

2023

INTEGRATED REPORT



FOR

A BETTER LIFE AND
SUSTAINABLE FUTURE


ITFOR



Corporate Mission

IT, for individuals and for society

Information technology (IT) is a force of enrichment for individuals and society alike. As technology rapidly evolves, IT's potential to add value only grows. We envision a world where IT is a source of happiness. The essence of our mission to make it so is encapsulated in our name: ITFOR.

ITFOR Inc., founded in 1972 as CJK Co., Ltd., got its start importing and selling information equipment and systems. As the years progressed, we sharpened our skills and began crafting advanced systems for niche sectors, marking milestones along the way. These include our launches of Japan's inaugural online point-of-sale (POS) system and pioneering auto-call system for debt reminders.

Our trajectory, however, has not been limited to the provision of systems. We have ventured further to cater to our customers' evolving needs with value-added services that propel our growth. Today, we harness our cutting-edge technology and wealth of experience to offer comprehensive services that embrace not just our customers but also the larger community they are a part of.

ITFOR's management philosophy is to bring happiness through the power of empathy. At the heart of our IT systems and business process outsourcing (BPO) services lies a steadfast commitment – an enduring mission to elevate the experiences of all. From regional businesses to the vibrant communities they call home, we dedicate ourselves to making a positive impact.





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Editorial policy

This report provides insight into ITFOR Inc.'s ongoing efforts to enhance its corporate value and the sustainability thereof. To ensure clarity for our stakeholders, including shareholders and investors, we have edited this report to interrelate vital financial and nonfinancial information, with an emphasis on key initiatives.

In compiling this report, we have taken guidance from the International Integrated Reporting Council (IIRC)'s International Integrated Reporting Framework and from Japan's Ministry of Economy, Trade and Industry's Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation.

A description of the value-creation process is central to this report. By leveraging nonfinancial assets, such as human resources and IT infrastructure for digital transformation (DX), we offer our mainstay regional clients innovative and optimal services. This aligns with our commitment to regional revitalization and elevates our corporate value. The business model for achieving these goals is detailed on pages 12-15.

We hope that this report serves as a tool to enhance your understanding of our company and can act as a dialogue with all of our stakeholders.

■ Reporting period: April 1, 2022, to March 31, 2023

Certain nonfinancial information covers the period until June 30, 2023.

■ Scope of reporting: ITFOR Inc.

Overall financial information herein covers all six companies in the ITFOR Group.

■ Disclaimer

This report has been prepared mainly to share insights into ITFOR Inc.'s efforts to boost its corporate value. It is not a solicitation for the purchase or sale of shares. Any projections or outlooks presented herein are not a guarantee of future performance. The names of companies, services, and products mentioned in this report are trademarks or registered trademarks of their respective owners.

For more detailed information, please refer to our website:

www.itfor.co.jp/en

Current issue date: December 1, 2023

Next issue date: planned for some time in September 2024

Business and social contributions

Support for the sustainable development of people and society

ITFOR serves mainly regional clients whose business activities underpin local economies and social networks. This approach embodies our business-to-business-to-consumer (B2B2C) model. Our goal is to positively influence and enhance the lives of individuals to improve society overall.

From our earliest days, we have focused on serving regional financial institutions, department stores, and municipal governments. In collaborating with these entities, ITFOR's guiding principle is consideration for the community served by its clients. Our engagement through our products and services with the linchpins of local economies and societies helps us in our efforts to make a meaningful difference. This ethos represents ITFOR's profound commitment to society and its individuals.

The solutions that ITFOR provides to its clients are wide ranging and include business automation, digitalization, and security. They grant users time and peace of mind. Without a doubt, they are helping to drive ITFOR, its clients, and the societies of which we are a part toward a brighter, more prosperous future—a vision uniquely human.

ITFOR considers itself a B2B2C company that serves more than just corporate clients. We also strive to sustainably develop communities and the lives of their individual inhabitants.

Solutions for financial institutions

Simplifying the home loan process

The home loan review process, from application to approval, can be time-consuming. ITFOR's home loan system automates and standardizes the process. Approval, which usually takes several days, can be completed on the same day as the application or next day, ensuring that customers promptly learn if they've been approved for a home loan.

Solutions for public institutions

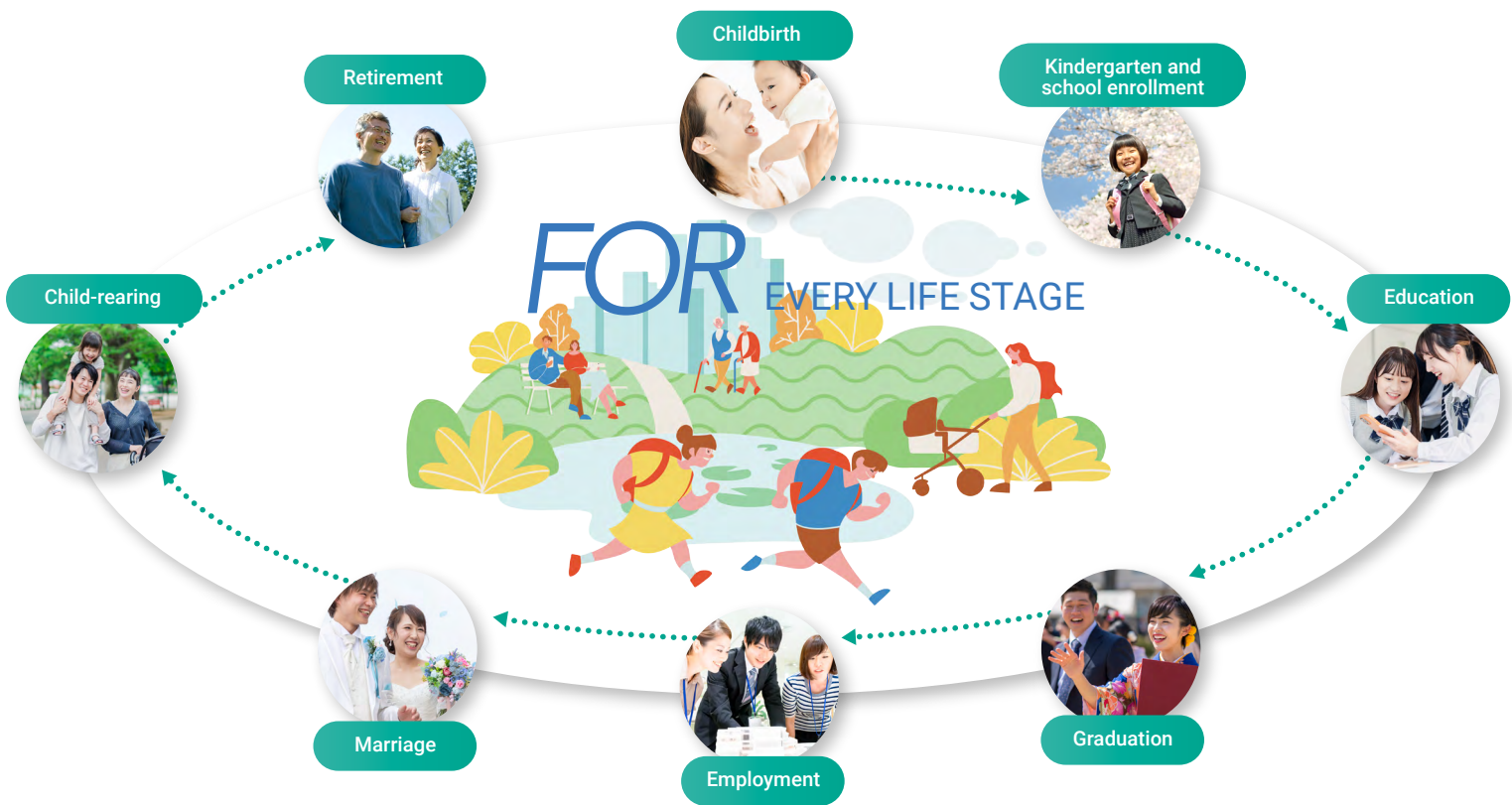
Managing school enrollment

Managing the enrollment of school-age children, especially to attend schools across borders or for special needs, can be complex. ITFOR offers a school register management system and a school meal fee management system to streamline the process for education boards and school staff.

Solutions for retailers and e-commerce businesses

Browsing in-store and purchasing online

Omnichannel strategies, which aim to boost sales by integrating e-commerce sites with physical stores, require the seamless integration of e-commerce and core retail management systems. ITFOR offers both systems and so is able to ensure their coordination for convenient shopping experiences.



Solutions for contact centers

Heightening inquiry response efficiency

Contact centers are indispensable as typically the first point of contact for product inquiries. ITFOR offers call recording systems and more to enhance operator efficiency. Our offerings support seamless responses to inquiries to eliminate customer wait times.

Solutions for infrastructure and data security

Countering cyberattacks for peace of mind

The Internet offers many benefits, but its prevalence also increases the threat of cyberattacks. ITFOR's cybersecurity solutions are designed with postinfection or intrusion scenarios in mind. Our systems promptly detect threats to minimize data breaches and other damage.

Solutions for cashless payments

Offering more-versatile payment methods

ITFOR's multi-payment terminal accommodates various payment methods in a single device, including credit cards, electronic money, and QR codes. It helps save space and labor by overcoming the need to install and switch between multiple payment terminals, and in its versatility increases sales opportunities.

Business activities structured to deliver

Stable growth in two segments focused on customers and society

ITFOR's dedication to meeting its customers' needs is well acknowledged within its market. That compels us to continuously introduce solutions through our System Development and Sales segment, which, in turn, fuels our growth. Our Recurring Business segment ensures that our solutions are used with confidence by customers, leading to ongoing customer engagement that contributes to our strong management foundation.

Our six business divisions deliver solutions:

- **Financial Systems Division**

Provides systems to promote consumer product sales, loan reviews, and debt management for entities such as banks, credit card companies, and consumer finance companies

- **Public Systems Division**

Offers debt management solutions for local governments, including delinquency management and notice service systems; provides academic support solutions for educational institutions; and delivers outsourcing services

- **Retail EC Systems Division**

Furnishes detailed support for retail operations through a core system that encompasses essential functions, such as product management, sales management, and customer management

- **CTI Systems Division**

Ensures comprehensive support for contact center operations, enabling automation through AI and robotics technology, and collects customer feedback for improved service quality

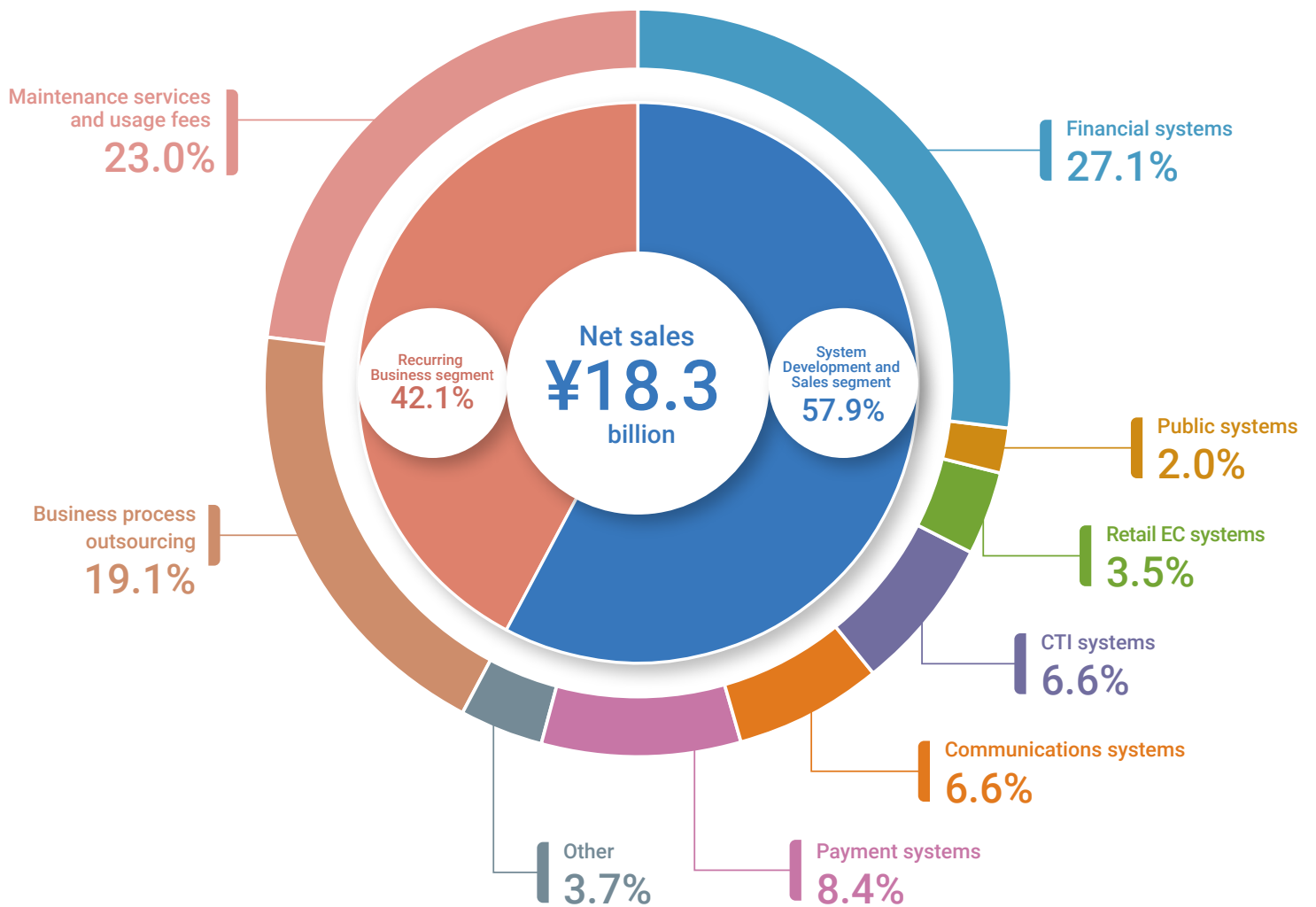
- **Communications Systems Division**

Constructs corporate IT infrastructure, with a focus on server infrastructure, cloud services, and security measures

- **Payment Business Division**

Supplies multi-payment terminals that support the retail industry's largest number of payment methods to financial institutions and retailers, thereby contributing to the advancement of a cashless society

ITFOR sales breakdown



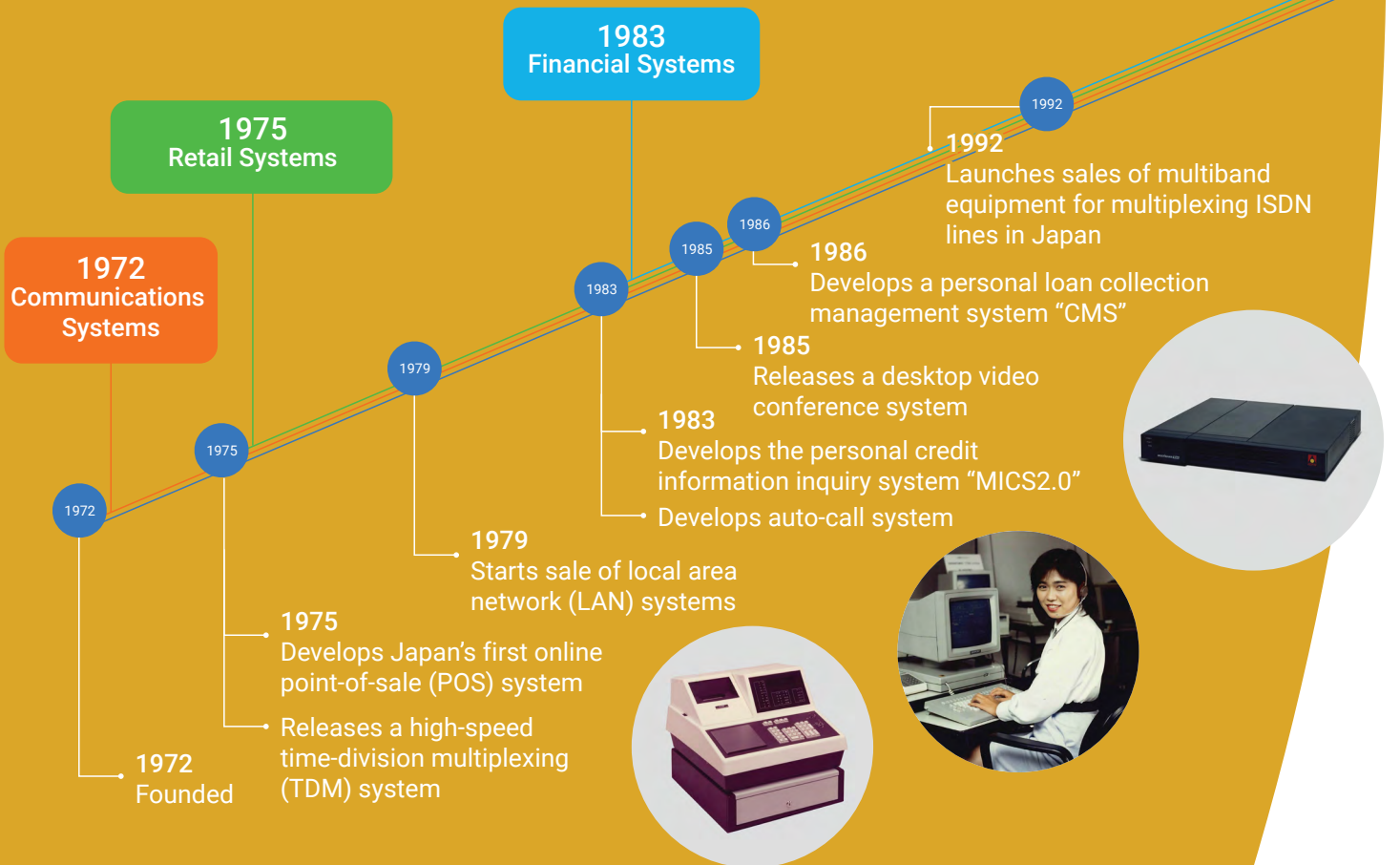
Corporate history

Evolving in tandem with regional societies

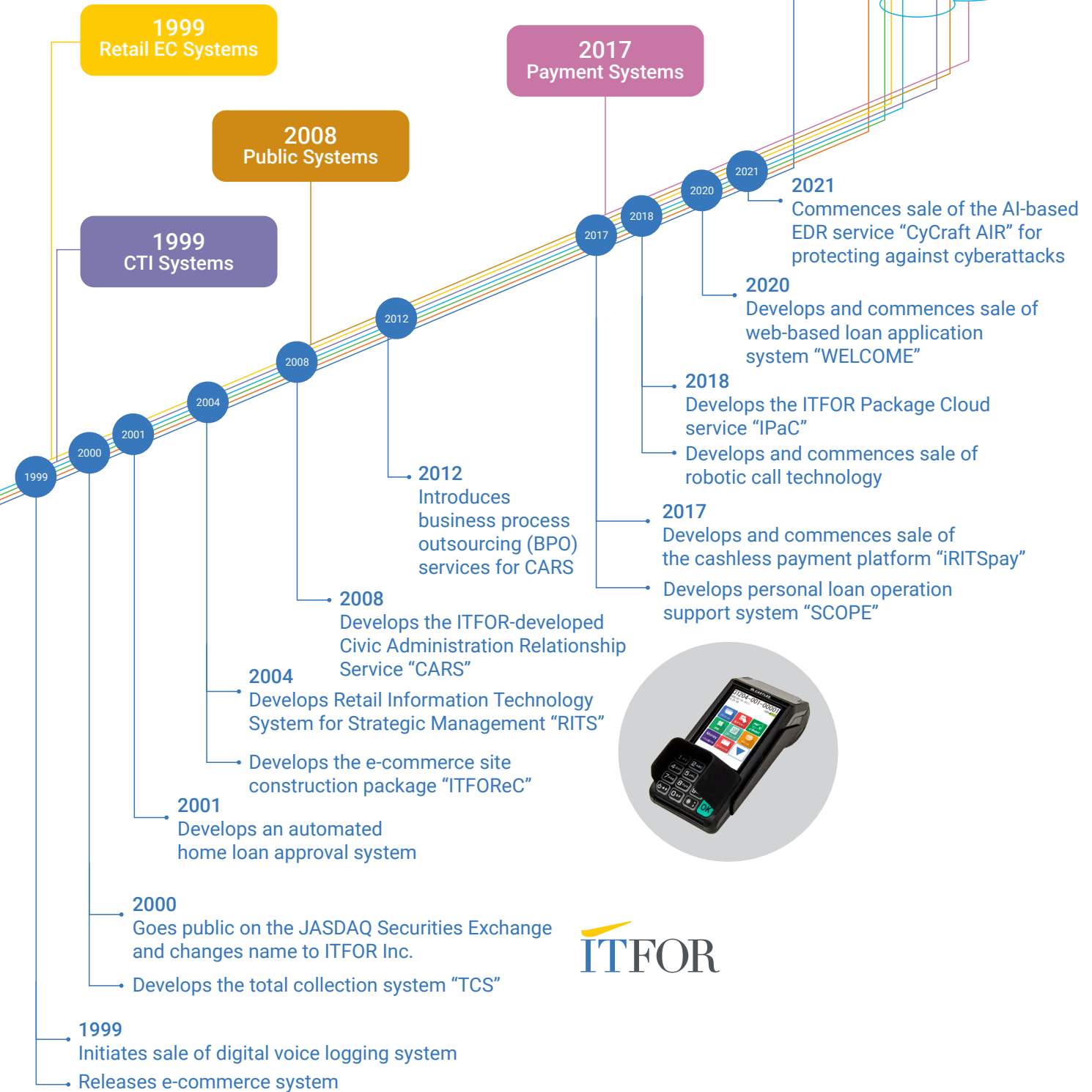
ITFOR was founded in 1972 as CJK Co., Ltd. Under that name, the company's business was the import and sale of information equipment and systems from overseas. By 1975, however, we had developed and introduced Japan's first online POS system. Ever-expanding capabilities led us in 1983 to develop and introduce a personal credit information inquiry and debt management system.

ITFOR has continued to provide optimal products and services to customers central to regional economies, among them regional financial institutions, governments, and department stores. This, of course, has contributed to our growth, as has our 2017 move into new business areas with our development of payment cloud and payment terminal solutions.

Our history is characterized by a journey alongside the regions we serve. In pursuing our mission, we provide inspiration and meaningful experiences for our regional customers and communities in an ongoing effort to contribute to a joyful society.



FOR SMILES AND SOLUTIONS: OUR STORY

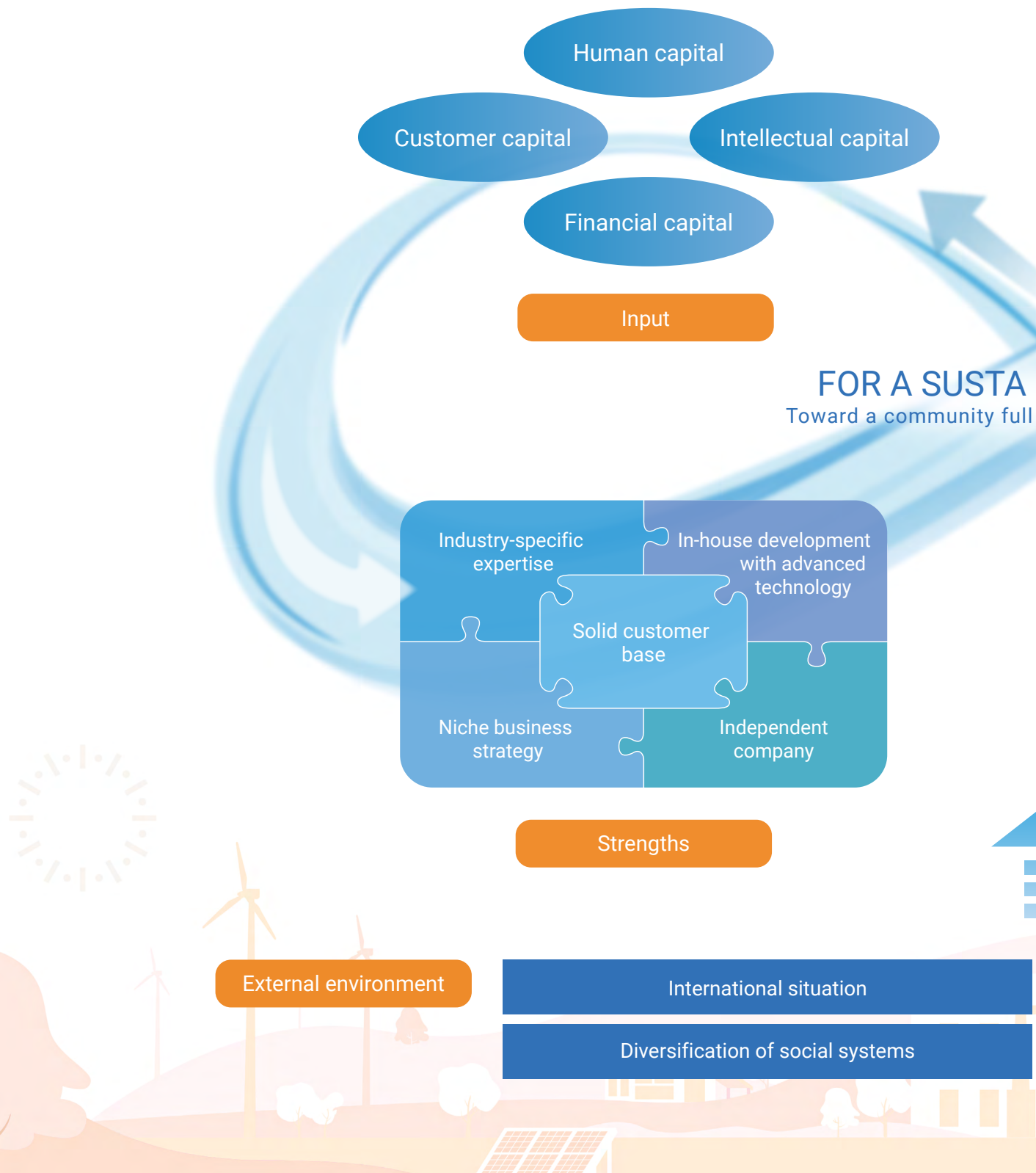


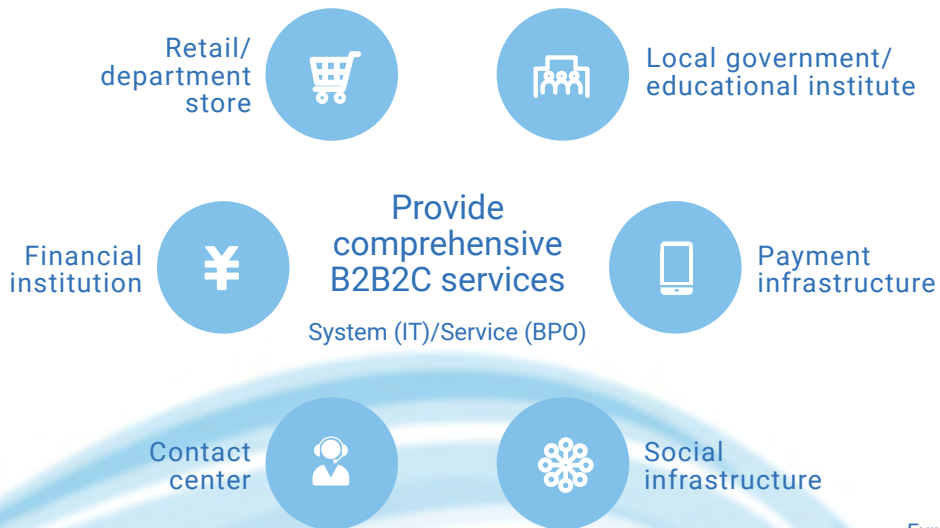
ITFOR

Purpose

ITFOR strives to evoke happiness and satisfaction through empathy

With the diversification of business and personal consumer needs amid changes in the social environment, ITFOR contributes to societal stability by invoking the power of empathy to evoke smiles and satisfaction. ITFOR's information technology (IT) systems and business process outsourcing (BPO) support businesses and individuals in the interest of establishing a sustainable society.

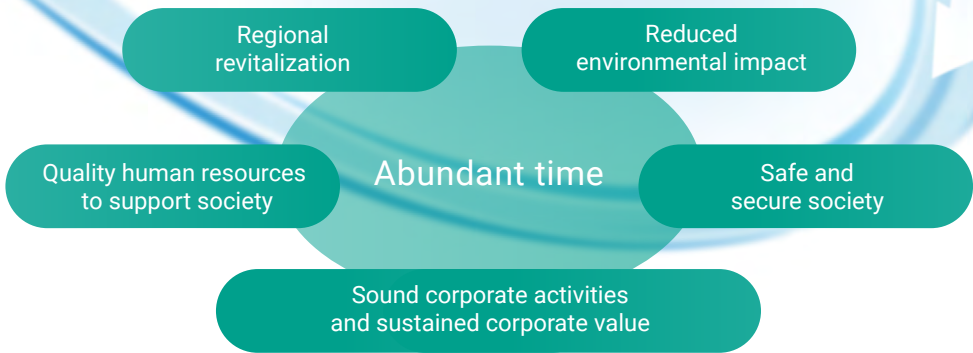




- Expand services and enhance quality
- Foster local employment and human resources
- Stimulate cashless purchasing
- Enhance customer and social infrastructure

Output

INABLE FUTURE: of excitement and happiness



Outcomes

Declining birth rate and aging population

Insufficient personnel

Technological innovation

DX advancement

Overview of business model

A business model of five strengths

In the rapidly changing and unpredictable world of IT, ITFOR's steady development over 50 years is supported by a business model that leverages five strengths. ITFOR continues its growth through that business model, tapping those strengths to ensure solid relationships with customers and the prospecting of new customers and business domains.

Expertise in specific industries and niche business strategy

The starting point of ITFOR's business model is to concentrate on specific industries, such as regional financial institutions, local governments, and department stores, to enhance its own expertise. The concentration of our management resources gives us a deep understanding of our customers and their needs and refines our expertise and specialization in providing optimal solutions tailored to niche areas within industries. In this way, we create unique value that shows our distinctive abilities to the full.

Quality human resources and in-house development

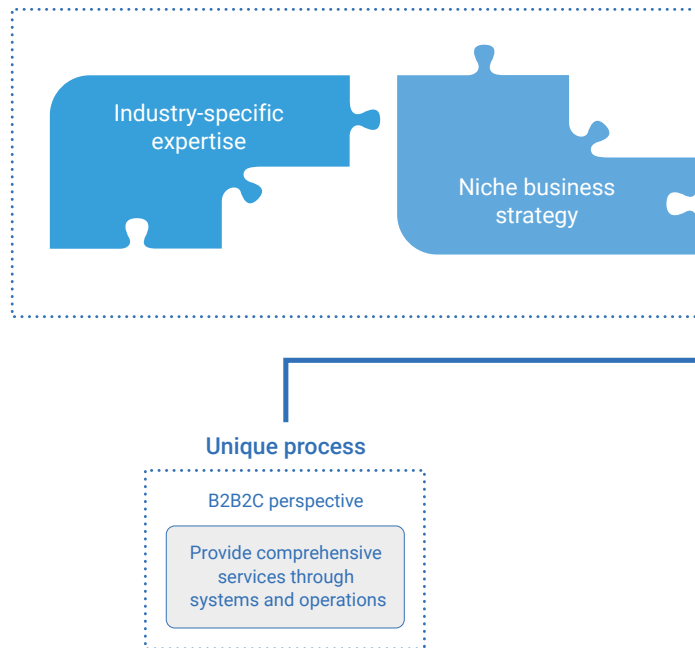
Key to our provision of optimal solutions for our customers is the ability of our in-house development. This characteristic demonstrates the independence of ITFOR. ITFOR management has the utmost regard for the individuals who are the backbone of its operations.

We aim to provide a working environment that is tailored to the individual's needs, where each of our employees can thrive and work enthusiastically and reach their full potential. It is our belief that every initiative related to securing and nurturing human resources contributes to our corporate growth. As such, we promote the engagement and development of diverse talents, the provision of a fulfilling workplace, and the necessity of occupational health and safety. We, in turn, benefit from a wealth of highly skilled personnel who grant us an accumulated level of expertise and business knowledge in system development that is unparalleled, qualitatively and quantitatively. This is the source of our technological advancements and high degree of specialization.

Corporate independence

Our ability to harness advanced technical expertise ensures deep engagement with the challenges faced by our customers and their local communities. ITFOR's approach is facilitated by its status as

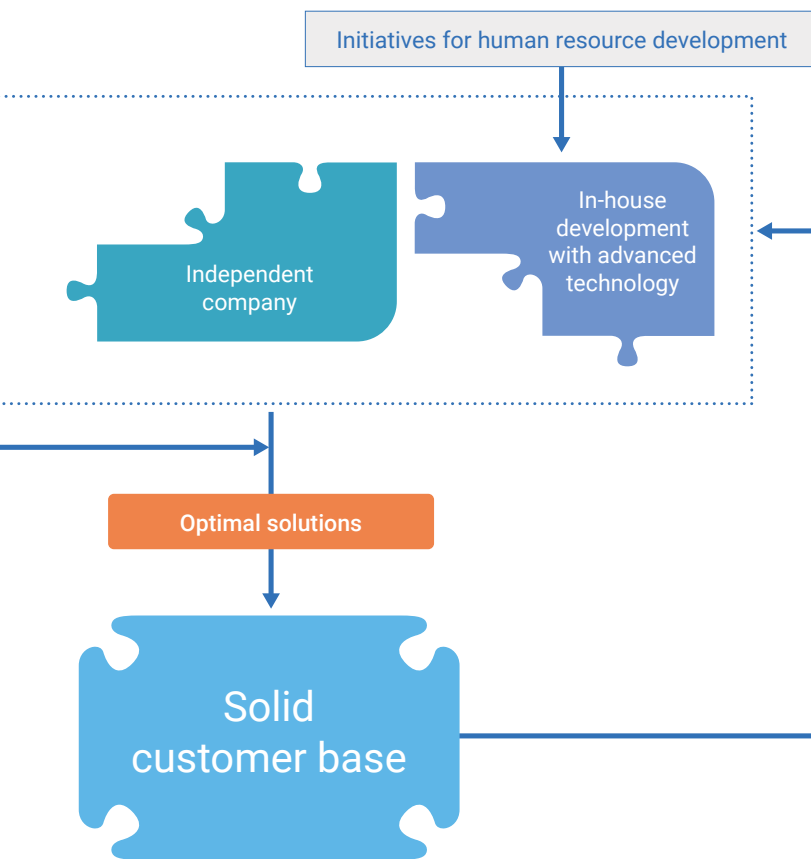
ITFOR's Business Model



an independent company. Being unaffiliated with any particular group frees us from technical constraints or obligations and enables us to unleash the inherent power of empathy and deliver optimal solutions.

B2B2C perspective

ITFOR's principle is to develop products and services to satisfy end customers. It is essential, therefore, that we consider who in society are the users of our offerings. In system development, our emphasis lies in gaining profound insights into the lives, habits, service usage scenarios, and emotions of our customers and all who might use what we offer. We aim to extend the power of empathy to



society at large. This is why ITFOR identifies itself as a B2B2C company whose intention is to enhance the value of the solutions provided to an entire array of customers.

Comprehensive IT services and business operations

ITFOR's solutions extend beyond systems designed with end users in mind. We also furnish the maintenance services essential for utilizing our systems and offer operational support as part of our BPO services. The comprehensiveness and reliability of what ITFOR offers consistently contributes to ITFOR being customers' preferred choice for IT solutions.

Strong customer base

ITFOR's solutions are crafted to address customer challenges and thus quickly become indispensable to customers' operations after their implementation. Many of our customers utilize our solutions long term, availing themselves of the iterative improvements that we regularly provide.

ITFOR regularly hosts user meetings that transcend the conventional lecture format. Each session is a dynamic forum where clients discuss and exchange opinions on shared business challenges.

Our user meetings thus elicit insights for business enhancement by encouraging clients to propose suggestions for refining the systems we offer. They also broaden mutual understanding between us and customers, further customer trust in us, and cultivate future business ventures for us with customers. Customers' robust trust in ITFOR underpins their ongoing utilization of ITFOR's solutions, and that recurring business generates a steady revenue stream for ITFOR.

Our solid customer base, moreover, is generating customers and business opportunities for us. A distinctive feature of our business is the frequency with which customers recommend us to others grappling with IT issues. This, again, indicates the trust and confidence our customers have in our ability to address such issues. In response, we continually enhance our offerings to meet and exceed expectations. And this commitment leads us into new business domains that, along with additional customers, contribute significantly to our growth.



Right: Masanobu Tago, Bank of the Ryukyus, Limited
Left: Kazunori Kono, ITFOR Inc.

Regional Cashless Transformation Pioneered by the Bank of the Ryukyus

Masanobu Tago
Deputy Head of Payment
Business Department
Bank of the Ryukyus, Limited



Kazunori Kono
Executive Officer, Head of
Payment Business Division
ITFOR Inc.

Kono:

ITFOR excels through empathy that sees it align with customer needs by engaging in discussions and striving for satisfaction to achieve growth, for customers and itself. I have heard that collaboration with the Bank of the Ryukyus has sparked innovation. Can you expand on this please?

Tago:

The Bank of the Ryukyus has promoted a cashless island concept in Okinawa since 2015. This

capitalizes on the tourism appeal of the region's rich culture and natural environment, which attract visitors from around the world to the main and smaller islands.

Cashless payment adoption in Okinawa, however, remains low, especially on the smaller islands. The absence of cashless payment options, despite high tourist demand, risks missing opportunities for regional economic growth and undermines Okinawa's immense potential.

To maximize regional value, we have initiated such experiments as introducing a local currency.

We also ventured into the acquiring business to bridge the gap between the banking and tourism industries. We acquired licenses from international credit card brands, such as Visa and MasterCard, to oversee merchant development, evaluation, and management. This has facilitated card usage by tourists, generated spending opportunities and boosted tourism.

“ITFOR, conversely, prioritized the understanding of our scheme to ensure that it would fulfill our desired specifications.”

Many small retailers and tourism operators dealt primarily with cash transactions, so the challenge was introducing them to card services. We addressed this by establishing a daily payment system. This change met substantial demand because depositing daily card sales into the accounts of card-accepting merchants—establishments with payment terminals for credit cards, debit cards, and similar payment methods—significantly improved merchants’ cash flow. Offering card services and daily accounting showcased the bank’s strength and potential.

User-friendly payment terminals that require no special training are vital to the widespread adoption of card services. So we partnered with ITFOR to fine-tune every aspect of our card services business to ensure a large-scale launch.

The Bank of the Ryukyus became an acquiring business at a time when few Japanese banks managed merchants. Major card companies dominated these functions. As a newcomer, we lacked the requisite system and could not afford to build one. We instead handled the central system internally and collaborated with other companies for payment terminals.

By chance, we consulted ITFOR about payment terminals. ITFOR, as it turned out, had plans to expand the use of payment terminals by separating their POS payment functionality. This aligned with our needs. ITFOR’s multi-payment devices, which handle credit cards, electronic money, and QR codes, were industry groundbreakers. Today, all-in-one terminals are the industry standard.

We tried to partner with other leading system development firms, but most wanted just to adapt their products to our scheme rather than truly understand

it. ITFOR, conversely, prioritized the understanding of our scheme to ensure that it would fulfill our desired specifications and enable us to realize our cashless vision in its ideal form.

With the major credit card companies dominating the market and banks their mere subsidiaries, typically only managing credit card operations, the Bank of the Ryukyus acted boldly. We obtained licenses to engage directly in the acquiring business. This allowed us to retain revenue, including fees, within the prefecture.

We embarked on this and other new businesses in part to offset the impact of Japan’s prolonged zero interest rate policy. That policy led to declining interest income from loans and returns on investments, such as government bonds. We needed to strengthen our service-related income with, for example, fee income. External factors were at play, but our implementation of our cashless island concept greatly advanced Okinawa’s consumer digital transformation (DX).

Kono:

The Bank of the Ryukyus and ITFOR had a strong relationship from previous system implementations. But participating in your cashless island concept presented ITFOR with a transformational opportunity involving the introduction of cashless payment terminals (pictured) and a proposal for a terminal center.

ITFOR earlier had provided payment terminals and the terminal center for the retail mission-critical



4. Special Feature: Dialog with a Customer

system “RITS” (Retail Information Technology System for Strategic Management), which it sourced from Castles Technology Co., Ltd., in Taiwan for use by department stores. For the Bank of the Ryukyus, we utilized our technology and experience to develop a multi-payment terminal capable of processing 31 transaction types, including electronic money, China’s UnionPay QR, Alipay, and WeChatPay. This was one of the industry’s most extensively supported payment methods.

Some areas in Okinawa posed challenges because they lacked broadband and relied on analog communication. But ITFOR’s communication technology expertise made feasible their adoption of cashless payment. Addressing such niche needs also contributed to our profile.

When the Bank of the Ryukyus launched its acquiring business in 2017, ITFOR introduced the multi-payment terminals “iRITSpay Payment Terminal.” Looking back on our journey since the start of our cashless island concept collaboration, what stands out for you?

Tago:

Six years have passed since iRITSpay’s launch to a steadily expanding market share. Even remote islands have adopted it through their chambers of commerce and tourism associations. Its user-friendliness has led to its widespread use, even in family-run businesses. Yonaguni Island, for example, boasts more than 40 cashless stores, and the taxis on Miyako Island accept card payments, boosting their revenue.

Cashless payments contribute greatly to remote island revitalization and are aligned with ESG principles. We aim to further integrate technologies for additional community betterment.

The Bank of the Ryukyus entered the card business through its affiliates Ryugin DC and OCS. With ITFOR’s collaboration and the spread of its cashless terminals, we were able to begin issuing Visa debit cards. This gained us over 9,000 affiliated merchants within six years.

“Cashless payments contribute greatly to remote island revitalization and are aligned with ESG principles.”

Cashless adoption in Okinawa is leaving room for much growth. With more than ten million tourists annually by 2019, Okinawa’s need of cashless payments is vital for increased consumption. The adoption of Taiwan’s EasyCard boosts the region’s cashless options and promotes a more vibrant local economy, but more can be done.

And whereas regional banks often lack expertise to start credit card businesses, the Bank of the Ryukyus can now provide that knowledge. Entering this field allows regional banks to boost local economic revival for positive societal impact by the banking industry.

“Collaboration with the Bank of the Ryukyus has sparked innovation.”

Can you outline the evolution of the ITFOR and Bank of the Ryukyus collaboration, which began with the cashless island concept, and offer your outlook for the relationship?

Kono:

The expansion of iRITSpay as a result of ITFOR’s efforts to meet the expectations of the Bank of the Ryukyus for multi-payment capabilities characterizes our collaborative journey. In addition to credit cards, electronic money, and QR code payments, iRITSpay now supports Okinawa’s regional electronic money, OKICA, and Taiwan’s EasyCard. ITFOR is



iRITSpay is a comprehensive cashless payment platform that provides a secure and convenient payment solution for both businesses and customers.

also working on incorporating J-Debit transactions using cash cards. The diversification and payment center expertise that we've acquired stem largely from our need to meet the bank's needs. What has resulted from the considerable enhancement in our capabilities are products aligned with market demands.

Our collaboration with the Bank of the Ryukyus has seen iRITSpay evolve and get picked up by other regional financial institutions. Under the direction of the Bank of the Ryukyus, we introduced iRITSpay to Hida Shinyo Kumiai (Hida Credit Union). The success of iRITSpay at the Bank of the Ryukyus likewise influenced other regional banks, including Chiba Bank and Shizuoka Bank, to incorporate it into their acquiring business projects. ITFOR is proposing iRITSpay's expansion among additional banks.

“Our partnership with the bank is our springboard for providing ever-more innovative products and services to invigorate Okinawa’s local economies.”

We propose multi-payment and multi-service options. Payment terminals now feature Android functionality that extends their capabilities beyond payments to POS apps, loyalty point systems, and attendance-tracking apps. Retailers thus see vastly improved operational efficiencies.

The widespread adoption of cashless payments is expected to boost regional economic activity and consumer spending. Our addition of multi-service solutions is meant to nurture thriving local business environments. In Okinawa, we look to the Bank of the Ryukyus for requests and insights to improve our multi-service offerings in the same way the bank's input helped us develop our multi-payment terminals to meet the bank's requirements.

Our partnership with the bank is our springboard for providing ever-more innovative products and services to invigorate Okinawa's local economies.

Tago:

Early on, the Bank of the Ryukyus recognized the quality of and relied on ITFOR's debt management and call center systems. ITFOR's track record was again demonstrated in the unique strengths it



displayed in leading the cashless island project.

Looking forward, we see the seamless integration of services and applications, including merging banking apps with multi-services, as an achievable goal for generating value. DX initiatives that integrate users, stores, and banks through value-added services and banking apps are key to benefiting the local community and advancing the bank's societal contributions. As witnessed in Okinawa, cashless payments boost convenience and contribute to environmental sustainability. We hope that ITFOR continues to promote the cashless economy, here and nationwide.

“DX initiatives that integrate users, stores, and banks through value-added services and banking apps are key to benefiting the local community and advancing the bank’s societal contributions.”

Financial data

FY 2022

Income statement (Millions of yen)

Net sales
18,322

Gross profit
6,734

Operating income
3,217

Ordinary income
3,278

Net income attributable
to owners of the parent
2,291



Balance sheet (Millions of yen)

Current assets
17,676

Fixed assets
3,990

Current liabilities
4,243

Fixed liabilities
256

Net assets
17,167

Total assets
21,667



Cash flow statement (Millions of yen)

Cash flows from
operating activities
1,714

Cash flows from
investing activities
-758

Cash flows from
financing activities
-744

Cash and cash
equivalents at year-end
10,796



Key indicators

ROA
15.7%

Equity to total
assets ratio
79.1%

ROE
14.0%

Net debt to
equity ratio
0.0%

ROIC
13.7%

Operating
profit margin
17.6%



Nonfinancial data

FY 2022

Average length of employment

11 years



Rate of male parental leave uptake

44 %



No. of employees

457 (nonconsolidated)



Rate of paid leave uptake

83 %



Return-to-work rate
(Of employees taking maternity/paternity leave)

100 %



Percentage of female hires
in FY 2022

26 %



*Includes new graduates and mid-career hires

Voluntary employee
turnover rate

6 %



Medical checkup
attendance rate

89 %





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.

"ITFOR's corporate philosophy centers on ensuring heartfelt experiences through empathy to bring smiles to people's faces."

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.)

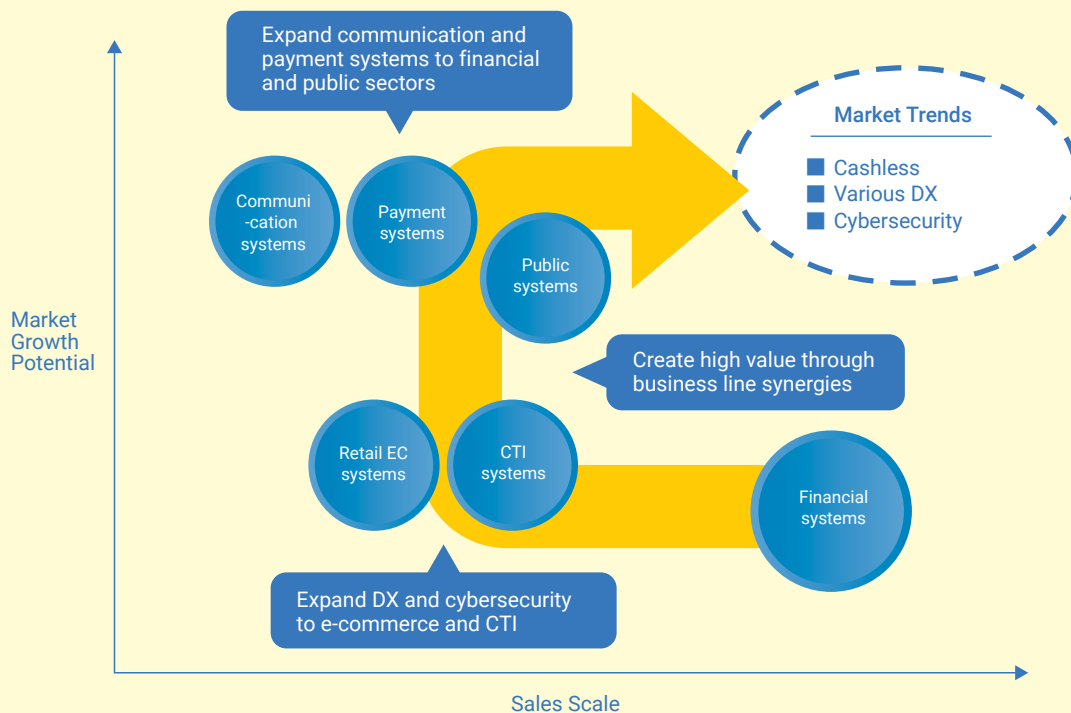
"ITFOR management is committed to integrating ESG into the company's business philosophy and strategy."

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

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



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.

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.

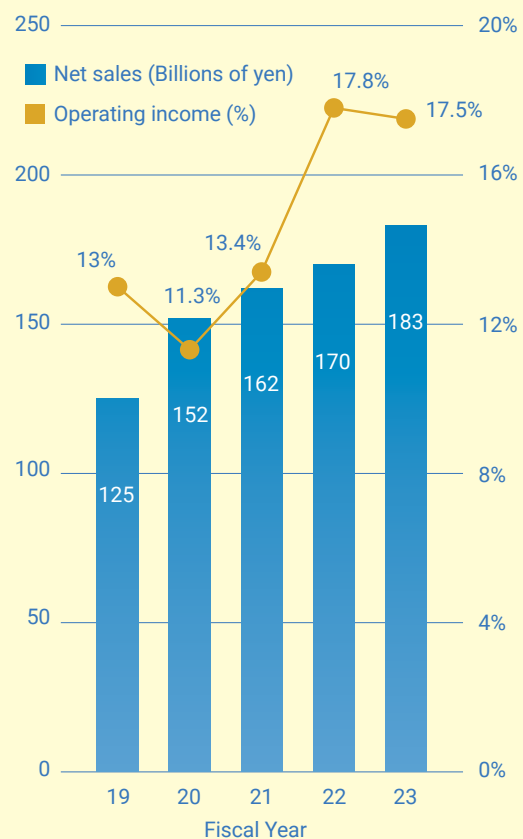
Our e-commerce distribution system and contact center system operations likewise are critical in society. They help us support our customers' digitalization, bolstering the stability of their businesses and fostering their sustainable growth and our own.

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.

Net Sales and Operating Income Margin



6. Message from the President

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.

“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...”

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.

“We are in addition formulating a plan focused on societal challenges that sees ITFOR become a comprehensive service company.”

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.

“Work together, support one another, and tackle challenges to foster the growth and robustness of our company.”

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

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



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

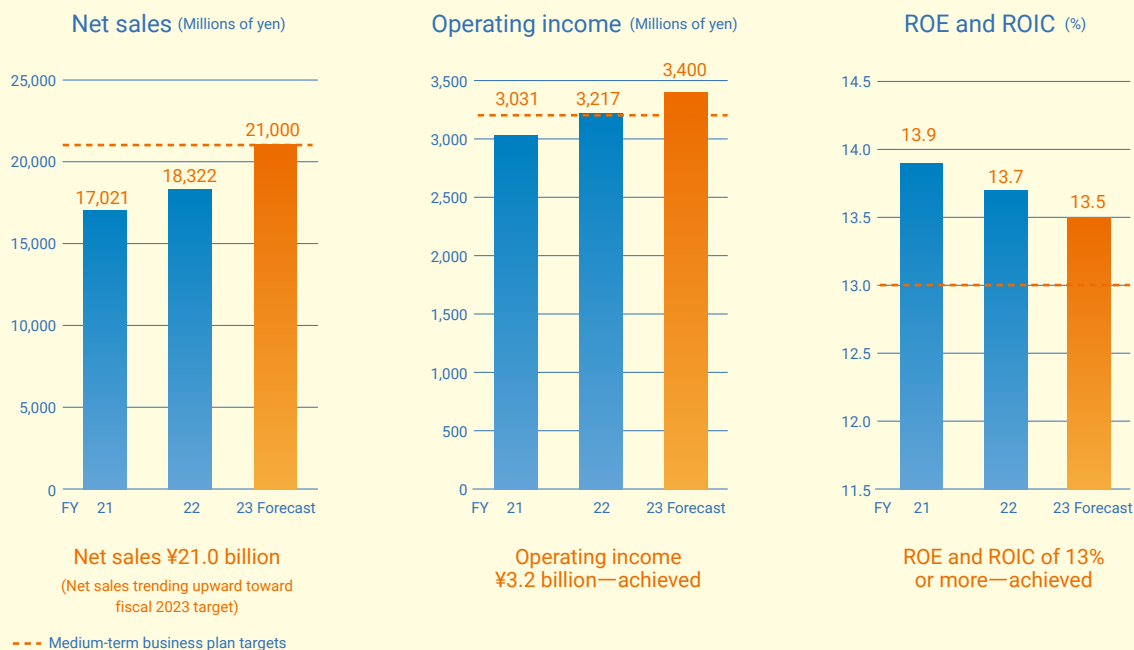
● Reinforce management base to ensure robust growth

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 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.

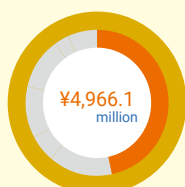
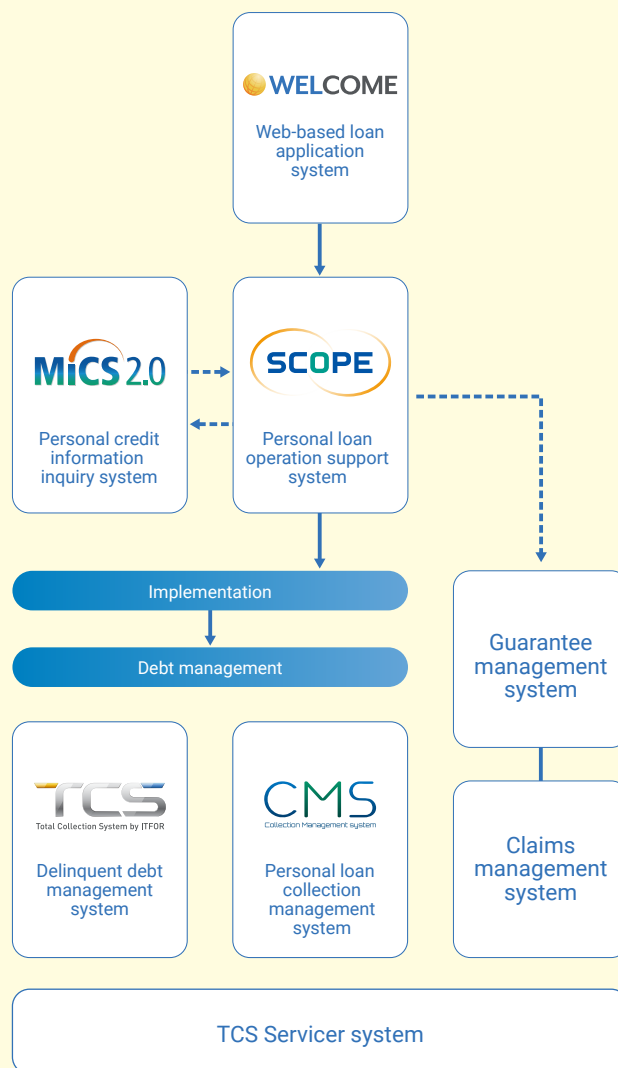
A hub for information and for generating business opportunities

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



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

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

Weaknesses

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

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



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.

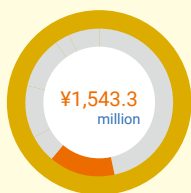
ITFOR, meanwhile, has developed its own payment terminal application and payment center. It gives us a significant advantage in flexibly accommodating new payment methods. Since its founding, ITFOR has built a track record of furnishing core systems to retailers. The company continues to tap the insights 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.



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

Opportunities

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

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

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



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

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.

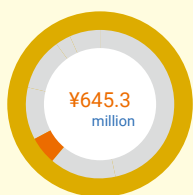
The Retail EC Systems Division has utilized the knowledge gained from the deployment of RITS in the retail sector to extend its offerings with ITFOReC, the e-commerce site construction package. ITFOReC’s development reflects an ITFOR strength in being able to collaborate with customers on strategy and 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.



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

Opportunities

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

Weaknesses

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

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.

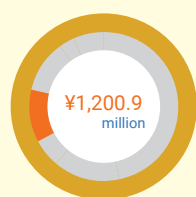
The automatic call reception system "Robotic Call," is a case in point. Robot Call is equipped with all of the necessary functions for collection efficiency. It analyzes call histories to reflect peak calling times in the call list, automatically responds to callback requests, and more.

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.



■ 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

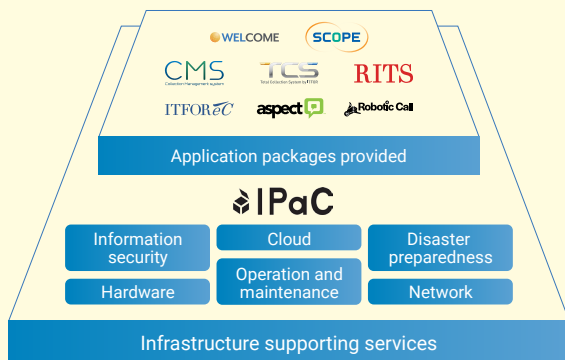
Director and Executive Officer,
General Manager of Communications Systems Division

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

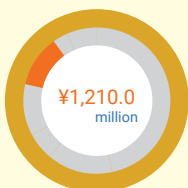


"IPaC." ITFOR IPaC implements everything from ITFOR's various packaged systems to network construction and operation. To meet the increasingly diverse needs of our customers, we provide them with multiple solutions and at reasonable prices. These include solutions for financial institutions, e-commerce 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.



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.

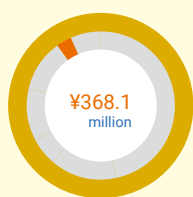
The division has also developed and implemented systems for numerous regional educational bodies. These systems cover student registry management, school attendance support, meal fee management, and more tasks. Student registry management and school attendance support are among the 17 standardized tasks 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.



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

Opportunities

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

Weaknesses

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

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.

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.

“Debt-free management is a cornerstone of ITFOR’s financial approach, as it allows us to innovate in system development without constraint.”

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.

"The shift to ROIC management, with its focus on operating profit, has improved ITFOR's profit management."

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.

"Throughout ITFOR's 50-year history, every successive management team has been entrusted... to maintain dignity in work and management."

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.

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.

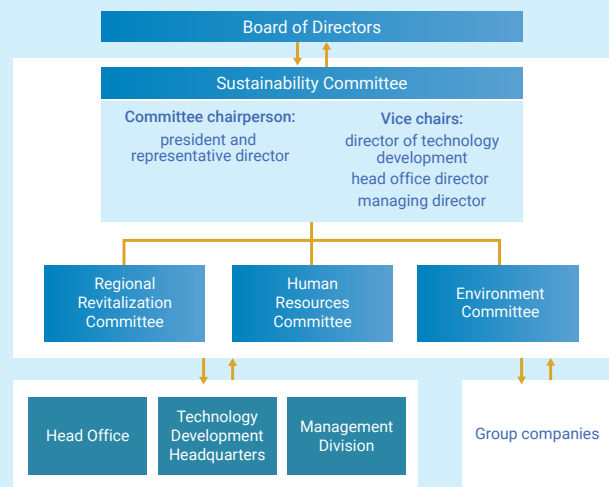
Promotion System

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.

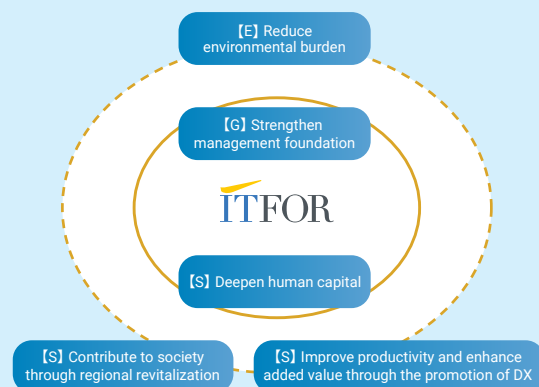
The members of the Sustainability Committee include employees from various ranks across our business divisions. Furthermore, female representation of approximately 30% demonstrates our commitment to gender diversity.



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.



<p>[E] Reduce environmental burden</p>	<p>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.</p>	
<p>[S] Contribute to society through regional revitalization</p>	<p>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.</p>	
<p>[S] Improve productivity and enhance added value through the promotion of DX</p>	<p>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.</p>	
<p>[S] Deepen human capital</p>	<p>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.</p>	
<p>[G] Strengthen management foundation</p>	<p>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.</p>	

Stakeholder Engagement

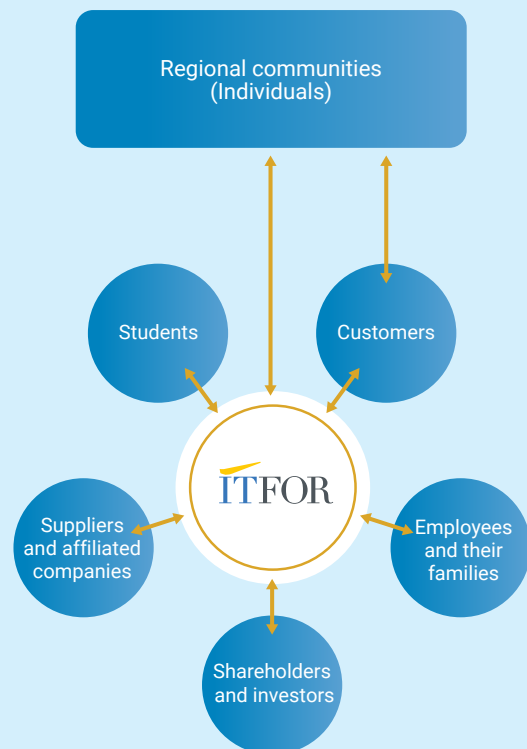
ITFOR prioritizes stakeholder engagement to promote a sustainable future. We incorporate stakeholder feedback in our corporate activities through transparent information disclosure to build trust and drive mutual development.

[For details of stakeholder engagement](#)

Initiatives Assessed Based on ESG Scores

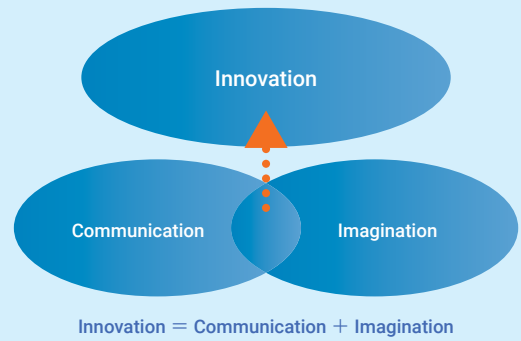
ESG initiatives are objectively scored by various evaluation organizations, each with a distinct perspective. The Nikkei ESG Management Forum established by Nikkei Inc., is Japan's lead ESG assessor. The forum provides comprehensive support for entities' ESG activities through three approaches: information 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 CO₂ 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.

4. Comfortable work environment [S]

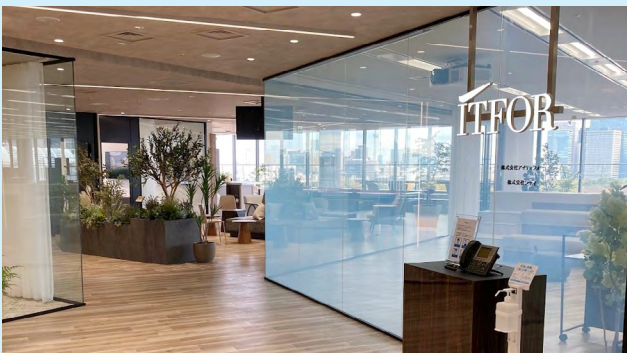
We feature a flexible work environment where employees can work freely anywhere through our introduction of a hot desk system and movable desks in open spaces. Team members can thus unleash their potential wherever and whenever in the office.

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.



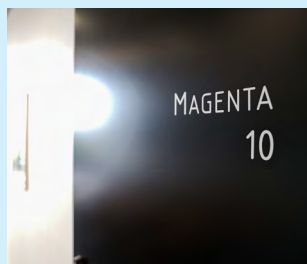
Environmentally friendly offices



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



Battery stations



Meeting rooms with SDG color names



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-CO₂. 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 four 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 CO₂ emissions.

- **Cashless Payments Lessen Environmental Burden**

Cashless transactions reduce CO₂ 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 CO₂ 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

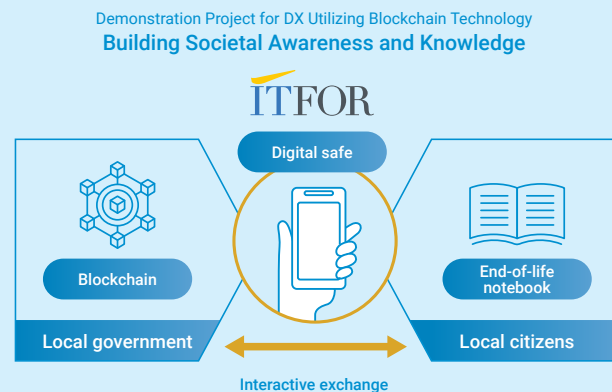
ITFOR collaborated with the Kyushu Institute of Technology and Chaintope Inc. in a verification experiment for the electronic issuance of university course completion certificates using blockchain technology. Having verified the technology, we plan now to establish partnerships with other private corporations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

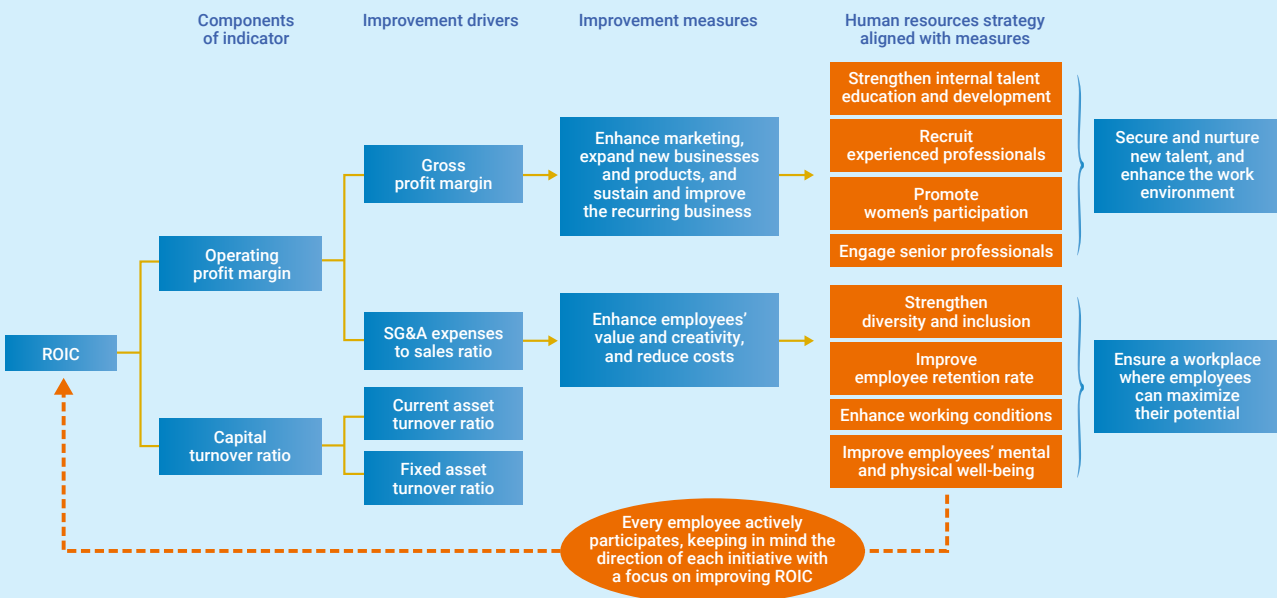
PMP certification holders: FY 2022: 17.3% (FY 2023 target: 20%)
 National exam pass rate for IT engineers: FY 2022: 75.3% (FY 2023 target: 80%)

● 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 Kenkoikei.

[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

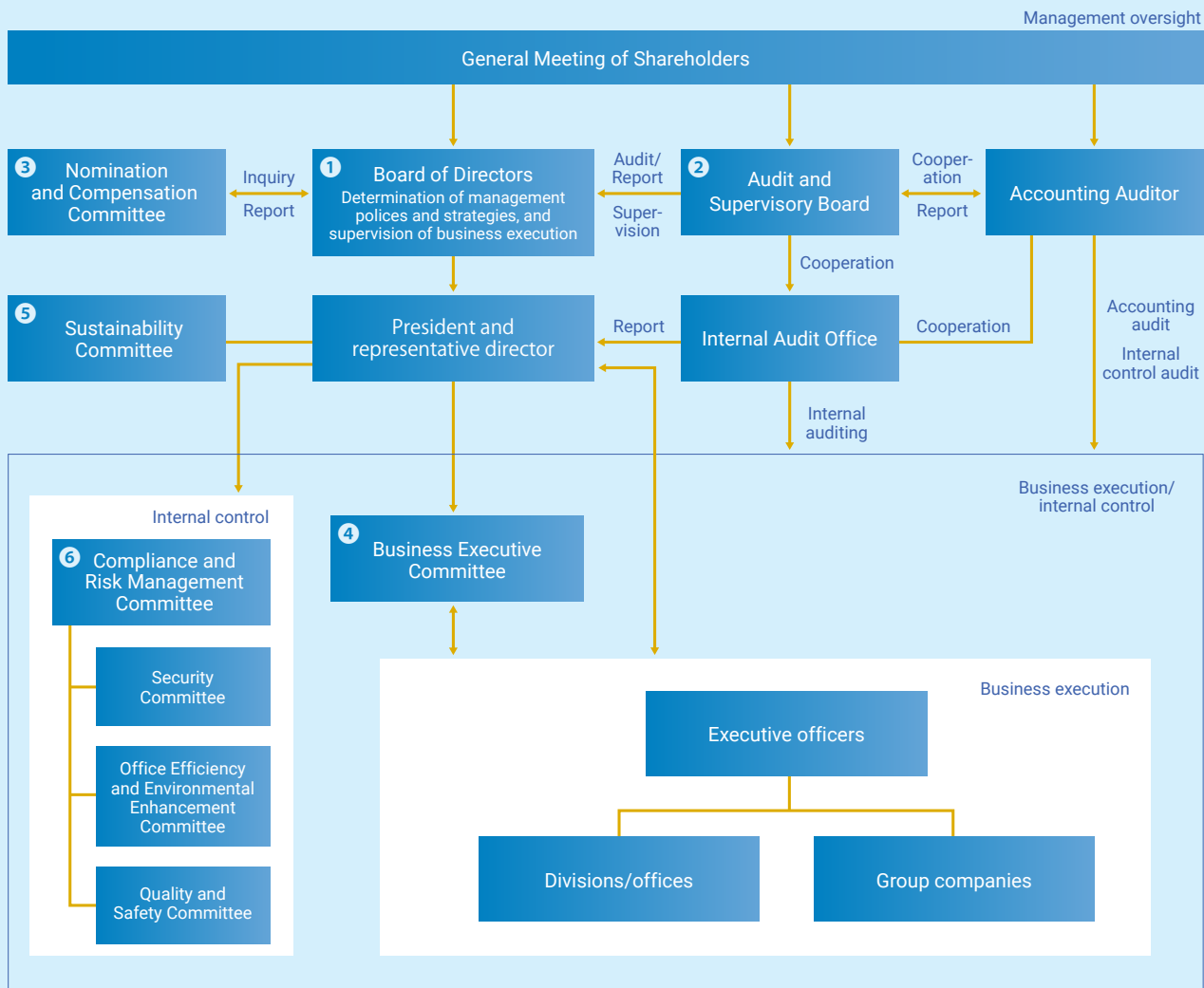
ITFOR's Compliance and Risk Management Committee reports directly to the Board of Directors and oversees the overall compliance and risk management of the ITFOR Group. The committee is chaired by ITFOR's president and representative director and includes in addition three ITFOR directors. It convenes 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.

ITFOR's Strengths Leveraged for Sustainable Growth



Recognition in Line with Social Contribution

I joined ITFOR as an outside director in 2021. Initially, I found myself overwhelmed, as I considered myself a novice in IT and system development. When, however, I learned that the management team already consisted of IT experts and was instead seeking an unbiased perspective from someone without a specialized IT or system development background, I relaxed and embraced the position.

My impression from early on is that ITFOR possesses high corporate value. It contributes to fostering a sustainable society through a number of business sectors and displays robust potential for financial growth. Nevertheless, its visibility is modest, and its standing in capital markets is not particularly favorable.

As the company's outside director, I highlight ITFOR's technological strengths and significance to society wherever I can leverage my expertise. I believe, meanwhile, that ITFOR should emphasize public relations.

Promotion of a Unique Form of Globalization

In my view, one of ITFOR's challenges is globalization. The company did originally import some

Waka Abe

Outside Director

Director of Business Development Office,
SK-Electronics Co., Ltd.

products, such as communication equipment and contact center systems, from companies in the United States, Israel, and Taiwan, reflecting a degree of global expansion in product offerings.

But I feel that ITFOR would benefit from a more distinctive approach to globalization. It should employ the expertise and the technology that it has developed in Japan to tap markets abroad. To that end, I intend to exploit the network that I've established in my role as a director overseeing new business ventures at SK-Electronics to facilitate ITFOR's globalization. It's my intention to introduce ITFOR to foreign companies with which it can generate synergies.

Cultivation, Development, and Retention of Diverse Human Resources

A full 30.3% of ITFOR's new hires are female, bolstering the company's already large pool of talented female employees. There is, however, room for growth, in ITFOR's development of its female workforce and in its cultivation of a more diverse workforce overall.

For the former, I suggest motivational initiatives based on career development models that offer women more opportunities to excel within the company. And for the latter, it is critical that ITFOR nurture a pool of talent whose diversity extends beyond mere gender.

ITFOR's involvement with ESG, meanwhile, should be less comprehensive than focused on the company's most vital constituents: its human resources. Because ITFOR has no production facilities, it has minimal direct impact on the environment. It should, therefore, prioritize the social and governance aspects of ESG and target those aspects at developing its current and at cultivating its future human resources. The company must invest capital intensively to ensure that it has in place, now and later, the kind of talented employees whose intellects and skills will raise the company's productivity and profitability.

Viable ideas in this regard include the following. ITFOR should consider recruiting engineers from overseas; establishing university courses and ties to universities, domestic and foreign; and implementing scholarship programs at academic institutions.

Ensuring a rich pool of human resources requires numerous steps. ITFOR, as an open and change-driven company, is eminently capable of developing and cultivating human resources that benefit ITFOR and that benefit from employment at ITFOR.

A decade of performance

The investment landscape in Japan over the past decade, from fiscal 2013 to 2022, has broadly followed the trajectory outlined below. In the aftermath of the supply chain disruptions triggered by the 2011 Great East Japan Earthquake, the government of the day, unable to devise effective measures, yielded to the Abe administration of the Liberal Democratic Party at the close of 2012. Abe was intent on avoiding deflation and introduced Abenomics, a growth strategy that combined financial easing, fiscal policy, and initiatives to stimulate private-sector investment—known as the “three arrows.” Helped by a weak yen and a decline in oil prices, Abenomics fostered a fledgling recovery in corporate earnings.

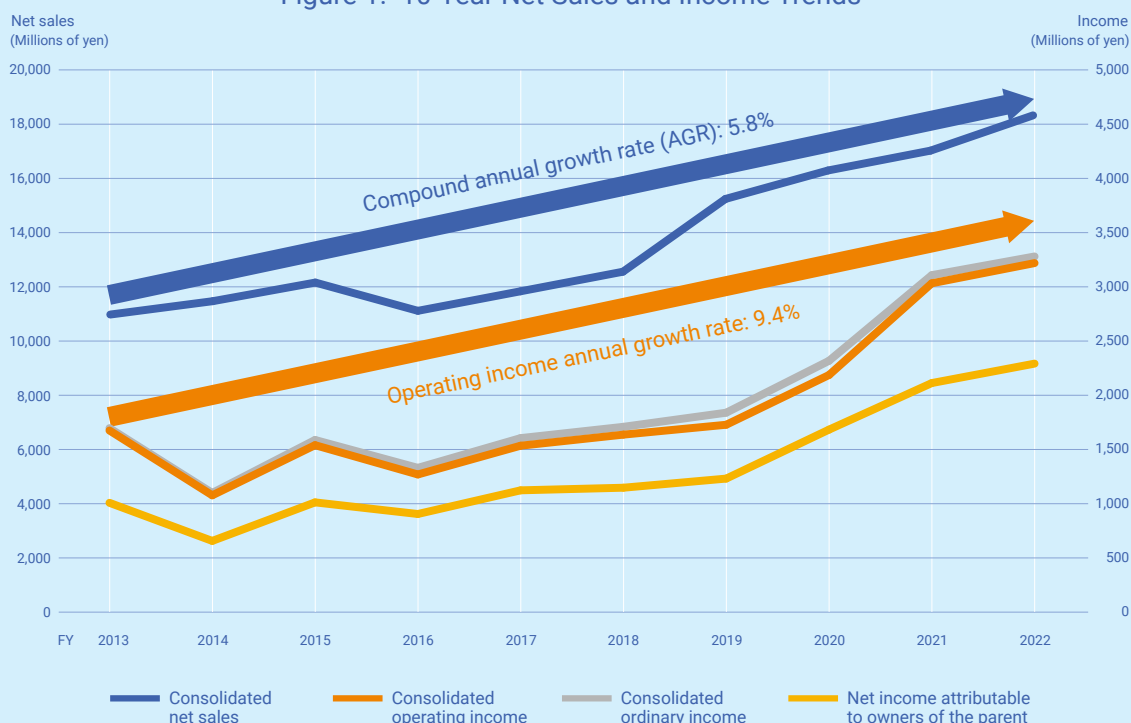
Corporations’ accumulated retained earnings, however, did not translate into investments for growth. In fact, two consecutive consumption tax hikes hindered Japan’s economic growth, resulting in two periods of negative growth. Since the early 2020s, the global economy has grappled with challenges, such as the COVID-19 pandemic, Russia’s invasion of Ukraine, inflation due to surging raw material prices, and worldwide interest rate hikes.

Only companies adaptable to the economy’s “new normal” could look beyond the challenges and see business opportunities.

Domestic IT services providers, including ITFOR, have experienced heightened demand for system updates to address regulatory compliance in sectors such as finance and distribution. There has also been a surge in demand among businesses for efficiency improvements that contribute to work-style reform. The COVID-19 pandemic has accelerated the transformation to digitization to achieve noncontact and remote interactions. And that digital transformation spans the whole of society and not just business enterprises.

A decade’s worth of changes have, for ITFOR, increased net sales from ¥10,429 million to ¥18,322 million over the 10-year period. This growth, of 75.7%, corresponds to an annual growth of 5.8%. The company’s operating income, meanwhile, has increased from ¥1,315 million to ¥3,217 million, a gain of 144.7% or, on an annual basis, of 9.4%, as shown in figure 1.

Figure 1. 10-Year Net Sales and Income Trends



In figure 2, we examine profitability trends that reveal that ITFOR’s return on assets (ROA) and return on equity (ROE) are consistently and significantly higher than the Tokyo Stock Exchange (TSE) average. ITFOR’s ROA in fiscal 2022, for example, is a notable 15.7%, whereas the TSE average lags at

4.2%. This showcases a substantial advantage for ITFOR over the market norm. Also in fiscal 2022, ITFOR’s ROE (including net income attributable to owners of the parent) is 14.0%, surpassing the TSE average of 9.1% and signifying superiority in this regard as well.

Figure 2. Capital Returns vs TSE Average*

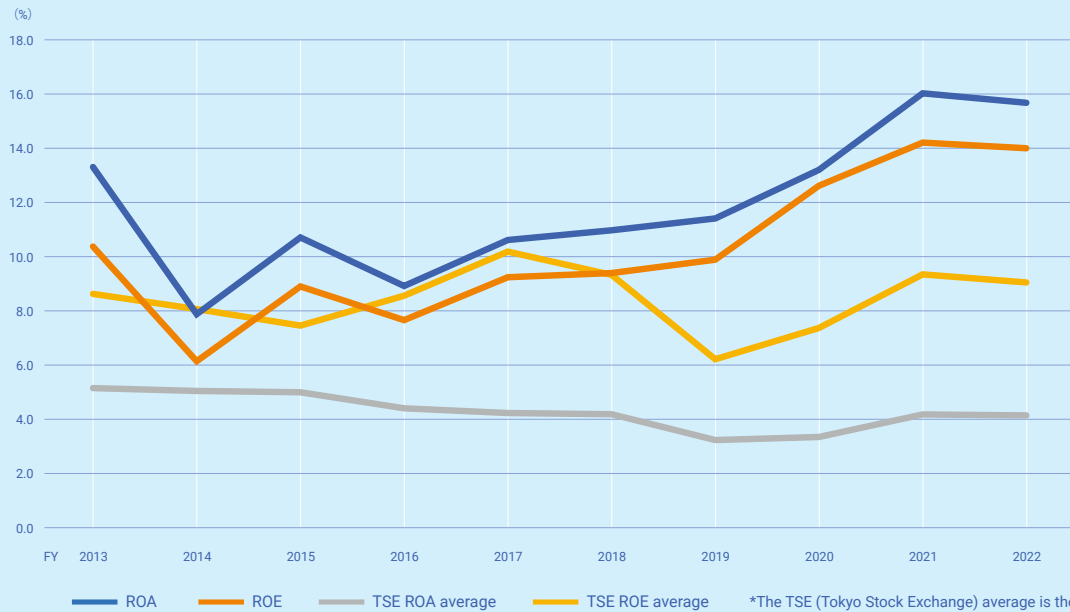


Table 1 breaks down ITFOR’s ROE, with a focus on fiscal 2022, into three components using DuPont analysis, which employs formulas to dissect the financial condition of a company into multiple elements and to detail the factors that influence ROE. ITFOR’s ROE is revealed to be challenged by the absence of external capital and by a high equity to total assets ratio. But analysis also shows the company’s ROE to be superior in profitability (net profit margin) and operational efficiency (asset turnover), offsetting the challenges. The latter contribute heavily to ITFOR’s elevated capital profitability.

ITFOR’s enhanced revenue growth and profit margin in recent years is attributable to the improved sophistication of the packaged systems that it has developed for financial institutions over its decades in business. Also contributing are the company’s improved customization capabilities, which have grown its customer base considerably.

Table 1. DuPont Analysis of ROE

ROE = Net income / Shareholders’ equity =

Profitability Operating efficiency Financial leverage
 Net profit margin (Net income / Sales) × Asset turnover (Sales / Total assets) × Leverage factor (Total assets / Shareholders’ equity)

	ROE	Net profit margin	Asset turnover	Leverage factor
ITFOR	14.0%	12.5	0.9	1.3
TSE average	9.1%	5.0	0.6	3.0

In this report’s section on our business divisions (pages 30–36), for example, we speak to how we leverage the expertise that we’ve gained in developing packaged systems for financial institutions to develop products and services for local governments. We also plan to employ our know-how in retail solutions to offer payment business solutions for financial institutions. We intend to maximize our resources to explore new customers and products.

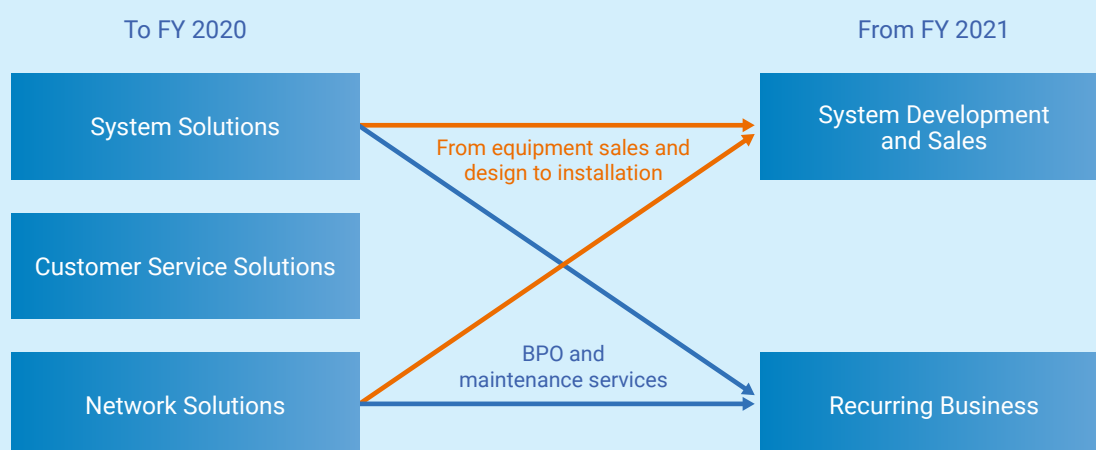
ITFOR remains debt free and has achieved steady growth by offering customers quality system products and services and by benefiting from the recommendations of satisfied customers to garner further business opportunities and customers. The rapidly changing social and business landscapes make it imperative for our growth that we extend ourselves beyond our usual activities to implement novel growth strategies. Absent initiatives and investments, our further enhancement of our corporate value may prove difficult. How best to sustain our growth is an ongoing issue for management.

Background to change in segment classification

ITFOR recently changed the segment classification outlined in its securities reports. Until fiscal 2020, it categorized segments by the form of the solutions provided: System Solutions, Service Solutions, and Network Solutions. Since fiscal 2021, it has streamlined its classification into two business segments: System Development and Sales and Recurring Business. ITFOR discloses its financial figures under this revised classification. System Development covers equipment sales, design, and installation until the service launch of contracted projects. Recurring Business encompasses BPO and maintenance, activities of stable revenue.

The company's reason for this change in segment classification was its expanding customer base. We believe that classifying our operations by System Development and Sales and by Recurring Business elucidates our performance better than a classification based on solutions. To complement that explanation of our performance for investors, we also disclose the net sales of our six business divisions as categorized by customer industry: the Financial Systems Division, Public Systems Division, Retail EC Systems Division, CTI Systems Division, Communications Systems Division, and Payment Systems Division.

Changes in Segment Classification



Analysis of fiscal 2022 performance

During ITFOR's fiscal year 2022, ended March 31, 2023, the Japanese economy showed signs of gradual normalization as COVID-19 movement restrictions were eased. Global uncertainties persisted, however, because of soaring resource and commodity prices, inflation, and interest rates in the United States and elsewhere.

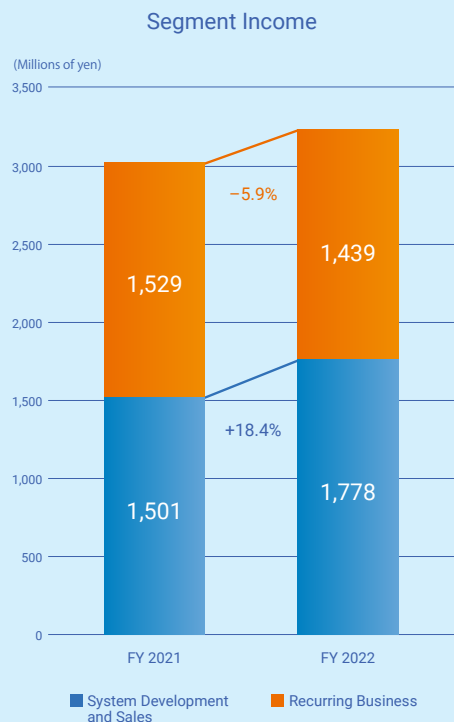
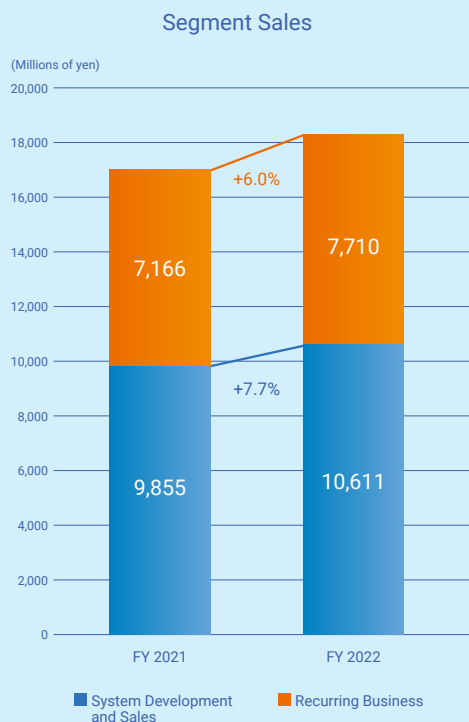
The Japanese IT service industry of which ITFOR is a part witnessed rising attention from consumers in digital technologies that help to avoid contact and face-to-face interactions and that promote artificial intelligence (AI) and blockchain. Some companies nevertheless limited or delayed investments in IT. Consequently, robust economic recovery for our industry remained elusive.

ITFOR, meanwhile, continues to update its flagship delinquent loan management system targeted primarily at financial institutions. The company is seeing steady sales of that system's latest iteration, which combines a personal loan operation support system SCOPE and the web-based loan application

system, WELCOME. This innovative solution facilitates interactions that are not face to face, and we are constantly adding features to enhance its functionality.

To address concerns about labor shortages, we offer Robotic Call, an efficient call center solution that has gained widespread adoption by major financial institutions. ITFOR is also responding to heightened demand for the replacement of legacy network equipment.

Consequently, we achieved record highs in new orders for our various solutions, which rose to ¥18,567 million in fiscal 2022, a 5.8% year-on-year increase, and in order backlogs, which reached ¥15,300 million, a 1.6% increase. As a result, our fiscal 2022 net sales were ¥18,322 million, up 7.6% over the previous fiscal year; operating income was ¥3,217 million, up 6.1%; ordinary income was ¥3,278 million, up 5.5%; and net income attributable to owners of the parent was ¥2,291 million, up 8.5%.



Sales and profits for the year under review represent record highs. In addition, we surpassed the operating income target of our medium-term management plan a year ahead of schedule and enhanced our operating profit margin. We credit improvements in our financial performance to our reinforced in-house development, which has led to cost reductions, and to our improvements to ensure system stability, which contributed to increased profits. Our emphasis on system sales, moreover, and particularly on packaged systems, has enabled us to establish a robust and profitable foundation.

By business segment, System Development and Sales achieved net sales growth of 7.7% year on year and an 18.4% increase in operating income. Recurring Business saw net sales rise 7.6%, but the segment's operating income decreased 5.9%. Whereas System Development and Sales gained strongly in sales and profit, Recurring Business saw its profit decline because of an increase in orders for BPO services. ITFOR's emphasis on human resources education and training as a differentiator in its BPO services resulted in an initial increase in costs during the first year of contract acquisition. When contracts continue over the long term, however, costs tend to decrease in subsequent fiscal years.

As of March 31, 2023, ITFOR's total assets were ¥21,667 million, an increase of ¥1,656 million compared with the end of fiscal 2022. This is mainly attributed to an increase of ¥1,470 million in notes and accounts receivable—trade, in contract assets, and in securities. Total liabilities increased ¥96 million year on year, to ¥4,499 million.

Net assets at fiscal year-end 2023 were ¥17,167 million, up ¥1,560 million over the previous fiscal

year-end. This growth was predominantly driven by an increase of ¥2,291 million in net income attributable to owners of the parent but was partially offset by a decrease of ¥831 million in dividend payments from retained earnings. As a result, our equity to total assets ratio rose to 79.1%, up from 77.9% at the previous fiscal year-end.

As of March 31, 2023, we had cash and cash equivalents of ¥10,796 million, a ¥211 million increase since the previous fiscal year-end. This uptick is attributed to funds generated by operating activities of ¥1,714 million as driven by an increase in net income before taxes. We also allocated ¥758 million to investing activities, mainly in tangible fixed assets. In addition, we used ¥744 million for financing activities, including dividend payments.

11-year financial summary

Balance sheet (As of March 31)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Current assets	8,692	10,225	9,886	10,796	10,507
Fixed assets	3,384	3,213	4,770	4,166	4,411
Current liabilities	2,362	2,830	2,986	2,954	2,445
Fixed liabilities	258	246	351	257	386
Net assets	9,456	10,361	11,318	11,750	12,088
Total assets	12,076	13,438	14,656	14,962	14,919

Income statement (As of the years ended March 31)

Net sales	10,429	10,974	11,467	12,154	11,111
Gross profit	3,931	4,248	3,989	4,410	4,079
Operating income	1,315	1,675	1,078	1,540	1,270
Ordinary income	1,344	1,697	1,100	1,588	1,331
Net income attributable to owners of parent	823	1,009	658	1,013	906

Cash flow statement (As of the years ended March 31)

Cash flows from operating activities	2,396	1,118	1,215	1,464	1,531
Cash flows from investing activities	-223	-1,534	-1,239	-186	-155
Cash flows from financing activities	-360	-225	-562	-255	-825
Cash and cash equivalents at year-end	5,687	5,045	4,458	5,480	6,031

Key indicators

ROA (%)	11.4	13.3	7.8	10.7	8.9
ROE (%)	9.1	10.3	6.2	8.9	7.7
ROIC (%)	8.8	10.1	5.8	8.6	7.3
Equity to total assets ratio (%)	77.1	76.0	75.9	77.5	80.9
Net debt to equity ratio (times)	0.0	0.0	0.0	0.0	0.0
Operating profit margin (%)	12.6	15.3	9.4	12.7	11.4

ROA (return on assets) = (Current ordinary income / Average total assets of the current and previous period) × 100

ROE (return on equity) = (Net income attributable to owners of parent for the current period / Average equity of the current and previous period) × 100

ROIC (return on invested capital) = (Net income attributable to owners of parent for the current period / Average of (Equity - New stock subscription rights) of the current and previous period) × 100

(Millions of yen)

FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
11,322	12,299	12,849	14,694	16,264	17,676
4,095	3,578	3,445	3,996	3,746	3,990
2,777	3,244	3,459	4,341	4,174	4,243
427	266	271	248	229	256
12,213	12,367	12,564	14,101	15,606	17,167
15,259	15,878	16,294	18,690	20,010	21,667

11,831	12,554	15,239	16,289	17,021	18,322
4,528	4,652	4,840	5,386	6,156	6,734
1,535	1,637	1,728	2,186	3,031	3,217
1,605	1,709	1,839	2,317	3,106	3,278
1,124	1,148	1,232	1,683	2,112	2,291

1,830	899	1,879	2,728	2,811	1,714
-203	-306	-714	-429	-353	-758
-1,129	-693	-694	-526	-544	-744
6,528	6,428	6,899	8,672	10,585	10,796

10.6	11.0	11.4	13.2	16.1	15.7
9.3	9.4	9.9	12.7	14.3	14.0
8.4	9.0	9.3	11.8	13.9	13.7
79.9	77.7	76.8	75.2	77.9	79.1
0.0	0.0	0.0	0.0	0.0	0.0
13.0	13.0	11.3	13.4	17.8	17.6

Executive officers

(As of March 31, 2023)



Back row to front row, left to right: Makoto Sato, Katsuo Nakayama, Hiroataka Oeda, Masahito Motoyama, Daisuke Koizumi, Waka Abe, Tsunenori Sato, and Koji Sakata

Directors and Audit and Supervisory Committee Members

Tsunenori Sato

President and Representative Director

March 1998: Joined the Company

October 2009: Executive Officer, General Manager of Solution Systems Division

June 2011: Director and Executive Officer, General Manager of Solution Systems Division

June 2017: Representative Managing Director and Executive Officer, General Manager of Financial Systems Division

June 2018: Representative Senior Managing Director and Executive Officer, General Manager of Corporate Strategy Department and Financial Systems Division

April 2019: President and Representative Director, General Manager of Corporate Strategy Department

April 2021 to present: President and Representative Director

Koji Sakata

Representative Senior Managing Director and Executive Officer

April 1987: Joined the Company

October 2008: Executive Officer, General Manager of Software Development Department

June 2013: Director and Executive Officer, General Manager of Technical Support Division

June 2014: Director and Managing Executive Officer, General Manager of Technology Development Headquarters

June 2019: Director and Representative Senior Managing Director, General Manager of Public Systems Division

October 2020 to present: Representative Senior Managing Director and Executive Officer, General Manager of Technology Development Department

Hiroataka Oeda

Director and Executive Officer

April 1981: Joined the Company

June 2004: Executive Officer, General Manager of Osaka Office

June 2006: Director and Executive Officer, General Manager of Solution Systems Division

October 2009: Director and Managing Executive Officer, General Manager of Corporate Strategy Department December

2018: Director and Executive Officer, General Manager of CTI Systems Division and Communications Systems Division

April 2021: to present: Director and Executive Officer, General Manager of Corporate Strategy Department and Retail EC Systems Division

Katsuo Nakayama

Director and Executive Officer

October 1991: Joined Showa Ota & Co. (now Ernst & Young ShinNihon LLC)

June 2003: ITFOR Outside Corporate Auditor

June 2010 to present: Director and Executive Officer, General Manager of Administration Department

Waka Abe

Outside Director

March 2004: Joined SK-Electronics Co., Ltd.

April 2014: Joined Shashin Kagaku Co., Ltd.

December 2019: to present SK-Electronics Director, head of Business Development Office and Solutions Division

June 2021 to present: ITFOR Outside Director

Masahito Motoyama

Director (Audit and Supervisory Board Member)

April 1981: Joined the Company

June 2008: Executive Officer, Deputy General Manager of Corporate Strategy Department

June 2011: Director and Executive Officer, Deputy General Manager of Corporate Strategy Department

June 2021 to present: Director and Audit and Supervisory Board Member

Makoto Sato

Outside Director (Audit and Supervisory Board Member)

April 2005 to present: Registered as certified public accountant and established M. Sato CPA Office

February 2006 to present: Registered as certified public tax accountant and established M. Sato CPTA Office

August 2007 to present: Representative Partner, Asunaro Audit Corporation

June 2015 to present: ITFOR Outside Director and Audit and Supervisory Board Member

Daisuke Koizumi

Outside Director (Audit and Supervisory Board Member)

April 1999: Registered as certified public accountant

July 2003 to present: Representative Director, KIA Professional Co., Ltd. (now Owner's Brain Co., Ltd.)

September 2004: Registered as certified public tax accountant

June 2015 to present: ITFOR Outside Director and Audit and Supervisory Board Member

Corporate details

(As of March 31, 2023)

Corporate name:	ITFOR Inc.
Established:	December 2, 1972
Capital:	¥1,124 million
Number of employees:	457

Locations

Head Office:	12F Ichibancho Tokyu Bldg., 21 Ichibancho, Chiyoda-ku, Tokyo 102-0082
West Japan Office:	14F Mainichi Intecio, 3-4-5, Umeda, Kita-ku, Osaka 530-0001
Chubu Office:	6F Meieki Imai IMAI Bldg., 4-10-25, Meieki, Nakamura-ku, Nagoya, Aichi 450-0002
Fukuoka Sales Office (now Kyushu Office):	6F Kyukan Hakata Bldg., 3-26-29, Hakata Ekimae, Hakata-ku, Fukuoka 812-0011
Okinawa Sales Office:	4F Shintoshin DL Bldg., 4-19-30, Omoromachi, Naha, Okinawa 900-0006
Tokorozawa Building:	ITFOR Tokorozawa Bldg., 2-5-7, Higashi Tokorozawa Wada, Tokorozawa, Saitama 359-0023

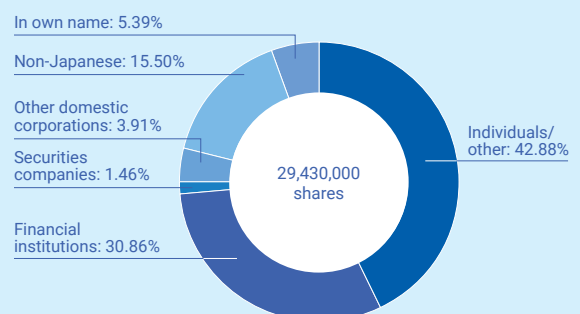
Group Companies

ICR Co., Ltd.	2F Yahagi Higashisakura Bldg., 2-10-1, Higashisakura, Higashi-ku, Nagoya 461-0005 (Commissioned to assist in the collection of insurance fees for the National Health Insurance System, etc.)
Aisel Co., Ltd.	12F Ueno Frontier Tower, 3-24-6, Ueno, Taito-ku, Tokyo 110-0005 (Development of computer software)
EeB Corporation	Ishikawa Frontier Lab, 2-5-1, Asahidai, Nomi, Ishikawa (Development of computer software)
CVC Co., Ltd.	2F Hakata Ekimae City Bldg., 1-9-3, Hakata Ekimae, Hakata-ku, Fukuoka 812-0011 (Corporate surveys and work involved in corporate surveys related to accounts receivable business processes)
Syddy Inc.	12F Ichibancho Tokyu Bldg., 21, Ichibancho, Chiyoda-ku, Tokyo 102-0082 (Digital services and payment agency services)

Stock Information

Listing:	Tokyo Stock Exchange, Prime
Securities code:	4743
Number of authorized shares:	110,000,000
Number of shares issued:	29,430,000 (Including 1,586,213 treasury shares)
Stock trading unit:	100
Number of shareholders:	10,000

Shareholder Distribution by Ownership



itfor.co.jp/en/



ir.itfor.co.jp/english/