



**TIS**

TIS INTEC Group

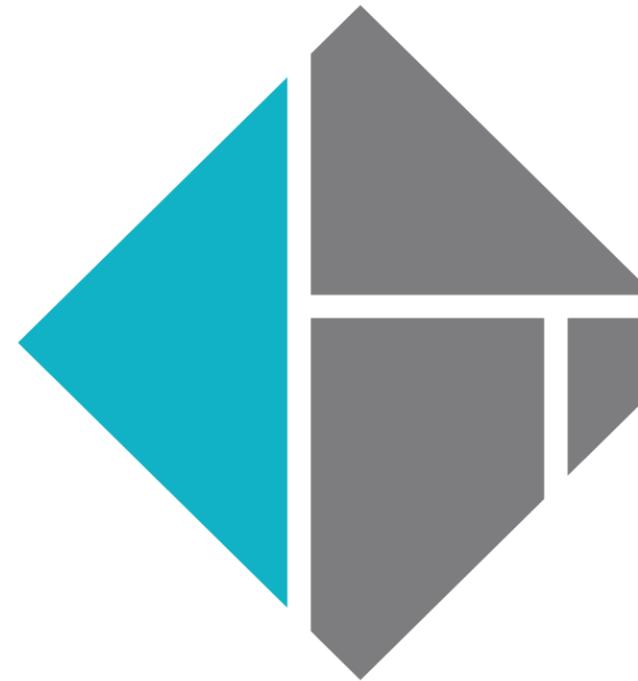
Go Beyond

# **Information Meeting Materials for the Fiscal Year Ended March 31, 2019**

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**May 13, 2019**

**TIS Inc.**



## **Fiscal 2019 Financial Highlights**

**Fiscal 2020 Performance Forecast**

**Return to Shareholders**

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

**Reference Materials**

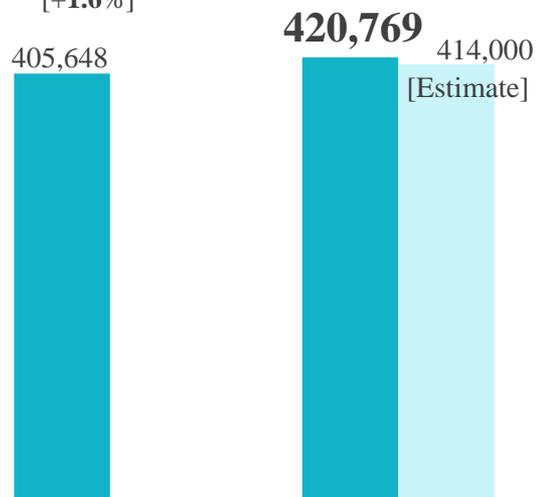
# Fiscal 2019: Performance Highlights (1)

[Millions of yen]

• 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.

## Net Sales

- YOY change: +¥ 15,121 million [+3.7%]
- Compared with estimate: +¥ 6,769 million [+1.6%]



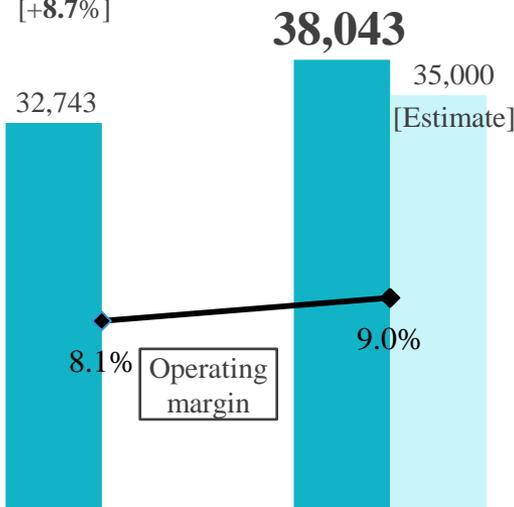
Fiscal 2018

Fiscal 2019

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

- YOY change: +¥ 5,300 million [+16.2%]
- Compared with estimate: +¥ 3,043 million [+8.7%]



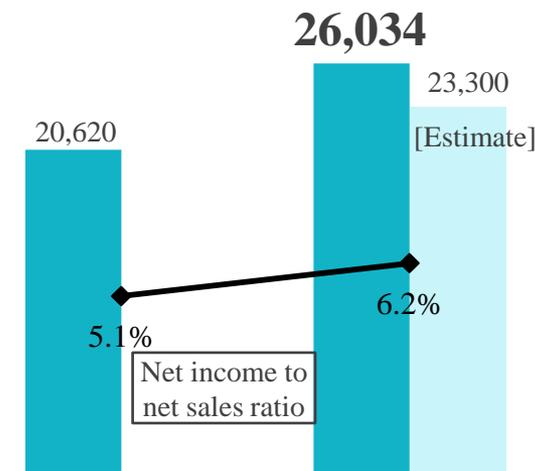
Fiscal 2018

Fiscal 2019

Increase in gross profit, reflecting higher net sales starting point and enhanced profitability, absorbed rising selling, general and administrative expenses, primarily costs associated with stronger response to restructuring. Operating income was up year-on-year. Exceeded target.

## Net Income Attributable to Owners of the Parent Company

- YOY change: +¥ 5,413 million [+26.3%]
- Compared with estimate: +¥ 2,734 million [+11.7%]



Fiscal 2018

Fiscal 2019

Year-on-year improvement, paralleling higher operating income and net extraordinary income. Exceeded target.

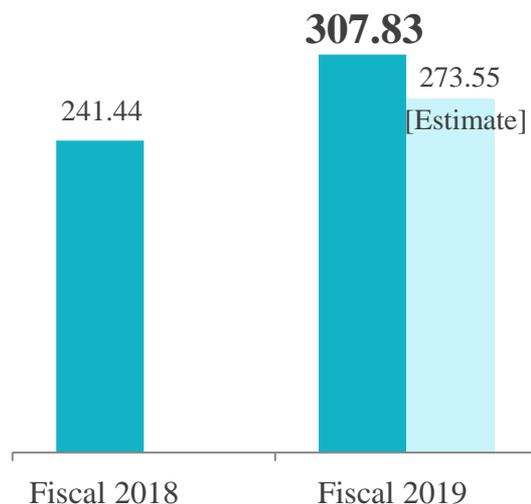
## Fiscal 2019: Performance Highlights (2)

[Yen]

- ROE improved year-on-year, thanks to higher profitability. Exceeded initial target.

### Net Income per Share

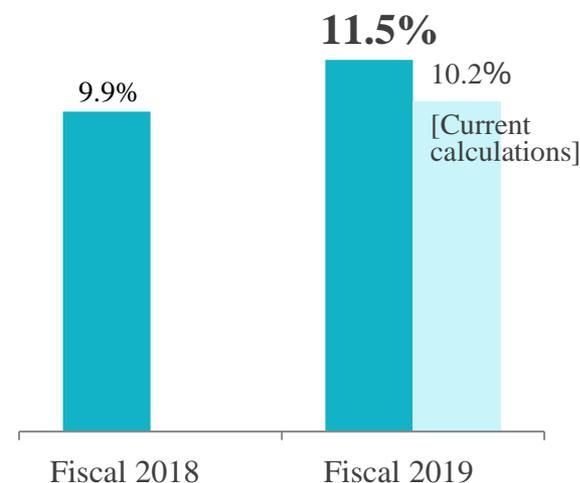
- YOY change: +¥ **66.39** [+27.5%]
- Compared with estimate: +¥ **34.28** [+12.5%]



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

### ROE

- YOY change: +**1.6** points
- Compared with preliminary calculation: +**1.3** points



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

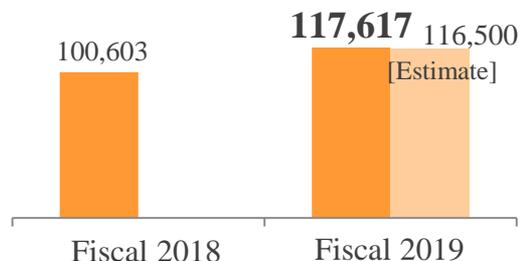
# Fiscal 2019: Sales and Income for Key Business Segments -1

[Millions of yen]

## Service IT Business

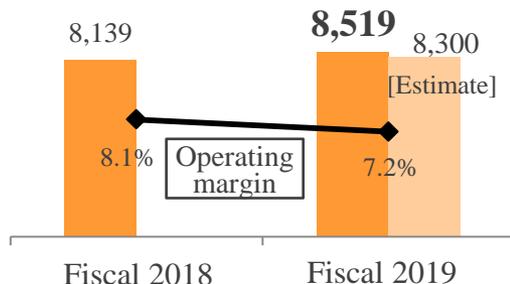
### Net Sales

- YOY change: +¥ 17,013 million [+16.9%]
- Compared with estimate: +¥ 1,117 million [+1.0%]



### Operating Income

- YOY change: +¥ 379 million [+4.7%]
- Compared with estimate: +¥ 219 million [+2.6%]

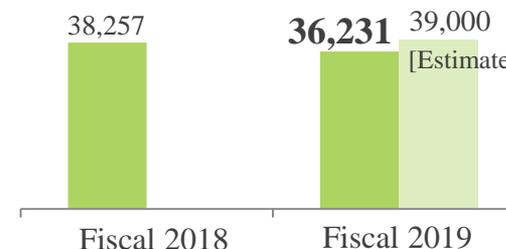


Expanded payment settlement-related business and greater ERP replacement demand covered prior investment costs aimed at strengthening business. Led to higher segment sales and income year on year. Exceeded target.

## BPO

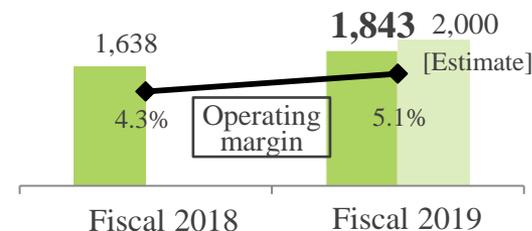
### Net Sales

- YOY change: -¥ 2,026 million [-5.3%]
- Compared with estimate: -¥ 2,769 million [-7.1%]



### Operating Income

- YOY change: +¥ 205 million [+12.6%]
- Compared with estimate: -¥ 157 million [-7.9%]



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

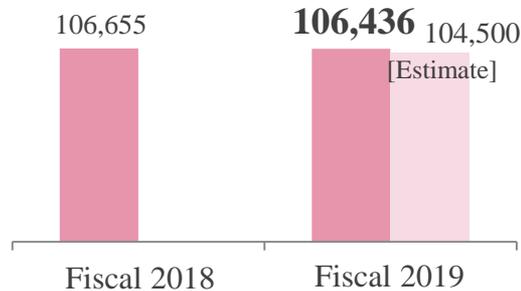
## Fiscal 2019: Sales and Income for Key Business Segments -2

[Millions of yen]

### Financial IT Business

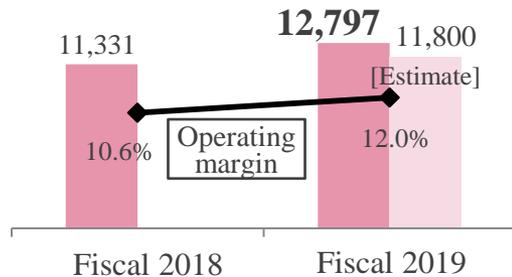
#### Net Sales

- YOY change: - ¥ 219 million [-0.2%]
- Compared with estimate: +¥ 1,936 million [+1.9%]



#### Operating Income

- YOY change: + ¥ 1,466 million [+12.9%]
- Compared with estimate: +¥ 997 million [+8.4%]

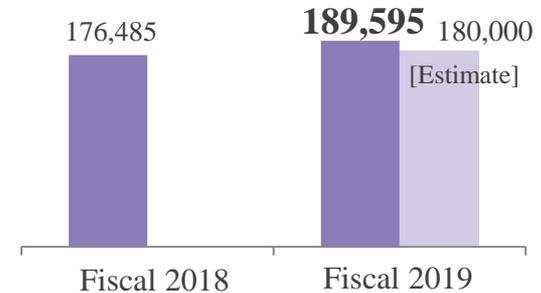


Despite year-on-year decrease in sales due to reactionary drop on large development projects, segment exceeded target, driven by trend toward greater IT investment by core clients, particularly those in credit card sector. Segment income was up year-on-year and surpassed target, thanks to enhanced productivity.

### Industrial IT Business

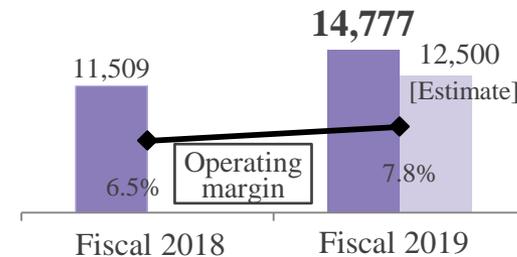
#### Net Sales

- YOY change: + ¥ 13,109 million [+7.4%]
- Compared with estimate: +¥ 9,595 million [+5.3%]



#### Operating Income

- YOY change: + ¥ 3,268 million [+28.4%]
- Compared with estimate: +¥ 2,277 million [+18.2%]

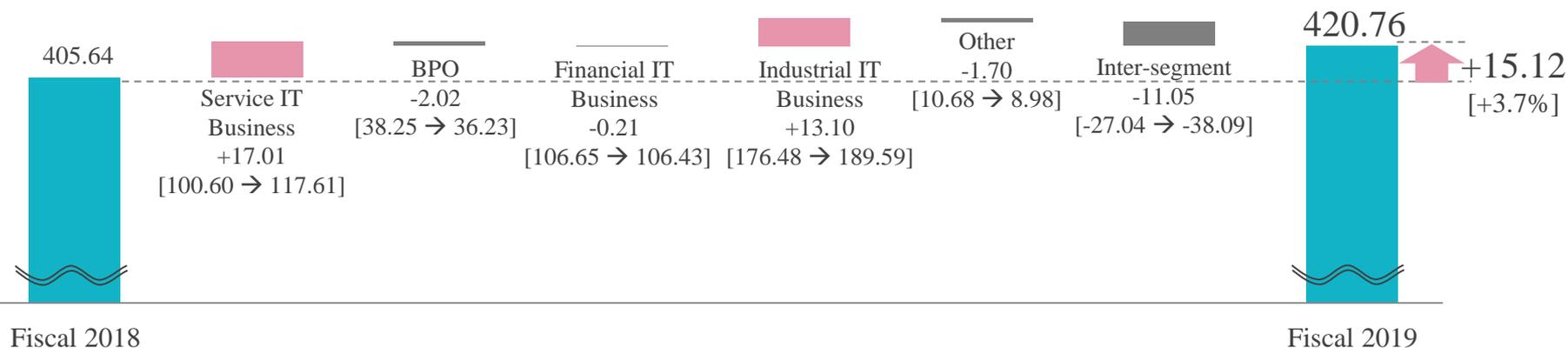


Sales and income up year on year, owing to greater IT investment by a wide range of client groups, including companies in the energy business. Exceeded target.

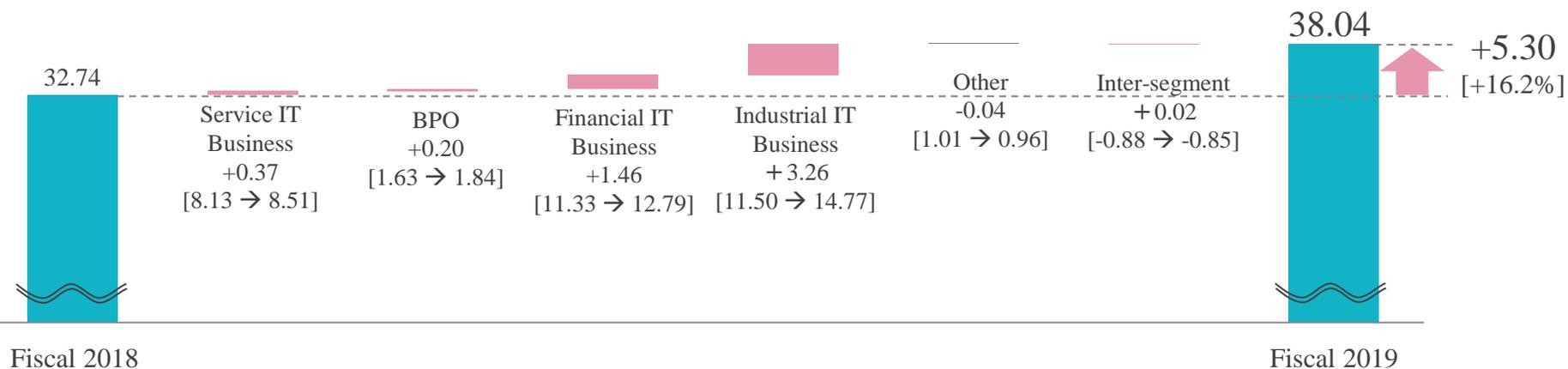
# Fiscal 2019 : Net Sales and Operating Income Analysis

[Billions of yen]

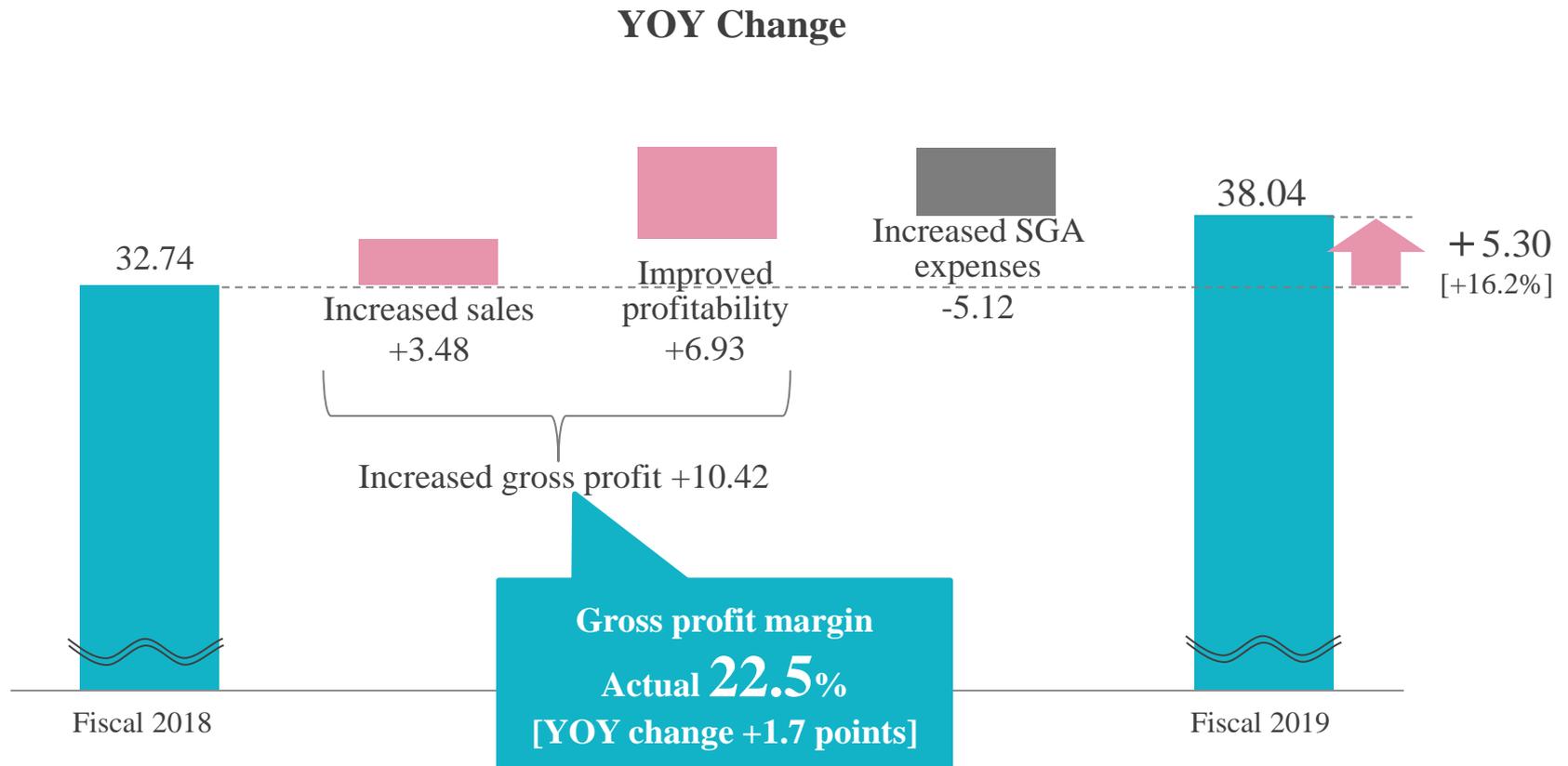
## Net Sales



## Operating Income

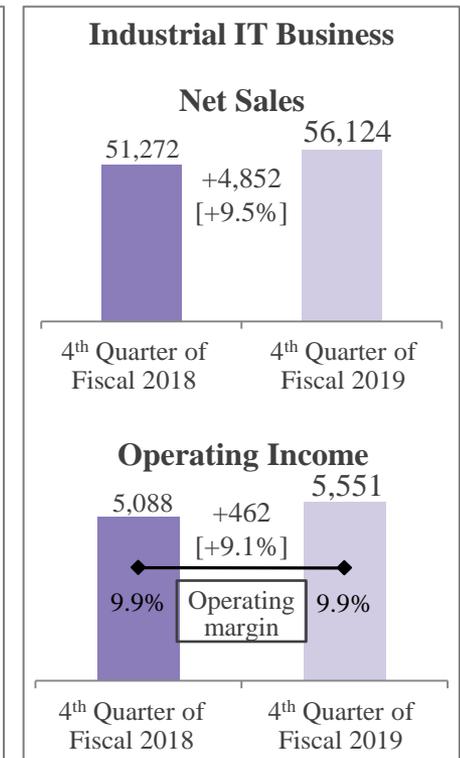
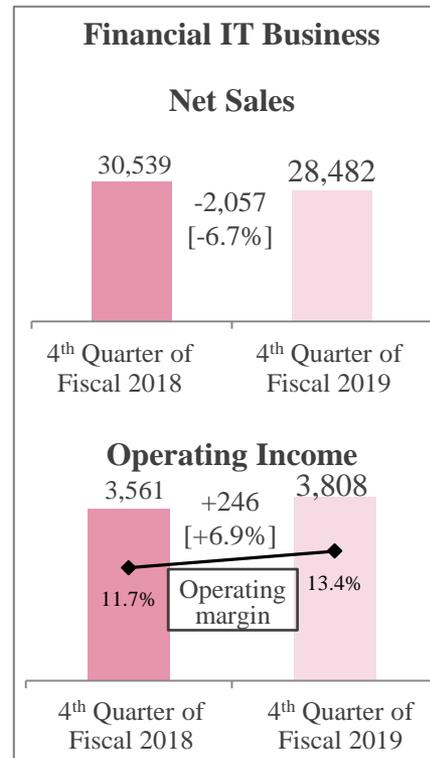
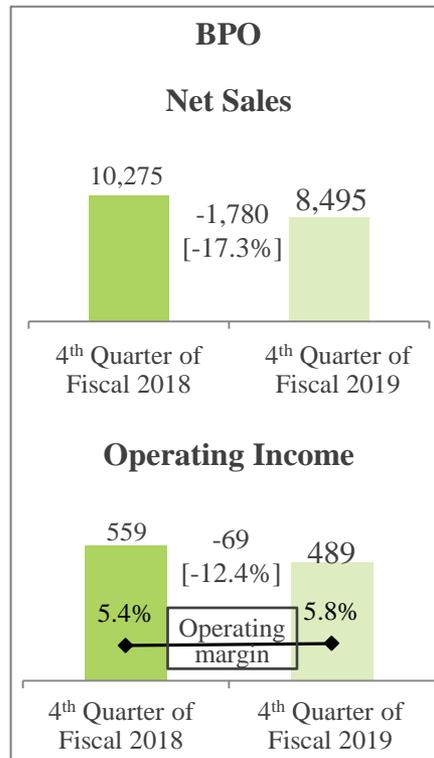
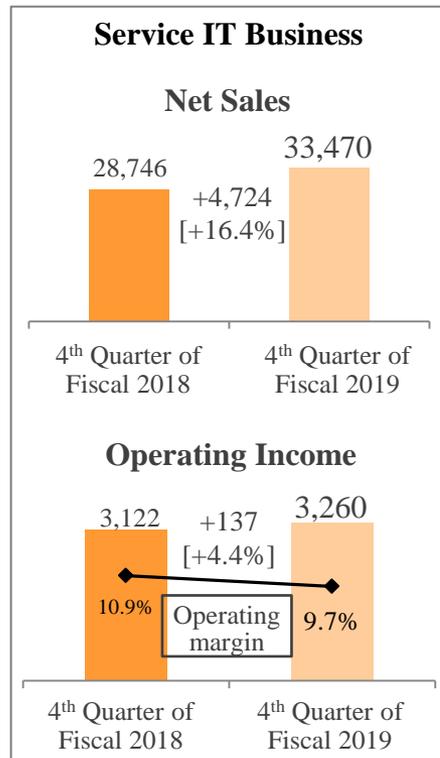
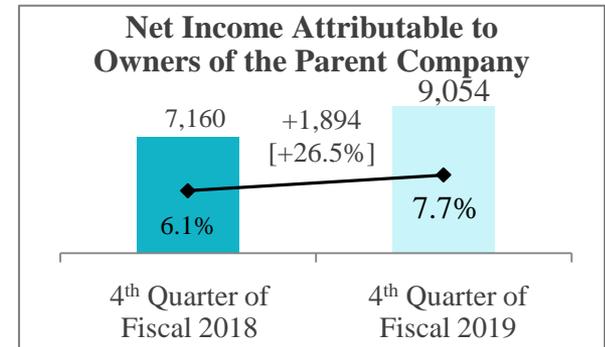
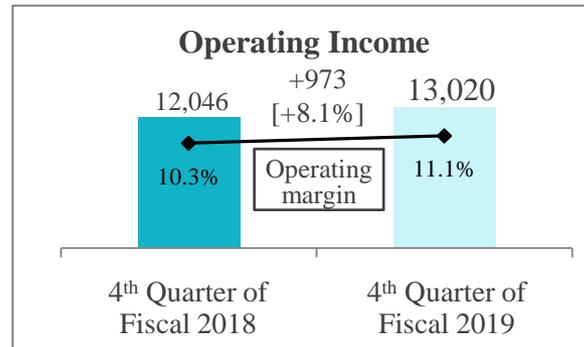
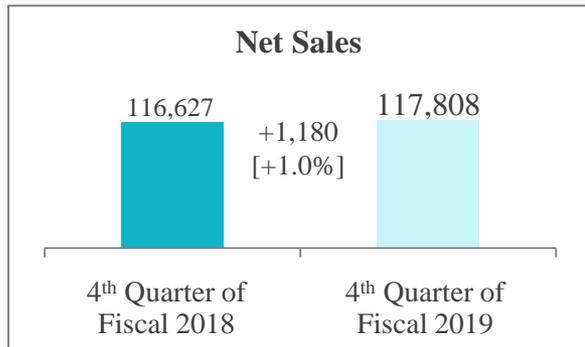


# Fiscal 2019 : Operating Income Analysis, Increase/Decrease Reasons [Billions of yen]



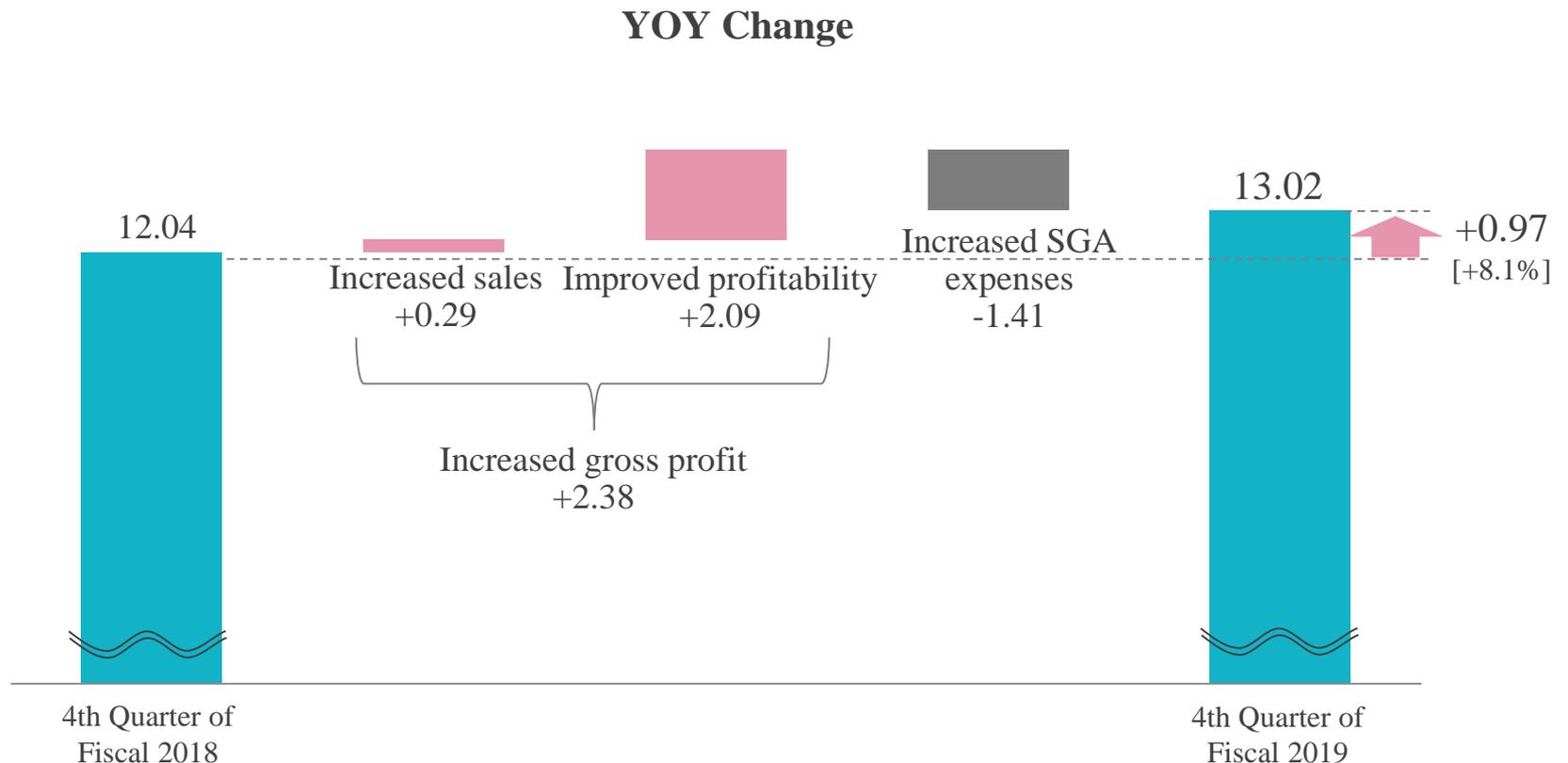
# Reference: Fiscal 2019 Fourth Quarter (January-March) Sales and Income for Key Business Segments

[Millions of yen]



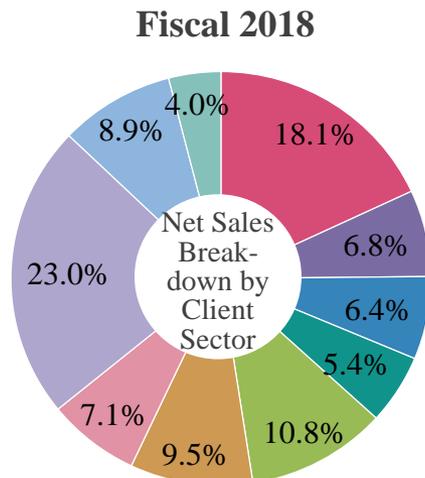
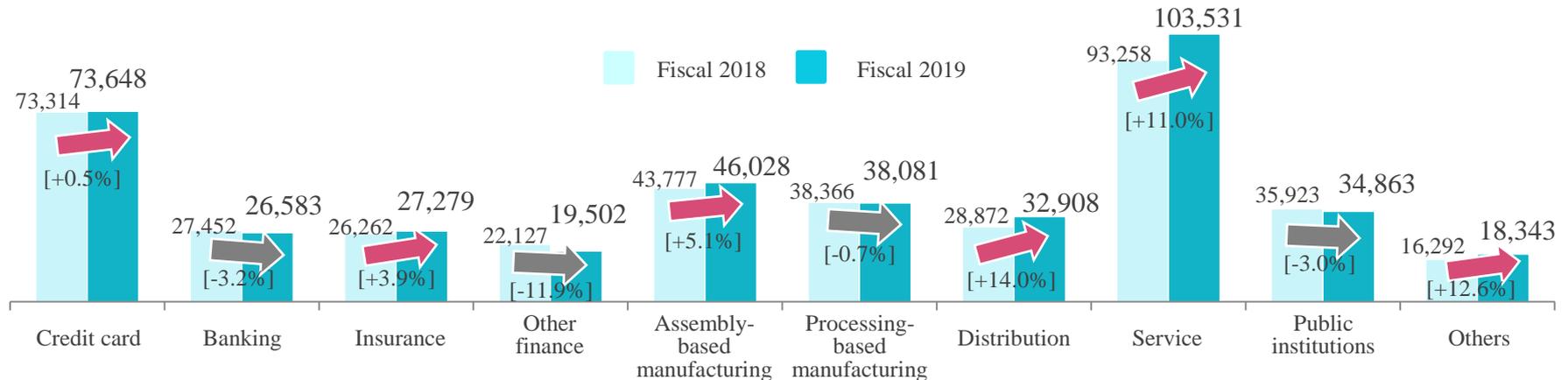
# Reference: Fiscal 2019 Fourth Quarter (January-March) Operating Income Analysis, Increase/Decrease Reasons

[Billions of yen]

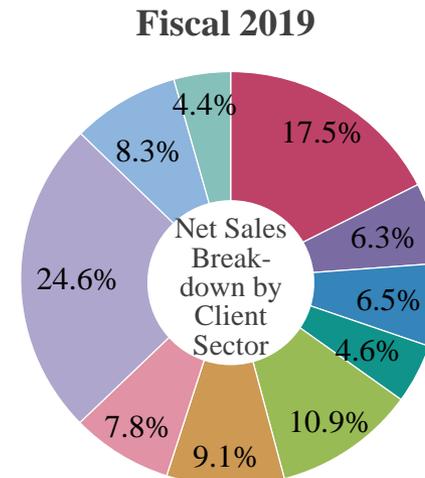


# Fiscal 2019 : Sales by Client Sector

[Millions of yen]



Financial sector: 36.7%    Industrial sector: 50.4%  
Public sector: 8.9%    Other sectors: 4.0%



Financial sector: 34.9%    Industrial sector: 52.4%  
Public sector: 8.3%    Other sectors : 4.4%

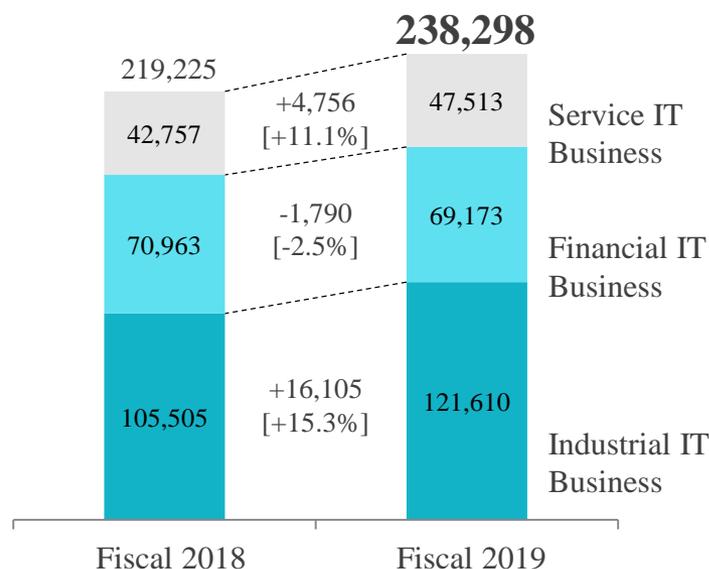
# Fiscal 2019 : Order Status (Software Development)

[Millions of yen]

- Absorbed reactionary drop in large financial IT projects and posted year-on-year increase in orders received during the fiscal year and in order backlog at year-end. Favorable demand conditions were extensive, particularly from clients in payment settlement and energy-related businesses.

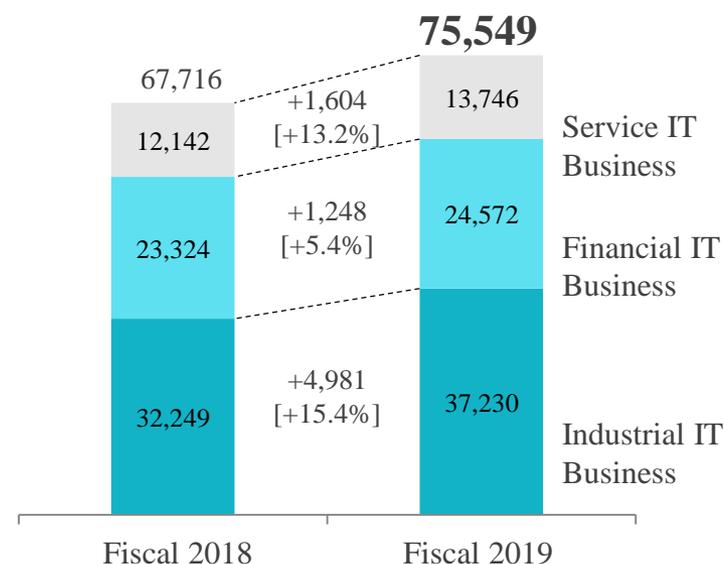
## Orders received during fiscal year

- YOY change +¥ 19,073 million [+8.7%]



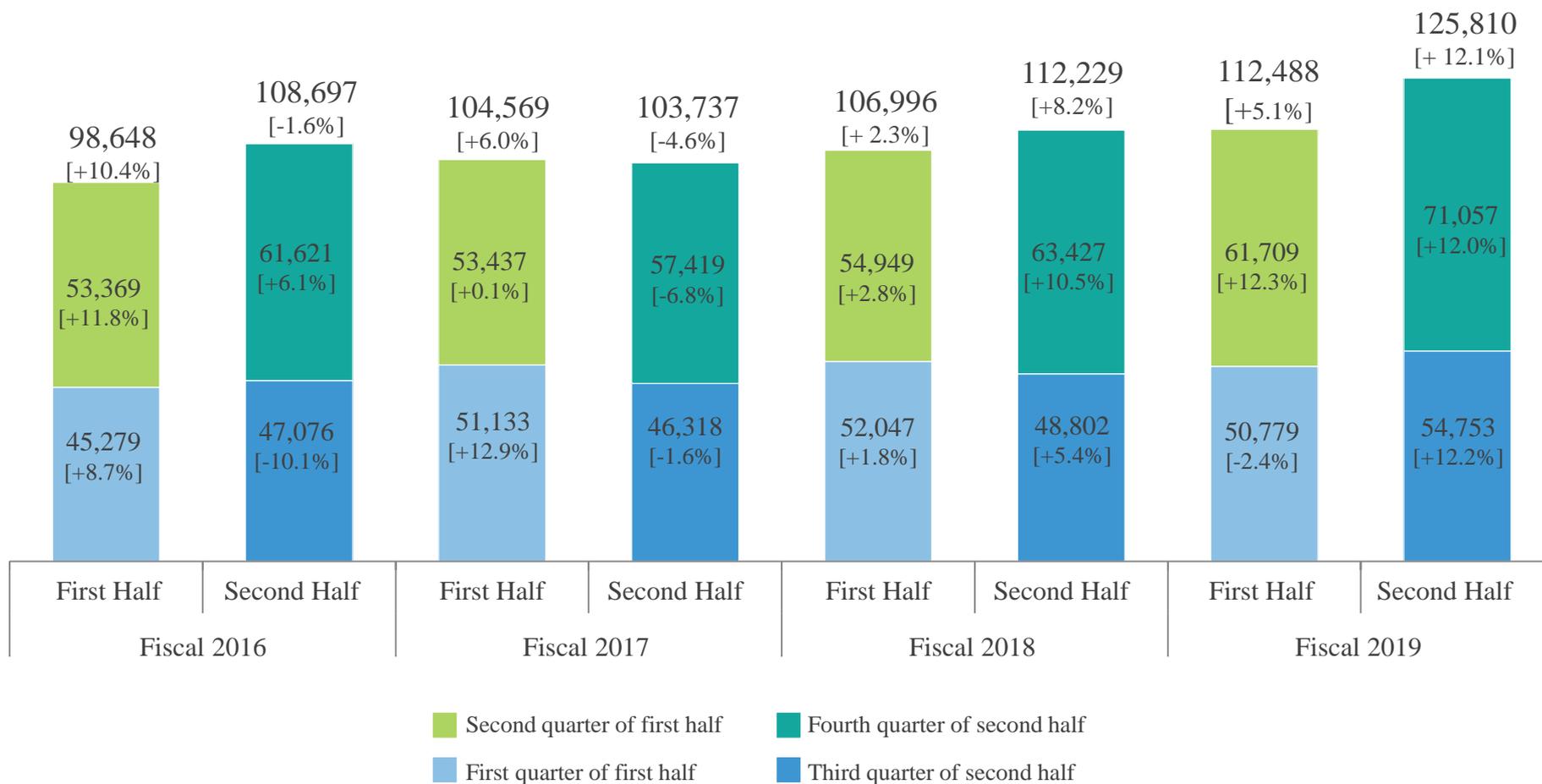
## Order backlog at year-end

- YOY change +¥ 7,833 million [+11.6%]



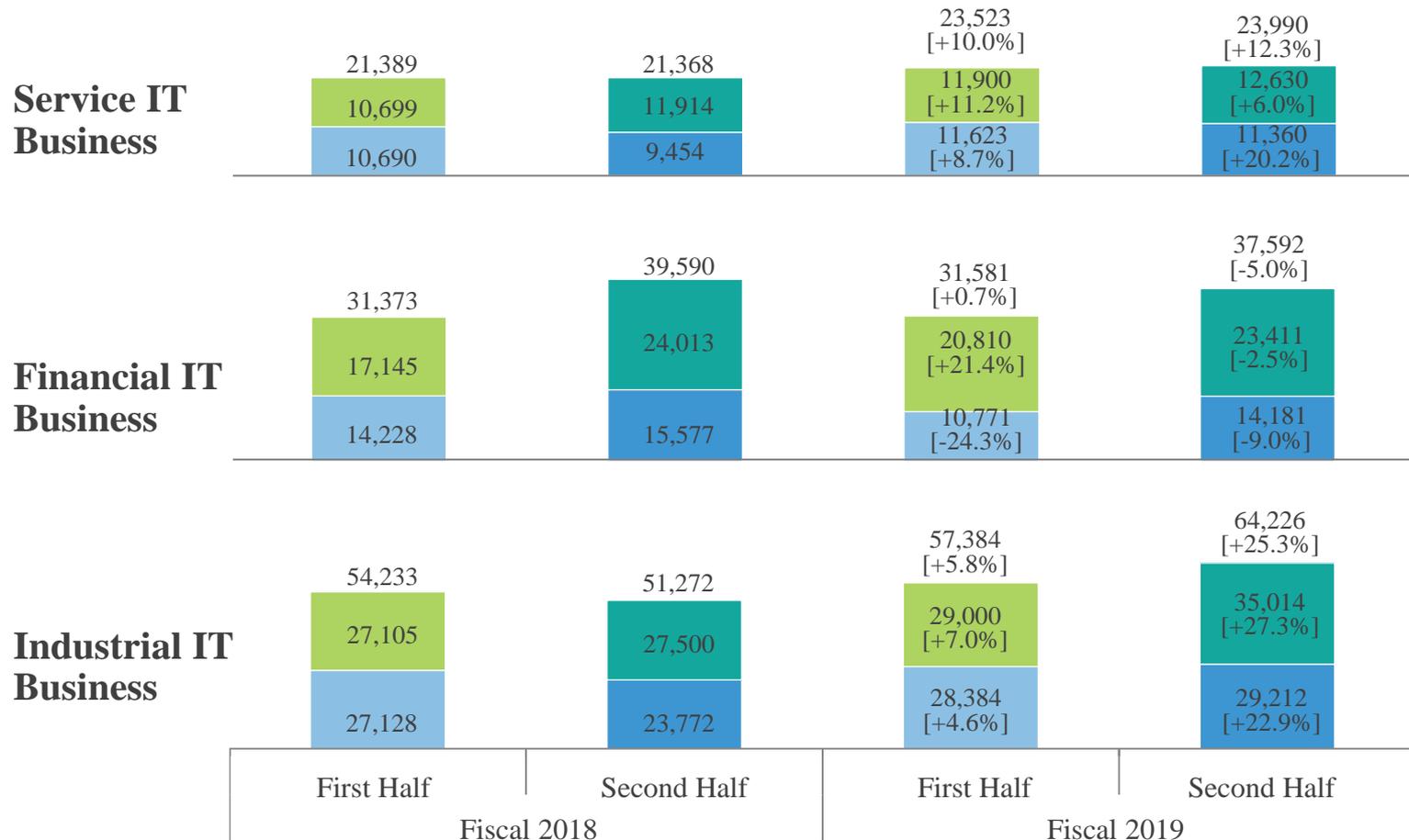
# Changes in Orders Received (Software Development)

[Millions of yen]



# Changes in Orders Received by Business Segment (Software Development)

[Millions of yen]



■ Second quarter of first half     ■ Fourth quarter of second half  
■ First quarter of first half     ■ Third quarter of second half

## Fiscal 2019: Order Status (Total)

[Millions of yen]

- Began disclosing order information related to such services as system operations from fiscal 2019.
- Order backlog (overall) was up, mainly on service IT and industrial IT orders, creating favorable order status.

### Orders Received (Total)

	Fiscal 2019
Service IT Business	107,344
BPO	33,134
Financial IT Business	108,494
Industrial IT Business	178,236
<b>Total</b>	<b>427,210</b>

### Order Backlog (Total)

	At end of Fiscal 2018	At end of Fiscal 2019	YOY change
Service IT Business	30,693	33,883	+10.4%
BPO	—	—	—
Financial IT Business	39,254	41,645	+6.1%
Industrial IT Business	52,120	57,407	+10.1%
<b>Total</b>	<b>122,067</b>	<b>132,935</b>	<b>+8.9%</b>

### Thoughts on order information related to system operation and others

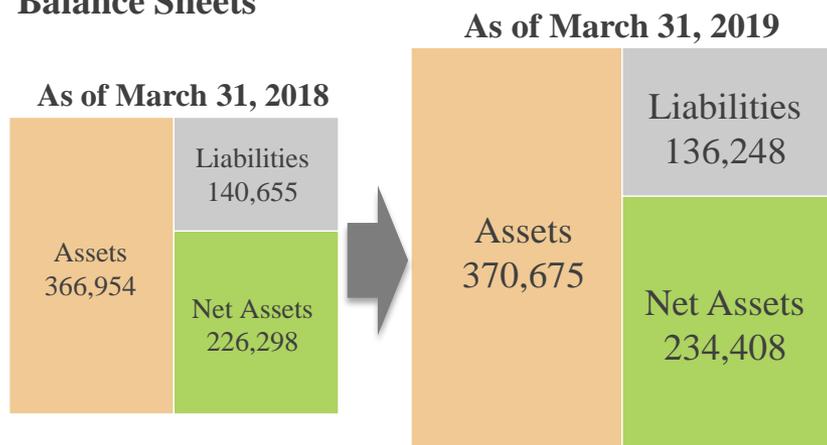
- Started disclosing order information related to system operation and others, effective in fiscal 2019 (with disclosure every six months).
  - Order backlog: At March 31, 2018
  - Order volume: At end of second quarter of fiscal 2019
- Implement reversal for contracts (including system operation contracts), regardless of duration, at end of second and fourth quarters, respectively.
  - Anticipated net sales for the next six-month period are deemed order volume for the fiscal year and booked at the end of the fiscal year. Same value booked for order backlog.
- BPO orders are transaction-based, so order backlog is considered to be zero.

# Fiscal 2019: Balance Sheets and Cash Flow Status

[Millions of yen]

- Continued to reduce assets, primarily strategic stockholdings.

## Balance Sheets



### Assets: +¥ 3,702 million

- Current assets : +¥ 14,167 million  
[Includes cash and deposits +¥ 19,558 million]
- Fixed assets : -¥ 10,463 million  
[Includes investments in securities -¥ 11,046 million]

### Liabilities: -¥ 4,407 million

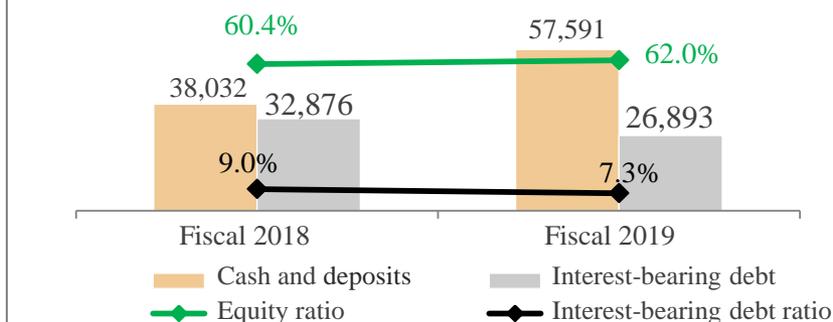
- Current liabilities: +¥ 9,816 million  
[Unpaid corporate tax +¥ 3,160 million]
- Fixed liabilities: -¥ 14,223 million  
[Long-term debt, corporate bonds -¥ 7,784 million]

### Net Assets : +¥ 8,109 million

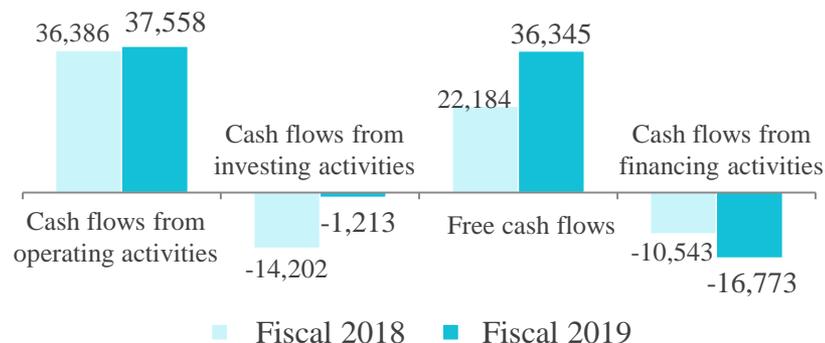
- Shareholders' equity: +¥ 17,892 million  
[Includes retained earnings +¥ 22,405 million, Treasury stock -¥ 4,074 million]
- Other total comprehensive income : -+ ¥ 9,893 million  
[Includes net unrealized gains on other securities +¥ 9,221 million]

### Equity Ratio: 62.0% [+1.6%]

### Interest-bearing Debt: ¥ 26,893 million [-¥5,992 million]



## Cash Flows



Due to application of "Partial Amendments to Accounting Standard for Tax Effect Accounting," (Accounting Standards Board of Japan, No. 28, February 16, 2018), figures for fiscal 2018 have been retroactively adjusted.

**Fiscal 2019 Financial Highlights**

**Fiscal 2020 Performance Forecast**

**Return to Shareholders**

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

**Reference Materials**

# Understanding the External Environment

- Business environment should continue to move in a favorable direction, against a backdrop highlighted by wider IT investment needs among clients increasingly keen to embrace digital management.
- Factors indispensable to business growth are perceptively identifying changes in the external environment, including social issues, namely changes in industry structure and new workstyles, and corporate transformation that helps solve social issues.

## Service IT Business

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

## BPO

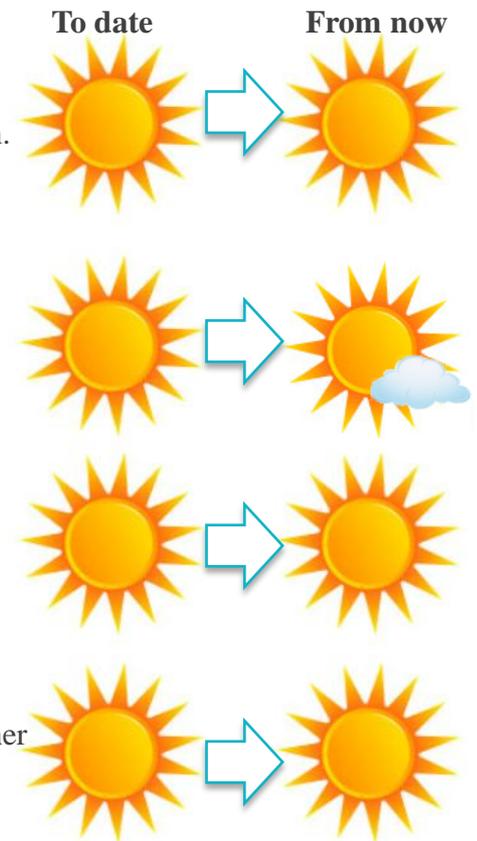
- ✓ Growing demand for BPO services that help companies improve operations on an administrative level.
- ✓ Greater need for digital innovation due to prolonged labor shortage and progress in workstyle reform.
- ✓ Impact, mainly from requests for lower prices on existing BPO services, a cause for concern.

## Financial IT Business

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

## Industrial IT Business

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



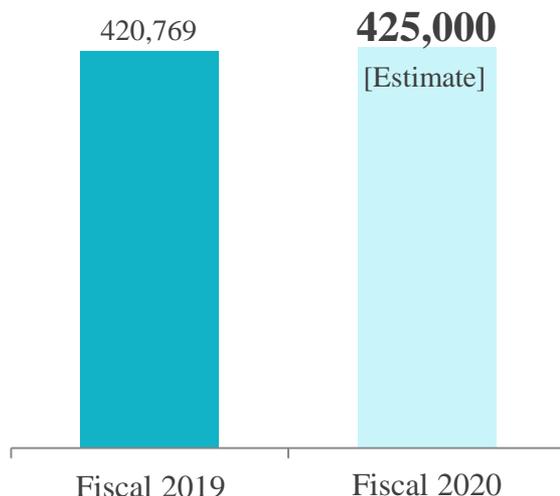
# Fiscal 2020: Performance Forecasts -1

[Millions of yen]

- Amid a brisk demand environment, vigorously invest in growth domains and forte fields to facilitate structural transformation described in medium-term management plan. Offset reactionary drop in large projects and absorb investment costs, in pursuit of higher sales and income.  
Aware that transformation into corporate group that leads in solutions to issues that clients face is indispensable to business growth.

## Net Sales

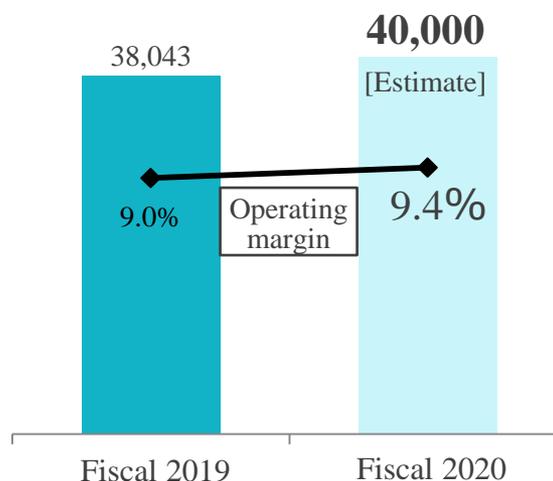
● YOY Change: + ¥ 4,231 million [+1.0%]



Focusing on service IT and industrial IT demand, strive to expand business through accurate responses to IT investment needs of clients. Will absorb impact from sale of subsidiaries and expect high sales year on year.

## Operating Income

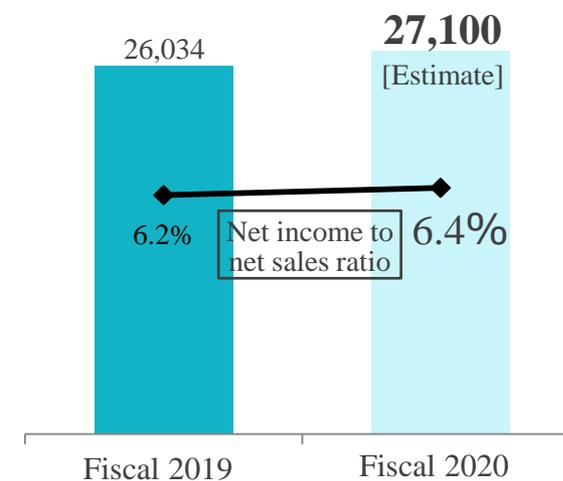
● YOY Change: + ¥ 1,957 million [+5.1%]



Continued efforts to utilize high sales effect and improved productivity. Will absorb higher cost burden on investments to fuel structural transformation including shift to prior investment approach. Should see year-on-year increase in operating income.

## Net Income Attributable to Owners of the Parent Company

● YOY Change: + ¥ 1,066 million [+4.1%]



Increase in operating income and net extraordinary income should deliver year-on-year improvement in income attributable to owners of the parent company.

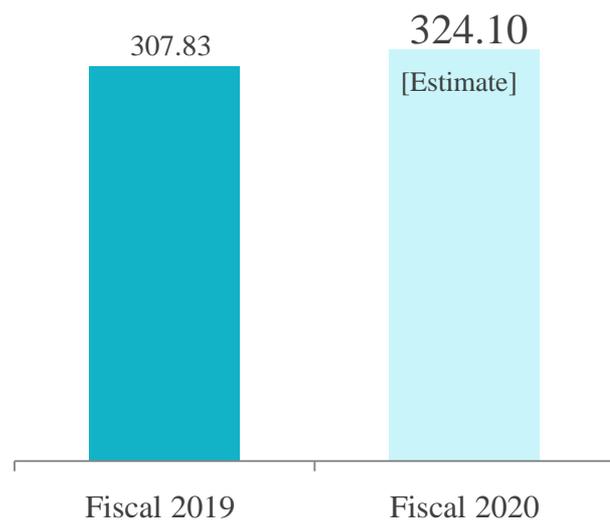
## Fiscal 2020: Performance Forecasts -2

[Yen]

- Will maintain ROE at initial target of 11.5% on way toward 12% by fiscal 2021.

### Net Income per Share

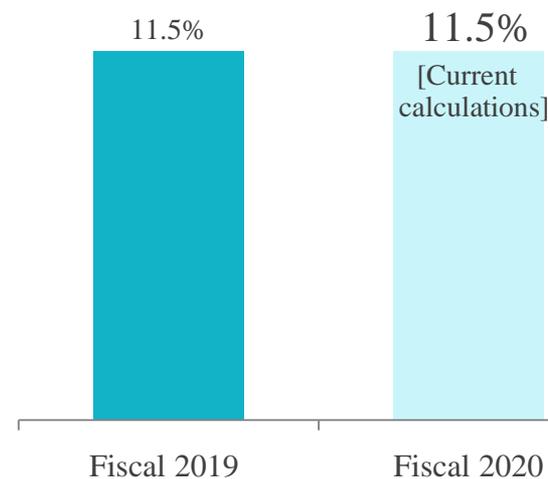
- YOY change: + ¥ 16.27 [+5.3%]



Anticipating year-on-year improvement, paralleling higher net income attributable to owners of parent.

### ROE

- YOY change: + 0.0 points



Will maintain ROE at initial target of 11.5% on way toward 12% by fiscal 2021.

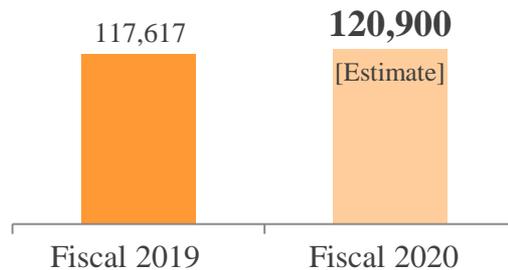
# Fiscal 2020: Key Business Segment Performances [Forecast] -1

[Millions of yen]

## Service IT Business

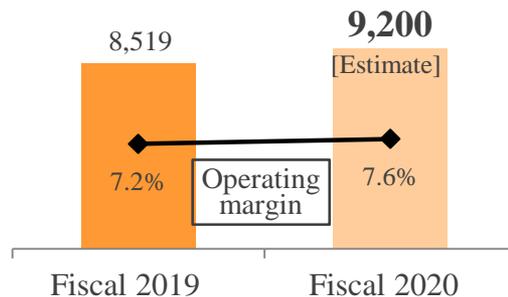
### Net Sales

- YOY change: +¥ 3,283 million [+2.8%]



### Operating Income

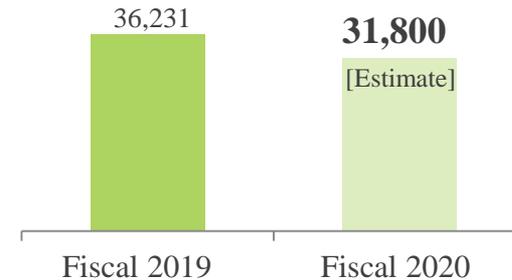
- YOY change: +¥ 681 million [+8.0%]



## BPO

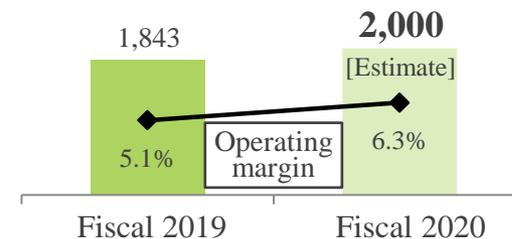
### Net Sales

- YOY change: -¥ 4,431 million [-12.2%]



### Operating Income

- YOY change: +¥ 157 million [+8.5%]



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

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

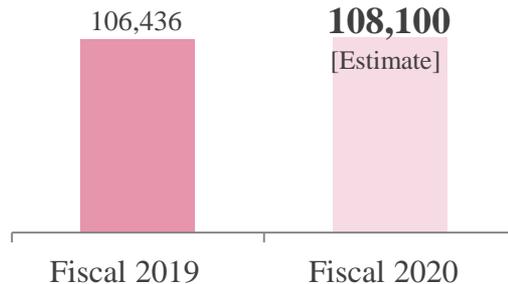
# Fiscal 2020: Key Business Segment Performances [Forecast]-2

[Millions of yen]

## Financial IT Business

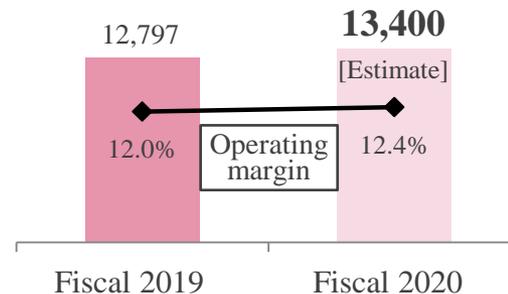
### Net Sales

- YOY change: +¥ 1,664 million [+ 1.6%]



### Operating Income

- YOY change: +¥ 603 million [+ 4.7%]

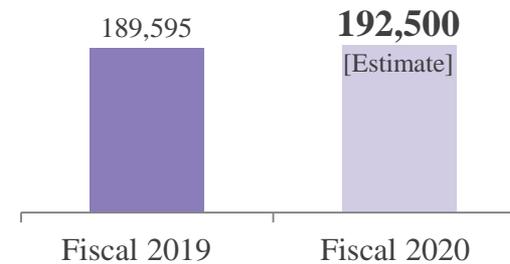


Despite reactionary drop in sales associated with large projects, operating income should increase year on year, reflecting efforts to strengthen ties to core clients, engage in value-added services and improve productivity.

## Industrial IT Business

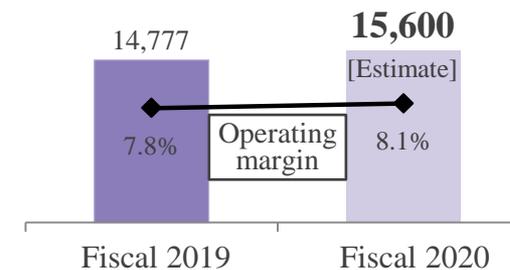
### Net Sales

- YOY change: +¥ 2,905 million [+ 1.5%]



### Operating Income

- YOY change: +¥ 823 million [+ 5.6%]

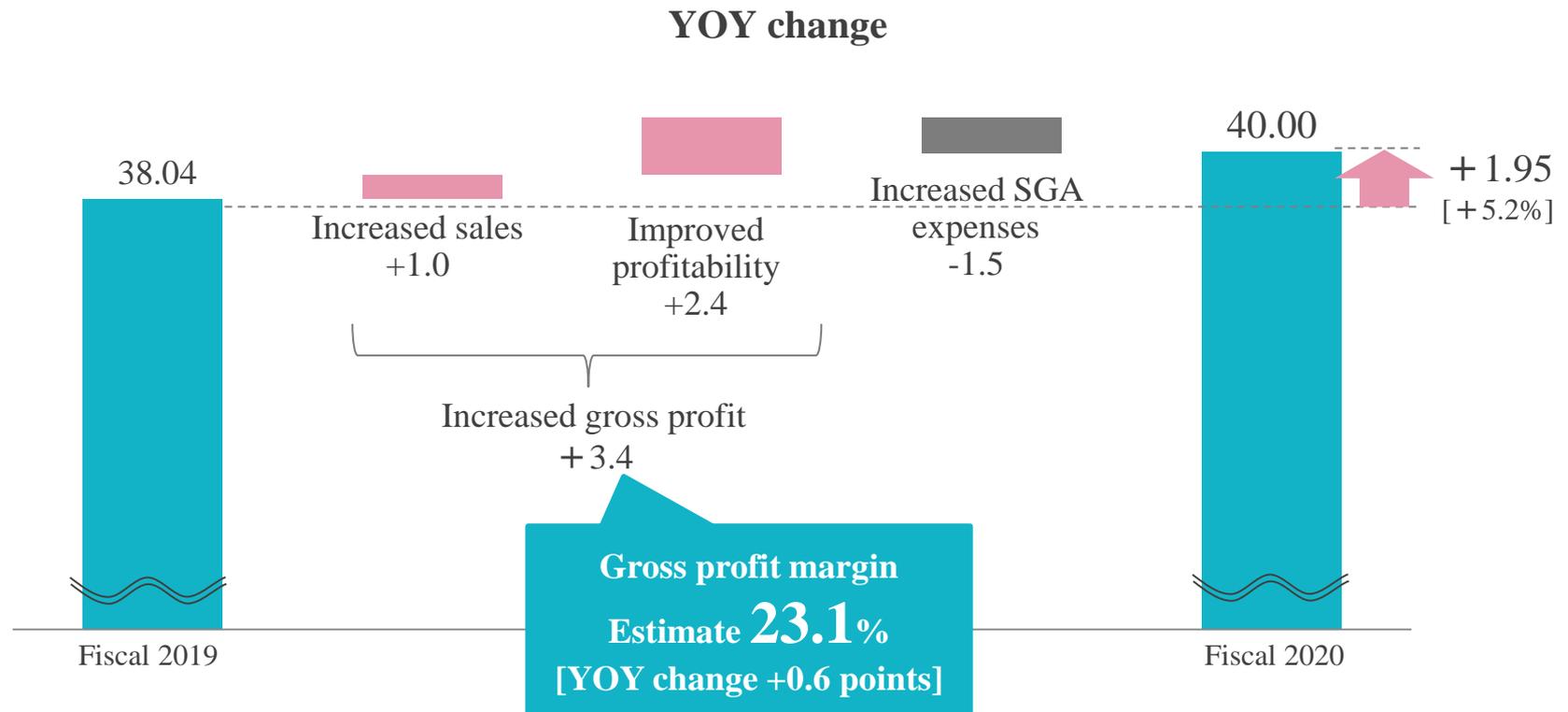


Will absorb reactionary drop from large projects with high-value-added services underpinned by consultations and enhanced upstream operations and by boosting productivity, which should lead to higher sales and income year on year.

Note: Paralleling a change in know-how used in services provided to specific clients—from industrial IT to financial IT—transactions with such clients were booked under industrial IT in fiscal 2019 and financial It in fiscal 2020.

# Fiscal 2020: Operating Income Analysis, Increase/Decrease Reasons [Forecast]

[Billions of yen]



**Fiscal 2019 Financial Highlights**

**Fiscal 2020 Performance Forecast**

**Return to Shareholders**

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

**Reference Materials**

# Medium-Term Management Plan (2018-2020): Basic Policy on Return to Shareholders

**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)

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

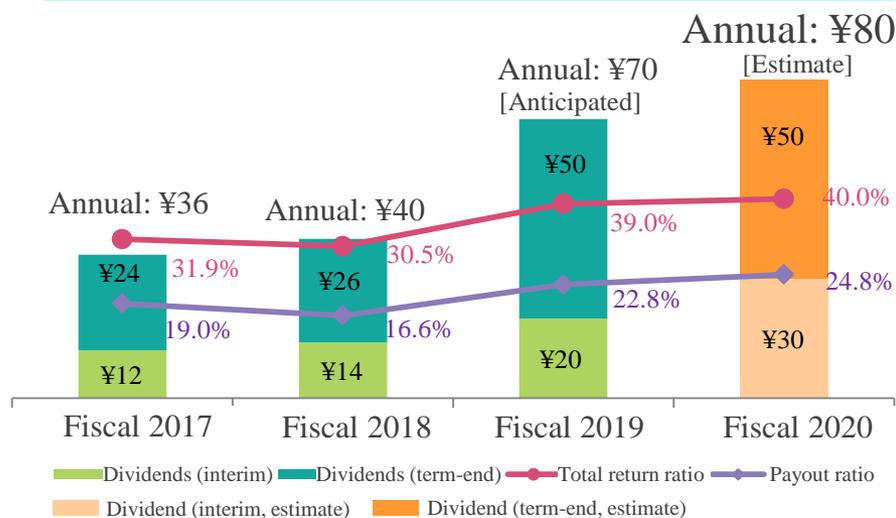
- Raise total return ratio yardstick to 40%, from 35%, and then aim for payout ratio of 30% by fiscal 2021 through stable dividend growth.
- Set upper limit on treasury stock holdings to 5% of total number of issued shares, with excess of this amount cancelled.

## Status on Return to Shareholders

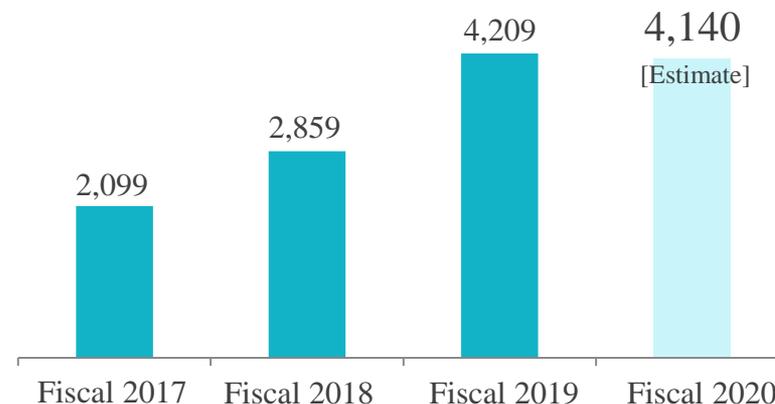
	Annual dividend per share	Acquisition of treasury shares	Total return ratio
<b>Fiscal 2019</b>	<b>¥ 70</b> [Compared with estimate: +¥10]	Total <b>¥ 4.20 billion</b>	<b>39.0%</b>
<b>Fiscal 2020</b>	<b>¥ 80</b> [YOY change: +¥10]	Total <b>¥ 4.14 billion*</b>	<b>40.0%</b>

\*Upper limit of treasury stock buyback announced May 13, 2019

Changes in Dividends per Share



Total Acquired Treasury Shares [Millions of yen]



**Fiscal 2019 Financial Highlights**

**Fiscal 2020 Performance Forecast**

**Return to Shareholders**

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

**Reference Materials**

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

# 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 transformation

**¥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

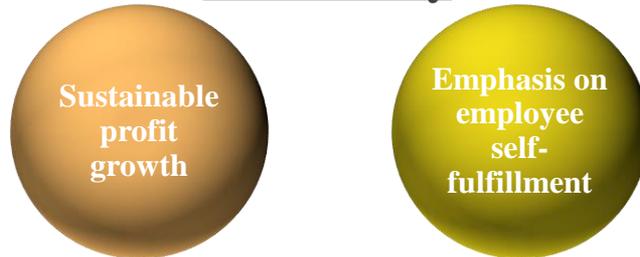
ROE **12%**

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



# Basic Policy/Key Performance Indicators

## 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

- 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



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

- 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

- 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%**

# Activities under Medium-Term Management Plan

## Overall Progress in Fiscal 2019

### Fiscal 2019 Group Management Direction

#### Charge forward on switch to service-style business

- Push vigorously ahead on structural transformation, seeking new set of values and style emphasizing speed and flexibility as well as knowledge-intensive style business structure

#### Robust prior investment to create new services

- Selectively invest in growth and forte fields to turn service-style businesses into growth engines

#### Added-value and productivity improvements in domains of expertise

- Focus on forte fields and key client businesses, eliminate unprofitable projects, implement enhancement reforms, and improve order profitability in good business environment

#### Promote growth strategy aimed at becoming a top-class IT group in ASEAN region

- Expand business domains established through cooperation built over time with overseas partners in line with global strategy and pursue strategic investments

#### Boost motivation and reinforce human resource management

- Strive to create framework and corporate culture in which employees—the driving force behind the Group’s growth—can thrive, and steadily realize measures described in personnel manifesto

#### Pursue activities to enhance management practices and boost efficiency

- Steadily implement “G20” project to elevate head office functions, and study and declare key sustainability issues

### Looking Back on Fiscal 2019



- Strategic domain ratio moved briskly upward, hitting 42%, or 7 points higher year on year. Emphasized concentration on core businesses.
- Service IT exceeded target, driven by demand for payment settlement, ERP and network solutions. Launched businesses requiring prior investment, including token requestor service.
- Quantitative transformation required to achieve medium-term targets, such as steady improvement in profitability on service-type businesses.



- Gross profit margin improved to 22.5%, reflecting enhancement upgrades and efforts to reinforce order profitability.
- Sold subsidiaries following review of business portfolio.
- Able to hold unprofitable projects to relatively low level, but development loss ratio settled at 0.9%, just off the 0.8% target.



- Continued to strengthen ties with existing targets of capital participation while pursuing new alliances.
- Accelerated business expansion through fusion of marketing channels and technologies as well as creation of joint schemes involving TIS.



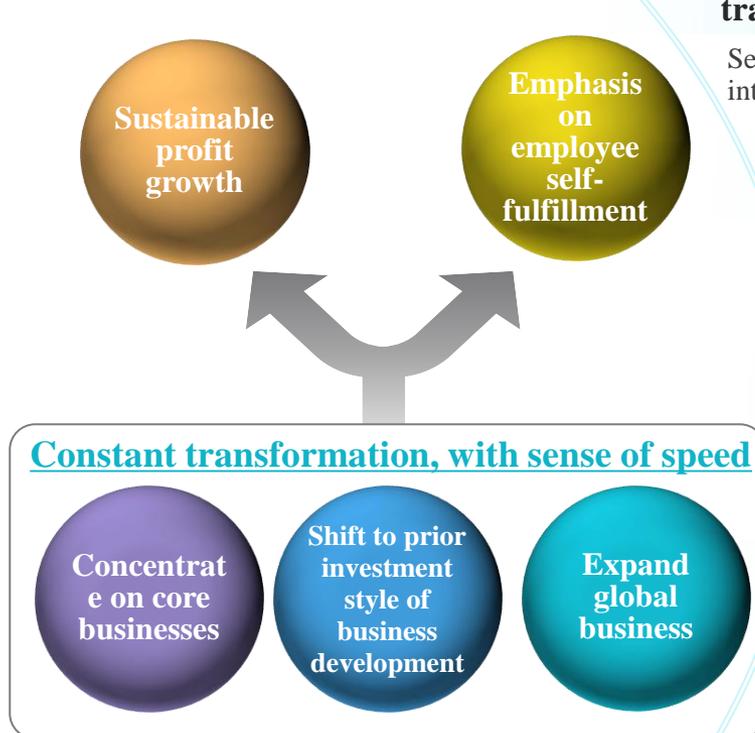
- Encouraged employees to reach for their own career goals. Took steps, as planned, in line with TIS’ Human Resources SBU manifesto. Gradually extended approach groupwide.
- External recognition, such as METI’s “White 500” companies with excellent health and productivity management programs.



- “G20” project to elevate head office functions moving along as planned.
- Formulated OUR PHILOSOPHY and promoted sustainability-related activities, including identification of materiality.

# Fiscal 2020 Group Management Direction

## Medium-Term Management Plan (2018-2020) Basic Policy



## Group Management Direction in Fiscal 2020

### **Robust prior investment to fuel business expansion and structural transformation**

Selectively invest in growth fields and areas of expertise to turn service-style businesses into growth engines

### **Promote measures and review business portfolio with view toward higher profitability**

Concentrate on forte fields and key client businesses, eliminate unprofitable projects, emphasize order profitability and thoroughly implement enhancement reforms

### **Promote growth strategy aimed at becoming a top-class IT group in ASEAN region**

Expand business domains and pursue strategic investments through cooperation built over time with overseas partners in line with global strategy

### **Boost motivation and take human resource management to higher level**

Strive to create framework and corporate culture in which employees—the driving force behind the Group’s growth—can thrive, and steadily realize measures described in personnel manifesto

### **Realize enhanced management practices and higher efficiency**

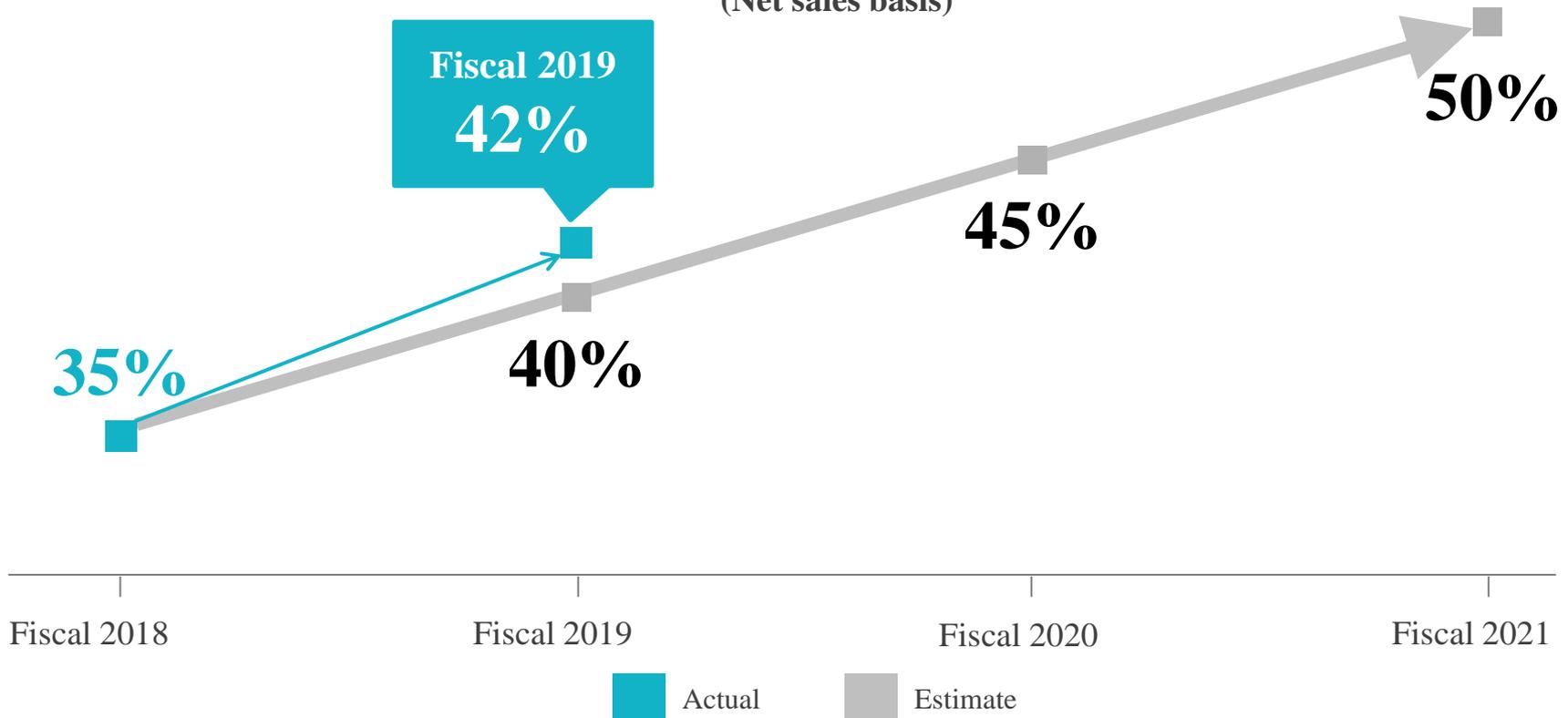
Instill widespread awareness of unified, groupwide management, based on OUR PHILOSOPHY, promote “G20” project to elevate head office functions, and kick off new system “GAIA”

# Activities under Medium-Term Management Plan (Topics)

## 1. Structural Transformation Strategy (1)

Medium-Term Management Plan (2018-2020) guiding structural transformation with sense of speed toward success of Group Vision 2026. Concerted effort to build content in strategic domains.  
 → Favorable progress, with ratios in Strategic Partnership Business and IT Offering Service charging upward.  
 Maintain concentration on core businesses.

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



# Activities under Medium-Term Management Plan (Topics)

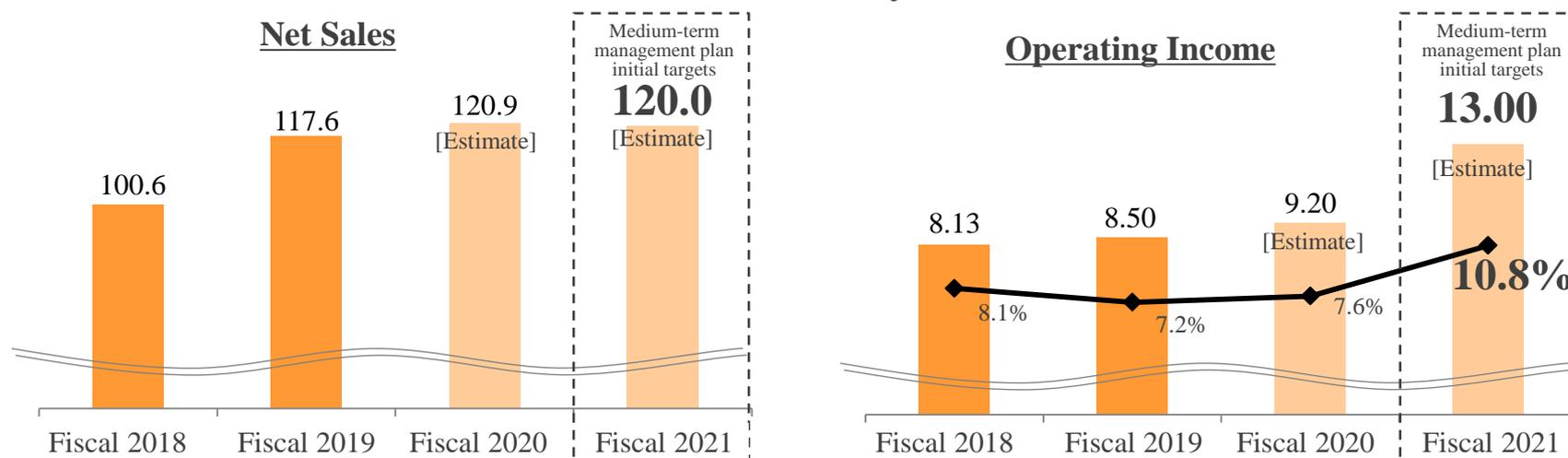
## 1. Structural Transformation Strategy (2)

[Billions of yen]

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

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

### Status of Service-Style Business



### Anticipated Core Composition of Net Sales

	Fiscal 2018	Fiscal 2019	Fiscal 2020 (Estimate)	Status/Forecast
<b>Payment</b>	10.0	15.0	20.0	Development aimed at introduction of credit SaaS-type services will drive growth.
<b>ERP</b>	28.0	28.0	28.0	Maintain high level through response to system upgrade demand.
<b>Data centers / cloud / networks</b>	42.0	42.0	42.0	Existing data center business will shrink and cloud will attract more interest.

# Activities under Medium-Term Management Plan (Topics)

## 2. Payment Settlement Business Strategy

Digital cash platform PAYCIERGE—Aiming for combined services in fiscal 2020

### ② Token service

Brisk expansion in number of wallet projects ordered  
Rising need for IoT settlement services

### ① Credit SaaS-type service (CreditCube+)

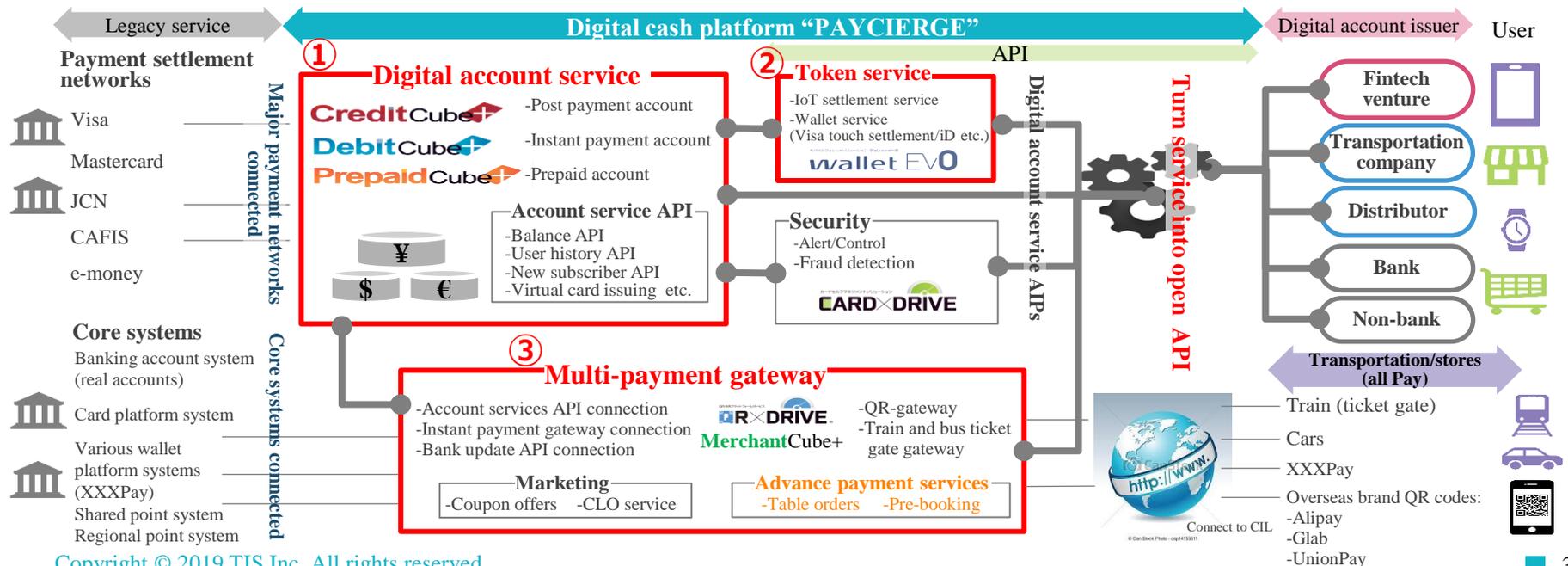
Growing demand for credit SaaS-type service from many companies for which payment by credit card is essential to business  
Draw on insights and strengths of TIS related to core systems for credit card operations to capture more orders

### ③ Multi-payment gateway (QR settlement)

Complete gateway connection to each domestic QR brand\* as well as Alipay, WeChat and UnionPay  
(\*LINEPay, RakutenPay, PayPay, d Payment)  
Promote alliances with acquirers as planned

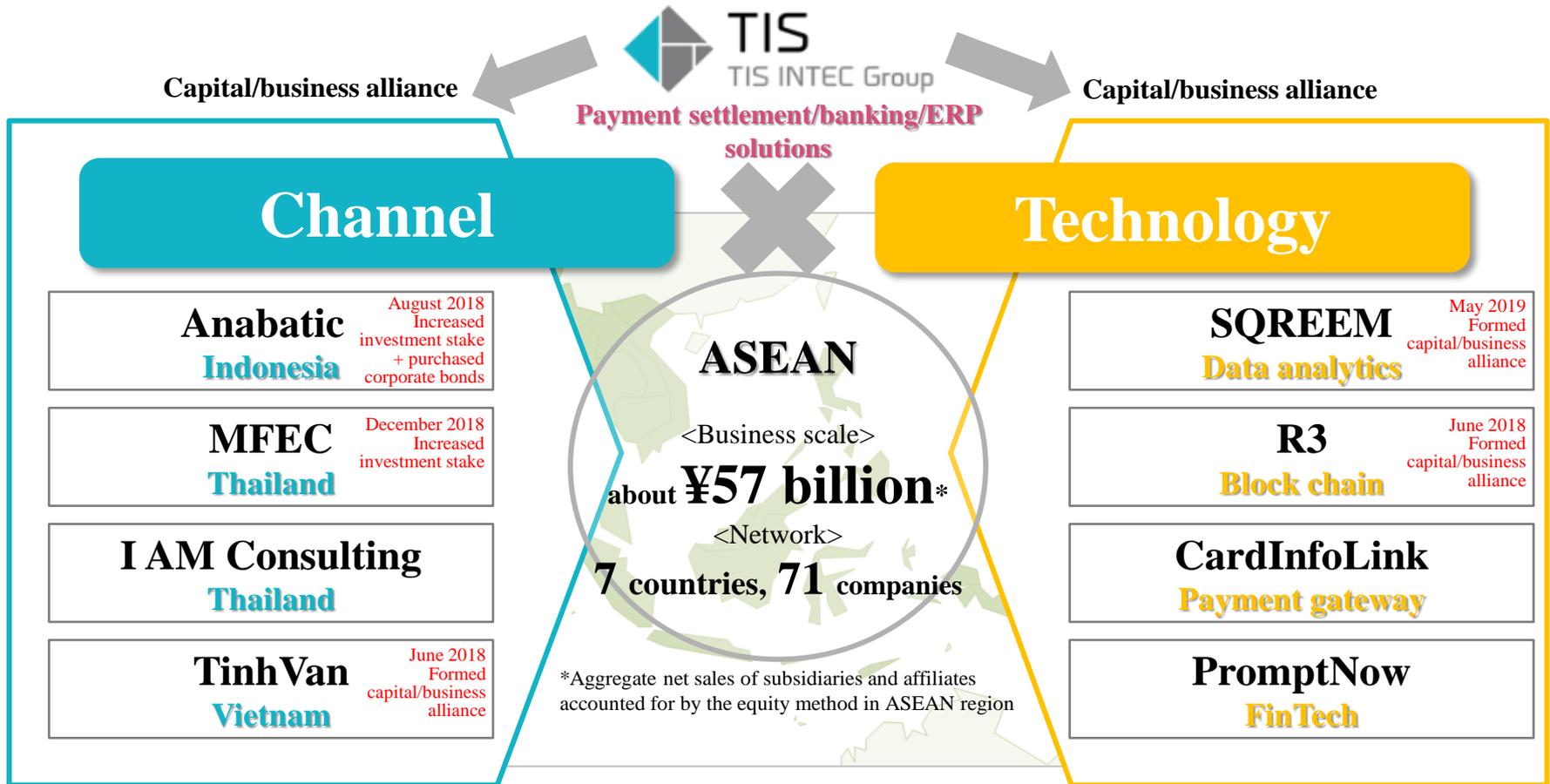
In addition to the above, in fiscal 2020, we will accelerate activities for the following combined services using token service and multi-payment gateways.

Examples include e-money salary payments (Payroll), MaaS (Mobility as a Service) and a payment settlement platform for supercity (Aizu-wakamatsu) use



# Activities under Medium-Term Management Plan (Topics)

## 3. Overseas Business Strategy (1)



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

# Activities under Medium-Term Management Plan (Topics)

## 3. Overseas Business Strategy (2)

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

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

## 4. Strategies for Enhanced Management Practices and Improved Efficiency: Stronger corporate sustainability

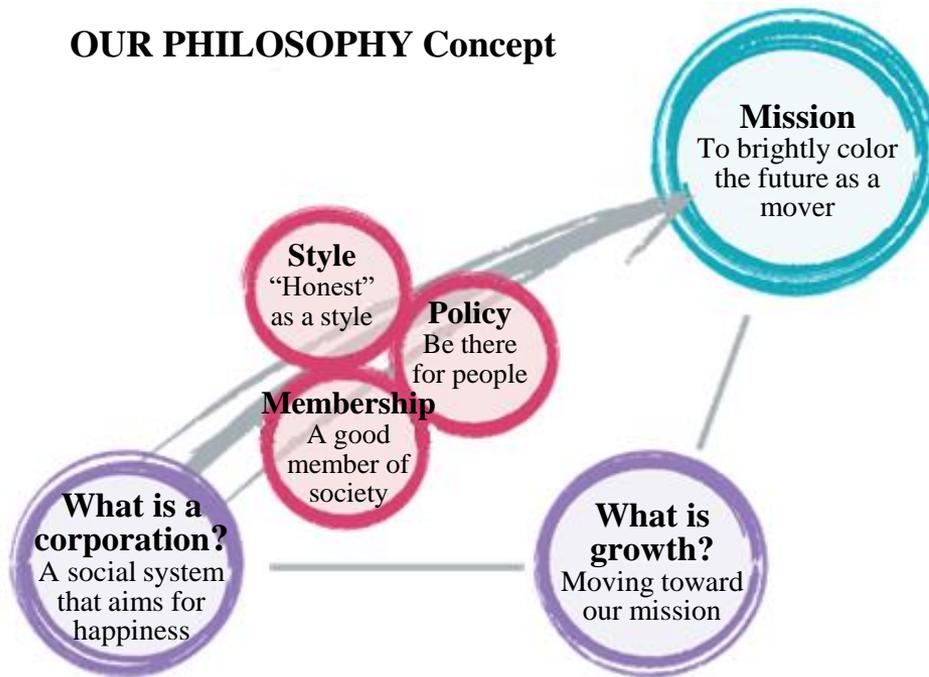
### TIS INTEC Group Philosophy — Creating OUR PHILOSOPHY

- Positioned as a pillar of all activities, creating a **sense of values shared throughout the Group**
- We seek to **brightly color the future as a mover**, in a role we wish to fulfill as a corporate citizen.

### Clarifying Four Key Themes and Identifying Materiality

- Strengthen efforts in **corporate sustainability** to realize continuous improvement in corporate value.
- Strengthen contribution to achievement of **SDGs**.

### OUR PHILOSOPHY Concept



<p><b>1. Create society in which diverse human resources are engaged and thrive</b></p> <ul style="list-style-type: none"> <li>• Promote diversity</li> <li>• Promote workstyle reforms</li> <li>• Human resource development and training emphasizing self-fulfillment</li> </ul>	<p><b>2. Create comfortable society through innovation and joint activities</b></p> <ul style="list-style-type: none"> <li>• Promote safe, convenient social foundation that supports people and society</li> <li>• Connect with stakeholders and promote joint activities</li> <li>• Reduce environmental impact</li> </ul>
<p><b>3. Create safe society through high-quality services</b></p> <ul style="list-style-type: none"> <li>• Continuous quality improvement</li> <li>• Information security</li> <li>• Safeguard personal information</li> </ul>	<p><b>4. Enhance corporate governance and earn trust of society</b></p> <ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Compliance</li> <li>• Risk management</li> </ul>

# Activities under Medium-Term Management Plan (Topics)

## 5. Human Resources Strategies

Employees are the biggest factor in corporate growth, and we apply various approaches, based on the TIS Human Resources SBU Manifesto, to help employees reach personal career goals. Efforts include extending the retirement age to 65, embracing new workstyles and promoting performance management.

### Initiatives as of March 31, 2019

#### Boost motivation through constant cycle of self-fulfillment

- Increase standard wage, raise promotion ratio
- Introduce system— “Retirement at 65” —that enables employees to continue to be active in the workplace if they are willing and able, regardless of their age.
- Introduce superflex option

#### Selectively develop model employees to fuel transformation of the Group

- Define personnel portfolio to facilitate Group reforms
- Reinforce personnel management and develop skills of people who will be project leaders

#### Create framework and systems to achieve optimum deployment of human resources within the Group

- Visualize personnel information and promote TIS approaches throughout the Group

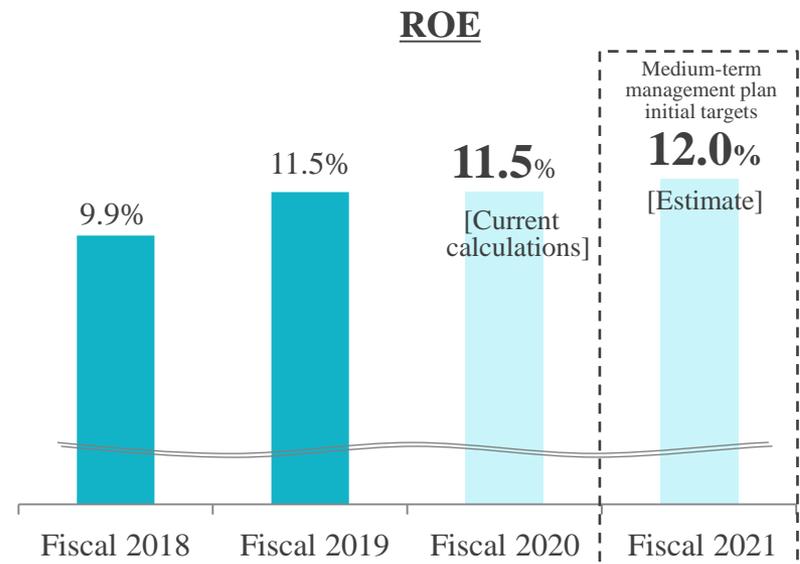
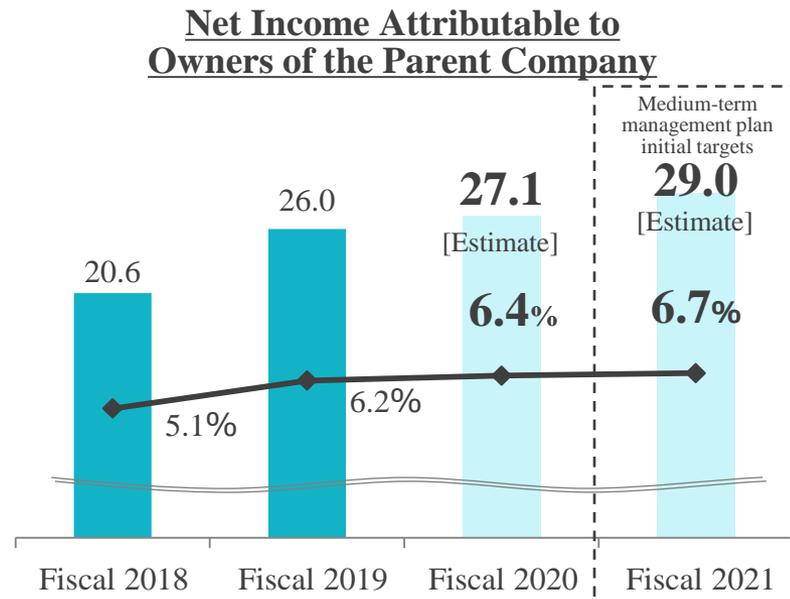
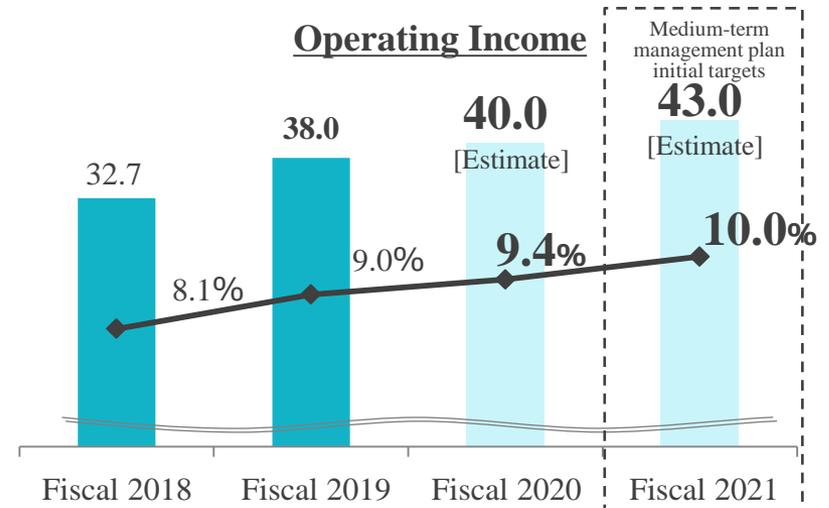
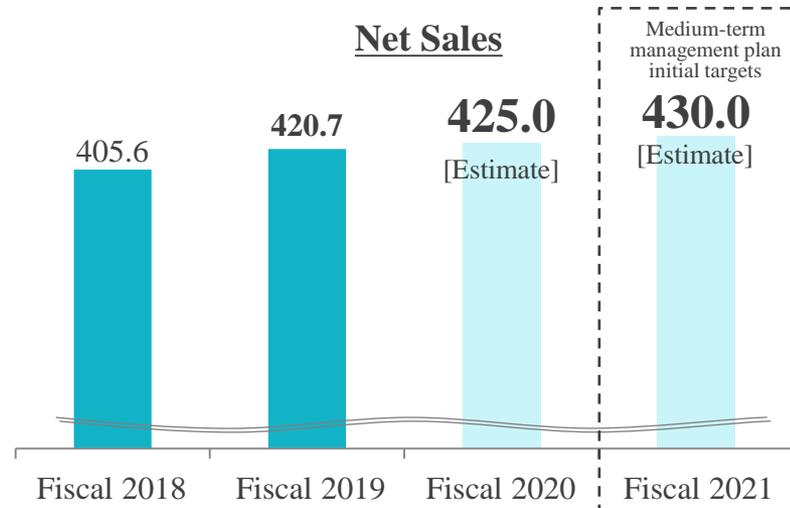
### External Recognition



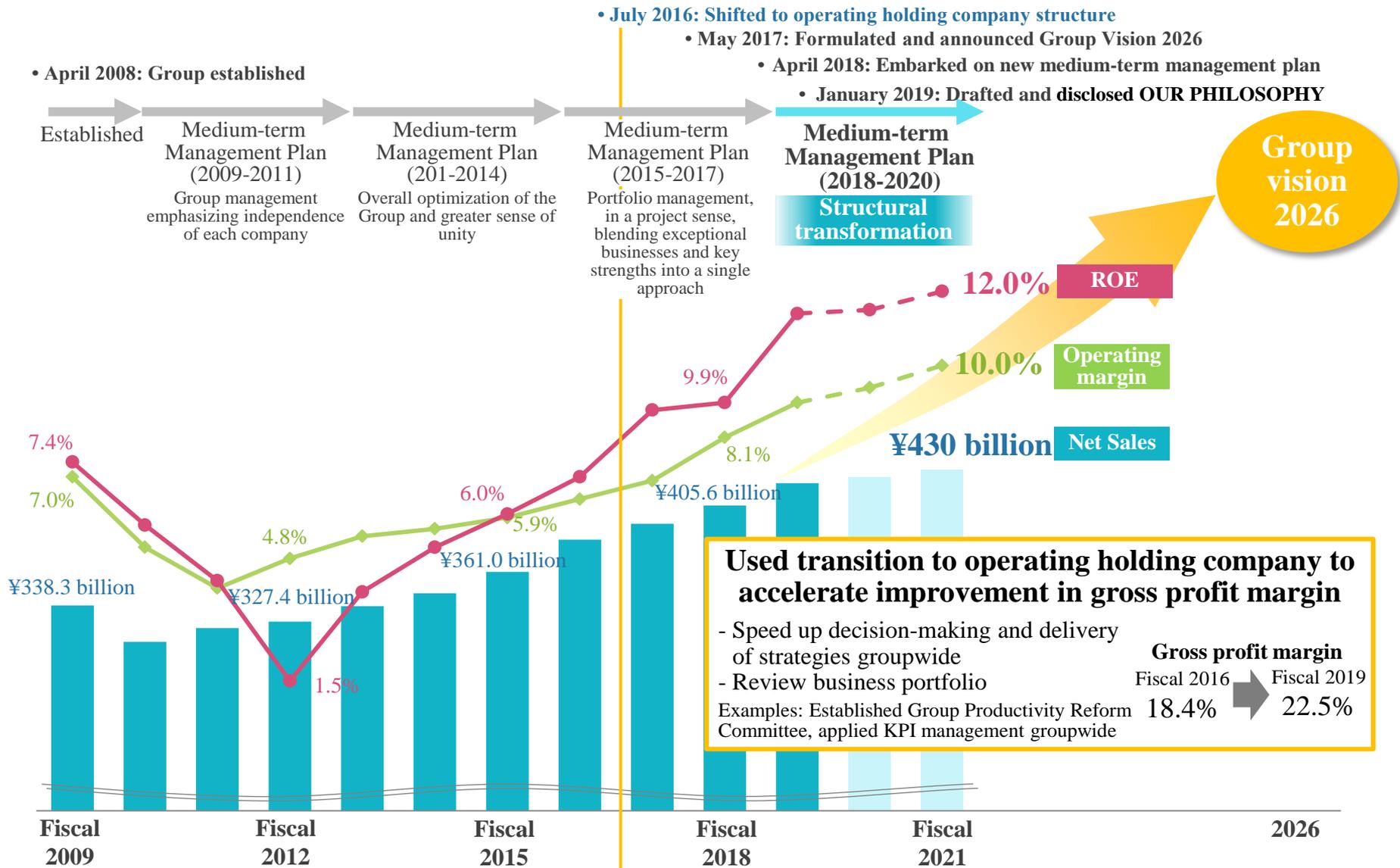
**Going forward, we will raise motivation and reinforce personnel management. We will create a framework/culture that enables diverse human resource to thrive within the Group and constantly cultivates top-level capabilities to underpin structural transformation.**

# Numerical Targets

[Billions of yen]



# Seeking Greater Improvement in Corporate Value



**Fiscal 2019 Financial Highlights**

**Fiscal 2020 Performance Forecast**

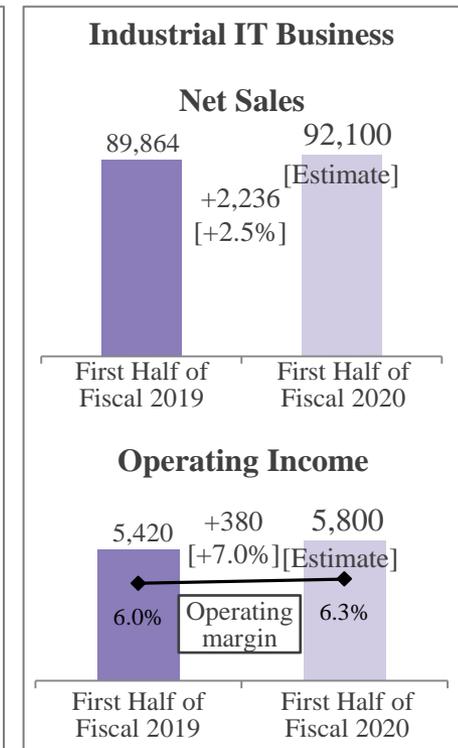
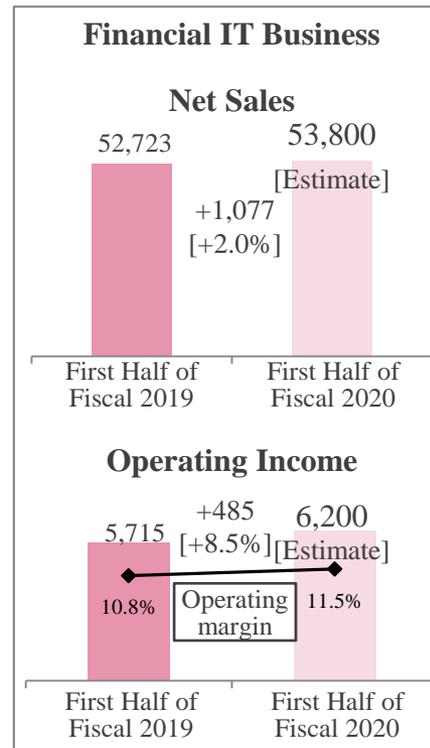
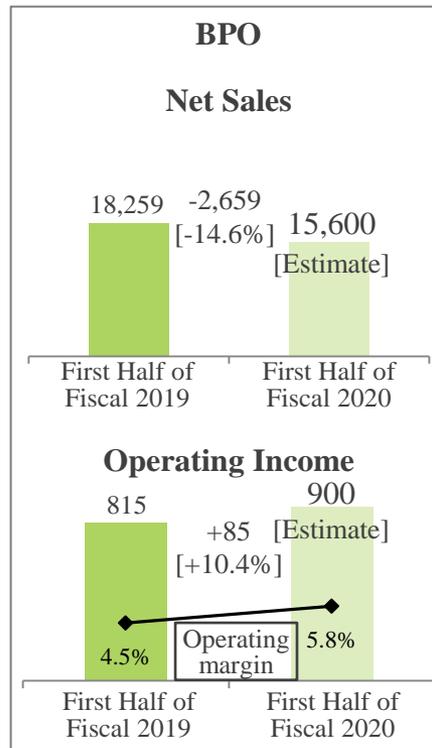
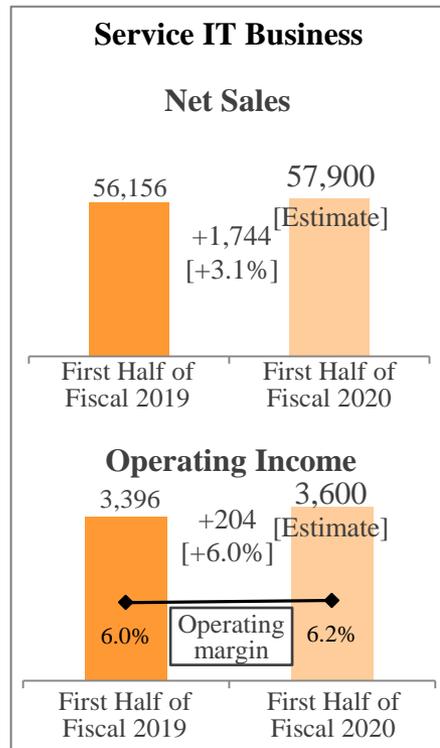
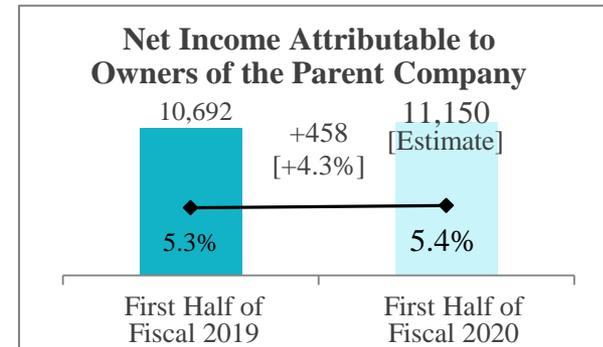
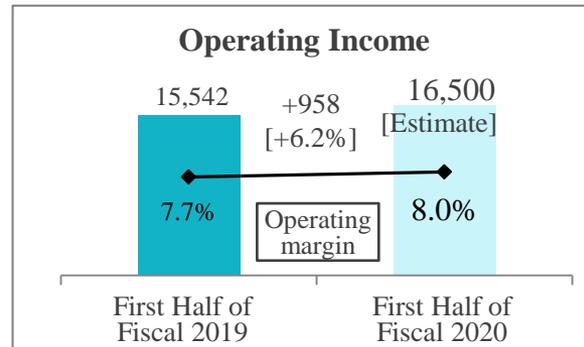
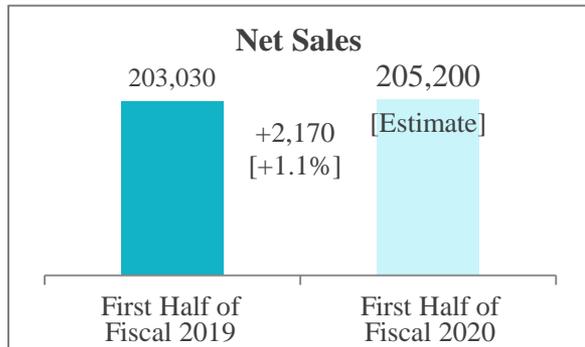
**Return to Shareholders**

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

**Reference Materials**

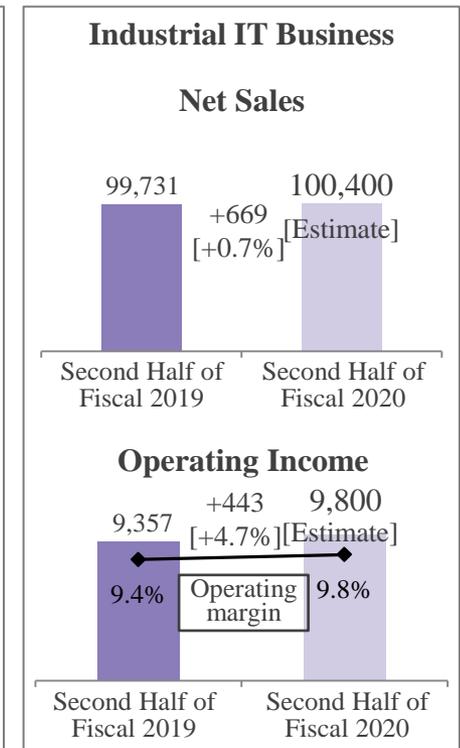
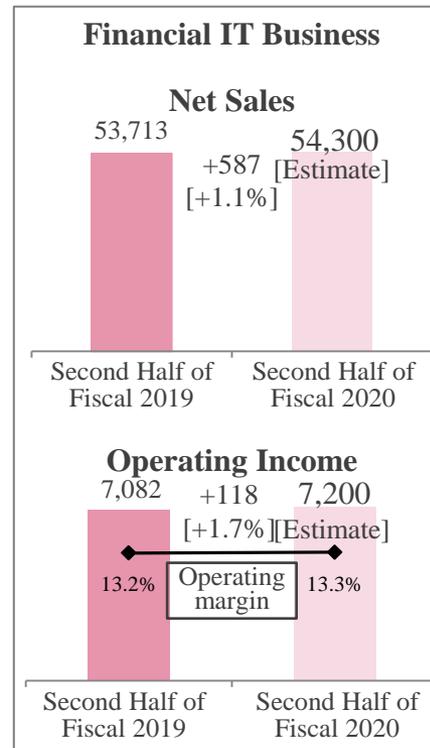
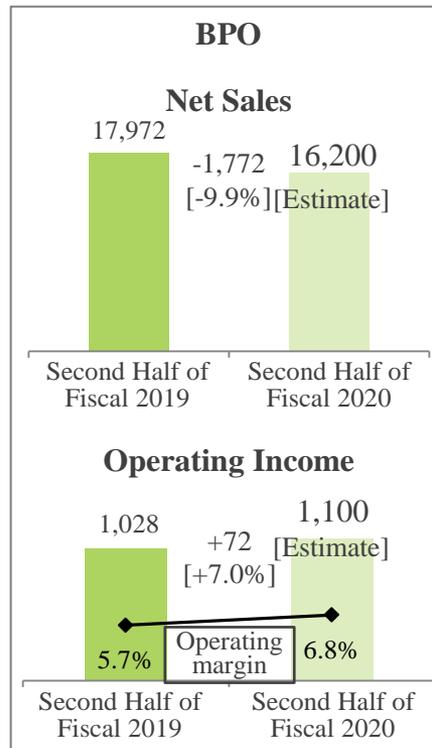
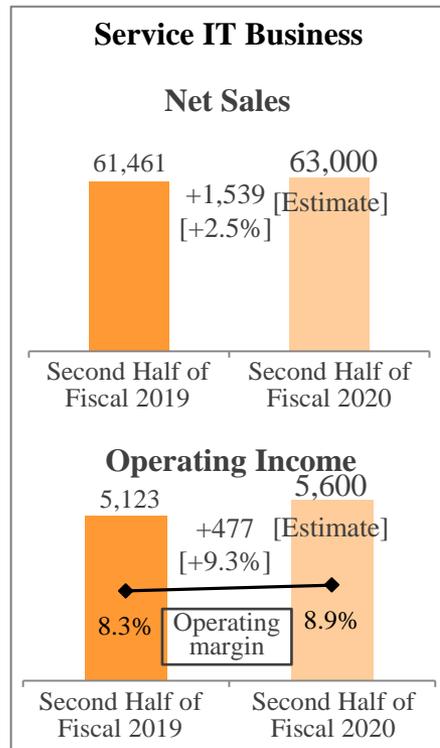
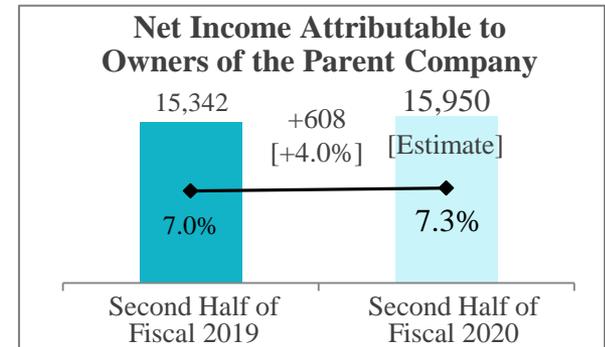
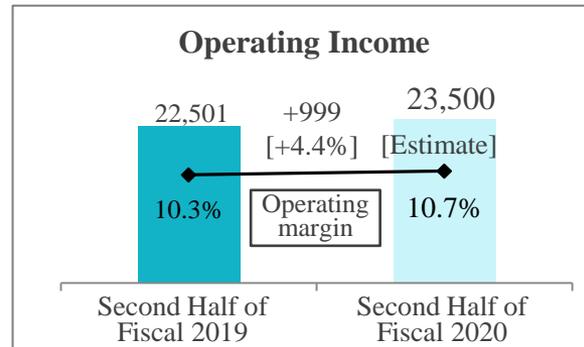
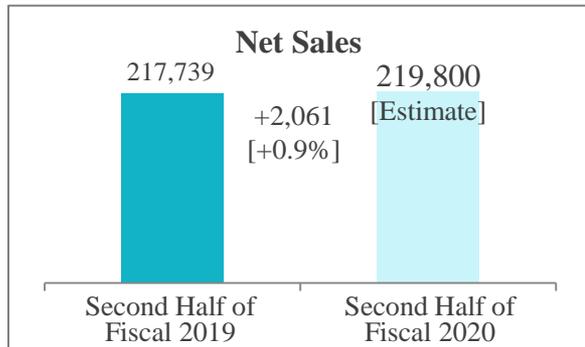
# Fiscal 2020 First Half: Sales and Income for Key Business Segments [Forecast]

[Millions of yen]



# Fiscal 2020 Second Half: Sales and Income for Key Business Segments [Forecast]

[Millions of yen]



# 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**

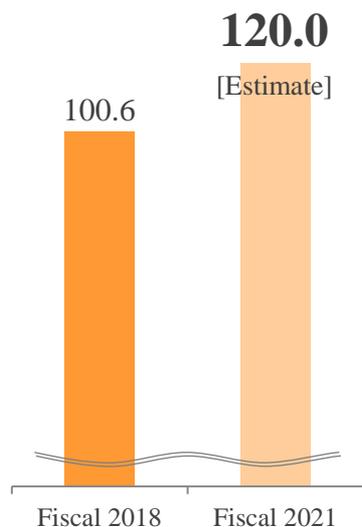
- Team up with clients to pursue new business opportunities
- Demonstrate innovation through creative alliances with business partners
- Encourage business creation using business ideas of individuals

# Medium-Term Management Plan (2018-2020)

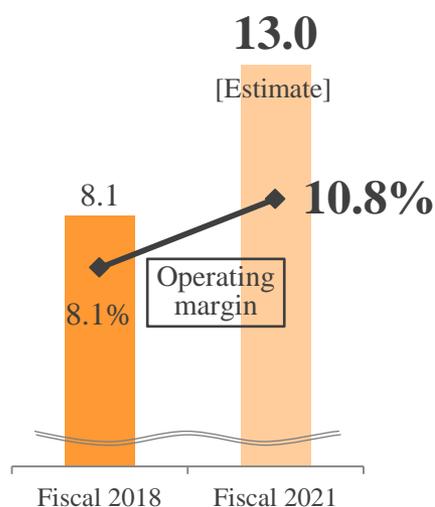
## Anticipated Changes in Net Sales and Operating Income (Key Segments 1) [Billions of yen]

### Service IT

#### Net Sales

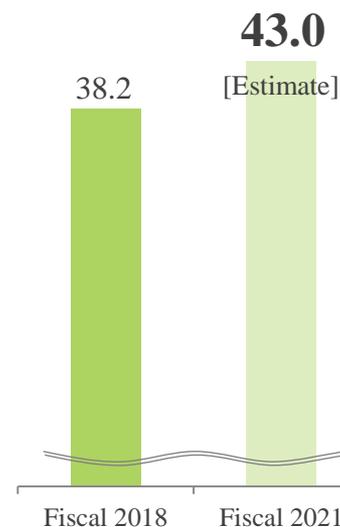


#### Operating Income

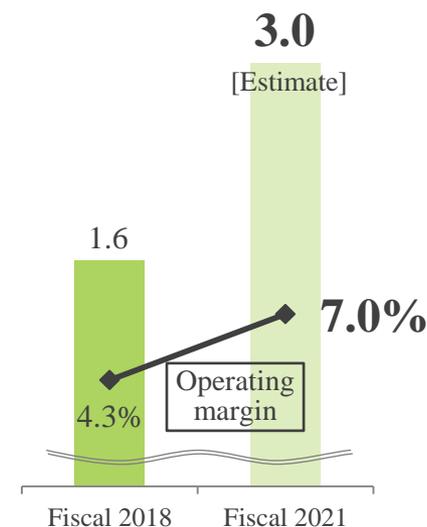


### BPO

#### Net Sales



#### Operating Income



#### 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

#### Business Growth Strategies, Focus Points

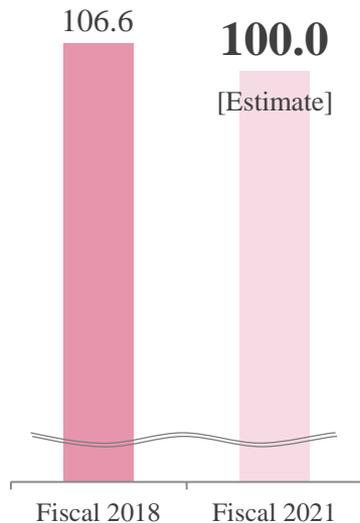
- Improve gross profit ratio on existing entry services through BPO concentration effect and business restructuring
- Expand business and boost profitability (Business Function Service) through more sophisticated BPO drawing on shift to high-level, combined BPO and use of forte business knowledge and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

# Medium-Term Management Plan (2018-2020)

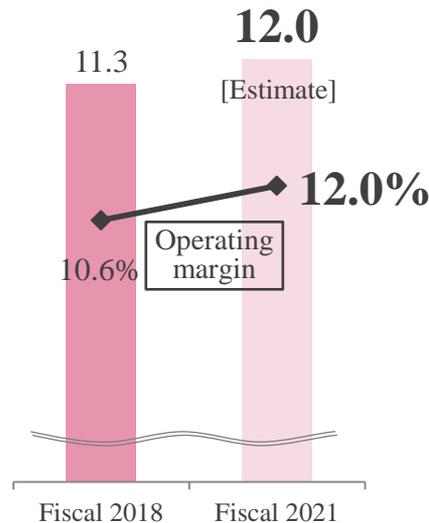
## Anticipated Changes in Net Sales and Operating Income (Key Segments 2) [Billions of yen]

### Financial IT

#### Net Sales



#### Operating Income

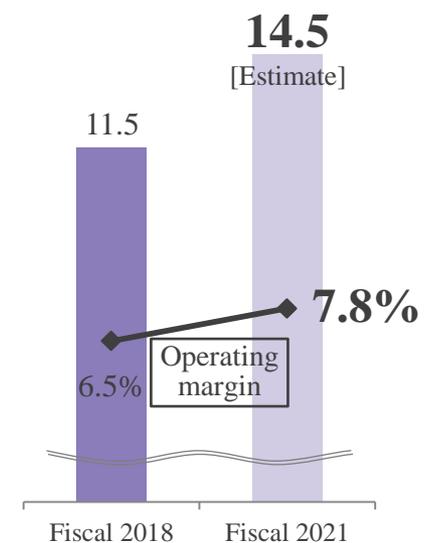


### Industrial IT

#### Net Sales



#### Operating Income



### 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

### 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



### 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.

#### **Cautionary Statements**

- 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.
- From the fiscal year ended March 31, 2019, Business segments were reclassified at TIS, paralleling changes in the management structure designed to promote the shift to a new business structure. For comparison purposes, figures for fiscal 2018 have been recalculated and are presented according to the new segment breakdown