

Investing in and utilizing human resources to enhance corporate value



Katsuo Nakayama
Director and Executive Officer, General
Manager of Administration Department

Liberating system development through a debt-free financial strategy

Debt-free management is a cornerstone of ITFOR's financial approach, as it allows us to innovate in system development without constraint. Since going public in February 2000 and transitioning to a debt-free model by March 2004, ITFOR has steadfastly avoided borrowing. This pivotal shift in our financial strategy was influenced by the evolving nature of bank support amid the financial changes since the 1980s, which caused us to focus on achieving a stable capital policy.

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Our commitment to serving the diverse needs of our clientele, which predominantly includes regional financial institutions, has been unwavering. Maintaining a debt-free status ensures impartiality and fosters an environment where business decisions are not influenced by creditor relationships. This financial independence is vital, as it allows us to engage with every customer on an even footing, delivering tailored solutions without entanglement.

Two decades of debt-free management have seen ITFOR navigate through economic tumult, including the Lehman shock, without resorting to high-risk investments. This prudent financial path has enabled us to achieve consistent, risk-averse growth. Proudly, ITFOR has not recorded a single year of loss since its initial public offering, underscoring our dedication to fiscal stability and enduring success.

Navigating the pandemic to realize our medium-term management plan's goals

ITFOR adopted a return on invested capital (ROIC; net operating profit after taxes ÷ invested capital [shareholders' equity + interest-bearing debt] × 100%)

management framework for its fiscal 2021 to fiscal 2023 medium-term management plan, Next Stage 2023. Our previous approach, of assessing project profitability, was grounded in gross margins based on planned rates, which did not reflect cost variances or central office expenses. The often misleading attribution of unanticipated cost increases as the sole culprits of reduced gross profits that resulted risked an imprecise management of profits. The shift to ROIC management, with its focus on operating profit, has improved ITFOR's profit management.

An examination of our staff's working conditions, moreover, included considerations beyond project quality to encompass the likelihood of staff availing themselves of paid, maternity or paternity, and childcare leave. And that has heightened ITFOR's emphasis on work-life balance and human resource performance. This signifies a profound shift inspired by the principles of ROIC management.

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The greatest challenge to ITFOR's sustainability is securing talented personnel. Our renewed recognition of how vital is human resource education, which we have at times taken lightly, and of how important a company asset is staff permeates every aspect of our organization because of our thorough implementation of ROIC management. Substantial investment in human resources, a key component of ESG and growth, is critical to determining our future. Enhancing staff welfare measures will constitute a significant proportion of that investment.

Adapting to the times through strategic choices

ITFOR's long-standing priority on remaining debt free has gained it numerous advantages. We know, however, that strategies cannot be static and that continuous adaptation is essential to stay relevant and effective. In May 2022, after deliberations involving shareholder insights and market evaluations, ITFOR retired the anti-takeover measures it has had in effect since 2006. This shifted us to strategies intended to achieve our medium- to long-term goals, of fostering a healthy and sustainable trajectory of growth while elevating our corporate value.

We furthered this evolution in May 2023 when we unveiled a shareholder return policy targeting a payout ratio above 70%. This aligns with the broader

market trend of rising shareholder returns and is indicative of our success in meeting our operating profit goals during the second year of Next Stage 2023. It also marks a recalibration of our conservative stance on shareholder returns, which we adopted to maintain liquidity during the uncertainties of the COVID-19 crisis.

Although we uphold our debt-free status, we constantly assess the best course of action. Investing for business growth, potentially with external capital, is an option that we recognize may appeal to foreign and institutional investors. As our enterprise grows, we remain open to altering our financial strategy to align with our business partnerships and with a changing business landscape.

Our investor relations (IR) activities involve us in dialogues with investors and shareholders, whose feedback we make every effort to incorporate into management discussions and decisions to improve our operations. These efforts, notwithstanding, we are aware that our IR could be more robust. We seek to engage the full range of our stakeholders, including institutional investors and shareholders, to ensure the inclusion of broader perspectives in our management strategies to raise our corporate value. We are, in short, intent on pursuing the best choices for our corporate growth and the satisfaction of all of our stakeholders.

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There are, however, certain unalterable principles to which we will adhere regardless of market fluctuations or economic conditions. Throughout ITFOR's 50-year history, every successive management team has been entrusted by its predecessors to maintain dignity in work and management. Because ITFOR serves sectors that have zero tolerance for error, such as regional financial institutions and governments, its managements have consistently prioritized integrity over profits. This longtime policy has helped us to cultivate the trust needed to consistently boost our corporate value. As we venture toward other business horizons, we continue to believe in the importance of maintaining dignity in our every endeavor. This principle is the bedrock of ITFOR's corporate value.