

## ITFOR's approach to sustainability

### Basic Sustainability Policy

We aim to build a sustainable future by fostering innovation that supports every aspect of local communities and individuals' life stages while delivering meaningful experiences.

ITFOR's services find application within local communities and across various life stages, including birth, enrollment in school, education, graduation, employment, marriage, childbirth, and retirement. We promote a sustainable future by continuously providing excellent value to society through our services and business activities. In doing so, we aim to bring joy and inspiration to people while contributing to the health of the global environment, economic systems, and local communities.

- We will support people in all stages of their lives and always conduct our business activities based on the power of empathy, contributing to the creation of a society filled with inspiration and happiness.
- We will strive to address societal challenges through engagement with communities and contribute to regional revitalization.
- We will contribute to the development of sustainable cities by building social infrastructure through the promotion of digital transformation (DX).
- We will practice management with maximum consideration given to the environment. Through our systems and services, we will contribute to resolving various environmental issues faced by our customers, including climate change.
- We will provide an equal, fair, and diverse environment where individuals can leverage their unique qualities and feel fulfilled.
- We will establish a robust governance structure that enables us to respond swiftly and flexibly to significant changes in society and to evolving needs. Through this structure, we will practice management that contributes to all our stakeholders.

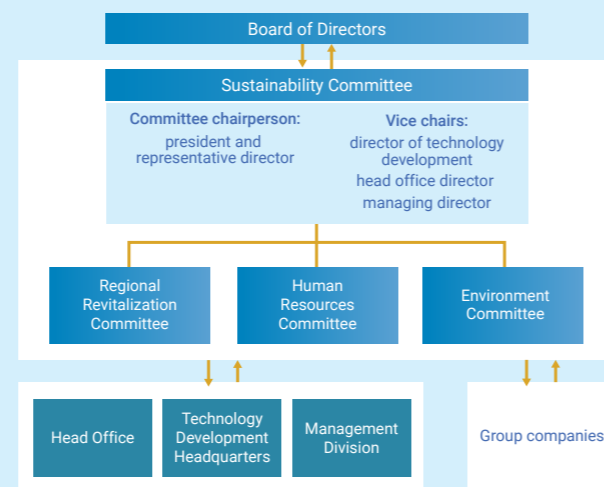
### Promotion System

At ITFOR, we have established a Sustainability Committee to drive sustainability initiatives. The committee is chaired by the president and representative director, with three directors serving as vice-chairpersons. For addressing key issues, we have established three promotion committees: the Regional Revitalization Promotion Committee, the Human Resources Promotion Committee, and the Environmental Promotion Committee. Each committee is headed by one of the three directors. This allows us to respond quickly to important challenges at ITFOR and to expand and enhance our sustainability efforts.

As part of ITFOR's governance-driven operations, the Sustainability Committee reports its activities to

the Board of Directors every six months. Directives from the Board of Directors are communicated to our group companies through the Sustainability Committee and the ITFOR Group Management Committee. This latter committee consists of top executives from each division and group company, ensuring a seamless implementation system.

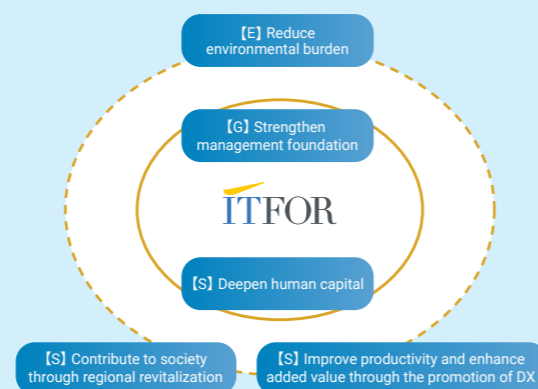
The members of the Sustainability Committee include employees from various ranks across our business divisions. Furthermore, female representation of approximately 30% demonstrates our commitment to gender diversity.



### Materiality

ITFOR's raison d'être is to contribute to the development of a sustainable future by delivering unexcelled and positive experiences to individuals and businesses through regional revitalization. Based on this purpose, we have formulated our Sustainability Basic Policy and identified five areas of materiality (key issues) in sustainability from environmental (E), social (S), and governance (G) perspectives.

ITFOR's sustainability initiatives involve business activities in response to these material issues and strive to achieve the United Nations Sustainable Development Goals (SDGs) adopted in 2015 with a 2030 deadline.



[E] Reduce environmental burden	Reducing our environmental impact is a challenge that we share in common with managements at other companies. We are implementing measures to reduce our impact, particularly measures critical to mitigating climate change. We are also looking from a BCP perspective into solutions for environmental-related and other issues affecting our business continuity.	
[S] Contribute to society through regional revitalization	We have a robust regional business base and recognize and seek to contribute to the crucial role of regional economic revitalization in societal development. We are doing so through business innovation that yields optimal solutions for addressing regional disparities, fostering local employment, and more.	
[S] Improve productivity and enhance added value through the promotion of DX	Society's rapid digital transition is another essential challenge that we are tackling. We use evolving IT to digitize and thereby boost the productivity of businesses and other entities. We strive for enriched social environments by making possible meaningful individual experiences that result in a sense of fulfillment. Our objective is societies where people can live well and find purpose.	
[S] Deepen human capital	We believe that each individual employee is an asset, to our company and to society. So we provide a healthy and safe workplace where human rights for diverse values and backgrounds and more are respected and where employees can maximize their capabilities and serve as valuable resources. We promote employee education to enhance knowledge and skills that support our corporate activities and that build individuals secure in who they are and who thus are able to be contributing members of society.	
[G] Strengthen management foundation	Sound corporate governance is essential management policy to benefit the interests of all stakeholders. We are strengthening our management foundation by enhancing such of our corporate governance structures as compliance management and risk management. We are also reinforcing our internal infrastructure, chiefly by boosting the security measures so indispensable for good corporate governance.	

### Stakeholder Engagement

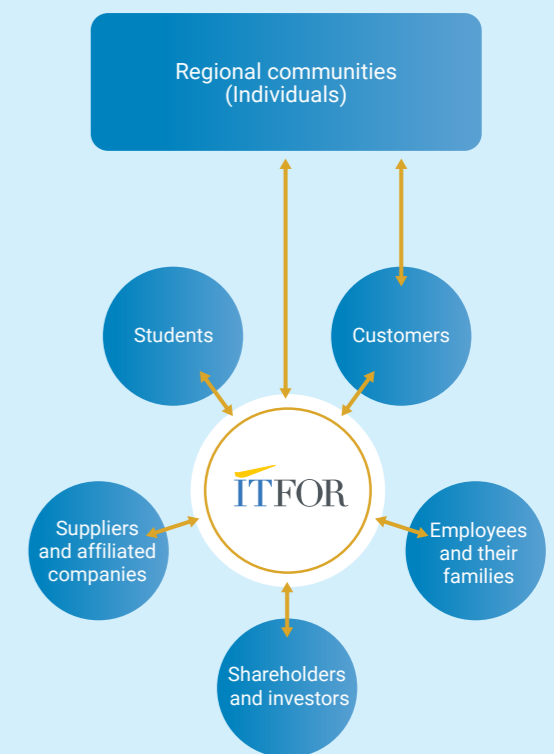
ITFOR prioritizes stakeholder engagement to promote a sustainable future. We incorporate stakeholder feedback in our corporate activities through transparent information disclosure to build trust and drive mutual development.

[For details of stakeholder engagement](#)

### Initiatives Assessed Based on ESG Scores

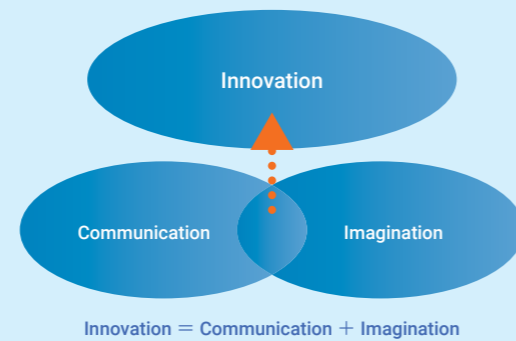
ESG initiatives are objectively scored by various evaluation organizations, each with a distinct perspective. The Nikkei ESG Management Forum established by Nikkei Inc., is Japan's lead ESG assessor. The forum provides comprehensive support for entities' ESG activities through three approaches: information dissemination, information gathering, and research and analysis.

ITFOR is a general member of the Nikkei ESG Management Forum, and as such reviews and advances its corporate ESG initiatives based on the ESG scores the initiatives have received. We also support the improvement of our customers' ESG scores with suggestions and assistance and through our products and services.



## ESG initiatives

Basic to its third medium-term management plan is ITFOR's dedication to advancing ESG. This entails pursuing our ESG initiatives and assisting our customers with theirs. To that end, we reopened our renovated 12th-floor office space in December 2022 to offer internal and external stakeholders a place to examine our sustainability initiatives. We plan as well to open this space to local elementary schools and other such groups for educational and work experience purposes.



### 1. Environmentally friendly office [E]

Our office boasts vinyl chloride flooring materials and carpet tiles crafted from environmentally friendly substances. We also recycle materials, such as waste clothing, for green objects and use furniture linoleum for box tables and meeting tables.

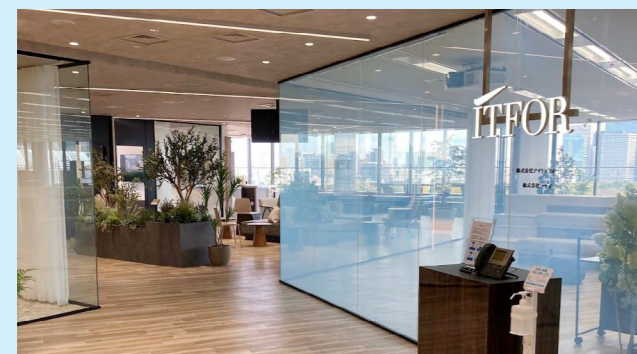
We have utilized 2,623 kilograms of recycled materials, a reduction in greenhouse gas emissions of 1,877 kilograms and roughly the amount of CO<sub>2</sub> 213 40-year-old cedar trees would absorb in one year.

### 2. Paperless environment [E]

We have achieved paperless operations by not installing photocopiers and printers in our office. This has eliminated our need of trash cans and moved us toward our objective of zero waste generation.

### 3. Conference rooms named for SDG colors [E] [S] [G]

Our office has nine conference rooms, each named for a theme color associated with the SDGs. We have carefully selected and arranged these theme colors to align with our initiatives.



Environmentally friendly offices



Battery stations



Meeting rooms with SDG color names

### 4. Comfortable work environment [S]

We feature a flexible work environment where employees can work freely anywhere through our introduction of a hot desk system and movable desks in open spaces. Team members can thus unleash their potential wherever and whenever in the office.

### 5. Communication that sparks creativity [S]

We promote interaction among our employees by offering free drinks in our office café and by providing courtesy alcoholic beverages during happy hours several times a month. We cover the cost with the savings that we achieve through our paperless initiatives.

### 6. Battery station installations [S] [G]

We have installed battery stations to provide just the right amount of power when needed. They are designed for internal use and for use by the local community during disasters or other emergency situations in line with our focus on contributing to the regions where we do business.



Open-space workplaces feature a hot desk system with movable desks



Office café encourages employee interaction

## Reduced environmental impact

### Basic Approach

The world faces significant risks from increased environmental burden caused by climate change, including rising air and ocean temperatures, raging forest fires, heavy rainfall, flash floods, and additional severe natural disasters.

The ITFOR Group strives to reduce its environmental impact and to assist its customers' initiatives in this regard through its products and services. Internally, our efforts to combat global warming include the strengthening of our greenhouse gas emissions regulations in line with international frameworks. We also consider disaster preparedness essential amid heightened environmental risks and, as such, have put in place business continuity planning (BCP) measures.

Our Environmental Promotion Committee is conducting an analysis of climate change risks and opportunities. Its scenario analysis of our transition risks, which encompass policy and regulatory risks, market risks, and acute physical risks, forecasts no significant impact on our operations to the year 2050. The reference for this forecast is that our scope 1 and 2 emissions for fiscal 2021 were 454 t-CO<sub>2</sub>. We seek to identify our emissions so that we can set reduction targets for fiscal 2024 and beyond.

### Key Initiatives

#### 1. In-House Efforts

##### ● Low Environmental Impact Workspace

Our expansion of our Tokyo headquarters workspace was true to our commitment to ESG initiatives. We refrained from installing photocopiers, printers, and shredders to achieve paperless operations and minimize waste, eliminating the need even for trash cans. We have also incorporated various environmentally friendly products in our workspace (see page 42).

#### 2. Our Customers' Initiatives

##### ● Verification Experiment for Electronic Issuance of University Completion Certificates Using Blockchain Technology

Since May 2022, ITFOR has been conducting joint verification experiments with the Kyushu Institute of Technology and Chaintope Inc. into the electronic issuance of university course completion certificates using blockchain technology. Enabling students to obtain their certificates without their need of visiting the registrar's office will reduce car travel and CO<sub>2</sub> emissions.

##### ● Cashless Payments Lessen Environmental Burden

Cashless transactions reduce CO<sub>2</sub> emissions associated with the issuance, transport, and management of cash. ITFOR promotes cashless transactions in support of regional economic revitalization by providing local

financial institutions and other entities with cashless payment platforms.

##### ● Reduced Environmental Impact through Cloud Service

Our next-generation cloud service, IPaC (ITFOR Package Cloud), is a robust system of minimal environmental impact based on Amazon Web Services (AWS). Its leading-edge energy efficiency and use of renewable energy reduce its power consumption and CO<sub>2</sub> emissions beyond anything previous and take us toward a carbon-neutral society.

### 3. External Initiatives

##### ● Participation in Japan Climate Initiative

The Japan Climate Initiative was established in July 2018. Its participant companies, governments, NGOs, and others pledge to solve global challenges and to decarbonize society. They constitute a network that strengthens communication and the exchange of strategies and solutions regarding climate change. ITFOR has participated in the initiative since November 2021 and uses the information it obtains to benefit various climate-related activities domestically and internationally.

#### Japan Climate Initiative

##### ● Response to the CDP

The CDP (formerly the Carbon Disclosure Project) is a nongovernmental organization managed by a UK-based charity. It operates a global information disclosure system for investors, businesses, countries, regions, and cities to manage their environmental impacts. ITFOR began responding to the CDP's annual questionnaire in 2022 to disclose information on its activities related to climate change.

#### CDP Japan

##### ● Sponsorship of Tour de Kyushu 2023

We were a Silver Partner sponsor of the Tour de Kyushu 2023 bicycle race held from October 6 to 9, 2023. This event transcends cycling in its promotion of sustainability in Kyushu. In its emphases on regional development and recovery, environmental conservation, health, and advanced technology, the event aligns with various SDGs. It focuses on eco-friendly race operations, carbon neutrality, and respecting the natural environment—all goals and visions that ITFOR embraces.

#### Tour de Kyushu 2023

## Societal contributions through regional revitalization

### Basic Approach

Japan's population, including its working-age demographic, is in decline because of the country's low birth rate and aging society. This is a significant issue, as it strains the nation's social security capabilities and jeopardizes its international competitiveness.

Of particular concern is the stagnant population growth in the nation's rural regions, where populations are rapidly aging and there is a net outflow of younger residents to urban centers. The concentration of people in major cities may enhance economic efficiency, but it poses the risk of mass casualties from the kind of natural disasters to which Japan is prone.

ITFOR believes that balance between Japan's rural and urban areas will strengthen the nation and bring peace of mind to its members of society. The company is addressing urban-rural disparities through open innovation and by promoting regional economic revitalization in rural areas that yields employment and income-generating opportunities.

### Key Initiatives

#### 1. Regional Revitalization through Open Innovation

We support corporate business transformation and, in turn, regional revitalization, by offering packages that integrate our and other companies' technologies to local customers.

##### ● Solutions for Financial Institutions

We leverage expertise garnered through our work with regional financial institutions, an ITFOR strength, to provide our other financial institution customers with increasingly advanced solutions to their needs. These include personal loan operation support system "SCOPE" and the web-based loan application system "WELCOME." By offering such solutions, we are helping to revitalize regional finance.

##### ● System for Retailers

RITS is a core operating system designed for and that ITFOR provides to the retail industry. It caters to a wide range of retail formats, including department stores, hardware stores, specialty shops, general merchandise stores, supermarkets, and drugstores. RITS features every function vital to a retail operation: product management, sales management, customer management, and credit. As such, it improves operational efficiency and increases sales.

##### ● Support for Public Education

Boards of education in Japan benefit from ITFOR-developed CARS School Affairs Support Series. This educational solution boosts efficiency by streamlining and enhancing tasks typical of educational settings. It frees teachers to focus on education. Comprehensive in scope, it provides standardized support for school affairs, ensuring equitable education for all children, regardless of their location or school.

#### 2. Cashless Transactions Revitalize Regional Economies

ITFOR furnishes its cashless payment platform iRITSpay, to regional financial institutions and other entities. Further details of our regional promotion of cashless transactions appear in "Dialog with a Customer" on page 16.

##### ● Business Process Outsourcing Boosts Regional Employment

ITFOR offers business process outsourcing (BPO) services to local governments. Governments that outsource to us the collection of tax and National Health Insurance payments and other tasks liberate their employees to focus on core responsibilities. This improves services for local residents. Our BPO also opens local employment opportunities, as we hire and train local people to undertake these tasks to the highest standards. In regions grappling with economic stagnation, our recruitment of locals stimulates local economies.

##### ● Cybersecurity for Local Companies

ITFOR collaborates with local systems engineering companies to meet the cybersecurity needs of local businesses. The cybersecurity service "Ransom Guard," protects small and medium-sized enterprises (SMEs) from ransomware threats. It helps even SMEs that lack specialized expertise elevate their cybersecurity. In fiscal 2022, the Tokyo metropolitan government entrusted ITFOR to enhance the cybersecurity of SMEs in its jurisdiction. We are doing so through the AI-based EDR service "CyCraft AIR" (see page 45 for details).

### External Initiatives

#### 1. Public-Private Partnership for Regional Revitalization and SDG Implementation

The Japanese government Cabinet Office has established a public-private partnership to promote the implementation of the SDGs and the revitalization of regional economies. ITFOR joined the partnership early in calendar 2023 and is working toward its objectives alongside regional financial institutions and governments and public enterprises and universities.

[Public-private partnership for regional revitalization and SDG implementation](#)

#### 2. Regional Revitalization Campaign to Promote Remote Work

We are aligned with the objectives of a Japan government Cabinet Office and Cabinet Secretariat campaign to promote remote work as a means of driving regional revitalization. Early in 2023, we issued an action declaration regarding this campaign.

[Campaign to promote remote work for regional revitalization](#)

## Digital transformation for productivity and added value

### Basic Approach

Much of what ITFOR does to advance DX is founded in Japanese government policies.

Japan's government formulated its Basic Policy for Reforms for the Realization of a Digital Society in 2020 and in so doing announced its vision for a futuristic digital society. This was followed up in 2021 with the passage of the Basic Act on the Formation of a Digital Society and the adoption by cabinet of the Priority Policy Program for Realizing a Digital Society. What is clear in each issuance from the Japanese government is the imperative role of local governments in helping to realize the vision for a digital society in Japan.

#### Ministry of Internal Affairs and Communications

ITFOR leverages emerging technologies and works with businesses and other organizations to support their DX initiatives and enhance their productivity. We strive to establish workplace environments where individuals find fulfillment in their work and can work with a sense of purpose. To do so sees us blend our technologies with those from other companies to build and provide the digital infrastructure necessary for the DX of businesses, other organizations, and society overall.

### DX and "Decent Work"

"Decent work" is a term introduced by Juan Somavia, who became the director-general of the International Labour Organization (ILO) in 1999. It refers to the idea of ensuring work that is meaningful, motivating, and dignified. ITFOR values decent work and is capitalizing on digital technology to transform society and its myriad entities to enrich the lives of workers and people in general. We are determined to ensure that workers find job satisfaction in meaningful, motivating, dignified employment.

#### Japanese Trade Union Confederation

### Key Initiatives

#### 1. Electronic Issuance of Certificates

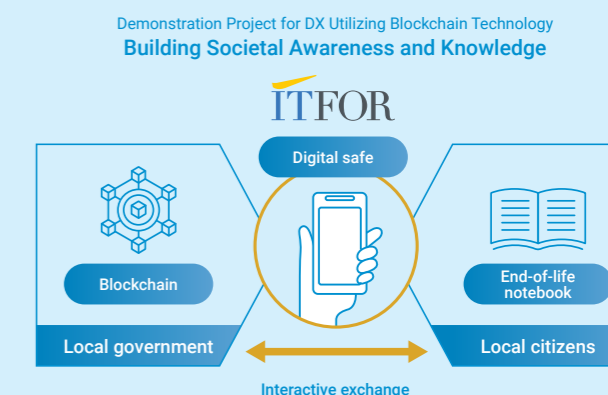
ITFOR collaborated with the Kyushu Institute of Technology and Chaintope Inc. in a verification experiment for the electronic issuance of university course completion certificates using blockchain technology. Having verified the technology, we plan now to establish partnerships with other private corporations to offer it to universities across the country and to upgrade it to issue certificates of diverse kinds.

We will also develop additional digital platforms that inspire DX throughout the country. These platforms will facilitate the electronic issuance of certified copies of resident registers and other documents.

Trustworthy ITFOR technology, therefore, will figure prominently in raising the quality of services provided by local governments.

#### 2. End-of-Life Service Verification Project

ITFOR's Digital Safe end-of-life service employs blockchain technology. Kumamoto Prefecture has chosen Digital Safe for its DX verification project of advanced Web3 technologies, scheduled to run from July 2023 to March 2024 of our 2023 fiscal year. The prefecture is thus pioneering IT for end-of-life services in its bid to improve its public service. ITFOR is pleased to be a part of this project and to support Kumamoto Prefecture's DX initiatives.



#### 3. Artificial Intelligence Cybersecurity

To combat cyberattacks, ITFOR offers CyCraft AIR. Artificial intelligence (AI) underpins CyCraft AIR and significantly reduces the time and cost involved in investigating and analyzing vast terminal logs. It also expedites recovery, delivering analyses reports within three hours along with actionable response strategies in report form. CyCraft AIR enables organizations to undertake cybersecurity internally. The primary users of this ITFOR product are regional financial institutions, governments, and e-commerce site operators.

#### 4. Automated Call Center Systems

Financial institutions benefit from two further ITFOR systems, each of which encourages customers to settle outstanding payments. The automatic call reception system "Robotic Call" that uses interactive voice response (IVR) technology, and the credit promise reception system "NYUS." Because these systems automate traditional call center tasks, they obviate the need for personnel to handle calls and enhance efficiency. Staff can focus on interfacing with customers for more complex tasks, thereby improving service quality.

## Human capital valued

### Basic philosophy

Our basic philosophy is to elicit joy through the power of empathy. To realize it, we cultivate a work environment where employees can engage diligently and enthusiastically and be empowered to unlock their potential. Each employee is integral to our mission of staying closely connected with our customers to learn how best we can meet customer needs. Only a happy, fulfilled employee is able to do so.

We believe that every initiative related to securing and nurturing human resources contributes to improving our ROIC. This reflects our approach to human capital management. We engage in initiatives where everyone involved is aware of the objective to maximize the effectiveness of each initiative. And for every initiative, we establish and monitor key performance indicators (KPIs) that we observe at fixed points throughout an initiative.

### Key Initiatives

#### 1. Respecting Human Rights

We consider it our corporate responsibility to respect the right of all individuals to freedom and happiness. This initiative applies as much outside as inside the company. In the conduct of our business and in our conduct as members of society in general, we respect the human rights of our customers and of every individual in society.

#### 2. Promoting and Nurturing the Participation of Diverse Human Resources

We inaugurated a project team to drastically revise our personnel system in September 2021. That team engages in ongoing discussions regarding personnel system challenges and the direction of our human resource (HR) initiatives. This has resulted in the implementation of various reforms, such as a qualification and grading system and a performance evaluation system.

We also conduct surveys to discern employee expectations and satisfaction levels through scored assessments. The surveys enhance employee engagement, and we utilize the insights gleaned from them to optimize our work environment and refine our HR systems. We regularly measure the effectiveness of our engagement with employees by employing a plan-do-check-act (PDCA) cycle to ensure continuous improvement in that regard.

#### ● Conducting in-house education and training

In line with ITFOR's belief that the growth of each employee contributes to the growth of the company, ITFOR's management is committed to employee education and development. We also encourage a culture of self-learning in the belief that this contributes to elevating job performance capabilities.

#### KPIs

PMP certification holders: FY 2022: 17.3% (FY 2023 target: 20%)  
National exam pass rate for IT engineers: FY 2022: 75.3% (FY 2023 target: 80%)

#### ● Pursuing aggressive hiring of experienced personnel

We emphasize the recruitment and development of recent graduates but also hire experienced professionals to ensure the swiftest response to changes in the business environment. This promotes diversity within our organization. In April 2023, in fact, we introduced a Comeback Alumni Program that seeks to reemploy former employees who left ITFOR mid-career for such reasons as childbirth, caregiving, spousal relocation, or career advancement elsewhere. It is part of our efforts to secure talented individuals and raise the mix of our employee ranks and places no limitations on the duration either of employment or nonemployment at ITFOR.

#### ● Promoting female empowerment

ITFOR promotes the recruitment of women and a workplace that accommodates their life stages, including marriage and childbirth, to ensure that they thrive in careers

long term. We hope to expand our proportion of female employee role models to, in turn, raise our number of female managerial candidates.

#### KPIs

Percentage of female employees: FY 2022: 18.0% (FY 2025 target: 25%)  
Percentage of female managers: FY 2022: 4.3% (FY 2025 target: 9%)

#### ● Fostering the participation of senior talent

We plan to implement a retirement age extension in April 2024. This is a strategic measure to exploit the skills and experience of our senior talent.

#### ● Strengthening diversity and inclusion

To foster IT-related innovation, we offer a work environment that embraces diverse talents and work styles. This encourages mutual inspiration among employees and permits employees to work in the way that they are most comfortable and productive. It also sees us participate in talent exchanges with client and other companies through long-term secondments and placements and the like. In some cases, we develop IT talent on behalf of and for the express purpose of placement with our customers.

#### ● Lowering employee turnover

Mobility within the IT industry is rising. So we are improving our employee retention rate by emphasizing the value of each initiative outlined in this section.

### 3. Providing a Fulfilling Workplace

A large part of what we offer in the way of a fulfilling workplace is our flexible accommodation of individual work styles. This heightens employee engagement, empowers personal growth, and bolsters creativity and productivity.

#### ● Prioritizing ease of work through a redesigned office space

We believe that a comfortable workplace contributes to enthusiastic and innovative work. The redesign of our 12th-floor headquarters' office space, completed in fiscal 2022, provides a relaxing environment and encourages employee interaction (see page 42).

#### ● Improving our work environment and conditions of work

Our efforts at employee motivation and engagement involve improvements to ensure a fulfilling and rewarding workplace. We also advocate for work-life balance, especially through the taking of paid vacations. In fiscal 2022, we saw our paid vacation utilization exceed 80%.

Success in this respect came in part because of incentives. They include anniversary leave, where employees who take paid leave during the month of their birthday or some other commemorative day are eligible for a bonus. They also include +1 (plus one) leave, where employees are encouraged to take an extra holiday before or after a three-day weekend or in the gap between public holidays. Through these and possible further incentives, we hope to maintain our paid vacation utilization rate at a high level.

We also hope to achieve the government target of a 50% uptake in paternity leave by 2025. We launched a support program for that purpose in October 2022 that provides full salary for up to two weeks from the start of paternity leave.

Our promotion, meanwhile, of the diverse work styles of our working parents has seen us implement a number of measures. Among them are the options of telework and shortened working hours. We desire our efforts in paternity

leave and in providing for individual work styles to support men and women in balancing work and life.

#### KPIs

Percentage of employees taking paid leave: FY 2022: 83.0% (FY 2023 target: 85%)  
Percentage of male employees taking childcare leave: FY 2022: 44.4% (FY 2023 target: 50%)

### 4. Promoting Occupational Health and Safety

In an evolving work environment with diverse employment arrangements, we prioritize occupational safety and health. Our commitment is to ensure a work environment where everyone can work with confidence and peace of mind.

#### ● Conducting regular employee health checkups

We proactively monitor the physical and mental well-being of our employees. As such, we arrange for regular health checkups and track participation therein. We strongly encourage any nonparticipating employees to avail themselves of these health checkups.

#### KPI

Percentage of employees taking health checkups: FY 2022: 89.0% (FY 2023 target: 100%)

#### ● Protecting employee mental health

We strive to protect the mental health of our employees. This includes annually checking employees for stress to raise their awareness of their stress levels. Stressed employees are taught coping mechanisms while we address any workplace issues causing their stress. We also offer one-on-one sessions with occupational physicians. In addition, we have established the ITFOR Hotline, an internal and external consultation service through which employees can anonymously seek advice if they feel uneasy about openly discussing power harassment, sexual harassment, compliance malfeasance, and the like.

#### KPI

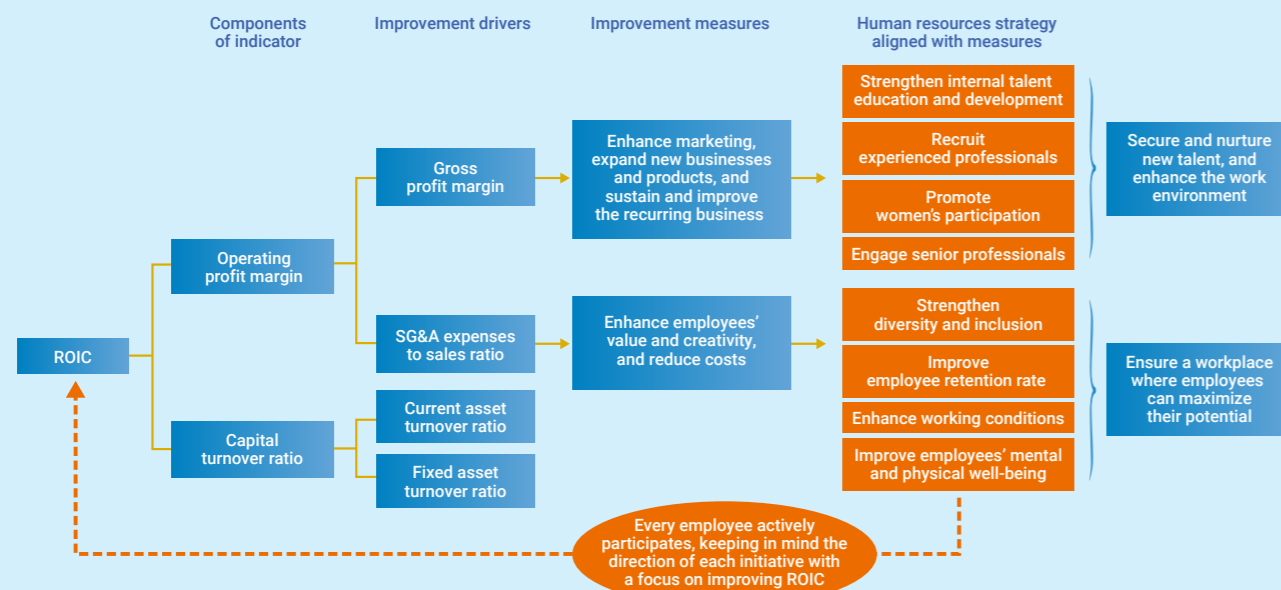
Percentage of employees taking stress tests: FY 2022: 84.0% (FY 2023 target: 100%)

#### ● Participating in the Health & Productivity Management Alliance

The Health & Productivity Management Alliance is, as of June 30, 2023, a collection of 148 companies and organizations that share a vision of invigorating Japanese companies by promoting employee health and sustainable health insurance.\* ITFOR participates in this alliance to collaborate on health-related initiatives, including health insurance, with other companies and on recognizing health and productivity management.

\*Health & Productivity Management is a registered trademark of nonprofit organization Kenkokeiei.

[Health & Productivity Management Alliance website](#)



## Management foundations strengthened through corporate governance

### Basic Philosophy

ITFOR draws on its corporate philosophy of eliciting joy through the power of empathy in expressing its philosophy of corporate governance. It recognizes that the basis of corporate governance is transparent and fair management systems and efficient business execution underpinned by prompt and resolute decision-making and timely and appropriate information disclosure. The aim of effective, constantly improved corporate governance is the enhancement of ITFOR's corporate value.

### Corporate Governance Structure

ITFOR has adopted a corporate governance structure consisting of an Audit and Supervisory Board to reinforce the supervisory function of the Board of Directors and to ensure the robustness of the company's corporate governance (see schematic of corporate governance structure on the following page).

#### 1. Board of Directors

The Board of Directors consists of eight members: two representative directors, three non-audit directors, and three directors who also serve as members of the Audit and Supervisory Board. To strengthen the supervisory function of the Board of Directors, ITFOR has established a policy to appoint independent outside experts to one-third of its Board of Directors' directorships. Of the Board's eight directors, three are outside directors.

The Board of Directors holds regular meetings once a month and extraordinary meetings as necessary. Directors knowledgeable in the company's business operations and independent outside directors of diverse expertise engage during meetings in dynamic discussions leading to swift and flexible decision-making and the strengthening of the Board's supervisory function.

Comprehensive information sharing among directors, including outside directors, is ensured by having directors attend Business Executive Committee meetings (see 4). And the Board's effectiveness is regularly evaluated through surveys of its directors.

Number of meetings in fiscal year 2022: 25

#### 2. Audit and Supervisory Board

The Audit and Supervisory Board oversees the internal controls, the legality, and the appropriateness and efficiency of ITFOR's business operations. It consists of three ITFOR directors: one ITFOR director who is a full-time Audit and Supervisory Board member and two outside directors.

The Audit and Supervisory Board meets at least once a month in principle to audit the execution

of the duties by the company's directors, to audit the company's financial documents and other materials, to produce audit reports, and to handle other matters. It conducts its audits in coordination with ITFOR's external auditor, ITFOR's internal audit division, and other parties in accordance with its audit policies and plans.

Number of meetings in fiscal year 2022: 19

#### 3. Nomination and Compensation Committee

ITFOR has established its Nomination and Compensation Committee as a voluntary advisory body to its Board of Directors. The committee is tasked with enhancing and ensuring the transparency and objectivity of procedures regarding the nomination and compensation of directors and with bolstering corporate governance,

The Nomination and Compensation Committee is composed of three or more members appointed through a Board of Directors' resolution. It adheres to a policy that the majority of its members are to be independent outside members, one of whom will serve as the committee's chair. The committee conducts deliberations and provides recommendations to the Board of Directors in response to inquiries therefrom.

Number of meetings in fiscal year 2022: 2

#### 4. Business Executive Officer Committee

ITFOR has adopted the executive officer system to swiftly respond to changes in the business environment by separating management's decision-making and supervisory functions from the business execution function. Executive officers convene the committee twice a month in principle to deliberate on execution policies and to ensure agile business operations.

Number of meetings in fiscal year 2022: 22

#### 5. Sustainability Committee

ITFOR established its Sustainability Committee to achieve a basic objective of its third medium-term management plan: to advance ESG. The Sustainability Committee is chaired by ITFOR's president and representative director and includes three directors as vice-chairpersons. Collectively, they drive ESG by addressing its material issues.

Three subcommittees operate under the guidance of the Sustainability Committee: the Regional Revitalization Promotion Committee, the Human Resources Promotion Committee, and the Environmental Promotion Committee, each led by an ITFOR director and each focused on a specific area. This structure enables agile responses to critical challenges.

The Sustainability Committee meets monthly, reports on its progress to the Board of Directors semiannually, and receives directives as needed to ensure its continuous, effective, and smooth functioning. Its three subcommittees convene monthly to bimonthly.

#### 6. Compliance and Risk Management Committee

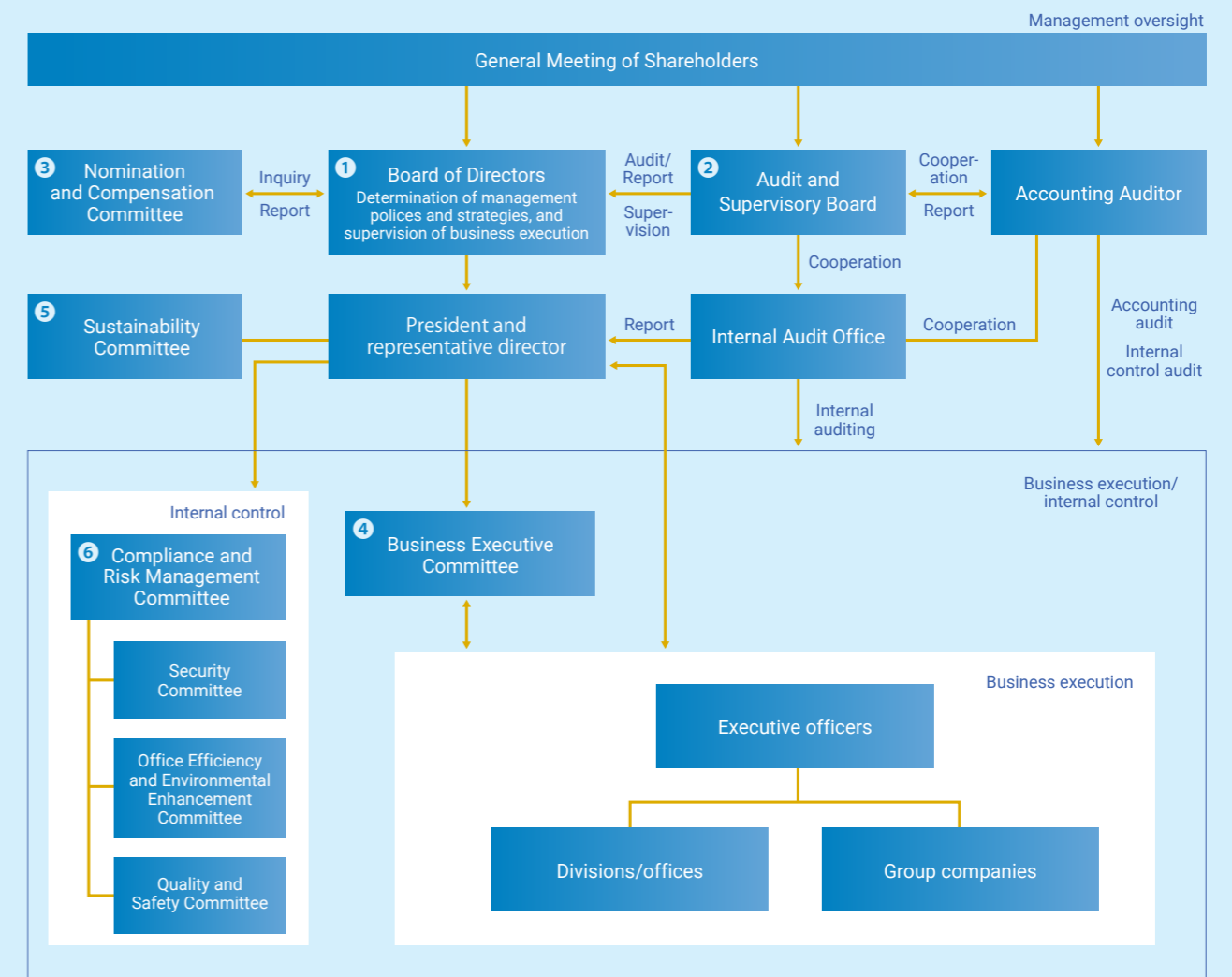
ITFOR's Compliance and Risk Management Committee reports directly to the Board of Directors and oversees the overall compliance and risk management of the ITFOR Group. The committee is chaired by ITFOR's president and representative director and includes in addition three ITFOR directors. It convenes quarterly in principle and may hold additional meetings as needed, especially in the event of significant compliance-related incidents (see page 50).

[Basic Policy on Corporate Governance \(revised on June 28, 2022\)](#)

[Basic Policy on the Establishment of an Internal Control System \(revised on June 19, 2015\)](#)

### Japan's Corporate Governance Code

ITFOR implements each principle of Japan's Corporate Governance Code. Details regarding disclosure in this regard are documented in the company's [Corporate Governance Report \(revised on June 27, 2023\)](#).



## Management foundations strengthened through compliance and risk management

### Basic Approach

ITFOR strives to be a company trusted by society by adhering to laws and regulations, including internal regulations. We make every effort to act with integrity and good judgment.

### Promotion System

Our Compliance and Risk Management Committee oversees our overall compliance and risk management. It investigates the causes of compliance violations and other business risks and considers and implements measures after reviewing laws and regulations to prevent or mitigate recurrence.

In the event of emergencies, such as natural disasters, the president and representative director heads up the company's Emergency Response Headquarters to promptly and appropriately manage the crisis. ITFOR has established three subcommittees—the Security Committee, the Office Efficiency and Environmental Enhancement Committee, and the Quality and Safety Committee—to analyze from their specialized perspectives operational risks arising from emergencies. Those subcommittees report their findings to the Compliance and Risk Management Committee.

### Key Initiatives

#### 1. Promoting Compliance and Embedding Risk Management

ITFOR has internal regulations governing compliance and risk management. In accordance therewith, the directors, executive officers, and employees of ITFOR and its subsidiaries are guided by the three just-mentioned subcommittees in ongoing training and awareness-building activities. This ensures that everyone views compliance as a personal responsibility and conducts business with a focus on risk management. Our Corporate Code of Conduct, moreover, is a universal standard that everyone at ITFOR must abide by in doing business.

#### 2. Ensuring Compliance

We have established three internal mechanisms to ensure compliance: the Compliance Consultation and Reporting Liaison Office, the Harassment Consultation Hotline, and the Mental Health Consultation Hotline. We have in addition set up an external liaison office to accommodate employees who prefer not to report internally.

We prioritize user privacy. Nobody who reports transgressions in compliance will face adverse treatment for seeking our consultation or cooperating in fact-finding. As required, and only with the reporting individual's consent, a report may be made to the company in an effort to resolve the issue.

### Anticipated key risks and their mitigation

Type of risk	Outline of risk	Key measures
Natural disasters, etc.	Business disruption from power outages and telecommunications failures caused by earthquakes and other disasters	We have data centers in Tokyo and Osaka and have established a business continuity plan (BCP) that takes into account large-scale earthquakes. We implement safety measures such as the introduction of a safety confirmation system, seismic resistance measures, and disaster prevention training.
System (product) development and quality management	Costs and damages due to quality-related issues	We have obtained ISO 9001 certification (2015 edition), produced a quality manual, and set quality objectives to ensure thorough quality management. ISO 27001 certification (2013 edition), meanwhile, facilitates our ability to conduct quality assurance, to improve services, and to enhance customer satisfaction.
Information security	Loss of critical information	Division managers serve as information security officers and oversee security within their divisions. We have obtained privacy mark certification and have bolstered our information management with CAT Supporter, a system that monitors access control and PC operation logs.
Competition	Price declines amid intense competition	Our business strategy sees us leverage our extensive business experience to specialize in systems for regional financial institutions and for distribution and retail industries. By concentrating on these areas, we accumulate system expertise superior to our competitors'. We differentiate ourselves by offering comprehensive services encompassing tangible and intangible elements and our unique solutions and network infrastructure.
Exchange rate fluctuations	Increased costs due to exchange rate fluctuations	We engage in forward exchange reserve transactions within the scope of foreign currency accounts payable and order amounts. We select the counterparties for forward exchange reserve transactions from among highly reputable domestic banks to mitigate our credit risks.
COVID-19	Constraints on order activities, delays in software development, and delays in delivery caused by disruptions in the supply chain because of the renewed spread or prolonged impact of infections	We promote work-style reforms that include telecommuting and more. As part of our integrated supply chain management, we also exercise procurement based on customer demands to minimize transportation, inventory, and waste generation, thereby limiting the impact on performance.