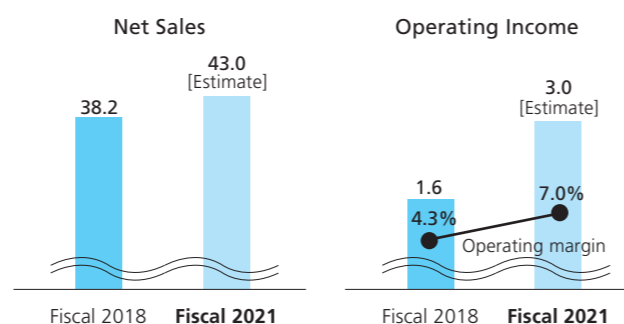
Net Sales: ¥103,000 million
(YOY Change: + ¥2,397 million, +2.4%)

Operating Income: ¥8,300 million
(YOY Change: + ¥161 million, +2.0%)

- IT investment activities in growth fields, such as the cloud and networks, as well as definite efforts to expand payment settlement business and ERP demand will absorb cost burden of prior investments and should lead to higher sales and income.

BPO

Actual Estimate (Billions of yen)



Business Growth Strategies, Focus Points

- Improve gross profit ratio on existing entry services through BPO concentration effect and business restructurings
- 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.

Fiscal 2019 Performances Forecast

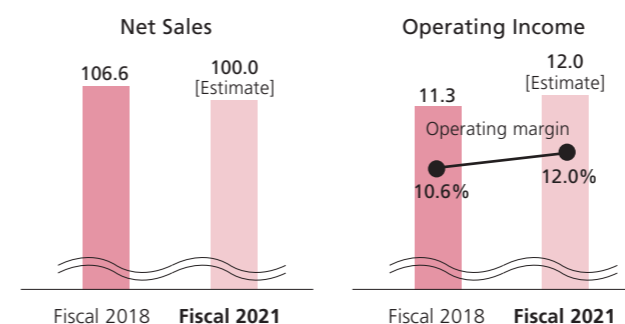
Net Sales: ¥39,000 million
(YOY Change: + ¥743million, +1.9%)

Operating Income: ¥2,000 million
(YOY Change: + ¥362 million, + 22.1%)

- Promote enhanced profitability through restructuring, by integrating BPO business locations and ensuring thorough profitability management, and through a shift to high-level, combined BPO services. Sales and income should increase year on year.

Financial IT Business

Actual Estimate (Billions of yen)



Business Growth Strategies, Focus Points

- 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

Fiscal 2019 Performances Forecast

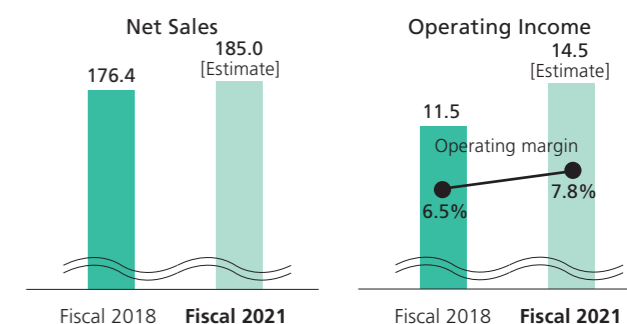
Net Sales: ¥107,500 million
(YOY Change: + ¥845million, +0.8%)

Operating Income: ¥11,800 million
(YOY Change: + ¥469 million, + 4.1%)

- Steady execution of big projects, business expansion through stronger connections to primary clients, including those in credit card, banking and insurance sectors, and proposals anticipating client needs, and higher productivity should lead to higher sales and income year on year.

Industrial IT Business

Actual Estimate (Billions of yen)



Business Growth Strategies, Focus Points

- 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

Fiscal 2019 Performances Forecast

Net Sales: ¥180,000 million
(YOY Change: + ¥3,515million, +2.0%)

Operating Income: ¥12,500 million
(YOY Change: + ¥991 million, + 8.6%)

- Will absorb reactionary drop in big projects, mainly by promoting high-value-added services underpinned by consultations and enhanced upstream operations and by improving productivity. Should lead to higher sales and income year on year.

Three Pillars of Global Development

The Group's global development is supported by three pillars: local support for existing clients entering one or more countries; cultivation of local IT markets where know-how accumulated in Japan can be put to use; and domestic application of leading-edge technologies sourced abroad and turned into new business strengths. The Group's overseas activities kicked off in China and have since expanded to the ASEAN region where its capabilities are leveraged by a three-point presence—Thailand, Singapore and Vietnam—mainly through representative offices. In recent years, our approach has diversified, drawing on business and capital alliances with local companies, and thereby accelerating lateral expansion through the ASEAN region.

Enhance Activity Through Business and Capital Alliances in ASEAN Region

In 2014, then ITHD-sub subsidiary TIS formed a capital and business alliance with MFEC Public Company, a major local provider of system integration services in Thailand, and turned I AM Consulting, a top-class SAP consulting firm in Thailand into a consolidated subsidiary. In 2015, the company formed a capital and business alliance with PT. Anabatic Technologies, a major system integrator in Indonesia. The 2016 investment in PromptNow Co., Ltd., which subsequently became a consolidated subsidiary, is another example of efforts to enhance our presence in the ASEAN region. Going forward, the revitalized TIS will resourcefully promote joint strategies with promising partners to build a solid business presence in the ASEAN region.

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



Development Points in China/ASEAN



Recent Key M&A and Investment Results

- PT Anabatic Technologies Tbk [Net sales: ¥38.5 billion]**
 - Indonesia-listed, top-tier IT company in Indonesia
 - July 2015: Capital and business alliance (28% equity = equity-method affiliate)
 - MFEC Public Company Limited [Net sales: ¥10.2 billion]**
 - Thai-listed, leading provider of enterprise IT solutions
 - April 2014: Capital and business alliance (20% equity = equity-method affiliate)
 - I AM Consulting Co., Ltd. [Net sales: ¥2.2 billion]**
 - Thai-based consulting group producing total SAP-related IT solutions
 - June 2014: Turned into consolidated subsidiary
 - PromptNow Co., Ltd. [Net sales: ¥260 million]**
 - Leading FinTech player with multiple proprietary mobile services for financial institutions
 - May 2016: Turned into consolidated subsidiary
 - Shanghai CardInfoLink Data Service Co., Ltd. (CardInfoLink)**
 - FinTech company developing presence in China and around the world, with particular strength in QR code payment settlement services
 - September 2017: Capital and business alliance (10% equity)
- * Net sales for fiscal ended December 31, 2017, converted at exchange rate prevailing at year-end.



We are keen to help solve social issues in the ASEAN region. I AM Consulting Co., Ltd.

Thanawat Lertwattanarak, Founder and Director (left photo)
Srirat Chuchottaworn, Founder and Director (right photo)

Since its establishment in 2004, I AM Consulting has been actively engaged in efforts to enhance business management and boost efficiency at many public infrastructure companies in Thailand and at private-sector companies in a wide range of industries. We have played a key role in the economic development of Thailand and Indochina as the only SAP total solution provider covering all fields, from IT- and management-related consulting to licensing and training.

We became a TIS subsidiary in 2014 because of the tremendous potential for growth that the connection to TIS would provide through access to high-level IT engineering capabilities, namely, a solid track record for implementing SAP solutions as well as SAP-related know-how, that the company has built up as a major system integrator in Japan as well as access to management know-how and an extensive office network. TIS has a deep understanding of the Thai market and local business needs and has provided invaluable support from technology and management perspectives, enabling I AM Consulting to realize a higher level of success. We are proud to be included under the TIS corporate umbrella.

To date, we have steadily pursued joint activities with TIS and companies in business alliances with TIS in the ASEAN region. And we are pleased, through the start of TIS ONE, which targets a wider response to SAP-related demand throughout the ASEAN region, to be part of solutions that address the business management issues of as many client companies as possible.

Thailand and the rest of the ASEAN region is enjoying remarkable growth. But to maintain this direction, local industries must become more efficient and provide higher added value through even greater use of IT. Therefore, we need to be able to contribute significantly to solutions that address social issue not only within Thailand but throughout the ASEAN region. This is certainly possible through collaborative efforts with TIS.

Topics

- TIS forges capital and business alliance with R3 Holdco LLC of the U.S. (June 2018)**
R3 Holdco LLC is the developer behind Corda, the world's only enterprise blockchain platform suitable for tightly regulated business environments, and it is a world-class brand with an unsurpassed track record in blockchain technologies for B2B transactions in both the financial and non-financial sectors. Moving forward, we will be stepping up our collaboration with R3 Holdco on development and adoption of blockchain applications in Japan and ASEAN.
- TIS establishes capital and business alliance with TinhVan Technologies JSC of Vietnam (June 2018)**
One of Vietnam's leading IT firms, TinhVan Technologies JSC is a recognized developer of software and large-scale IT systems. TIS and TinhVan Technologies will be working together to deliver payment solutions such as QR payment services in Vietnam.
- TIS strengthens collaboration with PT Anabatic Technologies Tbk of Indonesia (July 2018)**
TIS has purchased convertible bonds issued by Indonesia-listed IT major PT Anabatic Technologies Tbk to bolster cooperation with its equity-method affiliate. The two companies will strengthen their global presence by stepping up development and provision of IT services and other solutions needed by Japanese affiliates and local firms in ASEAN.

Technological Innovation Platform that Leads Shift to Digital Services Business

Here is a description of the technological innovation platform at TIS, with a focus on measures to reinforce development capabilities.



For a technological society arising from a paradigm shift

Naoto Kita, Executive Officer, Division Manager of Technology & Engineering SBU and Strategic Technology Center and Incubation Center

These days, advances in technology are generating major change—dubbed a paradigm shift—across all levels of society and prompting a rebuild of social, economic and business relationships. All industries are going digital and linking various systems, which makes it easier to align key information, things and people. At the same time, transaction costs are moving as close to zero as possible and a new economy is taking shape—a platform that encompasses transactions through various methods not brokered by currency.

With regard to the technology strategy we are following against this backdrop, I'd like to take this opportunity to highlight efforts to reinforce service development capabilities. Honing a sharper competitive edge in service development requires efforts on two fronts: the added-value front and the pricing front. Measures to boost competitiveness on both fronts will emphasize shared values and joint activities with in-house and outside experts and specialist organizations, and the results will be used to realize structural transformation as a corporate family and take the lead in finding solutions to social issues. This is central to the new medium-term management plan.

Toward an Era of Open Innovation

Today, technology to bring transaction costs down to zero is advancing at a fast pace. At one time, companies worked on their own to boost the efficiency of structures that kept business profits rising and underpinned continuous corporate growth. But the advantages afforded by such efforts are fading. Even for system integrators, like TIS, open innovation has become mainstream, highlighted by increased industry-academic-government collaboration and joint development with companies in different industries and with startups.

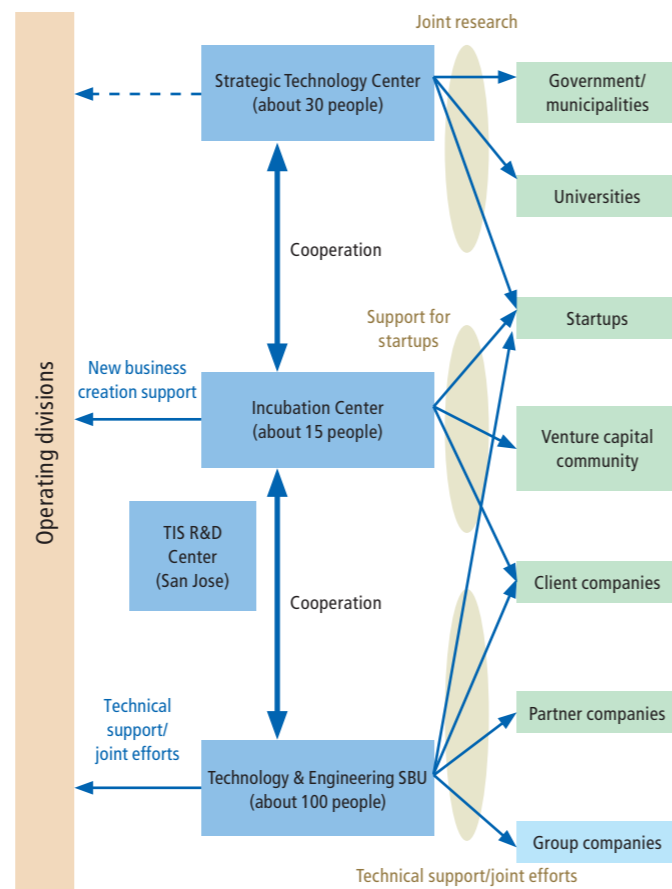
Behind this expanding trend in open innovation are such factors as greater ease in finding business partners with highly original, excellent technologies and in deriving new business models from startups with promising solutions to social issues.

In addition, open innovation is a means to solving a structural issue—an “innovation dilemma”—that has been around for a long time. It reflects the challenges inherent in creating new businesses, especially under a structure that has already achieved business growth, because underlying concepts for growing a business and creating a business are fundamentally different. It is difficult to switch to an idea, function and structure in line with the creation of a new business. Consequently, open innovation is not a passing trend but a vital corporate pursuit.

TIS has three structures that pursue activities laterally across the Company to strengthen service development capabilities. They are the Strategic Technology Center, which conducts R&D looking five to 10 years ahead; the Incubation Center, which cultivates new businesses for the future; and the Technology & Engineering SBU, which strives to sharpen development capabilities and boost productivity.

The Strategic Technology Center takes a long-term view, focusing on technology with the potential to lead to future

TIS' Development Structure Based on Open Innovation



business creation, and pursues joint research with external partners, including government/municipalities and universities.

At the Incubation Center, staff identifies startups with the potential to generate a synergistic effect with TIS and coordinates joint activities with operating divisions. Aside from this, TIS is engaged in activities to support various startups. Such activities include speedy capital participation through corporate venture capital and an accelerator program that helps startups turn ideas into businesses under specific themes. In addition, TIS set up bit & innovation, a co-working space at the head office in Tokyo that functions as a place where people from across business and industry lines gather to create new businesses.

Reinforcing Service Development Capabilities

In recent years, application development has become increasingly bimodal. One is optimized for areas that are more predictable, such as SoR and Mode 1, to steadily execute regular functions like those in payment systems. The other is optimized for areas of uncertainty, such as SoE and Mode 2, to track customer responses following release and constant improve the system. The predictable model is often a large-scale system development project emphasizing quality and requiring a large number of people. It utilizes the waterfall-style methodology and demands price competitiveness. In comparison, the uncertainty model tends to be more agile, represented by on-site development = scrum-style methodology with a small number of people and emphasizes speed. A sharper level of added value competitiveness is demanded in the form of valuable ideas for users. Given this environment, the Technology & Engineering SBU will strive to reinforce service development capabilities by creating frameworks where service development technologies are shared inside and outside the Company. Key recent examples are presented below.

● Fintan — Open site filled with development know-how tools

We are working on preparations for the release of Fintan, a collection of various know-how tools useful in software development, irrespective of mode. It includes the application framework Nablarch, standards and guides for each stage from required definitions to tests, and agile development know-how highlighting scrum.

Anyone can use the content in Fintan. For client companies, a learning program through training and seconded acceptanc-



*Fintan is a Celtic mythical salmon that possessed all the world's knowledge. The name has been used for this site to convey the idea of access to all sorts of system development knowledge.

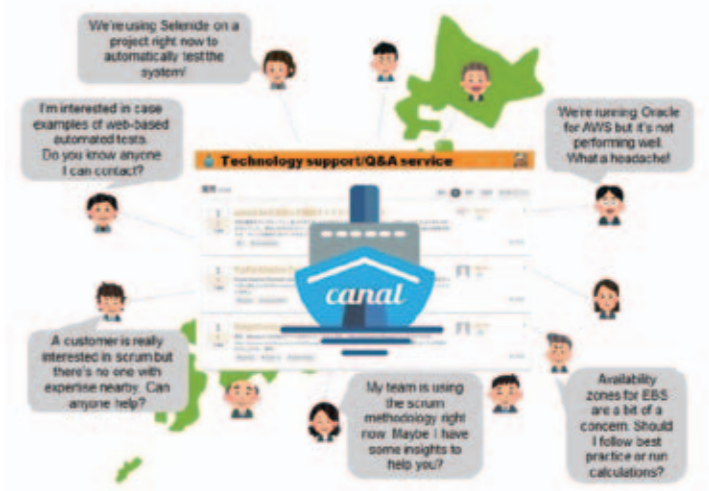
In the Technology & Engineering SBU, architects and specialists with high-level expertise handle some aspects of development and also provide technical support to operating divisions. In addition, the business unit supports startups where staffing levels are low. Joint efforts like this, with in-house structures and external organizations, lead to innovative or quality products and services at a reasonable price. In other pursuits, the business unit strives to build new win-win relationships by shifting away from an in-house oriented structure to an open structure and by sharing development processes and results with stakeholders.

es have been prepared. Going forward, the Technology & Engineering SBU will enhance content with additions and updates based on its own technology development activities.

● canal — Technology support/Q&A service site

In June 2018, TIS released canal, a technology support and Q&A service site, for employees. When an employee fires off a technical question to canal, that question is automatically forwarded to 28 certified experts within the Company who can then offer helpful answers backed by an extremely high level of expertise. In addition, all employees can browse the site, which allows people other than the designated experts to comment as well and enables employees to search posted answers.

Currently, the number of employees at TIS is around 5,000. Such scale in human resources underpins industry-leading development results and a very deep reservoir of technical know-how. But a single business unit would be hard-pressed to collect and manage all this information. With the recent establishment of canal, engineers can draw on all the knowledge available within the Company to swiftly address customer needs and solve technical issues while also demonstrating the value that big enterprises require. The number of in-house users of canal has steadily increased since it was released, and we expect it will also help cultivate a corporate culture of mutual support.



*canal named after idea of information flowing like water in a canal.