



Tsunenori Sato
President and Representative Director

The Power of Empathy: Building a Society Where Everyone Can Thrive and Feel Secure

Transitioning from Product Sales to a Service Orientation

Four and a half years have passed since I assumed the roles of president and representative director at ITFOR Inc. in 2019. During this period, the most significant transformation at ITFOR has been our transition from a focus on system and product sales to the provision of services aimed at maximizing convenience for our customers.

ITFOR has since its founding in 1972 as CJK Co., Ltd., been involved in the procurement overseas and sale in Japan of information and communication equipment, such as high-speed printers and office-oriented distributed computing systems. In a milestone in 1975, we sharpened our system development prowess by developing and releasing Japan's pioneering online point-of-sale (POS) system. Our commitment to growth also led us to expand our market presence by developing and offering system packages, including credit management solutions customized for regional banks and nonbank entities. Over the course of several decades, ITFOR has thereby established a robust customer base, particularly in various of Japan's regions, and accumulated a wealth of problem-solving capabilities.

"We see ourselves as a business-to-business-to-consumer (B2B2C) company that emphasizes the end user to enhance end-user convenience, safety, and comfort."

We have in addition harnessed the network strengths of regional banks to extend our reach to untapped markets, such as regional public entities. This has seen us apply our accumulated knowledge and our system development capabilities.

ITFOR has evolved into a business-to-business (B2B) company primarily focused on delivering products and services to businesses and public

organizations. We are, however, acutely aware that our products and services have a broader societal impact that extends to individuals. Customer use of what we offer underscores the importance of comprehending how society and individuals can undergo transformation. We see ourselves as a business-to-business-to-consumer (B2B2C) company that emphasizes the end user to enhance end-user convenience, safety, and comfort.

Revealing the Power of Empathy and Connection

ITFOR's corporate philosophy centers on ensuring heartfelt experiences through empathy to bring smiles to people's faces. When we listed on JASDAQ in 2000, we were unknown relative to major IT companies. And we recognized that emulating those companies wouldn't guarantee our success, so we embraced our strength in empathizing with customers. By attending to customers' individual needs, especially through regional financial institutions, and by engaging customers in conversation, ITFOR has cultivated a reputation as an intriguing and customer-focused company.

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Empathy might seem an insufficient basis for business success. But over several decades, our dedication to empathizing with customers has honed the system development expertise and business acumen that we combine to provide optimal solutions for our customers' concerns and challenges. Empathy thus underpins our growth.

Another of our strengths arises from empathy: deep-rooted connections that result in long-standing customers. At ITFOR, our commitment doesn't stop at the delivery of products and services. We

6. Message from the President

nurture long-term relationships with customers in large part through user groups. Other companies also employ user groups, but ITFOR's user groups differ in being business study sessions. Themed around customers' operational challenges, they encourage vibrant discussions among participants. The sharing of challenges and information related thereto make ITFOR user groups hubs that connect customers with customers and customers with ITFOR, deepening our customer relations. Hearing unfiltered feedback from user group participants, moreover, contributes to our development of increasingly advanced products and services and to our corporate growth.

Enriching Lives through ESG Management

ITFOR management's commitment to environmental, social, and governance (ESG) business practices is significant for company-wide operations. Several factors have contributed to the profound impact of ESG on our business, but one in particular came to light during our engagement with the Bank of the Ryukyus, Ltd., which launched cashless transactions

in 2015. (For details, refer to "Special Feature: Dialog with a Customer" on page 16.)

"ITFOR management is committed to integrating ESG into the company's business philosophy and strategy."

The Bank of the Ryukyus was among the first Japanese regional bank to initiate cashless operations. Japan lagged the world in cashless adoption, so this represented a novel business development, especially because it involved more than cashless transactions. It also addressed challenges such as reducing costs for cash management and transport, aligning with environmental concerns by lowering CO₂ emissions that result from cash transportation, and stimulating the local economy by circulating cash within the bank's region.

The bank's approach involved more than systems for streamlining and automating internal operations

to include ESG integration. I remember how profoundly this innovative, forward-thinking approach influenced me and my awareness of ESG. It served, in fact, as the catalyst for ITFOR's embrace of cashless payment and ESG.

ITFOR's ESG initiatives include collaborating in an experiment in 2021 with Iizuka City in Fukuoka Prefecture and with the Kyushu Institute of Technology. This industry, academia, and government collaboration involved utilizing blockchain technology to electronically issue the institute's academic transcripts. Its focus on the Sustainable Development Goals (SDGs), including paperless operations, marked Japan's pioneering attempt at a digital-to-digital social experiment for municipalities.

To strengthen management's embrace of ESG, in December 2021 ITFOR formulated its basic sustainability policies and established its Sustainability Committee, which I chair. In December 2022, we introduced a framework to accelerate our ESG efforts. ITFOR management is committed to integrating ESG into the company's business philosophy and strategy. We will explore business opportunities in daily life's seemingly insignificant aspects with the goals of enriching individuals' lives and of enhancing our corporate value.

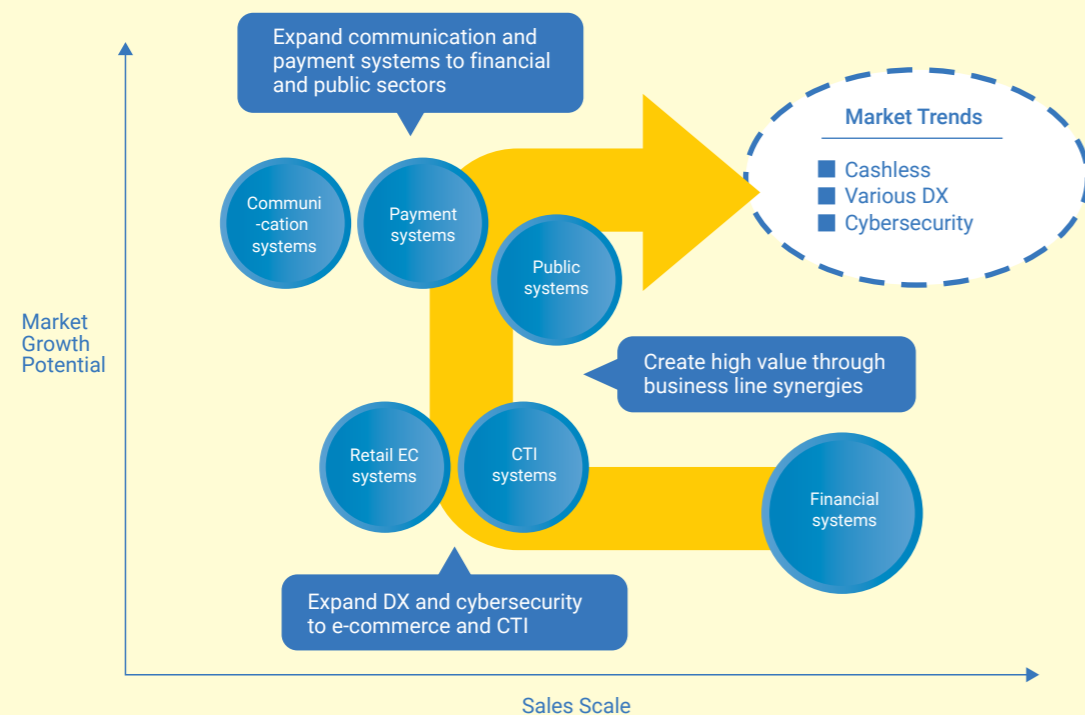
Our e-commerce distribution system and contact center system operations likewise are critical in society. They help us support our customers' digitalization, bolstering the stability of their businesses and fostering their sustainable growth and our own.

Putting Employee Well-Being First: Navigating the COVID-19 Pandemic

ITFOR's consolidated results for fiscal year 2022, ended March 31, 2023, were as follows: net sales increased 7.6% year on year, to ¥18,322 million; operating income grew 6.1%, to ¥3,218 million; ordinary income rose 5.5%, to ¥3,278 million; and net income attributable to owners of the parent climbed 8.5%, to ¥2,291 million.

These results can be attributed to growth trends in our System Development and Sales and our Recurring Business segments and to the stable earnings that we achieved by internalizing our development activities and by reducing our costs.

- Strategic Initiatives**
- Strengthen cross-selling to enable development of businesses based on value chain analysis
 - Expand high-growth markets into core businesses
 - Expand market trends into sectors with slightly lower market growth



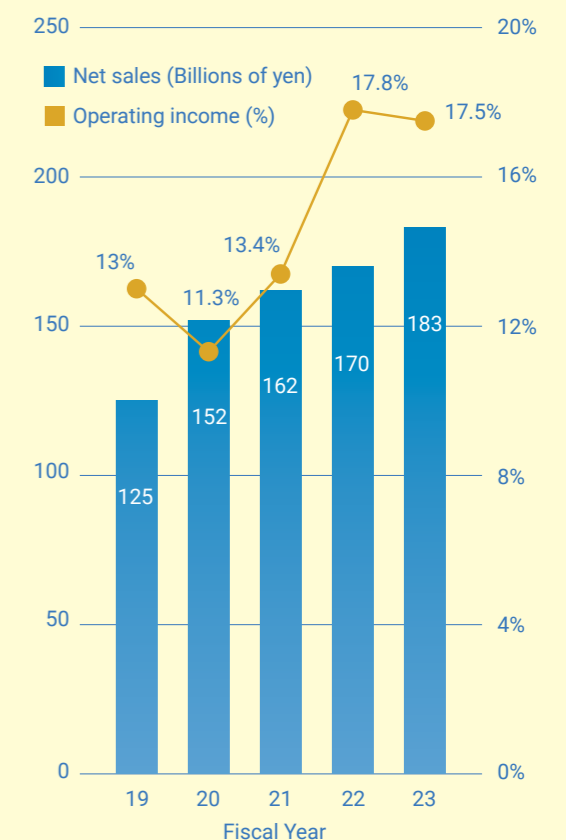
Expanding Our Business Based on Market Growth Potential

ITFOR's business historically centers on serving financial institutions, which account for a substantial portion of its revenue (see Strategic Initiatives graphic on previous page). Going forward, we expect increased consolidation among regional financial institutions amid the stagnation of their markets, and we see this not as a risk but as an opportunity.

ITFOR holds a dominant share of financial customer screening services. As financial institutions consolidate, these systems will have to be integrated and connected across banks, servicers, and guarantors. These institutions constitute the majority of our user base, so their consolidation provides us with the opportunity to add infrastructure that generates value and raises our market share.

It is important, moreover, that we capitalize on the market growth potential of our communication system, payment, and digital transformation (DX) businesses in cybersecurity and other areas so that they become core to our operations. We will expand these businesses in the stable financial institution and local government sectors and through heightened cross-selling.

Net Sales and Operating Income Margin



Challenges remain, however. The launch and sales of our cloud-based call center faced delays, and projects in our Public Systems Division were put on hold and did not materialize as planned because of the adjustments that we had to make to align them with government standardization efforts.

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The year following my appointment as president in 2019 was overshadowed by the onset of the COVID-19 pandemic, which cast a cloud over the business landscape and society as a whole. Amid the uncertainty, my priority has been the well-being of ITFOR's employees. I believe that protecting our employees safeguards society.

ITFOR and its employees do more than simply sell products and services. Our priority is on maximizing customer convenience. We emphasize our Recurring Business segment as a means of mobilizing the entire company to secure steady revenue. I am convinced that our approach helped us achieve robust financial results in fiscal year 2022. Our expectations are for continued stable performance growth in fiscal 2023, and as such we are eager to implement strategies for the further advancement of our business.

Nearing the Completion of Our Third Medium-Term Management Plan: Next Stage 2023

ITFOR's medium-term management plan, Next Stage 2023, spans the three years from fiscal 2021 to fiscal 2023, ending March 31, 2024. (See page 28 for progress details.)

The strategies outlined in the plan rest on three pillars: reinforcing our management base, enhancing profitability, and advancing ESG.

Our financial targets for fiscal 2023 include net sales of ¥21 billion, operating income of ¥3.2 billion, and returns on equity (ROE) and invested capital (ROIC) of more than 13%. Notably, we accomplished our operating income and ROE goals ahead

of schedule, in fiscal 2022. We anticipate meeting our other numerical targets in fiscal 2023. In acknowledgement, moreover, of our ability to grow financially even during the pandemic, we introduced an enhanced shareholder return policy in May 2023. We seek to surpass a shareholder return of 70%.

We are, meanwhile, progressing toward our qualitative goals, starting with the advancement of ESG. There are nevertheless still some unmet objectives, particularly in internal DX and in human resource acquisition and development. And ROIC management and investment and business withdrawal rules have not been fully integrated and embraced throughout ITFOR. We need especially to employ a strategy of selection and focus to determine which of our six business divisions and which of our products and services we should continue.

It is crucial to prioritize our Recurring Business segment for its stable revenue. But excessive focus on it may cause us to miss opportunities for new business models. Striking a balance is essential. Our business as it stands can easily do many things to build a society where people can live with daily peace of mind. The challenge is to assess ITFOR's determination to commit to new initiatives.

We are taking steps to address some of the challenges left over from fiscal year 2022, such as restructuring our internal processes. Our aim in fiscal year 2023 is to attain the remaining goals of Next Stage 2023 to ensure a foundation for our new medium-term management plan.

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I am pleased to report promising developments in new initiatives. Kumamoto Prefecture has chosen to collaborate in ITFOR's Digital Safe project, which is an extension of our previously mentioned blockchain-based experiment, and validation work is ongoing. We are also committed to advancing research and development that combine the technologies of our core business with innovations. By leveraging our extensive customer network, including regional financial institutions, local governments, and local department stores, we will drive initiatives forward.



We are as yet unable to share the specifics of our upcoming medium-term management plan other than to say that we are solidifying the steps and structure to substantially enhance our shareholder returns, as previously communicated. We are in addition formulating a plan focused on societal challenges that sees ITFOR become a comprehensive service company.

Conveying a Message to Our Stakeholders

Many people engage with ITFOR's services without realizing it. We primarily serve the B2B sector and may not be a direct, visible presence for individuals. We are nonetheless determined to be a driving force for positive social change and will continue to work behind the scenes to foster a sustainable society. Among our goals is to empathize and engage with society in line with a vision of a future where people seamlessly interact with our products and services. We intend to make this vision reality within the next five years. To do so, we will maintain a B2B2C mindset and work tirelessly to bring smiles to all of society's inhabitants.

To our users, we pledge to continue advancing our services to meet expectations. ITFOR employees are dedicated to engaging with customers to understand their needs and to provide optimal solutions therefor. We want to ensure that every aspect of our work satisfies as many users as possible.

Our investors, meanwhile, can be assured of our commitment to furthering shareholder returns. We will showcase the obvious aspects of our endeavors and our potential for growth to heighten investor confidence in ITFOR.

And now our valued employees. I encourage each of you to enthusiastically engage with our customers, partners, and others in society to learn, experience, and absorb as much as you can. Prioritize, though, not only your work but also your personal life, and strive to make each day fulfilling. Remember that a playful spirit can at times be beneficial at work and can strengthen your business performance. Work together, support one another, and tackle challenges to foster the growth and robustness of our company.

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ITFOR's management will steadfastly advance ESG to contribute to a sustainable society. We will in addition preserve ITFOR's financial growth through flexible business strategies. At the same time, we will remain conscious of our role in assisting society's evolution to sustainability. We will, in short, make management decisions that meet expectations.

I ask for your continued support and understanding as we forge ahead.

Tsunenori Sato
President and Representative Director