

## Message from the President



### Tsunenori Sato

President and Representative Director

Creating quality time for everyone with projects supporting the community, in line with our long-term vision “HIGH FIVE 2033”

#### ITFOR's meaning of existence

**A service company contributing to revitalizing society in all 47 prefectures of Japan, resolving various social issues with the “spirit to be close to people”**

Since its founding in 1972, ITFOR started out procuring and selling information and communication equipment from overseas, and developed Japan's first online POS system in 1975. Leveraging our proprietary system development prowess, we then started selling system packages, including credit management systems customized for regional banks and nonbank entities, and built up a customer base centered

on regional areas and developed the capabilities for resolving customer issues by providing services that meet customer needs.

More than half a century on after our founding, a closer look at the business environment we are immersed in today reveals signs of a drop in consumer spending power due to the declining birthrate and aging population, combined with a labor shortage in all industries due to the shrinking workforce. Yet Japan's society is lagging behind the world in its efforts toward DX, cashless operations and other aspects—the lack of stores and other facilities with unmanned operations is giving rise to situations in which it has become the norm where workers are unable to take time off and lack any time of their own. At ITFOR, we need to focus on resolving such social issues by harnessing our technology and experience.

While we were running our training for new employees this year, one

of the new employees posed the question: “What is the reason you work for?” Everyday, I arrive at work before any other employees, and this led to the new employees asking me so many more questions, starting with “Why do you come to work so early?” The answer I had for them was that I stand before my customers. Customers are unlikely to be truly satisfied if we only do what they tell us to do, but because we approach things from their perspective and work closely with them to respond earnestly to each and every request they have.

One example that highlights this is a moment that arose during the development stage of our non-face-to-face web-based loan application system “WELCOME” that we released in 2020. When I tried out the loan application process of an online bank, I completed entering the required details on the first page and was greeted with the message “17 pages to go,” and this made me give up right there and then. Naturally,

the development team included messages like “17 pages to go” out of consideration for users, but this actually ended up causing users to leave the site. I also recall reading a news article covering the release of POS system for electronic receipts—with the growing number of people who have no need for paper receipts these days, we thought it would be a good idea to have a system where customers could choose if they needed a receipt depending on their own circumstances. Systems that are sure to provide satisfaction to users, the C in BtoBtoC, and the employees operating those systems can only be devised by holding discussions as closely as possible with those users and employees. Our work is always catering to corporate customers (to B), as well as members of society (to C) beyond them. I think I am personally working to maintain a position close to our customers. From this position, I hope to turn my efforts into resolving specific social issues.

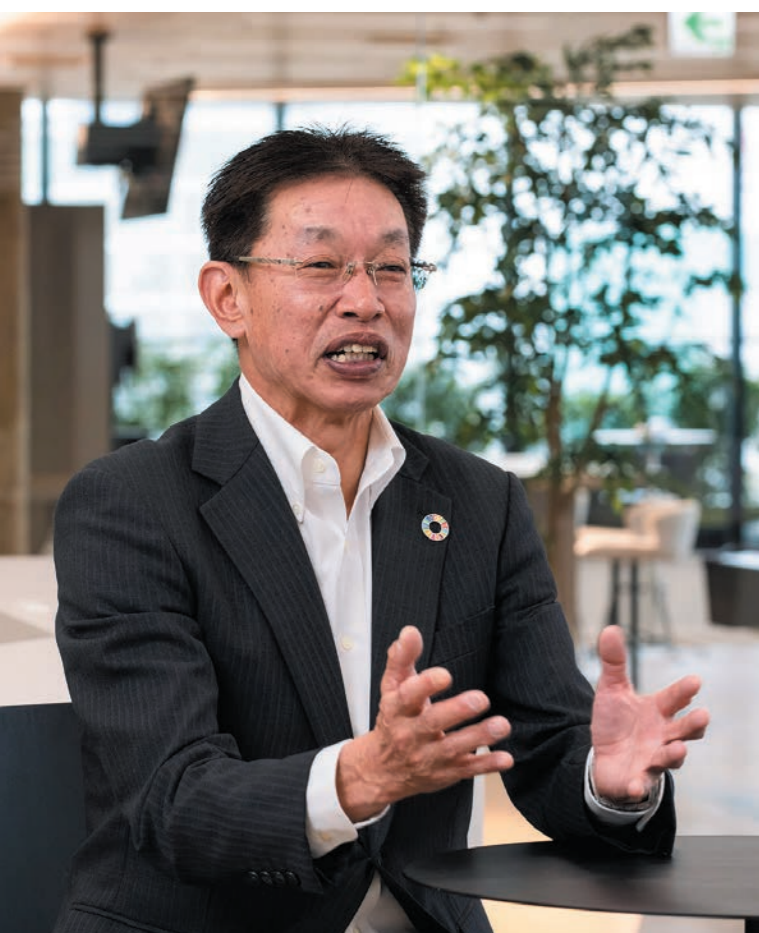


### Review of the FY2024 third medium-term management plan

**While medium-term management plan targets were generally achieved, sales, cross-selling and other challenges still need to be addressed, and will be enhanced rigorously**

Demand remained strong throughout FY2024, with projects related to streamlining business operations, developing non-face-to-face applications and cashless payment systems, and replacing legacy infrastructure performing well. Regarding business performance, we achieved our targets like operating income, net income and ROE, which were all at a high level. While we achieved a record high with net sales for the sixth consecutive year, it was only 98.3% of the planned figure, and thus fell short. This was because a major project was pushed back to the following fiscal year, but there were steps we could have taken when we first found out that the project was to be postponed—this is an area we can improve upon. Ensuring that a stringent approach is taken throughout the company to achieve the goals we set ourselves will be a challenge that we need to address going forward.

FY2024 was also the final year of the third medium-term management plan that we embarked on from FY2022. Despite the COVID-19 Pandemic affecting the first and second years of the plan, I am positive



that I can commend the fact that we were able to bring about changes to our business operations and internal procedures, as well as quickly adopting new ideas and methods of communication with our customers. We also achieved most of what we had planned with regards to our organizational restructuring and personnel system reforms. In contrast, while improving the cross-selling rate was a key goal of the sales department, the results we achieved were lacking despite promoting efforts through the three-year period. I think the main reason for this was that each division was so focused on their own area of operations that they lacked the capacity to look outward. As an extreme example, picture a total of six members from each division visiting a single customer company located far away in Hokkaido, without sharing any information on that customer—the customer would find the process extremely inefficient, and it would also result in a significant waste for our company. What we needed was a major overhaul in the mindset of all our business units, so this fiscal year we requested the managers of all business units to attend the General Meeting of Shareholders so as to gain a broader insight into our customers and businesses. We will continue focusing on improving the cross-selling ratio as a recurring issue throughout the new medium-term management plan that we will be embarking on from FY2025.

### Background and aims for developing the FY2033 Concept “HIGH FIVE 2033”

**Focusing on the biggest challenge of regional funds flowing to major centers of the country, to inject energize into regional areas with regional economic circulation businesses**

In “HIGH FIVE 2033,” we have set out sights on “becoming a company that creates businesses which generate regional economic circulation,” and ITFOR employees and I will be meeting customers directly by visiting regional financial institutions, local governments and regional department stores, to witness firsthand the issues each of these regions are facing. The most significant challenge that is becoming evident is that national brands based in Tokyo and Osaka are ramping up efforts to expand into these areas, and local funds end up flowing back to major centers.

One example of this is the cashless payment services provided by many companies—such services charge a transaction fee for each payment, but ITFOR offers a different business model with services available for a monthly fee. This model ensures that all fees that would have been incurred above this fixed fee are retained by regional financial institutions and retail-related companies. We would no doubt be able to boost our earnings if we operated the same way as other companies, but we believe that charging fees from the community goes against our goal of expanding business that generates regional economic circulation. We also provide BPO services associated with temporary staffing, and generally operate on the principle of hiring local staff and focusing on a system that generates income and tax revenues for the region. We

have been operating our business like this in a community-oriented and community-driven manner, and are very keen on expanding operations more broadly and in greater depth into the future.

To achieve regional economic circulation, building social infrastructure with no regional differences will be essential. There has been a considerable effort made showcasing how easily resident cards can be acquired at convenience stores using My Number cards, for instance, but the areas where this service can be considered convenient is primarily in urban areas. Those who live in rural areas and usually drive to both government offices and convenience stores may not appreciate the convenience that the service offers. At first glance, this may appear to be a convenient service that is available throughout the entire country, but it certainly does not narrow the gap in any regional differences that may be present.

Furthermore, workplace environments are another area of social infrastructure that are affected by regional differences. There are around 500 employees working at ITFOR, hailing from all 47 prefectures. Yet at the moment, most employees work in areas like Tokyo, Aichi, Osaka, Fukuoka, and Okinawa where our main offices are located, and as such are unable to work in regions they call home. Ideally, I would like to have employees stationed in each of the 47 prefectures, so I want to focus on creating a workplace environment allowing them to work from various locations.

Regional banks first adopt ITFOR’s auto-call system in 1983, and we have grown as a company through the support of the local community. The thing I sense the most when I travel to regional areas is a feeling of “what a waste of time this is...” We all hear reports highlighting issues related to the sluggish local economy, declining population and vacant houses, but I am of the view that populations continuing to congregate in Tokyo without making the most of regional areas will be a considerable loss. Surely Japan as a whole will end up becoming more prosperous if we are able to utilize the various assets available in regional areas in an effective manner. I recently had the opportunity to have a chat with a student from Gunma Prefecture studying at a university in Tokyo. His family home runs a farm and he actually wants to return home to take over managing the farm, but his parents opposed the idea and told him not to come back due to the lack of money in working on farms. I think it is such a waste that there are discrepancies like this.

### Business strategy of the fourth medium-term management plan “FLY ON 2026”

**Setting our sights on high goals with aggressive business strategies, when we need to accelerate business toward achieving our target vision**

We embarked on our fourth medium-term management plan “FLY ON 2026” from the fiscal year ending in March 31, 2025, on our way toward accomplishing the FY2033 Concept. The notion of “We need to take the air now to reach our big goal” is an idea underpinning the medium-term management plan. A look at our group’s growth over the past decade

reveals that the growth rate was flat or increased slightly from 10.9 billion yen to 12.5 billion yen over the five years from FY2014, but in the five years since FY2019, we were able to expand our businesses from 12.5 billion yen to 20.6 billion yen. With the rapid growth we recorded over the past five years, we determined that we had built up sufficient growth potential and thus decided that it was the time to take a major leap forward. We then set ourselves some aggressive goals from which we will boost our businesses toward achieving our vision.

The keywords “Aim to expand existing solutions into new areas, roll out new solutions to existing areas” make up the core of our business strategy. First off, we believe that we are still able to offer new ideas to ITFOR’s existing clients, who are located all across Japan. Some examples of this include providing customers in different areas than before with automation systems for resolving issues related to labor shortages, contact center services, or BPO services. We are also providing existing customers with new services we have developed, such as “Showcase” unattended vending machines cashless payments and “Digital Safe” community-based digital end-of-life services. By providing these products and services, we are seeking to create quality time for people in society. We are of the belief that by harnessing the quality time created, people will be able to find new value. I recently heard about a farmer in Kanagawa Prefecture who uses a flea market app to sell vegetables he picked in the morning but that cannot be shipped as normal due to damage or irregular shapes. I want to take a proactive approach to implementing ideas like this, which allow items to be delivered quickly to the people who are seeking them.

### Human resources strategy

**Maximizing human capital through activities that enhance human capital flexibility and broaden each employees horizons**

ITFOR has set itself the goal of growing the size of its sales and earnings by around 3.4-fold over the next decade, and as such we are planning to more than triple our workforce. Along with recruiting more new graduates and mid-career hires, we also need to boost the efficiency of our human resource development. The Human Resources Department is working on educational programs so employees can acquire a high level of expertise, and expanding on ways for employees to improve their own skills, and in addition to these initiatives, we believe it will also be important to enhance the flexibility of human resources and broaden the perspectives of each individual employee.

We are facing significant challenges while we are implementing our human resources strategy. Opportunities for rotating employees between departments were very limited until now, so we had to rely on recruiting workers with experience, and it was difficult to provide other options for remaining with the company for those who were seeking retirement. The system of free agents in Major League Baseball is similar to what I am envisioning. In Major League Baseball, players are traded even in the middle of the season, and it is common for players who were teammates yesterday to become opponents today. Yet at our company,



transfers of employees was difficult because of the reluctance of each division to let go of their best staff. This means we are failing to harness the full capabilities of our human resources. Rephrasing this to avoid any misunderstanding—even if an employee is deemed as lacking in capabilities in one division, there is definitely another division that better suits their particular capabilities. Going forward, I think we need a system that enables employees to transfer to positions they really want to be involved in, but designing such a system takes time—as a preliminary initiative, two employees transferred from sales positions to the Administration Department last year and this year. One of them had been engaged in sales activities ever since joining our company, but wanted to pursue a different career path, so he learned a range of skills by himself and is now putting them to use by moving to the Public Relations Department. As another initiative, we sought to boost the capabilities of our Administrative Department, so we began adopting an internal recruitment process available for all employees, including those who have experience at work sites. The first of group of employees have now transferred to the Human Resources Department. One thing that these two employees have in common is that they are now playing an even greater role in their current departments than they did at the previous department they worked at, and this means that the transfer has resulted in advantages for both the company and the actual employees.

We will also be introducing a system that allows employees to take side jobs, as this will play a role in broadening their horizons. More specifically, employees will be able to take one more day off in addition to weekends, so that they are able to work one day a week elsewhere. Employees who like playing golf might want to work part-time as a golf caddy. Being in a place you love can serve as a source of motivation, and working as a golf caddy can help enhance conversational and social skills. Another one of our employees also volunteers as a teacher at an IT school for elementary school children—I want all our employees to gain experience like this, where they are able to make the most of their personality and skills for something they love doing, thereby benefiting the world.

There is actually somewhere I myself would like to go as a side job. In

Wakayama Prefecture, there is a company that grows moth orchids—potted orchids that are often used for gifts are made from materials that can be easily be recycled to their natural form to prevent them from becoming waste later. I would love to have the opportunity to spend some time there to see if there is anything I can do for farmers and producers.

**Corporate value improvement strategy**

**Aiming to improve corporate value by expanding opportunities for engaging in dialogue with shareholders and investors, and raising awareness of ITFOR**

More than aiming for business growth, I think it is also very important to focus on initiatives that boost awareness of ITFOR as a company. In June 2024, we held a briefing session for individual investors over two consecutive days, which drew some 1,000 attendees. Our first goal is to convey to them the type of company we are and outline our growth story—we hope to receive their feedback which will create opportunities for engaging in dialogue going forward. We are seeking to have more people becoming enthusiasts of ITFOR out of those who attend the briefing sessions. Since last year, we have been working on tripling the number of opportunities for engaging dialogue with institutional investors. Together with these results, our stock price increased by about 160% over one year.

When it comes to publicity activities, we are also engaging actively in public relations by sponsoring events like “Tour de Kyushu” and the “National Selection Coding Competition for Elementary School Students.” We also worked with students at particular a national university, and started using Instagram to distribute discount coupons for the student cafeteria as a way of boosting publicity of our company. By supporting students at regional universities financial in any little way possible, we are hoping they will remember the name ITFOR and enter themselves into our recruitment process.

**Corporate Value Improvement Strategy**

**Boost awareness and maintain a high level of shareholder returns**

**Ongoing dissemination of growth stories**

- Financial results briefing \* 2 times/year
- ITFOR Newsletter (disseminate information to shareholders) \* 2 times/year
- Hold briefing sessions with individual investors

**Increase the number of institutional investors**

- Included in the scope of many institutional investors (FY2026)

**Hold dialogue with institutional investors, reflect content with management as necessary**

- Increase interviews with investors  
FY2023 results 40 interviews/year → FY2026 target 60 interviews/year
- Share and discuss information on investor interviews with management

**Shareholder Return Policy**

- Target dividend payout ratio of 50%
- Maintain total return ratio of 70% or more
- Dividends twice a year (interim/year-end) planned

**ROIC management**

- Set ROIC target above cost of capital
- Reflect ROIC targets in investment decisions
- Withdraw from businesses that with unattained ROIC targets

Systems that facilitate sustainability in an efficient manner are essential for achieving sustainable growth. In light of this, we created the Sustainability Committee in 2021, and launched three subcommittees beneath it in 2022. We created teams comprising a variety of employees, including younger staff, women and employees from different organizations—these teams share monthly reports on their activities and manage the progress of materiality (key issues) that we have identified. I hope these teams are able to bring about positive change to our attitude, by having as many employees as possible think about and understand what sustainability is, and incorporate it in their day-to-day tasks, with initiatives like replacing members every two years.

There is definitely an increase in the many challenges that we will be facing in the future in our quest toward achieving regional revitalization, the underlying concept of our business. While there are rumors around that municipalities will continue down the path of mergers if the declining birthrate, aging population and stagnating regional economic continue this way, ITFOR stands proud as one of the few companies helping to maintain the state of the 47 prefectures in Japan over the next 10 to 20 years. We are aiming to become the company that our stakeholders comment as “A century old company—and we’ll help you achieve it,” so I hope that you will continue focusing on the “future direction” of our company and group.

**Empowerment of human resources**

Human resources—also a source of value creation—maximize human resources and organizational capabilities that are the most important management resources, and help significantly improve business.

Fostering culture	Enhancement of education and training	<ul style="list-style-type: none"> <li>■ Personnel system with 1,500 full-time employees</li> <li>■ Expansion of employee referral system</li> <li>■ Reduction of turnover</li> <li>■ 5% of working hours for self-improvement</li> <li>■ Promotion of qualification acquisition</li> </ul>
Promotion of DE&I	Career development support	
Increase in work-life balance	Improvement in evaluation management	
Effective recruitment strategies	Leadership development	
Retention measures for potential retirees	Increase in spare time from greater productivity	

