Three-year medium-term business plan

NEXT STAGE 2023 *- HENCA SINCA SOZO -*

A new stage for accelerating initiatives to resolve challenges and achieve sustainable growth

	Reinforce management base	Enhance profitability	Advance ESG management
Three basic guidelines	• Conduct organizational and structural reform • Strengthen internal collaboration • Promote internal DX • Enhance human resources • Bolster development system and quality	• Introduce ROIC-based management • Reform management procedures • Refine investing and business withdrawal rules • Pursue synergies among business units • Invest in growing and new businesses	• Appoint promotion office • Change approach significantly

	Net sales	Operating income	ROE	ROIC
Quantitative targets	¥21.0 bn	¥3.2 bn	13% or more	13% or more

Medium-term management plan target period: FY 2021 to FY 2023

Philosophy embedded in *henca* (change); *sinca* (evolution); and *sozo* (imagination)
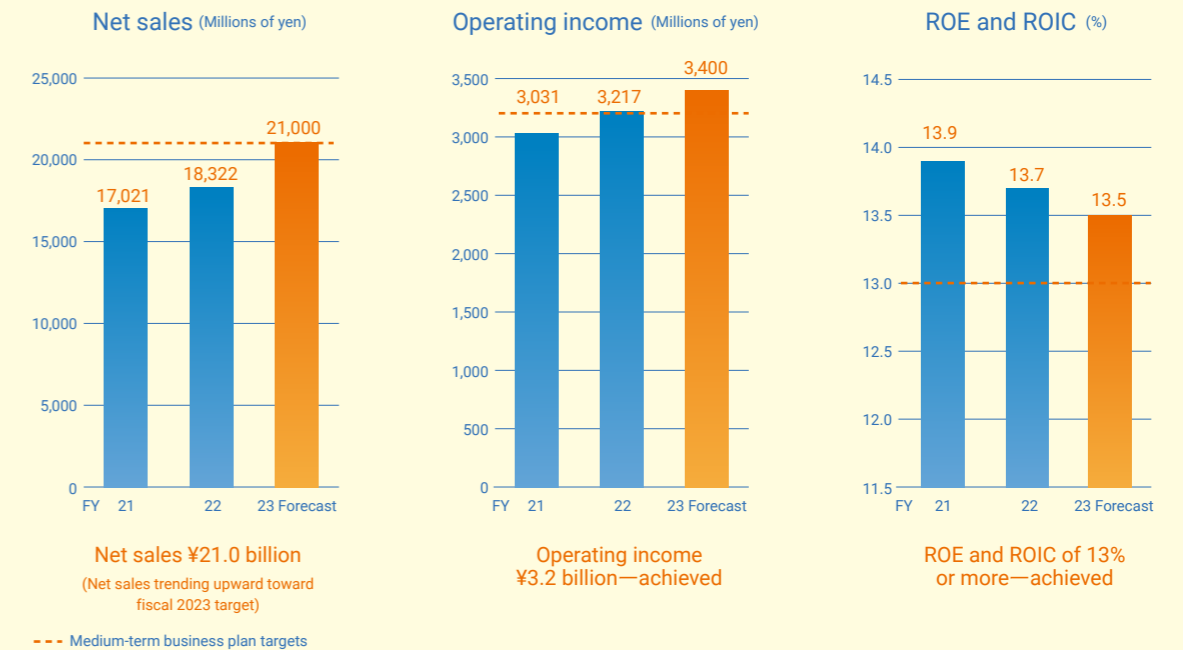
HENCA
Change: Breaking free from past conventions
Response: Valuing the power of empathy

SINCA
Deepening: Strengthening relationships with all stakeholders
Evolution: Striving for something better

SOZO
Imagination: Embracing flexible thinking
Creation: Forging a company that can provide continuing value to society

These key concepts of our medium-term management plan articulate the collective sentiments of our employees and encapsulate our journey to a new stage. While evolving beyond past conventions, ITFOR remains dedicated to meeting expectations through the power of empathy and by fostering deeper connections with its stakeholders. This reflects our ambition to drive the advancement of superior products and services, fueled by a commitment to flexible thinking and the creation of ongoing value for society.

Three methods for achieving sustainable growth

● **Reinforce management base to ensure robust growth**

We hope to achieve an optimal governance framework by enhancing supervisory functions, restructuring departments, fostering internal collaboration through cross-functional projects, and fortifying investment and financing regulations. We will vigorously advance internal DX through concentrated investments in our internal systems and human capital. And we will strengthen our development structure and the quality of what we develop—essential elements for expanding our business scale—by increasing personnel, acquiring new technologies, and revitalizing project management methodologies.

● **Enhance profitability based on return on invested capital**

We will emphasize return on invested capital (ROIC) for profit management at the divisional level and will foster a heightened awareness of costs throughout our group. Long term, we plan to establish division-specific ROIC targets and to break them down to better understand ROIC on a more granular level within a financial analysis framework. Our objective is to expand revenue by identifying opportunities across divisions.

Achieving operating income and ROE and ROIC goals ahead of schedule

Net sales (Millions of yen)

Net sales ¥21.0 billion
(Net sales trending upward toward fiscal 2023 target)

Operating income (Millions of yen)

Operating income ¥3.2 billion—achieved

ROE and ROIC (%)

ROE and ROIC of 13% or more—achieved

- - - Medium-term business plan targets

• Net sales final-year target should be achieved given upward trend
• Operating income target achieved ahead of schedule in the second year; final-year target revised upward, to ¥34 billion
• ROE and ROIC targets achieved in first year, and percentages continue to rise

● **Advance ESG management with a focus on social contribution**

As the chairman of the Sustainability Committee, ITFOR's president will lead the company in addressing societal challenges with its products and BPO services. The objective is the sustainability of society and of corporate value.

Progress of Next Stage 2023

ITFOR's third medium-term management plan, Next Stage 2023, covers the three-year period from fiscal 2021 to fiscal 2023. The year ended March 2023 was our fiscal year 2022 and the second year of Next Stage 2023.

During the year under review, we attained the plan's financial targets for operating income, ROE, and ROIC ahead of schedule. We are well positioned to meet the plan's net sales target in fiscal year 2023, the final year of the plan. Notably, orders received and the orders backlog reached unprecedented levels in the first quarter of fiscal 2023.

Our revision, moreover, of our corporate philosophy in December 2021 to align it with our purpose has gained traction in its company-wide adoption to foster a cohesive organizational approach. This alignment is instrumental to reinforcing our management foundations, to enhancing our profitability through synergies, and to advancing our pursuit of ESG.

ITFOR is at a historic turning point as it seeks to capitalize on the technologies and expertise that it has cultivated over its 50-year history for the purpose of contributing ever more to society. Within the fiscal year under way, we will achieve the remaining objectives of Next Stage 2023 to thereby lay a robust foundation for a new stage of our growth.

Financial Systems Division

Providing packaged systems for business efficiency

Go Yoshimura

**Director and Executive Officer,
General Manager of Financial Systems Division**

In step with the expansion of credit sales to individual customers

The Financial Systems Division provides packaged financial solutions systems, including a total collection system "TCS" for delinquent loans, to nationwide banks, credit unions, nonbanking financial institutions, guarantee companies, servicers, and others.

The division has been the exclusive representative in Japan of US-based Datapoint Inc. since 1973. A pivotal moment in the Financial Division's evolution into a solutions business occurred in 1983 when it developed Japan's first auto-call system, a precursor to its TCS and its personal loan collection management system "CMS." The division's auto-call innovation was prompted when a department store that was utilizing ITFOR's POS system and managing its in-house credit sought ITFOR's assistance in managing the collection of delinquent credit receivables amid the expanding use of credit by Japanese consumers.

The auto-call system developed by ITFOR seamlessly integrated Data Point's office computer with its auto-call unit, a specialized telephone device. This pioneering system introduced a transformative approach to task management in enabling users to engage in telephone interactions with the convenient wearing of a headset. The system's implementation marked a pivotal shift by offering robust support for tasks traditionally assigned to representatives. It thereby addressed concerns about overlooked reminders, which resulted in a significant increase in collection rates.

From first users to other industries

The Japanese government's amendment of Japan's Banking Act in 1982 allowed the country's banks to offer credit cards as an auxiliary service, and from this a wave of card companies emerged. ITFOR's increasingly proven auto-call system was adopted by numerous of these card companies as it evolved from a simple telephone-based collection system in its early stages to an exceptional full business support packaged system with document creation capabilities.

ITFOR also responded to the expansion of individual lending by Japan's regional financial institutions with the addition to CMS that it developed to incorporate features tailored to the nuances of personal loans. Consequently, its auto-call system gained recognition and has since seen widespread adoption by various entities, including consumer finance companies, leasing firms, credit unions, and online banks.

Our prompt response to Japan's 1999 Act on Special Measures Concerning Claim Management and Collection Businesses (Servicer Law) opened new opportunities for us to expand our auto-call system's user base. We deepened our understanding of debt collection tasks and collaborated with users to refine the system. And we continue to enhance our auto-call system by incorporating insights gathered from user meetings to establish it as a servicer system. Notably, the statutory books that are part of that system are included among the Loan Servers Association of Japan's statutory book samples. And a majority of servicer companies nationwide have implemented our system.

Expansion into credit-related systems for personal loans heightens our competitiveness

Another of the Financial Systems Division's chief offerings is personal loan operation support system "SCOPE." ITFOR's venture into the screening business commenced with the development of a system for personal credit information inquiries that was the personal credit information inquiry system "MICS2.0." We built on the expertise that we'd gained from developing our debt management system to expand into screening systems for nonbank installment sales of individual products. Ultimately, our efforts culminated in our highly competitive Scope system.

We in addition developed the web-based loan application system "WELCOME" that empowers our systems to manage such crucial tasks in individual loans as online applications, screening, and credit information inquiries. This furthers our competitiveness in systems for the personal loans business.

Added value as a source of competitiveness

At every phase, be it requirement definition, system development, or post-system deployment, ITFOR leverages the strength it derives from the accumulated business insights and expertise of its sales and engineering teams. ITFOR's competitiveness stems from systemization and from its willingness to suggest the redesign of its customer's operations. This translates into high added value that extends beyond mere problem-solving to serve as a source of ITFOR's competitiveness.
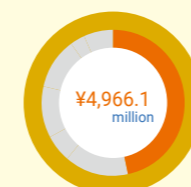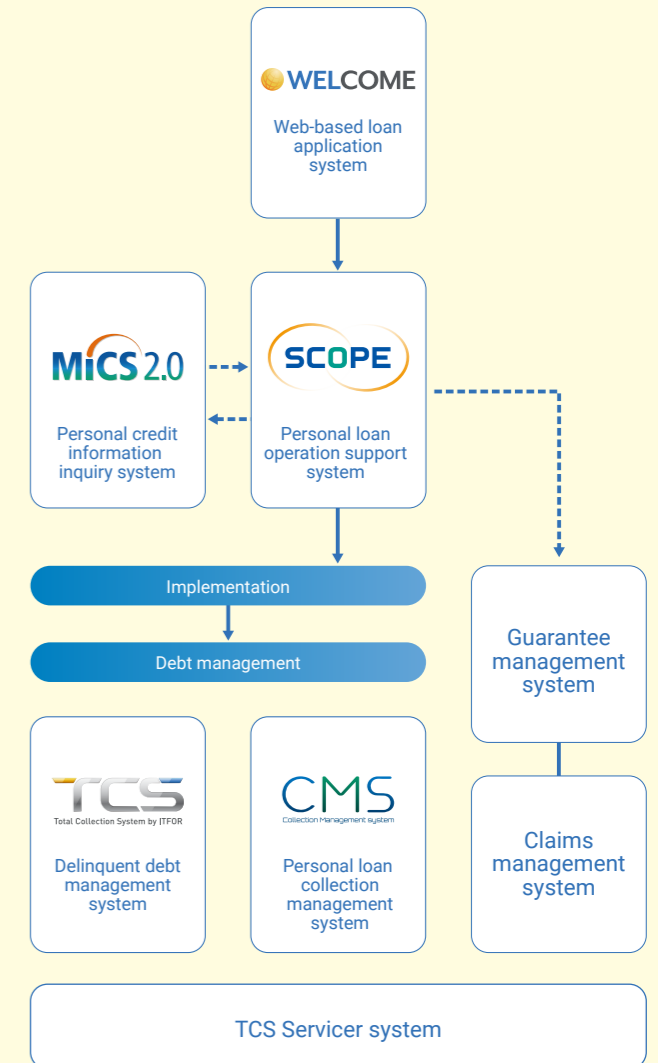
A hub for information and for generating business opportunities

ITFOR supplies its systems to financial institutions in 46 of Japan's 47 prefectures, overwhelmingly to regional financial institutions. We also regularly hold user meetings for our nationwide customers. User meetings that focus on various of our packaged systems draw participation from many frontline users who are responsible for the tasks involved in those systems. This leads to lively exchanges. Our user meetings thus encourage customer interaction and grant us insight into challenges faced by our frontline users.

ITFOR has for several decades been a steadfast partner to numerous financial institutions. This has made possible cross-selling initiatives for various of our divisions and presented us with opportunities to provide systems to entrants to the banking sector from diverse industries.

The customer interview on pages 16–19 of this report makes clear that when regional financial institutions ponder engaging in local economic revitalization, ITFOR's long involvement with them gives it an advantage in providing solutions faster than anyone else. Many regions and their businesses thrive as a result of regional financial institutions efforts and their implementation of our systems. So ITFOR's advocacy of regional revitalization continues to grow in scale and substance. The Financial Systems Division plays a leading role in this regard as a driver of growth for the company.

One-stop solutions for lending services

WELCOME
Web-based loan application system

MICS 2.0
Personal credit information inquiry system

SCOPE
Personal loan operation support system

Implementation

Debt management

TCS
Total Collection System by ITFOR
Delinquent debt management system

CMS
Collection Management system
Personal loan collection management system

Guarantee management system

Claims management system

TCS Servicer system

¥4,966.1 million

Financial Systems Division
fiscal 2022 net sales

■ Financial System Division net sales
■ System Development and Sales segment net sales (¥10,611.0 million)

Strengths
• High market share in systems for loan operations among regional financial institutions
• Abundant packaged systems that enable comprehensive proposals for loan operations

Weaknesses
• High barriers in major financial institutions, with a strong inclination toward proprietary systems

Opportunities
• Exploration of untapped potential in mega-banks, nonbanks, and legal-related offices
• Expansion of system solutions into business areas beyond existing packaged systems, leveraging the Salesforce platform

Threats
• Trend toward internal expansion and insourcing of systems engineers (SE) in financial institutions

Strategy I
Cultivate and utilize talented individuals with knowledge of customer needs to introduce services

Strategy II
Expand solution offerings among financial institutions and cultivate customers in other industries

Payment Systems Division

Contributing to a cashless society with unique devices and systems

Kazunori Kono

**Director and Executive Officer,
General Manager of Payment Systems Division**

Retail EC Systems Division

Adapting systems and services in response to retail industry needs

Hirotaka Oeda

Director and Executive Officer, General Manager of Corporate Strategy Department and Retail EC Systems Division

A single terminal for all payments

The Payment Systems Division offers cashless payment platform "iRITSpay." That platform comprises terminals and a payment center that process all payment methods.

Customarily, stores must employ different terminals to handle different payment methods, such as credit cards and code payments. The iRITSpay terminal from ITFOR obviates that need. This single terminal accepts all payment methods, including credit cards; debit cards (including those issued abroad); code payments; and electronic money payments. This enhances consumer convenience. And it improves operational efficiency for businesses, reducing space requirements near the cash register, shortening employee training time, and lessening the tasks in sales accounting. The Payment System Division's support of iRITSpay, moreover, spans implementation to operation and maintenance. The division even offers iRITSpay users a dedicated call center.

ITFOR, meanwhile, has developed its own payment terminal application and payment center. It gives us a significant advantage in flexibly accommodating new payment methods. Since its founding, ITFOR has built a track record of furnishing core systems to retailers. The company continues to tap the insights it has gained particularly in utilizing new technologies to do so. We seek to contribute further to rapidly advance a cashless society.

Focused on retailers and financial institutions and consumers

Customers that adopt ITFOR's cashless payment solution are of two main categories. The first comprises stores, including retailers; service providers; transportation companies; municipalities; and others that facilitate cashless transactions. The second category comprises mostly cashless payment service providers, particularly financial institutions.

For both categories, ITFOR emphasizes B2B2C services. The C refers to consumers that are not the service provider businesses signified by the B in B2B. Our intent is to provide the best services tailored to the needs of end-use customers using the iRITSpay platform in recognition of the importance of maximizing consumer convenience, as consumers are the primary agents of consumption behavior.

The transition to cashless transactions is rapidly gaining momentum in Japan, in line with global trends. This is attributable in part to the heightened demand, driven by the spread of COVID-19, for interactions that are not face to face and that do not involve contact. It also owes itself to the widely recognized benefits of reducing the operational burdens and risks associated with managing cash. ITFOR is capitalizing on the accelerating trend in cashless transactions by positioning itself as a unique cashless platform provider. Our expertise in the financial and the retail and distribution industries places us in good stead to make an especially meaningful impact.
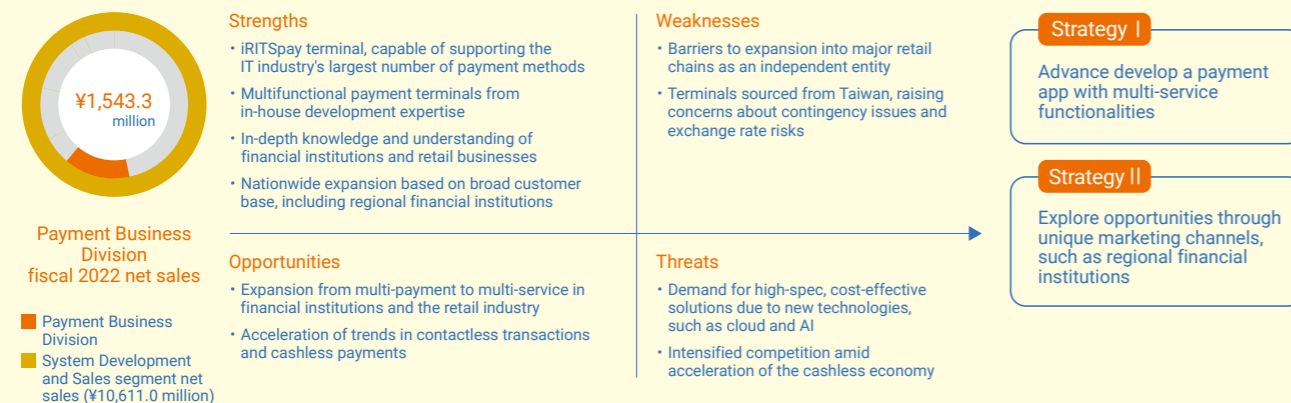
Core packaged systems to promote department store DX

ITFOR developed the first POS system for major department stores in Japan in 1975 and has since forged relationships with department stores of all sizes and with the retail industry overall.

Our Retail EC Systems Division provides the retail mission-critical system "RITS" (Retail Information Technology System for Strategic Management) used primarily by regional department stores and retail superstores. Released in 2004, RITS has over its 20-year history become a comprehensive package covering everything from product management to sales, customer management, in-house credit, and foreign trade and customer loyalty programs. It thus is a packaged system as comprehensive as those employed at major department stores but that we deliver it at an affordable cost.

RITS also grants us further competitive advantages over other companies in our industry. It can be delivered in modules that offer only the select functions desired by customers. In addition, RITS features standard integration with the iRITSpay payment terminal offered by the Payment Business Division, which facilitates easy handling of inbound transactions.
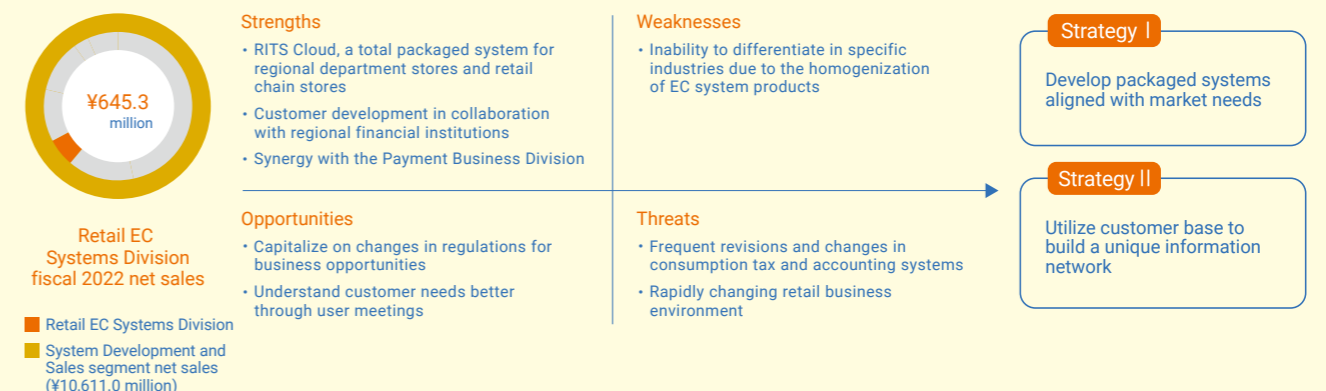
The Retail EC Systems Division has utilized the knowledge gained from the deployment of RITS in the retail sector to extend its offerings with ITFOReC, the e-commerce site construction package. ITFOReC's development reflects an ITFOR strength in being able to collaborate with customers on strategy and operational design to build an omnichannel system using in-house solutions.

Whenever changes occur in tax or accounting regulations and procedures, companies must adjust accordingly. A core system that promptly addresses such changes, strategically and efficiently, is essential. To this end, ITFOR constantly hones its capabilities to construct the requisite core systems and meet the increasingly diverse needs of customers amid escalating shifts in the business environment. ITFOR views changes as business opportunities and is especially active in driving DX in the retail industry.

Common customer challenges understood and solved

The Retail EC Systems Division's customers, such as department stores and specialty retailers located particularly in regional cities, have cultivated close relationships with local financial institutions. Regional financial institutions, of course, are mainstay ITFOR customers, so they represent a vital conduit for the Retail EC Systems Division's marketing to regional retailers.

Also of enormous benefit are ITFOR's user meetings. They are a platform for customer interaction and expose for ITFOR and its Retail EC Systems Division the challenges faced in common by retailers. Difficulties, for example, in adapting to the invoice system that we introduced on October 1, 2023, became a topic of discussion during user meetings and prompted us to make immediate adjustments to ease retailers' implementation. Besides responding in timely fashion to timely needs, we pursue regular service updates. We will as such continue to support the resolution of challenges in the retail industry moving forward.

¥1,543.3 million

Payment Business Division fiscal 2022 net sales

- Payment Business Division
- System Development and Sales segment net sales (¥10,611.0 million)

Strengths
- iRITSpay terminal, capable of supporting the IT industry's largest number of payment methods
- Multifunctional payment terminals from in-house development expertise
- In-depth knowledge and understanding of financial institutions and retail businesses
- Nationwide expansion based on broad customer base, including regional financial institutions

Weaknesses
- Barriers to expansion into major retail chains as an independent entity
- Terminals sourced from Taiwan, raising concerns about contingency issues and exchange rate risks

Opportunities
- Expansion from multi-payment to multi-service in financial institutions and the retail industry
- Acceleration of trends in contactless transactions and cashless payments

Threats
- Demand for high-spec, cost-effective solutions due to new technologies, such as cloud and AI
- Intensified competition amid acceleration of the cashless economy

Strategy I
Advance develop a payment app with multi-service functionalities

Strategy II
Explore opportunities through unique marketing channels, such as regional financial institutions

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¥645.3 million

Retail EC Systems Division fiscal 2022 net sales

- Retail EC Systems Division
- System Development and Sales segment net sales (¥10,611.0 million)

Strengths
- RITS Cloud, a total packaged system for regional department stores and retail chain stores
- Customer development in collaboration with regional financial institutions
- Synergy with the Payment Business Division

Weaknesses
- Inability to differentiate in specific industries due to the homogenization of EC system products

Opportunities
- Capitalize on changes in regulations for business opportunities
- Understand customer needs better through user meetings

Threats
- Frequent revisions and changes in consumption tax and accounting systems
- Rapidly changing retail business environment

Strategy I
Develop packaged systems aligned with market needs

Strategy II
Utilize customer base to build a unique information network

CTI Systems Division

Advancing innovation in society with cutting-edge contact center solutions

Tenpei Ogawa

**Director and Executive Officer,
General Manager of CTI Systems Division**

Innovative fusion of advanced technology and business expertise

The CTI Systems Division structures and integrates contact centers with business systems to help businesses efficiently and accurately execute daily tasks. For financial institutions, local governments, retail businesses, and other enterprises, telephone interactions with customers are a daily essential function of their contact centers. Our addition to contact center functionality of such communication tools as email, chat, social media, and now AI reflects accelerated innovation that bolsters customer convenience and heightens businesses' efficiency in interacting with their customers.

ITFOR initiated sales agent activities for foreign-made call recording systems in 1999. In the more than 20 years since, it has evolved to provide ever-more advanced contact center solutions of its own development in support of its customers' business development.

Unique operational experience as a source of competitive advantage

The contact center, essential for building relationships with customers, is core to the business strategies of many companies. It is highly valued for its ability to enhance customer experience and collect valuable customer feedback. For financial institutions, moreover, the contact center is indispensable in collecting overdue debts from customers.

Government ministry and agency guidelines on claims collection are a complex challenge in compliance for many financial institutions. ITFOR has established a track record over several decades of helping financial institutions overcome that challenge. We exhibit experience and know-how that significantly surpasses that of other competitors in the packages that we offer that combine the tasks related to collection.
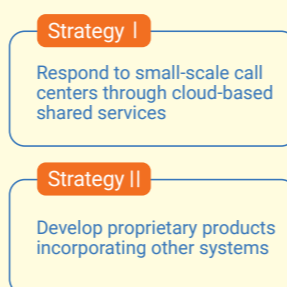
The automatic call reception system "Robotic Call," is a case in point. Robot Call is equipped with all of the necessary functions for collection efficiency. It analyzes call histories to reflect peak calling times in the call list, automatically responds to callback requests, and more.

Growth opportunities in technological innovation for altered business environments

Robotic-sounding telephone responses are anathema to most of us. The COVID-19 pandemic, however, has expanded the desire to avoid in-person interactions. Fortunately, advancements in robotics make possible voices of different genders, ages, and qualities approaching natural speech, and this has made automated call systems more palatable.

These advancements are especially welcome as Japan's workforce declines and causes chronic labor shortages. The demand for robots in contact centers is steadily increasing. Expectations are that the use of robots with advanced decision-making capabilities powered by AI will only grow. Widespread work-style reforms to suit changing lifestyles make inevitable growing demand for AI-driven omnichannel support beyond traditional phone and voice communication to include email, chat, and social media.

The CTI Systems Division improves contact centers with ITFOR's increasingly innovative technologies. The division's omnichannel strategy involves the implementation of AI and robots to respond to changing lifestyles.

¥1,200.9 million

CTI Systems Division fiscal 2022 net sales

■ CTI Systems Division
■ System Development and Sales segment net sales (¥10,611.0 million)

Strengths
- Proposal of comprehensive packages in cooperation with other divisions to long-standing customers
- Knowledge and experience supported by a wealth of successful implementations

Opportunities
- Innovation of established systems by applying AI and cloud technologies
- Promotion of DX to address chronic labor shortages
- Expansion of Robotic Call

Weaknesses
- Transactional risks in doing business with overseas companies

Threats
- Industry restructuring with emergence of new entrants
- Standardization of foundational technologies in call center systems, making differentiation difficult
- Gaps in prices customers seek and offered prices

Strategy I
Respond to small-scale call centers through cloud-based shared services

Strategy II
Develop proprietary products incorporating other systems

Communications Systems Division

Providing infrastructure that supports society and business operations

Satoshi Yumoto

**Director and Executive Officer,
General Manager of Communications Systems Division**

Core business division underpins other ventures

Our Communications Systems Division has been in existence since our establishment in 1972. ITFOR got its start by importing advanced communication equipment from the United States and Israel, enhancing it with engineering expertise, and then selling that equipment domestically. In the early 1970s, the division ventured into distributed computing even with the Internet in its infancy. In the years since, the division has cultivated and applied technical expertise to develop communication packages. Today, the Communications Systems Division underpins the infrastructure of each of our business ventures.

Accumulated expertise balances security and cost performance

The division has applied ITFOR's accumulated know-how in its comprehensive Package Cloud service
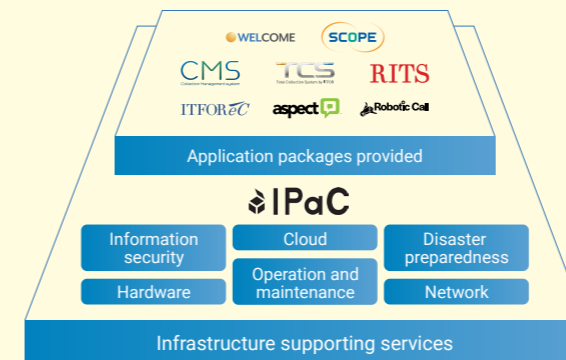
"IPaC." ITFOR IPaC implements everything from ITFOR's various packaged systems to network construction and operation. To meet the increasingly diverse needs of our customers, we provide them with multiple solutions and at reasonable prices. These include solutions for financial institutions, e-commerce businesses, and distribution customers. Those solutions, moreover, employ safety standards, including FISC security standards, that ensure that our services can be used with confidence.

Customized tools protect social infrastructure

The cybersecurity market is expected to grow enormously, and the Communication Systems Division is well positioned for that growth. The division offers the cybersecurity service "Ransom Guard," a blend of cybersecurity tools from Taiwan, and incident response functionality and cyber insurance customized for small and medium-sized enterprises. The division is also registered for the Cybersecurity Supporters Services facilitated by Japan's Information Technology Promotion Agency (IPA), which should further boost users' confidence in the security of its offerings.

Since 1988, the division has focused on furnishing customers with advanced communication equipment from Israel. That equipment is integrated with ITFOR's unique technological solutions that meet the requirements of a range of clients for communication equipment, including communication carriers and social infrastructure companies. The division's support for the interconnectivity of society is borne out in its support of social infrastructure with diverse solutions that foster an environment where everyone can live in peace of mind and safety.

WELCOME · SCOPE
CMS · TCS · RITS
ITFOR · aspect · Robotic Call

Application packages provided

IPaC

| Information security | Cloud | Disaster preparedness |
| Hardware | Operation and maintenance | Network |

Infrastructure supporting services

¥1,210.0 million

Communications Systems Division fiscal 2022 net sales

■ Communications Systems Division
■ System Development and Sales segment net sales (¥10,611.0 million)

Strengths
- Advanced technologies and expertise supporting long-standing customers, divisions, and societal infrastructure
- Customization of excellent overseas solutions to fit Japanese specifications
- Provision of a secure and safe IT environment through cybersecurity tools

Opportunities
- Further customization of cybersecurity products from advanced countries, such as Israel and Taiwan, to fit Japanese specifications
- Rise of significant potential in products for telecommunication carriers
- Acceleration of efforts to defend societal infrastructure

Weaknesses
- Sudden withdrawal of overseas vendors
- Impact from international geopolitical situations

Threats
- Cybercrime, with growing risk of information theft and increasing ransom demands
- Intensified competition in the cybersecurity industry

Strategy I
Deploy unique and specialized solutions

Strategy II
Provide societal infrastructure to safeguard local communities

Public Systems Division

Resolving municipal challenges through system solutions and BPO

Kenji Kobayashi

**Director and Executive Officer,
General Manager of Public Systems Division**

Development expertise and the power of empathy facilitate municipal DX

The Public Systems Business Division provides debt management and educational support solutions tailored for local governments and educational bodies through the ITFOR-developed Civic Administration Relationship Service "CARS."

The division was originally part of the Financial Systems Division but was spun off to apply ITFOR's delinquent loan management system to assist local governments with such of their responsibilities as the collection and notification of overdue taxes, national insurance dues, and other outstanding debts. That system has been adopted by 28 prefectures and 110 organizations, and the division plans to broaden its scope as an educational support solution for educational bodies.

Staff at most local governments spend inordinate time pursuing overdue payments. The Public Systems Business Division's help in digitizing business processes improves operational efficiency and collection rates. And that allows staff to concentrate on other responsibilities that contribute to the welfare of residents.
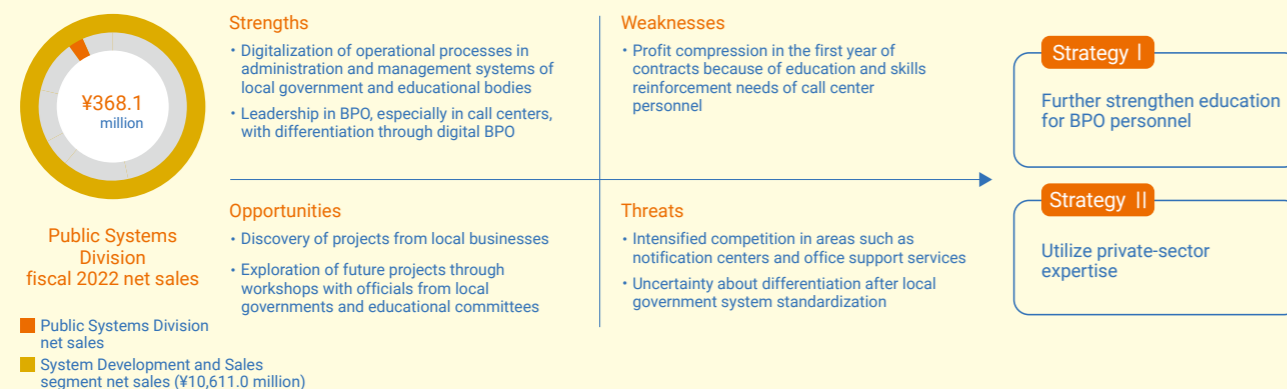
The division has also developed and implemented systems for numerous regional educational bodies. These systems cover student registry management, school attendance support, meal fee management, and more tasks. Student registry management and school attendance support are among the 17 standardized tasks that the Japanese government has mandated to be addressed by fiscal 2025. The division's skill in visualizing and in streamlining such traditionally cumbersome tasks with its systems is critical to realizing smart municipalities.

Focus on investing in human capital through digital BPO

In engaging with customers, including local governments and educational bodies, the division frequently and with few exceptions sees their need of BPO services, such as a collection center. The division provides a combination of ITFOR-developed systems and BPO services in an all-in-one digital BPO solution to meet that need, streamline customers' operations, and promote local employment as explained below.

ITFOR emphasizes its BPO services as a means to develop human capital. This provides ITFOR with a distinct advantage, as the cultivation of human capital in BPO is often overlooked by its competitors. We comprehensively educate and train staff from the local communities we serve for the diversity of skills required in BPO. Part of this sees us regularly organize such activities as telephone response contests to nurture highly skilled professionals who are well-versed in the demands of our BPO operations.

Customers often express concerns about the cost of our BPO services, especially in the first year of implementation. We assure them that by providing them with pre-trained staff proficient in every aspect of BPO, we are able to deliver high-quality services that save them the time and cost of hiring and preparing staff for the host of required BPO functions. This often leads to long-term contracts for our BPO services.

¥368.1 million

Public Systems Division fiscal 2022 net sales

■ Public Systems Division net sales
■ System Development and Sales segment net sales (¥10,611.0 million)

Strengths
· Digitalization of operational processes in administration and management systems of local government and educational bodies
· Leadership in BPO, especially in call centers, with differentiation through digital BPO

Weaknesses
· Profit compression in the first year of contracts because of education and skills reinforcement needs of call center personnel

Opportunities
· Discovery of projects from local businesses
· Exploration of future projects through workshops with officials from local governments and educational committees

Threats
· Intensified competition in areas such as notification centers and office support services
· Uncertainty about differentiation after local government system standardization

Strategy I
Further strengthen education for BPO personnel

Strategy II
Utilize private-sector expertise

Technology Development Department

Assisting customers' DX through enhanced development and human resources

Koji Sakata

**Director and Senior Managing Director,
General Manager of Technology Development Department**

Full support for DX

The Technology Development Headquarters consists of the Software Division, which proposes and develops systems tailored to customer needs, and the Infrastructure Systems Division, which handles networking and security. In addition, the headquarters has three departments that support ITFOR's business divisions.

The Technology Promotion Department handles education and the acquisition of new technologies. The Quality Management Department objectively and systematically manages development processes until product delivery to ensure quality. The Customer Support Department stabilizes the operation of systems by promptly and accurately responding to customer inquiries.

The Technology Development Headquarters thus has in place a robust framework to comprehensively advance customer DX efforts.

Balanced internal-outsourcing ratio for better in-house development capabilities

ITFOR is an independent primary contractor that prioritizes collaboration with clients and the power of empathy. That approach enables us to build advanced technical expertise and a deep reservoir of experience and know-how for system development. To be sure, much of that development involves partnering with external companies. But we recognize the shortcomings of excessive dependence on such arrangements in hindering our accumulation of expertise and improvement of on-site skills.

We have an ambitious goal to achieve a one-to-one ratio of in-house work to outsourcing by 2025. Achieving this balance will, we anticipate, reduce delivery delays and specification discrepancies and strengthen our in-house development capabilities. This, in turn, will enable us to deliver the highest-quality, most-competitive products.

Engineers capable of leadership in business

ITFOR has since its founding viewed the engineers involved in technical development as valuable assets and remains committed to their professional development. The Technology Development Headquarters conducts various initiatives to uphold this commitment.

To ensure the progress of projects, for instance, the headquarters prioritizes engineers who hold the internationally recognized Project Management Professional (PMP) certification. It allocates the budget and establishes the framework to facilitate attainment of this certification. At year-end fiscal 2022, 18.4% of ITFOR's engineers were PMP certified. The aim is to surpass 20% by the end of fiscal 2023.

New employees, meanwhile, are given approximately 7.5 months, or more than 1,000 hours, of education. Second-year technical staff are allocated 3% of their time for educational purposes, and the intent is to increase this to 5%—equivalent to one day per month—in fiscal 2023.

This approach to training enhances technical capabilities and sharpens abilities in responding to customer needs. Cultivating personnel capable of providing swift and accurate responses ensures, in turn, the building of long-term trust with customers.

Adaptation to changes in technology

In recent years, tools such as low-code and no-code have emerged to enable system construction even with limited development skills. In this evolving environment, the challenge for ITFOR is to undertake ever-more selective initiatives and to allocate personnel and time to those initiatives with ever-greater care.

This is all the more true given how quickly and continuously the IT landscape births new technologies. No matter how leading-edge are our innovations, we always face their swift obsolescence. ITFOR's strategic decision-making thus involves evaluating necessity, industry trends, and prospects for a proactive stance in adopting or developing technology. Essential to this stance is to avoid overlooking technologies even when they seem fruitless.

Innovation requires a consistent commitment to exploring frontiers. And ITFOR intends to make substantial investments in acquiring and mastering emerging technological skills for the sake of the highest levels of innovation.