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Foundation for Value Creation

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Sustainability

In order to make people thrilled and happy by "the power of empathy," ITFOR will continue to provide surprises into the future in local communities and all life stages of people through our systems and services.

We will contribute to the global environment, economic system, and advancement of society, aiming for the realization of sustainable future.

■ Basic approach

Basic approach for sustainability

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 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 contribute to the development of sustainable cities by building social infrastructure through the promotion of digital transformation (DX).

■ 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. The Committee consists of employees of various positions from each division. For addressing materiality (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.

The Sustainability Committee makes regular reports to the Board of Directors, and the Board of Directors provides instructions as necessary. Instructions from the Board of Directors are extended seamlessly to individual divisions and group companies through the Sustainability Committee.

Regional Revitalization Committee

The Regional Revitalization Committee considers measures for revitalizing local communities and makes propositions to the Corporate Strategy Office, which is responsible for this matter. The Committee takes leadership or provides support for activities that the Company co-sponsors and activities for public relations. The Committee also works to educate the employees about Company's effort for promoting regional revitalization.

Human Resources Committee

The Human Resources Committee considers the policy and measures for the human capital and makes propositions to the Personnel Affairs Department, which is responsible for these affairs. The Committee also provides support for disclosing information outside the Company and educates employees about Company's effort for developing human resources.

Environment Committee

The Environment Committee considers how ITFOR, as an IT company, should take action against climate change and makes verification based on facts. The Committee also makes propositions to the General Affairs Department and educates employees about Company's effort for environmental protection.
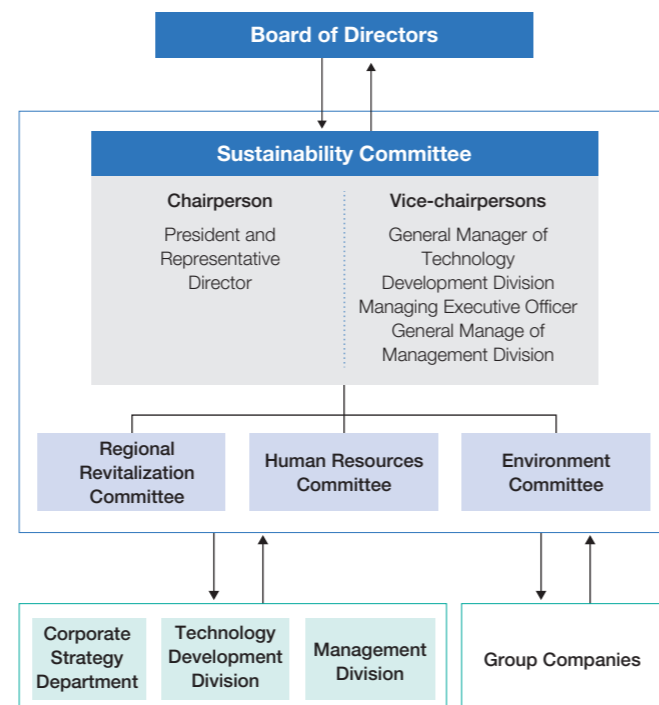
■ Stakeholder engagement

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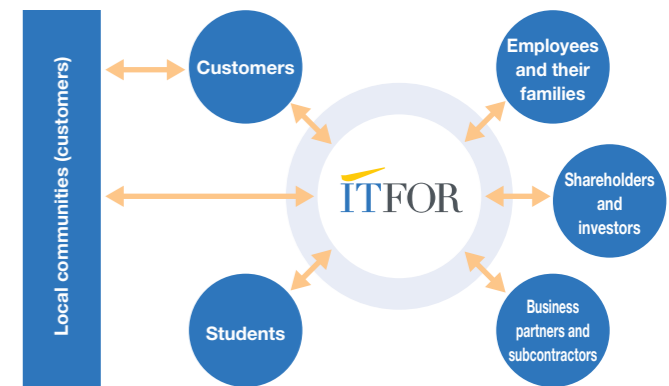

	Stakeholder	Main method of dialog
Customer	All customers including institutions and enterprises that use products and services provided by the ITFOR group	Events such as seminars, user conferences, research conferences
Shareholders and investors	Individual and institutional investors including shareholders of the ITFOR group	General meeting of shareholders, results briefing, briefing for investors, seminars for individual investors, issuance of different reports
Employees and their families	All employees and their families including those of group companies	Company training, intranet, quarterly interviews, organization diagnosis survey, ITFOR hotline, events that employees' families can join
Local communities	All local communities that are related to the ITFOR group and its customers	Support for the development of future IT talents, co-sponsoring of different events, construction of regional social infrastructure, restoration assistance for disaster-affected areas
Business partners and subcontractors	Business partners that ITFOR deals with and corporate with	Everyday procurement, supplier evaluation (questionnaires and visits), debrief meetings on quality improvement, quality audits
Students	Prospective employees of the ITFOR group, students seeking jobs in ITFOR, students who want to collaborate with ITFOR to contribute to society through IT	Internship, company information sessions, collaboration with universities in demonstration experiments, information distribution in recruitment web pages, recruitment through SNS

Activities in fiscal 2023

	Stakeholder	Activities in fiscal 2023
Customer		Nine user conferences and three seminars Call center seminars were held for users in Kyushu and Okinawa. A site tour was conducted in addition to seminars.
Shareholders and investors		The number of investor meetings was increased to about 40 per year. The Company participates actively in briefing sessions as measures for individual investors, and issues semiannual reports for investors.
Local communities		The Company co-sponsored different events such as "Tour de 2023 Kyushu"—event held as the symbol of restoration from the natural disaster in Kyushu—and "All Japan Programming Convention of Selected Elementary School Students." The Company also hosted a workplace experience event for junior high school students at Head Office.
Business partners and subcontractors		The Company evaluated operations and deliverables provided by subcontractors that continuously deal with ITFOR in development projects. The Company provides evaluation reports to subcontractors once a year and asks for continuous effort to improve quality.
Employees and their families		On December 2, 2023, the anniversary of foundation, the Company held "Family Thanks Day" at Head Office inviting employee families and partners in order to extend our continuing gratitude and deepen participants' understanding of ITFOR.
Students		Company information briefing sessions were held actively for universities in different areas.

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Discussion between three leaders of Sustainability Promotion Committee

Growing to a more sustainable company through activities unique to ITFOR
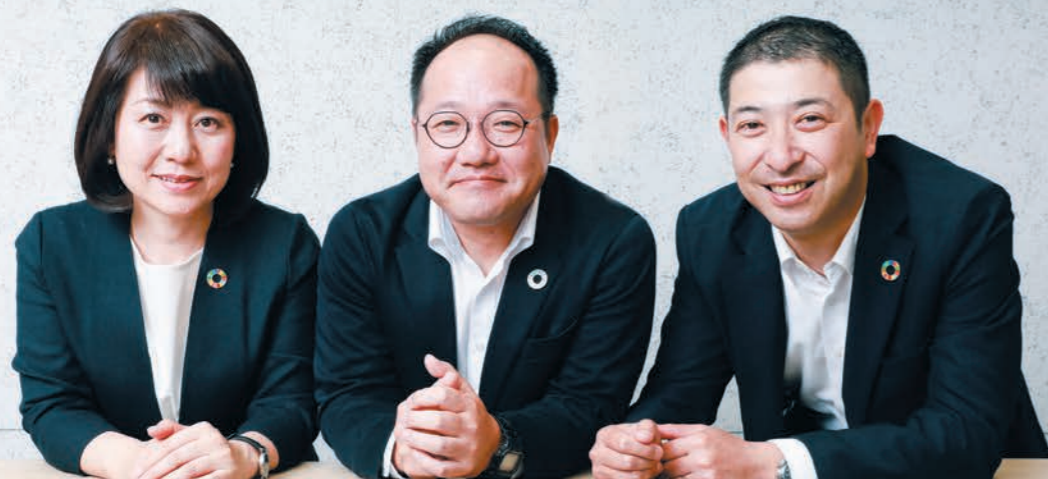
Eiko Asai
Personnel Affairs Department,
Management Division
Section Manager of Human Resource
Development Group
Leader of Human Resources Committee

Yousuke Fujita
Business Promotion Department,
Corporate Strategy Department
Specialist
Leader of Regional
Revitalization Committee

Arihiko Morita
CTI System Division
General Manager of 1st
Sales Department
Leader of Regional
Revitalization Committee

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1 **What is sustainability for ITFOR?**

Members from different divisions promote activities that are unique to ITFOR based "the power of empathy"

Fujita: Regional revitalization is the most important challenge of ITFOR and it is one of our materiality issues. Solutions that we provide always root in ITFOR's management policy—making people thrilled and happy by "the power of empathy." Among other things, I think the most important thing is to help local communities to elevate their sustainability.

ITFOR has been making company-wide effort of achieving sustainability since it formulated its basic policy in December 2021. It is said that sustainability activities must be considered in combination with business activities of individual divisions. As a matter of fact, we often involve sales people and engineers in sustainability activities. These activities are additional workload on them. However, the activities deepen their understanding, and we now see more cases of incorporating the content of sustainability activities into everyday work. I think sustainability activities are evolving even if only little by little.

Asai: I think so, too. The Company has a strong customer base that it has built to date and has an unparalleled amount of know-how when it comes to supporting regional customers to reform their operations. As a member of the Personnel Affairs Department and the leader of the Human Resources Committee, I put emphasis on human resource and

career development that help to pass down and enhance these strengths.

Morita: The Environment Committee conducts activities from two viewpoints. One is not to increase CO_2 emissions of the Group. For example, the Head Office removed all copy machines to create a perfect paper-less environment and set up a floor that makes maximum use of recycled materials and carbon-offset products. The other viewpoint is supporting customers to reduce their CO_2 emissions. Communication devices and servers consume electric power. So, we make proposals for reducing environmental load and power consumption through our services that improves the efficiency of operations.

The Sustainability Committee has diverse perspectives because members come from different departments and they are rotated in the Committee.

Fujita: The committee had been a flat team without a leader until 2023. From 2024, we assign a leader and have more consolidated activities on important issues. The Sustainability Committee led by the President meets once a month, our three promotion committees led by three Executive Officers meet once a month, and also action plans of each fiscal year are implemented.

Asai: Agendas of the Human Resources Committee include not only human resource development but also many other topics such as diversity and work styles. There are busy members from sales and development departments, so we organize discussions finding efficient ways such as sharing information before each meeting and allowing online participation.

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2 **What were activities of the committees in fiscal 2023?**

Resolution of regional issues and improvement of the diversify of human resources are important challenges of the Company

Fujita: The Regional Revitalization Committee decided on the dissemination of cashless payment as the first theme for solving the issues of population decline and labor shortage in local communities, and conducted a survey on the introduction status of cashless payment in districts with a population of 200 thousand or more. Another theme is measures against cybersecurity.

I recently hear of news on ransomware that attacked firms, hospitals, and libraries requesting ransom. So, we are calling on system developers in Japan for collaboration in enabling immediate support across Japan from Okinawa to Hokkaido. This effort is gradually growing involving many sales people who responded to the call from the Committee.

Morita: This exactly is an activity that only ITFOR can make. If a local government signs a contract with a large IT company, there may be cases in which the company does not provide immediate on-site support depending on the district.

Asai: The Human Resources Committee decided on diversity as the first theme of its activities. We interviewed a certain customer, and what impressed me was their organization. In our company, a committee bears the role of promoting diversity and women's empowerment. But in the company of the customer, there is a dedicated person in the personnel affairs department who is in charge of promoting diversity. I thought it was a very good thing because, with a dedicated person in charge of sustainability, sustainability awareness will be raised in the company and entrenched as part of corporate culture.

Morita: I am in charge of sales, and being also the leader of the committee was a pressure on me. But now I think it is a very good opportunity. It gave me different perspectives, which changed my view of customer needs a little bit. Sometimes it is hard, but I feel that it gives a positive effect on my main duty. On the other hand, having two roles poses some problems. The Environment Committee plays a role in preparing the answer to CDP. The questions encompass many fields including many specialized questions, so the committee members take a lot of time to understand the meaning of questions. It is a hard work, but I think knowledgeable employees will increase to help entrench environmental awareness in the corporate culture. From this year, we started using a CO_2 emissions calculation service to make the calculation of CO_2 emissions more efficient and visualize the calculation results.

Asai: Our company already discloses KPIs such as the rate of paid leave uptake and the percentage of female employees. We are working to get certifications to have these efforts adequately valued and recognized by the public. In fiscal 2023, we obtained "Tomonin" of the Ministry of Health, Labor and Welfare (the symbol mark for promoting work environments in which employees can work and give nursing care at the same time) and "Hataraku yell" (a prize given by a welfare award/recognition system). These certifications help our activities to be recognized by people inside and outside the Company, which may promote recruitment and improve customers' trust in the Company. We can also expect improvement in engagement from employees and their families. In

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> The employees of the Company always support regional customers by involving sustainability activities in everyday sales activities ordinarily. (Fujita)

that sense, I think the PR activities are very meaningful. Also, the Company sets the goal of increasing the number of employees to three times the current number by 2033. For the Personnel Affairs Department and committee members including us, it is a big challenge to create an environment in which that number of employees can work vibrantly. As for diversity, increasing female managers will be a big challenge because it is not easy for an IT company to increase the recruitment of women.

Fujita: The number of female technical employees is certainly small, and unfortunately, there are not much female employees also in sales positions. Of course, there is no discrimination between male and female employees, but the number of women is small.

Morita: There are female sales people in the CTI System Division, which I belong to. They are highly motivated and engage in their work actively. Moving forward, I think it is important to foster them so that they can seek management positions.

Asai: They are valuable employees who selected our company. So, I think we definitely have to create a work environment in which they are free to continue their careers after their life events such as marriage and childbirth. Of course, creating a system is not enough. We also have to create an environment in which employees can use the system.

Fujita: People are not forced to work long hours just because they are managers. So, I look forward to seeing more female managers also in sales departments.

Asai: Actually, I am often asked if there is a role model of female managers in an interview for mid-career recruiting and other occasions. There are not many female managers in the Company. Viewing this situation as room for improvement, I want to create a diversified work environment where everybody can take leadership regardless of their genders.

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3 **Aiming to be a sustainable company**

Supporting the sustainability of the whole society through continuous creation of new services

Fujita: In order to continue to be a sustainable company, I think enhancing influence on society is also important. In fiscal 2023, ITFOR co-sponsored All Japan Programming Convention of Selected Elementary School Students hosted by Council of Operating Divisions of All Japan Newspaper Companies. It was a good event for fostering

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next-generation IT talents, and I think our co-sponsoring contributed to the improvement of public recognition of the Company. The Company decided to co-sponsor this event also in 2024. By the way, the winner of 2023 ITFOR Prize was the student who represented a prefecture near the Company. So, the student visited our company to make a presentation on the product that won the prize.

Asai: I remember that. I was surprised at the excellence of the presentation, which was hard to believe to be made by a student in the third grade (at the time of presentation).

Morita: I think the presentation inspired people in the Company. That reminded me that the Company was paying attention to those kinds of talents.

Fujita: Also, the Company exhibits in ResorTech EXPO of Okinawa Prefecture every year from 2022. The visitors of the event include people in local companies and local governments, as well as students in job hunting. As a matter of fact, according to a survey conducted by a newspaper company in Okinawa, ITFOR was listed at the 46th position in the 50 Best Companies to Work For selected by job-hunting students in Okinawa.

Asai: The Human Resources Committee is now working with the Personnel Affairs Department to visualize the data of human capital than ever. As for attendance management, all employees can view any time on the system the latest data of the average amount of overtime, the rate of paid leave uptake, and self-training hours among office hours, as well as the statuses toward individual goals. The aim of this data disclosure is to raise employees' awareness by visualizing the progress toward goals. For example, against the target 5% of self-training hours, we want to raise it from 2.2% of fiscal 2023 to 3% in this fiscal year. The rate of paid leave uptake has already reached 80% due to the effect of various measures. Aiming at 85% for fiscal 2024, we plan to introduce a new leave-taking system based on ideas found in the answers to a questionnaire for all employees. One of the ideas is to combine learning leave and financial incentive. The financial incentive system pays the cost of getting high-level qualifications up to three times of trial, and for medium-level qualifications, pays the cost of one-time trial and the expense for learning. As the result of the enforcement of this system in 2023, the number of examinees has increased significantly.

Morita: Since the personnel affairs system was renewed to the current one, it seems like goal setting of individuals has become easier or employees came to think that they have to set goals, so that they are

> **We must provide more solutions that enhance the sustainability of the whole society. (Morita)**

I think increasing the female managers continues to be a major challenge. (Asai)

getting more qualifications now.

For environment conservation, the Company reduced the number of multifunction machines by 40% in fiscal 2023. As a matter of fact, a portion of the reduced cost is used for free beverages including alcohol drinks several times a month in the after-hours Happy Hour. One big issue of the Company is that a paper-based authorization process still remains. In order to solve this issue, the task flows are now being reviewed, led by the DX promotion leader of the Management Division. We also tackled the reduction of environment load. For example, we reduced power consumption by 50% by installing solar panels on the roof and replacing all air conditioners during the renovation of the Tokorozawa Building.

Fujita: Another remarkable movement is Telework for Regional Revitalization recommended by the Cabinet Office. It aims for regional revitalization by distributing people and jobs to rural regions, with business sites built in regions other than Tokyo and employees moving their residence. The Company also advocates this movement. It has now been about one year since the Company expressed agreement with this movement, and now we are verifying the effect. The Company also uses the Hometown Tax System for Corporations from fiscal 2022. In fiscal 2023, the Company continued donation from the previous year to Kumamoto Prefecture. The prefecture is working to build up environment for new semiconductor factories, which impacts the cashless payment businesses of the Company. Other prefectures that the Company donates to are Ishikawa Prefecture, the location that EeB Corporation (a group company of ITFOR) bases in and was hit by the Noto Peninsula Earthquake in 2024, and Aomori Prefecture, which is popular among foreign tourists and promotes cashless payment for tourists.

Asai: There are many other things that we can tackle. So, it will be nice if we can encourage people in the Company to engage in sustainability activities more actively by having new committee members through member rotation.

Morita: Since we are providing IT solutions, we must provide more solutions that enhance the sustainability of the whole society by actively introducing new technologies such as blockchain and AI that help to solve regional social problems.

Fujita: I think the important thing is that we continuously create sustainable products and services, while always being conscious of consumers and users who exist behind our direct customers. Our committees should make continuous effort to promote sustainability activities across the Company and across the whole ITFOR Group.

Reduced environmental impact

The Company will move ahead with direct and indirect initiatives for reducing greenhouse effect gas emissions taking the challenge of reducing emissions by half by 2030, endeavor to adapt to the impact of climate change risks on our businesses, and provide solutions for BCP measures.

■ 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 Company works to visualize CO_2 emissions through the introduction of zero-carbon-system "Tansaku-kun" provided by Higo Bank. Group companies also started calculating Scope 1 and 2 from fiscal 2023. The total emissions of the ITFOR Group is 567t-CO_2.

■ CO_2 emissions (not consolidated)

	Emissions (t-CO_2)
2021	442
2022	433
2023	414

* Scope 2 values are based on the location standard.

■ Key initiatives

New workspace that realizes the reduction of environmental load

As part of ESG effort, the Tokorozawa Building was renovated to a user- and environment-friendly workspace. The power consumption of the building was reduced by half through measures such as using LED bulbs for room illumination, replacing all air conditioners, installing high heat-insulation-rate windows, installing solar panels on the roof. Also,

Environment-friendly office

Solar panels on the roof

we are improving the work environment by installing a small-size elevator so that people on wheelchairs can move freely.

Contribution through cashless payment

Cashless transactions reduce CO_2 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.

Reducing 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 carbon emissions beyond anything previous and take us toward a carbon-neutral society.

Participating 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.

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.

Sponsoring Tour de Kyushu 2024

We were a Silver Partner sponsor of the Tour de Kyushu 2024 bicycle race held from October 11 to 14, 2024. 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. ITFOR advocates this future-oriented event that aims for something more than a cycle race and co-sponsors it from the last year.

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Human capital valued

ITFOR endeavors to foster human resources and promote their active engagement in professional life in a way that diverse values and backgrounds are respected and everyone can exercise their maximum performance, and will create a rewarding and future-oriented work environment.

Basic approach

In order to realize the management policy of "making people thrilled and happy by "the power of empathy," ITFOR aims to create a work environment in which everyone is enthusiastic in their work and exercises the maximum performance, by caring each and every employee the source of power to realize the corporate philosophy.
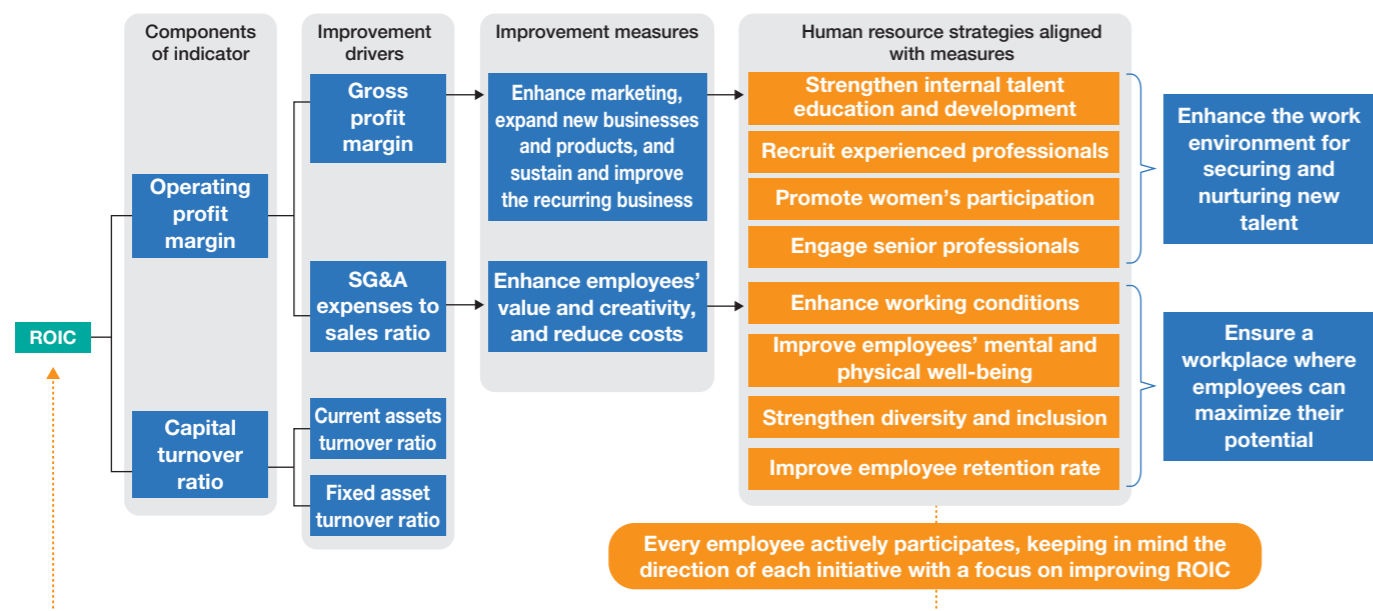
Human resource strategy

ITFOR conducts human capital management with the aim of maximizing the effect of initiatives by visualizing the path in which each initiative for securing or fostering human resources is eventually connected to management goals, thereby all employees who engage in related initiatives take action with the final goal in mind.

And for every initiative, we establish and monitor key performance indicators (KPIs) that we observe at fixed points. KPIs include those unique to ITFOR in addition to those that can be used for comparison with other companies. Also, we clarify our goals to be achieved by monitoring two categories of KPIs, which are KPIs as milestones for achieving goals and KPIs as monitoring indicators that indicate the absolute levels that the Company must always maintain.

Key initiatives

Promoting female empowerment

In addition to the active recruitment of women, ITFOR is formulating work conditions with which female employees who once left the Company after marriage or childbirth can come back to work in accordance with their life stages, by introducing the "Come back Alumni Program[1]", part-time employment, and telework.

The Company, with its nature of operations providing equal opportunities regardless of gender, is working to increase female role models to enhance the scope of candidates of future managers.

Fiscal 2023 results show adequate increase from the previous year in the percentage of female employees, percentage of female managers, and percentage of female workers among all newly employed workers. We will continue these efforts to achieve the fiscal 2025 goal.

[1] Come back Alumni Program: Program of rehiring past employees (alumni) who left ITFOR in the middle of their careers due to childbirth, nursing care, transfer of the spouse, and other reasons, or with the aim of career development. The length of service before leaving ITFOR and the timing of turnover are not relevant.

Improving work environment

In April 2023, ITFOR introduced a new personnel affairs system to elevate the engagement and motivation of employees. Under the new system, the average monthly salary was raised by 10% for regular employees and the child support allowance per child was raised by three times. In April 2024, the monthly salary was raised approximately by 6% again. The Company works on the smooth entrenchment and strengthened application of the new system as priority measures to seek the maximum effect of the new system toward the realization of a work environment that motivates the employees than ever.

As for work-life balance, we are encouraging the employees to take paid holidays throughout the Company. The rate of paid holiday uptake has been around 60% until fiscal 2020, but it rose to 83% in fiscal 2022 due to employees who use programs that encourage them to take paid holidays such as the Anniversary Leave Program[2] and the +1 (Plus One) Holiday Program[3]. In fiscal 2023, the paid holiday uptake stagnated at 81% due to the impact of the transition of the COVID-19 disease to category five and the increased amount of work. However, we will maintain this high level and work to accomplish the goal of 85% of paid holiday uptake with the implementation of new measures.

The average overtime hours in fiscal 2023 was reduced by 3 hours from the previous year to 14.1 due to the effect of education of managers and the raised-awareness of individual employees.

Furthermore, with regard to Father's Childcare Holiday after Childbirth, which was enforced in 2022, the Personnel Affairs Department explained each relevant male employee about the system and urged them to use the system. As a result, the rate of the use of the system in fiscal 2023 was 57.1%, largely exceeding the government's goal of 50% for fiscal 2025.

These results were recognized by Hatarak Yell 2024, and the Company was certified as a Corporation Promoting Welfare (nickname: "Hatarak Yell" corporation), which puts effort into enhancing and applying welfare systems.

[2] Anniversary Leave Program: Program of providing financial incentive to those who take paid holidays in the month of their birthdays or anniversaries.
[3] +1 Holiday Program: Program of providing financial incentive to employees who take a paid holiday on a day between national holidays or a day before or after three consecutive national holidays that include Saturday and Sunday.

Enhancing physical and psychosocial well-being of employees

ITFOR considers that providing employees with comfortable everyday workplaces motivates them leading to the enhanced performance of their work. With this idea, the Company changed the layout of the 12th floor of the Head Office building in December 2022 to organize a work environment in which each and every employee can work freely and get inspired by new ideas. In fiscal 2023, the Company renovated the Tokorozawa Office to make it more environmentally friendly by installing solar panels and LED bulbs, and is now changing the floor layout as it did for the Head Office building.

At the same time, the Company conducts stress test and medical checkup periodically for all employees aiming for the creation of a system for thorough monitoring of physical and mental changes of employees, with the goal of 100% attendance rate of the stress test and medical checkup. Also, ICR Co., Ltd., a group company of ITFOR, was recognized as Health Management Excellence Company 2023. We will continue to take actions more aggressively, sharing knowledge on health management in the Group and considering the health of employees from the managerial perspectives.

Lowering employee turnover

The turnover rate of ITFOR has been in the order of 6–7%, but the fiscal 2023 result was 4.2%.

Educating and fostering the company personnel

ITFOR educates and fosters each and every employ based on its policy of human resource development, which considers that the growth of employees leads to the growth of the Company. ITFOR considers that sophisticated expertise of the employees based on the latest technologies and knowledge enables the Company to provide customers with good services, and puts effort in training programs specific to individual position layers and professional roles, as well as programs for enhancing other capabilities such as human relations competency.

ITFOR provides strong support for employees in career advancement and skills development. For example, the Company secures an average of 1,000 hours or more for the training of each newly recruited engineer due to Company's recent emphasis on hiring new graduates, and implements the policy of allocating 5% of work hours to self-training. The Company aims for creating a self-learning culture of employees through these education and fostering programs, and considering that such a culture eventually leads to human resources with a high level of duty execution capabilities, the Company monitors indicators as KPIs that are related to minimizing delayed delivery and raising the accuracy of cost estimation.

Strengthening diversity and inclusion

In order to make new innovations happen through IT, ITFOR considers that it is essential to have a work environment in which diverse people are working in diverse ways to stimulate each other. For that purpose, the Company will actively recruit professionals with various specialties and skills. Also during fiscal 2024, the Company is planning to study systems for employees such as a side job and second job program and a free agent (FA) system. As for senior employees, the Company looks to make decision on the introduction of a retirement extension program during fiscal 2024, aiming for further vitalization and activation of senior employees.

While aiming for enabling diverse people to work in diverse ways, the Company also considers the strengthening of inclusion essential—the cultivation of the sense of unity and connection of the Company as a whole, which is the other aspect of the theme. We also resumed company events that we suspended for years due to the COVID-19 pandemic. We will continue to elevate employee engagement through these activities.

Flow of human resource development

Indicators and goals

Human resource strategy	Item	Result		Goal
		Fiscal 2022	Fiscal 2023	
Promoting female empowerment	Percentage of female employees	18.0%	20.2%	25%
	Percentage of female managers	4.3%	6.7%	9%
	Percentage of female workers among all newly employed workers	26.0%	29.8%	35%
Improving work environment	Average overtime	17 hours	14.1 hours	10 hours
	Rate of paid leave uptake	83.0%	81.0%	85%
	Rate of male parental leave uptake	44.4%	57.1%	50%
Enhancing physical and mental health of employees	Attendance rate of stress test	84.0%	91.0%	100%
	Attendance rate of health checkup	89.0%	92.4%	100%
Lowering employee turnover	Rate of spontaneous turnover	6.0%	4.2%	6%
Educating and fostering the company personnel	Employees obtaining PMP	17.3%	20.9%	20%
	Employees qualified by national examination for IT engineers	75.3%	71.8%	80%

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Societal contributions through regional revitalization

ITFOR aims for revitalization of rural areas and the reduction of the gap between urban and rural areas, leveraging open innovations enabled by solutions that it provides by business activities.

■ 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.

■ Activities of Regional Revitalization Committee

The Regional Revitalization Committee, one of the three promotion subcommittees under the Sustainability Committee, works to promote in different regions the dissemination of cashless payment and the strengthening of cybersecurity.

To disseminate cashless payment in regions, ITFOR promotes the introduction of its cashless payment terminals in regional banks, local governments, and regional department stores as the platform provider to create a cashless environment. As for the strengthening of cybersecurity, ITFOR makes the proposal of introducing Ransom Guard, a cybersecurity package for small and mid-sized enterprises, through the support for collaboration between local SIers and our customers, which are regional financial institutions, local governments, and local companies, and also by signing agency agreements with these SIers.

In order to solve regional problems through business activities, we hear issues and wishes from local governments, local banks, and local department stores that are customers of ITFOR, and then propagate the findings across the Company to provide solutions through cross-divisional effort.

■ Key initiatives

Co-sponsoring 2023 All-Japan Programming Convention of Selected Elementary School Students

ITFOR co-sponsored 2023 All Japan Programming Convention of Selected Elementary School Students as a gold sponsor. The Company co-sponsored this event with the empathy for their aim of fostering next-generation IT talents and revitalizing local communities by finding talented children from all corners of the nation.

On March 3, 2024, the day of the All Japan Convention, 46 teams of elementary school students made presentation. ITFOR awarded the ITFOR Prize as a sponsor company prize to Koutaro Misawa (in the third grade at that time) who represented Kanagawa Prefecture. Also, ITFOR set up a booth, in which people can have hands-on experience of CXone, the cloud-enabled contact center platform of ITFOR. Many contestants and their families visited the booth.

ITFOR will continue to promote initiatives that contribute to regional development through the support for fostering future IT talents and other activities.

Other initiatives for regional revitalization

As part of effort for regional revitalization, ITFOR advocates Initiative for the Spread of Telework for Regional Revitalization promoted by the Cabinet Secretariat of the Cabinet Office, and announced an Action Declaration in 2023 to express the intent of participation in this initiative. ITFOR has business sites in Osaka, Nagoya, Fukuoka, and Okinawa and can bring tasks of the Tokyo metropolitan area to these regions. This creates jobs in rural regions and aligns with the theme of the Action Declaration. ITFOR makes continuous effort for regional revitalization from the perspective of job creation as well, such as active recruitment from local universities near ITFOR's business sites, job creation in these regions by BPO businesses, and holding training sessions and customer facing contests to foster human resources that the Company hired. The Company is also active in Hometown Tax System for Corporations to help recovery from the earthquake disaster and the regional promotion of IT/DX.

Presentation to employees

Koutaro Misawa, the winner of the ITFOR Prize, visited our Head Office to make a presentation on the prize winner: Escape from Math Pit. There was an audience of more than 100 employees in the Head Office as well as remote audiences from business locations such as Osaka and Fukuoka. The audience gave a big hand to Misawa-san for his deep understanding of mathematics and programing and his presentation that shows the effort he makes with passion and joy.

Interacting with elementary and junior high school students in the regions

ITFOR invited four students from Kanda Hitotsubashi Junior High School of Chiyoda-ku, Tokyo to the Head Office for three days from October 3, 2023 to provide an on-the-job experience. This was the first trial conducted as part of regional contribution by ITFOR, which advocates regional revitalization. The students learned how to exchange business cards as a basic business manner, and also learned the business of ITFOR through activities such as the demonstration of iRITSpay, a cashless payment terminal provided by the Company.

Also, the content of ITFOR business was introduced in Oshigoto Note (job note), a booklet created by Chiyoda-ku for elementary school students in the district.

Exhibiting in ResorTech EXPO 2023 in Okinawa

ITFOR exhibited in ResorTech EXPO 2023 in Okinawa for the second time following the year before. As solutions for regional revitalization through open innovation, ITFOR exhibited tools for cybersecurity measures for small and mid-sized enterprises in the region against threats such as ransomware, as well as Showcase (a system for unattended sales), which helps to revitalize local communities through the promotion of cashless payment and helps to solve the problem of human resource shortage. Especially, Showcase was featured in a local newspaper and local cable TV program, drawing attention from many local companies.

Digital transformation for productivity and added value

ITFOR provides support for enterprises and other organizations to improve productivity and build an environment that motivates people working, leveraging ever-revolving IT.

■ Basic approach

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.

■ Key initiatives

Digital Safe a blockchain-enabled service

Digital Safe provided by ITFOR is an electronic safety box enabled by the blockchain technology. This service keeps important digital information entrusted by users. The Company is conducting a demonstration experiment aiming for a service that reduces risks of loss and disappearance of the entrusted information and that allows the entrusted information to be unfailingly shared only with individuals close to the owner in the event of an emergency.

Digital Safe has the following three key features.

(1) Digital data is archived by an application.
The service keeps important information as digital data concerning bank account insurance, subscription, login credentials, medical care, pets, etc.

(2) The entrusted information is transferred to the individual designated as the receiver in the event of an emergency.
The data is unfailingly transferred to the individual (a family member, relative, etc.) designated as the receiver beforehand.

(3) Robust security
Data is kept safely by the blockchain technology with its key feature of falsification resistance.

Digital Safe was selected in Kumamoto Prefecture's public tender competition of plans for FY2023 Commissioned Project of DX Demonstration Experiment Using Web3 or Other High Technologies, and the Company conducted a demonstration experiment from July 2023 to March 2024.

Reasons behind demands on such a service include changes of customer touch points due to the reduction of bank branches and digital heritage problems, which has become a social issue. ITFOR will develop technologies that will be required in years to come and promote DX further by proposing systems that enable users to easily organize, keep, and share personal data including valuable digital assets.
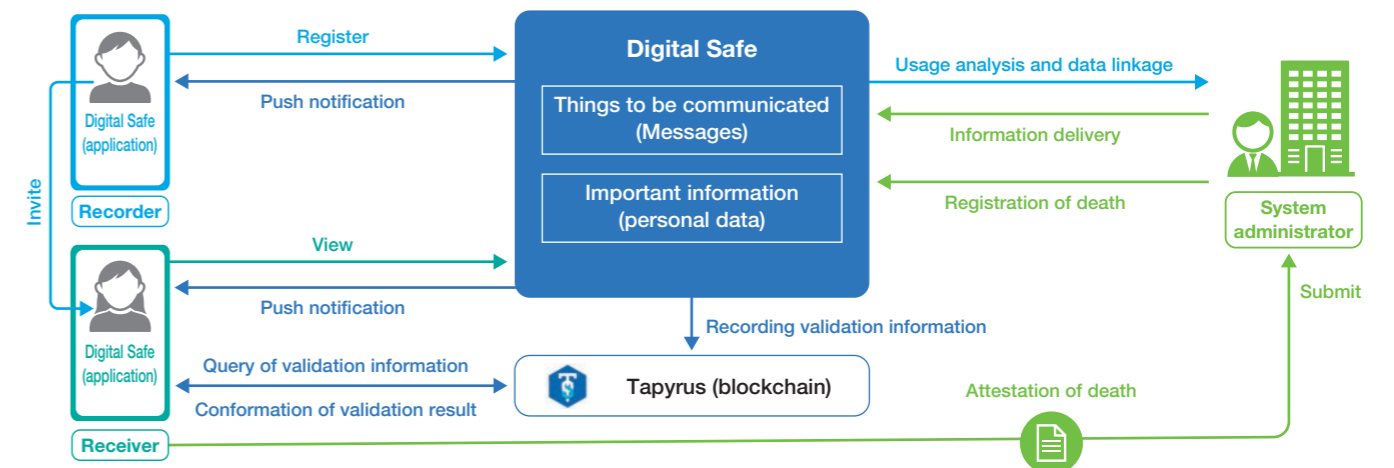
Effort of Management Division

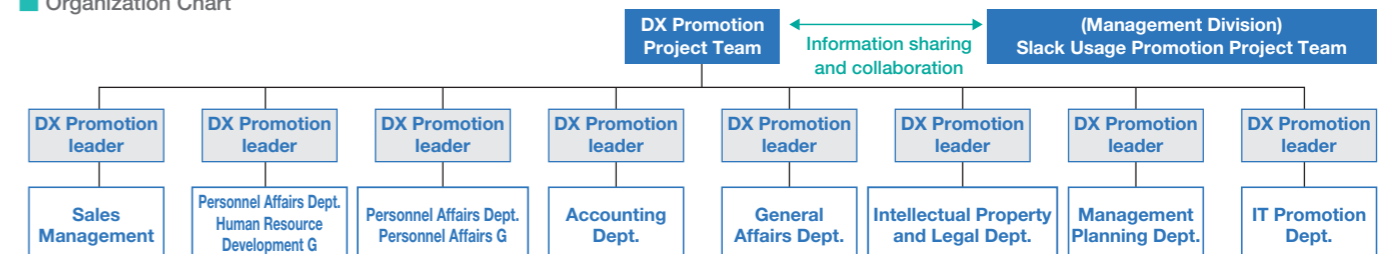The Management Division of ITFOR sets the policy for DX promotion as follows:
· Visualize the DX initiatives that are going on in the Management Division.
· Employees should be conscious of DX promotion and try to find issues in their tasks.
· The DX promotion leader takes the role of the contact point for investigation and communication with different departments.

With these policies, the Division aims to improve productivity through the promotion of DX in the Company and the realization of decent work by DX. In fiscal 2023, we defined challenges to be tackled by individual departments, starting with listing issues in DX promotion of each department and considering measures and performance indicators. We are planning to define performance indicators during fiscal 2024 to accelerate DX efforts further.

■ Concept of Digital Safe

■ Organization Chart

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Strengthening of management base

The strengthening of the management base is essential for the realization of the continuous improvement of corporate value.
ITFOR puts top priority on the strengthening of risk management including information security assurance and the organization structure for ensuring compliance, as well as the corporate governance system that reinforces these policies.

■ Corporate governance

Basic approach

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. Based on this basic policy, the Company aims for its continuous improvement of the Group's corporate value by defining ITFOR Group's Corporate Governance Basic Policy to ensure the effectiveness of corporate governance and continuously improve it.

Organization

ITFOR has adopted the structure of a company with audit and supervisory committee to reinforce the supervisory function of the Board of Directors and to ensure the robustness of the company's corporate governance. While the company rule stipulates that the number of Directors (excluding those who are also members of the Audit Committee) shall be 20 or less, the current number of Directors is six, including one outside director. While the company rule stipulates that the number of Directors who are also members of the Audit Committee shall be five or

less, the current number of such Directors is three including two Outside Directors. In order to respond quickly to changes of the management environment by separating the decision making and supervision function and the business execution function, the Company adopts the executive officer system, under which the Business Executive Committee whose members consist of Directors and Executive Officers makes decision on business execution strategies to ensure agile business execution. The Company has established the Nomination and Compensation Committee as a non-statutory advisory body, in which Outside Directors constitute the majority, in order to elevate the transparency and objectivity of the procedure for nomination and compensation decisions for Directors.

Board of Directors

The Board of Directors should recognize the stewardship responsibility for shareholders, and are responsible for the continuous growth of the ITFOR Group and the medium- and long-term improvement of corporate value. Also, in order to fulfill these responsibilities, the Board of Directors sets up the goals of the Company and makes best decisions for the Company on management strategies, management plans, and important business executions in light of the evaluation of risks that the Company faces. The Board of Directors provides an environment that supports appropriate risk taking and makes effective supervision on the execution of duties of Directors from an independent standpoint.

The Board of Directors held 21 meetings in fiscal 2023.
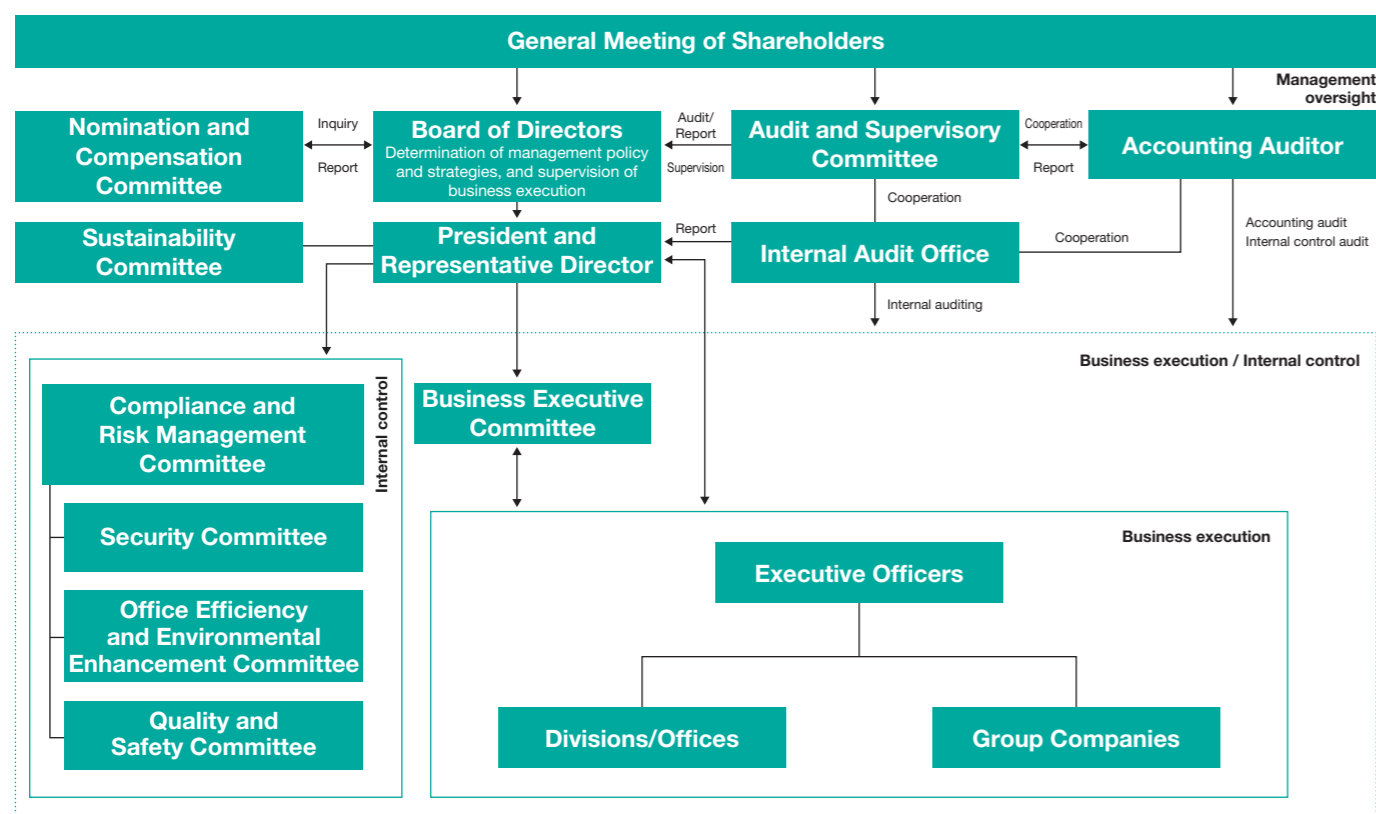
Audit and Supervisory Committee

The Audit and Supervisory Committee is a statutory body that has the supervision function together with the Board of Directors, and audits the Directors' performance in their duties. Based on the audit policy and audit plan resolved at the beginning of the period, the committee takes proactive roles including supervising and verifying the status of creation and operation of the internal control system of the Group and providing the information obtained from audit activities for the deliberation of the Board of Directors of the Company. The committee liaise with Outside Directors to help them in information collection, and also closely liaise with Accounting Auditors and the internal audit department. Furthermore, to ensure proper audit activities, the committee takes appropriate actions such as defining criteria for properly selecting and evaluating the accounting auditor and confirming that the accounting auditor has independence and expertise, with the recognition of accounting auditor' responsibilities for shareholders and investors.

The Audit and Supervisory Committee basically meets once a month, and had 17 meetings in fiscal 2023.

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.

The committee had four meetings in fiscal 2023.

Business Executive Committee

The committee makes decisions flexibly and promptly on basic and important matters of business execution in order to reinforce the function of the Board of Directors and enhance the management efficiency.

The committee consists of Directors and Executive Officers and basically meets twice a month. The committee had 22 meetings in fiscal 2023.

Sustainability Committee

The Company established the Sustainability Committee chaired by the President and Representative Director and sub-chaired by three Directors in order to advance and enhance sustainability efforts. The committee provides semiannual reports on its activities to the Board of Directors and receives instructions as necessary. Decisions resolved in the committee are instructed to the Company and group companies. Companies in the Group liaise with each other to make Group-wide effort in activities for achieving sustainability and ESG management.

Evaluation of the effectiveness of Board of Directors

The Company analyzes and evaluates the effectiveness of the Board of Directors aiming for the improvement of the function of the Board of Directors and the improvement of the corporate value.

The overview of the evaluation results of fiscal 2023 is shown on the next page.

(1) Analysis/Evaluation method

With the support of an external institution, a survey was conducted by a questionnaire of the following content for all members of the Board of Directors, and based on the survey result report from the external

■ Organization chart of corporate governance

■ Skill matrix

Name	Position	Management experience	ESG/Sustainability	Marketing/Business strategy	IT/Infrastructure technology	Industry knowledge	Internationality and diversity	Law and risk management	Finance, accounting, and M&A
Tsunenori Sato	President and Representative Director	○	○	○	○		○		
Koji Sakata	Representative Senior Managing Director and Executive Officer General Manager of Technology Development Division	○		○	○	○			○
Hirotaka Oeda	Representative Managing Director and Executive Officer General Manager of Corporate Strategy Department General Manager of Retail EC Systems Division	○	○	○		○		○	
Katsuo Nakamura	Director and Executive Officer General Manager of Management Division	○	○			○		○	○
Kazunori Kono	Director and Executive Officer General manager of Payment Systems Division		○	○	○	○	○		
Waka Abe	Outside Director	○	○	○			○		
Masahito Motoyama	Director Full-time member of Audit and Supervisory Committee	○		○		○		○	
Makoto Sato	Outside Director Member of Audit and Supervisory Committee		○			○		○	○
Daisuke Koizumi	Outside Director Member of Audit and Supervisory Committee	○	○				○	○	

* Up to five relevant items are marked for each Director. The table does not cover the entire knowledge and experience of the Directors.

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institution, the Board of Directors conducts analysis and evaluation and discusses actions to be taken.

Members of Board of Directors	Performance and other aspects of outside directors (including members of the Audit and Supervisory Committee)
Effectiveness of Board of Directors	Monitoring function, dialog with shareholders (investors), operation of the Nomination and Compensation Committee, etc.
Operation of the Board of Directors	Discussion, supporting system for Directors (including members of the Audit and Supervisory Committee), training, effort of each Director
Others	Total evaluation

(2) Evaluation result

The Board of Directors was evaluated as being functioning effectively overall with proper overall functioning of operation, decision making, and supervision as the result of deliberation in the Board of Directors based on the analysis in view of the result of the questionnaire.

(3) Actions to be taken into the future

As the result of discussion in the Board of Directors, the following are recognized as actions to be taken continuously into the future:

(1) For the realization of management that pays heed to the capital cost and stock prices, analyze and evaluate the capital cost and capitalization rate as well as market evaluation on the Company, and conduct effective deliberation on the formulation of an improvement policy and on challenges.

(2) Improve the quality of management by providing all Directors with opportunities to obtain necessary knowledge and by the effort of diversifying and systematically fostering the candidates of core management personnel.

(3) While the importance of the agenda items of the Board of Directors is increasing, strengthen the framework for the timely prior provision of necessary and sufficient information and explanation to the management team and the Board of Directors to enable more efficient and proper deliberation.

Compensation for Directors

The Company's basic policy of compensation for Directors is to determine compensation values through a transparent and objective process that functions as a sound incentive with proper alignment with Company's performance, with the aim of securing, retaining, and motivating excellent management staff to enable the Company and the Group to continuously grow and gain increasing corporate value over the medium-to-long term.

Compensation system

Compensation for Directors of the Company consists of the basic part and the portion linked to performance, and it is determined by the Board of Directors through deliberation on the comparison with companies in the same industry or of the same size, financial condition of the Company, and contribution of individual Directors. Only the basic compensation is paid to outside directors and Directors who are also members of the Audit and Supervisory Committee because performance-lined compensation is not appropriate for them.

The performance-linked compensation consists of the monthly compensation, which is an incentive that links to short-term performance, the tax-qualified stock option (non-monetary compensation, etc.), which is a medium- to long-term incentive, and the share exchange trust (non-monetary compensation, etc.), which is performance-linked compensation in the form of shares. The monthly compensation is calculated and paid according to the achievement rate of the target net income attributable to owners of the parent.

■ Compliance

Basic approach

The Group behaves sensibly observing laws and regulations as well as company rules, thereby to be a company trusted by society.

■ Overview of compensation system for Directors

Fixed	• A fixed amount is paid in accordance with the position and responsibility of each Director. • The compensation value of a Director who is a member of Audit and Supervisory Committee is determined by deliberation by the members of Audit and Supervisory Committee.

Variable	Compensation as short-term incentive (monthly)	• Total of performance-linked compensation = Target net income attributable to owners of the parent[1] × 8.0% (maximum) × Company performance evaluation factor • Amount paid to each Director = Total performance-linked compensation × $\dfrac{\text{Points of each Director} \times \text{Performance evaluation factor of each Director}^{2}}{\text{Sum of (points of each Director} \times \text{Performance evaluation factor of each Director}^{2})}$ *1 Zero yen when the net income attributable to owners of the parent is negative. *2 Factors are determined in the range of 0% to 150% according to the results and contribution with regard to individual performance indicators of each Director.	
	Compensation as medium- to long-term incentive	Tax-qualified stock option	A certain number of shares fixed to each position are given according to the resolution in the regular general meeting of shareholders held in June 21, 2017. After two years of retention, stock options can be exercised up to 20% of the number given for a year during five years ending on September 15, 2024.
		Performance-linked stock compensation	The purpose of this compensation is to encourage the Directors to contribute to the medium- to long-term improvement of the performance and corporate value of the Company by clarifying the relation between the compensation for Directors and the performance and stock value of the Company to have the Directors share with the shareholders the advantages and risks brought by stock value changes. In this system, shares of the Company are purchased by a trust (this trust, hereafter) that was created by a fund provided by the Company, and the number of shares commensurate to the points granted to each Director by the Company are delivered to the Director through this trust.

consult an internal body, the Company also provides a consultation window operated by an external service.

Organization

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.

Window for whistle-blowing and consultation about compliance

ITFOR provides email and phone consultation windows so that employees do not hesitate to consult when they sensed something that may violate compliance or a behavior in everyday operations that may cause a problem. Considering cases when whistle-blowers do not want to

■ Risk management

Basic approach

The Company consolidates its risk management organizational system through the disclosure of the organization and policy of information security, the organization and policy for improving and maintaining quality, BCP, and the organization and status of internal control.
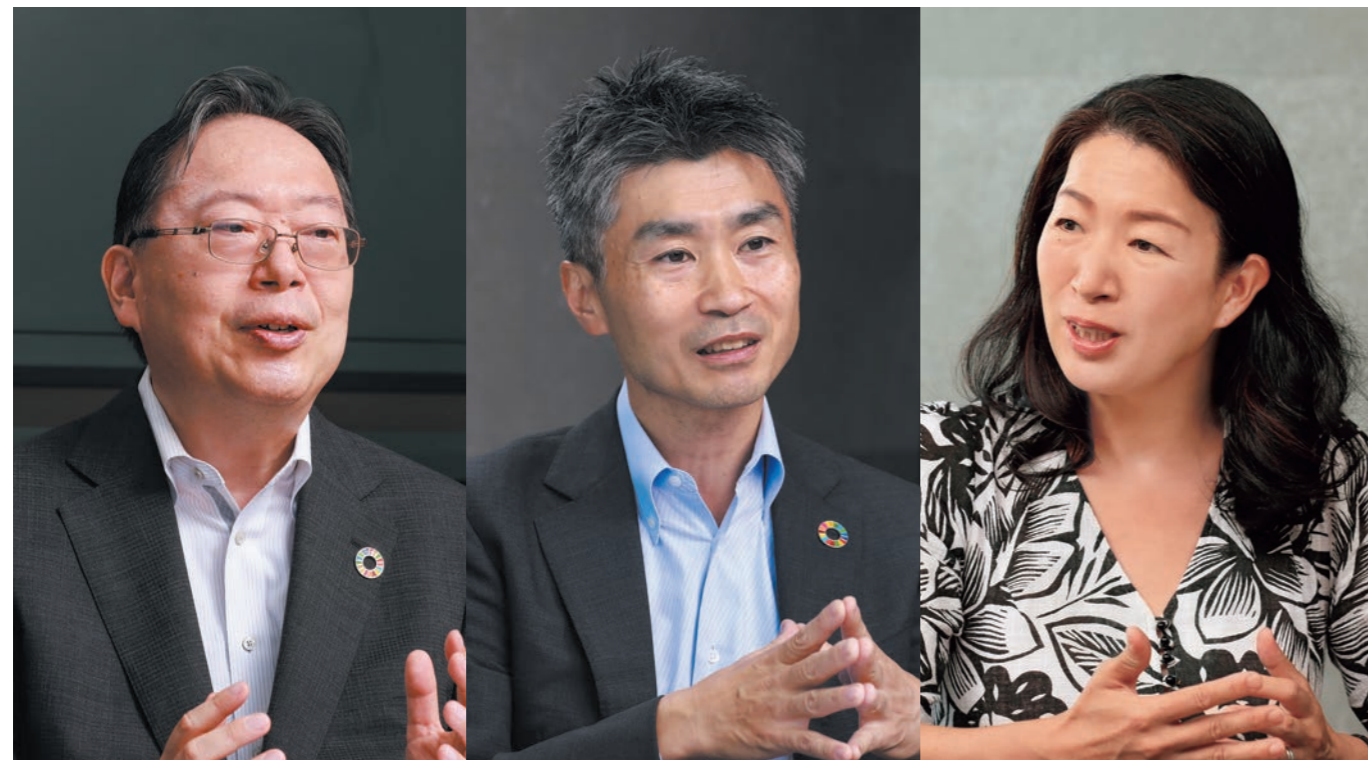
Organization

The Compliance and Risk Management Committee analyzes risks in information security, environment, industrial health, safety of product, quality, and so forth, and is working to reduce these risks based on company rules of risk management. ITFOR has established three subcommittees— the Security Committee, the Office Efficiency and Environmental Enhancement Committee, and the Quality and Safety Committee, which meet periodically. These committees analyze risks in business operations from their specialized perspectives for the consolidation of company-wide risk management.

■ 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.

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Round table discussion between outside directors

Makoto Sato Outside Director (Member of Audit and Supervisory Committee)

Daisuke Koizumi Outside Director (Member of Audit and Supervisory Committee)

Waka Abe Outside Director

How governance should be formulated for the growth of ITFOR?

Masahito Motoyama

Facilitator

Director (Full-time member of Audit and Supervisory Committee)

1 Strength and issues of ITFOR that outside directors see

Motoyama: Here, we have Ms. Waka Abe, who has been an outside director of ITFOR since 2021, and Mr. Daisuke Koizumi and Mr. Makoto Sato, who have been outside directors and members of the Audit and Supervisory Committee since 2015. Thank you all for taking time from your busy schedule to come here. Today, Motoyama, Director and full-time member of Audit and Supervisory Committee, will take the role of the facilitator.

First, I would like to hear from you, outside directors, about your opinions on the strength of ITFOR, as well as challenges that we need to take for the growth of the Company into the future.

Abe: I think that the major strength of ITFOR is that it has customers that are local governments and financial institutions in almost all prefectures of Japan. On the other hand, what I wonder from the perspective of my experiences of handling company information and IR is that ITFOR is not recognized well despite its overwhelming market share. I think this is

one of the issues. Although the Company makes some public relations activities through media such as newspapers, it does not appeal much to younger generations using SNS and other tools. I think this may be of some handicap in recruitment.

Koizumi: I consider the strength of ITFOR from a little different perspective. In order for Japan to regain its global position after this so called "lost three decades," it is important to generate added values by improving overall productivity and efficiency. ITFOR is exactly a company that solves this social problem by providing solutions that improve productivity and efficiency. In this respect, I think ITFOR matches the current situation of Japan and can provide what Japan needs. On the other hand, the issue is that the Company is not exerting its full competence despite its high potential. Individual employees are excellent. However, coordination between different departments is not enough due to the divisional organizational structure, and business effort stays in partial optimization where total optimization should be sought. I think these are challenges the Company should tackle into the future.

Sato: The strengths and issues that you two pointed out captures the current status of ITFOR correctly. In addition to them, I think the most significant strength of the Company is the ability to earn net cash flow. The Company is very strong in that respect compared with companies in the same industry and of the same size. And, the other side of this strength is that investors are watching how we will use the cash that we are earning. The Company have affiliated other companies by M&A and invested in new businesses as necessary in the past. But, investment for future growth is not commensurate with the Company's ability to earn cash. We have discussed opportunities that we captured, but there were cases that we did not reach the final decision of investment. We may need to return the portion that we cannot use to shareholders and investors. I think considering the best way of using the accumulated cash is an issue.

Motoyama: Thank you all for variable opinions. I am also concerned about the public recognition of the Company and cross-divisional coordination, which you pointed out, and I mention them in meetings from time to time. Also, as Mr. Sato pointed out, the Company should consider building a bridge to the next land instead of just knocking the existing stone bridge to test it and eventually not crossing it.

Koizumi: There are people who can capture business chances and who cannot, and this also applies to corporations. For example, there are many postal drop boxes across the nation, but you will not know where there are around you unless you pay attention to them. More specifically, you will not become aware of them until you write a letter and try to send it. That is to say, intention and attention are important to capture chances.

Abe: The strength of ITFOR is long-standing trust relationship with local governments and financial institutions. This relationship enables us to find their needs in workplaces. I think we can enhance room for growth by capturing business chances and leveraging Group-wide resources of ITFOR including overseas partners to provide new values to customers.

Sato: I think the keyword is "rural regions." Actually, there is a business that we created based on the solid relationship with a local financial

institution. New needs are always emerging in everyday life of people in societies that exist behind our customers. I think we can create seeds of new business by finding those needs through our customers.

2 Evaluation of the governance of ITFOR and issues

Koizumi: The evaluation result overview of the effectiveness of the Board of Directors is reported every year in June. In the result of fiscal 2023, for example, items that were highly valued included sufficient deliberation to formulate the business strategy and business plan paying attention to earning capability and capital efficiency, the system of compensation for Directors, and the system of providing proper information necessary for Directors to conduct their duties. On the other hand, items pointed out as issues every year are engagement in the formulation and navigation of the plan for fostering successors and the timing and content of prior explanation of the agenda before each meeting of the Board of Directors. I think prompt improvement should be made for these items.

My personal view is that we have good Board of Directors meetings with very high transparency, disclosure of various information, and free and vigorous discussions. Boards of Directors of some companies have lost substance with few statements from Directors and without active exchange of opinions.

Sato: Expectation from stakeholders on ITFOR have changed largely in these years, with gradually rising criteria and hurdles in the evaluation of enterprises. Responding to this trend, the governance system of the Company has also improved gradually in the right direction.

However, there is no end to the strengthening and improvement of governance and there are some issues left unsolved. Looking back on this year, there were occasions when I felt that information sharing is slow especially for important items that need to be discussed in the Board of Directors. We, outside directors, will also express opinions about the speed of information sharing to improve it.

Motoyama: I am also concerned about the speed of information sharing, and I have wanted to hear your opinions. In the event of emergency, it is important to share information quickly and decide on measures and the initial response. What I regret is that we haven't yet sped it up using tools such as online conference.

Abe: When I became a member of the Business Executive Committee, I thought there were still a lot of issues in the speed and efficiency of decision making. The transparency of the Board of Directors is high as Mr. Sato says, but on the other hand, I think more authority should be transferred to the executive side. I think we can accelerate business operations if we let departments make decisions on certain levels operations.

Motoyama: As you pointed out, some of the business procedures are still carried out on paper and the implementation of electronic workflows is still underway. These are considered as issues also inside the Company. The Company formulated a growth strategy with a target

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year of 2033. I think we have to go ahead with in-house reform toward that goal.

Koizumi: One way is to have employees collect data on the time spent on the current job and the time invested for the future. A longer time spent for the future means greater growth potential of the company. Also, there is a company that has introduced an AI-enabled tool that measures the effect of meetings and makes remarks such as there is redundancy or there are many errors. If you can streamline everyday meetings and business flows using a first-line tool, employees can spend more time for the future to enhance the growth opportunities of their company.

3 Activities of Audit and Supervisory Committee and Nomination and Compensation Committee

Motoyama: ITFOR formulated the Audit and Supervisory Committee in 2015 and the Nomination and Compensation Committee in 2021. Could you explain their major activities in fiscal 2023?

Sato: The Audit and Supervisory Committee runs meetings one to three times a month with the cooperation of the Internal Audit Office and advices from the audit corporation that is the accounting auditor of the Company.

There are differences between before and after the COVID-19 pandemic. Before the COVID-19 pandemic, we had many opportunities to talk with people of the Internal Audit Office including face-to-face conversation. But recently, online conferences have increased significantly, so that we have less opportunities to exchange information on everyday small things, although we discuss things to be discussed. I have talked to Mr. Motoyama about this, but I think we should have more face-to-face discussions.

Koizumi: I have been thinking small talk is very important, as Mr. Sato has felt, considering that the Audit and Supervisory Committee observes properness and adequateness of internal control and business operation of the ITFOR group. This reminds me of the butterfly effect—a small change resulting in large differences. That is to say, small thing mentioned in a conversation sometimes prompts us to find a risk or make investigation, leading to the prevention of risks from materializing. Providing a time frame for free talk may be effective even in an online conference.

Motoyama: I think that is a very important perspective. We will work on this problem with speed.

Sato: As for the Nomination and Compensation Committee, Mr. Koizumi and I were concerned about the way the compensation for Director was determined, which was a black box at that time. So, we proposed that the Nomination and Compensation Committee should be organized. We proposed that the committee should also discuss the introduction of ideas such as performance-linked compensation and promotion of employees to Directors. I think it is a very good thing that we now have a place for such discussions. Meetings are currently held

several times a year, but I think we may need to consider increasing the frequency of meetings.

Koizumi: The governance code stipulates that the compensation for top management should be an incentive that reflects medium- to long-term company performance and risks and encourages them to exercise sound entrepreneurship. The Nomination and Compensation Committee of the Company deliberates the skills matrix of Executive Officers, candidates of Directors, and performance evaluation for promotion, and the committee also started deliberation on a performance-linked stock compensation system last fiscal year. These efforts are improving the compensation system every year toward a desired form.

Abe: I think the committee is carrying out superb deliberation with very high transparency. On the other hand, we have too many parameters as the result of seeking accuracy, and this makes compensation decisions practically very difficult. As we are currently trying to improve this issue, we may be able to improve transparency and objectivity by segregating elements that cannot and will not be quantified.

Motoyama: I am very grateful to you all for operating different committees with transparency. As Mr. Sato pointed out, I think now is the time to move ahead to the next stage. Let's provide our opinions so that committee members can have prior consideration on the key agenda items and the frequency of meetings.

4 Ways of governance for the growth of ITFOR into the future

Sato: The period of the new medium-term management plan started from fiscal 2024. In the formulation of this medium-term business plan, we first described the future of the Company ten years ahead, and then backcast from there to formulate the plan. I think this is a very good way. Also, we involved middle management and younger people in many discussions because we will not be in the Board ten years after. The medium-term business plan formulated in this way clearly describes how we want the Company to become in ten years and what we will do for the coming three years to achieve that. I think that we should first work to accomplish this medium-term business plan, and our effort will lead to the continuous growth of the Company into the future.

Also, I want that we, outside directors, and inside Directors will maintain a sense of tension in a good way. This may sound harsh a little, but outside directors must have the role of checking, and inside Directors must work to grow the Company under the division of different management roles and mutual checking.

Koizumi: I think managing a company is similar to driving a car. In the management environment, there are sudden events such as a sharp curve and cliff. In such events, we slow down by applying the brakes at the appropriate timing. Governance has the function similar to brakes in the first place. But governance also needs to have the function of the accelerator because you cannot drive a car with only brakes. I think it is very important to ensure that the brakes and accelerator can be applied adequately.

With compliance, laws, and regulations getting increasingly severe and common practices ever changing, I think it is very important that the Directors and members of the Audit and Supervisory Committee have adequate knowledge. A place for constantly studying and sharing information on matters changing constantly is very important for governance.

Abe: Continuing with the metaphor of Mr. Koizumi, you cannot drive a car suddenly; you must practice. If future Directors, do not learn what the Board of Directors does, they may get stranded. We can hand over our roles to candidates of Directors seamlessly if they learn about the Board of Directors and the core part of management in an early stage.

5 Things expected of ITFOR

Motoyama: Today, your diverse opinions and comments made this opportunity very valuable and meaningful. Finally, can I hear what you expect from ITFOR?

Koizumi: I am researching companies in which employees are said to be happy, and to date, I visited such companies in 63 countries. According to Professor Ed Diener of the University of Illinois, companies with high levels of employees' happiness exert productivity that is 31% higher, sales that is 37% higher, and the creativity or innovation that is three times higher compared with companies with low levels of happiness. In the interviews of employees of happy companies that I visited, all interviewees were smiling and said that they were happy when they went to work on Monday. Actually, companies with happy employees have lower turnover rates and their business performances are rising. I wish ITFOR will also become a company in which employees take their duties as their own projects with joy.

Abe: I think so, too. I think that solutions that ITFOR offer are valuable businesses that cannot be replaced by AI or other high technologies. And, because the industry that the Company belongs to does not require much capital investment, the important thing is how we will foster talents. The Company is working to enhance employees' well-being and improve work environment with the strong leadership of President Sato. I also feel happy when I see these activities.

Sato: With solid business bases in different regions and the ability to network local people, ITFOR will continue to be a company necessary for society in this era of population decline of this nation, in which enterprises are having a hard time surviving. The most important thing for stockholders including shareholders, investors, and employees is continuing to be a company that is necessary for society. I myself as a Director must consider this point deeply and seriously, and wish the Company will grow larger responding to social expectation, and will have 100th anniversary after about 50 years from now.

Motoyama: Thank you all for joining this session today.
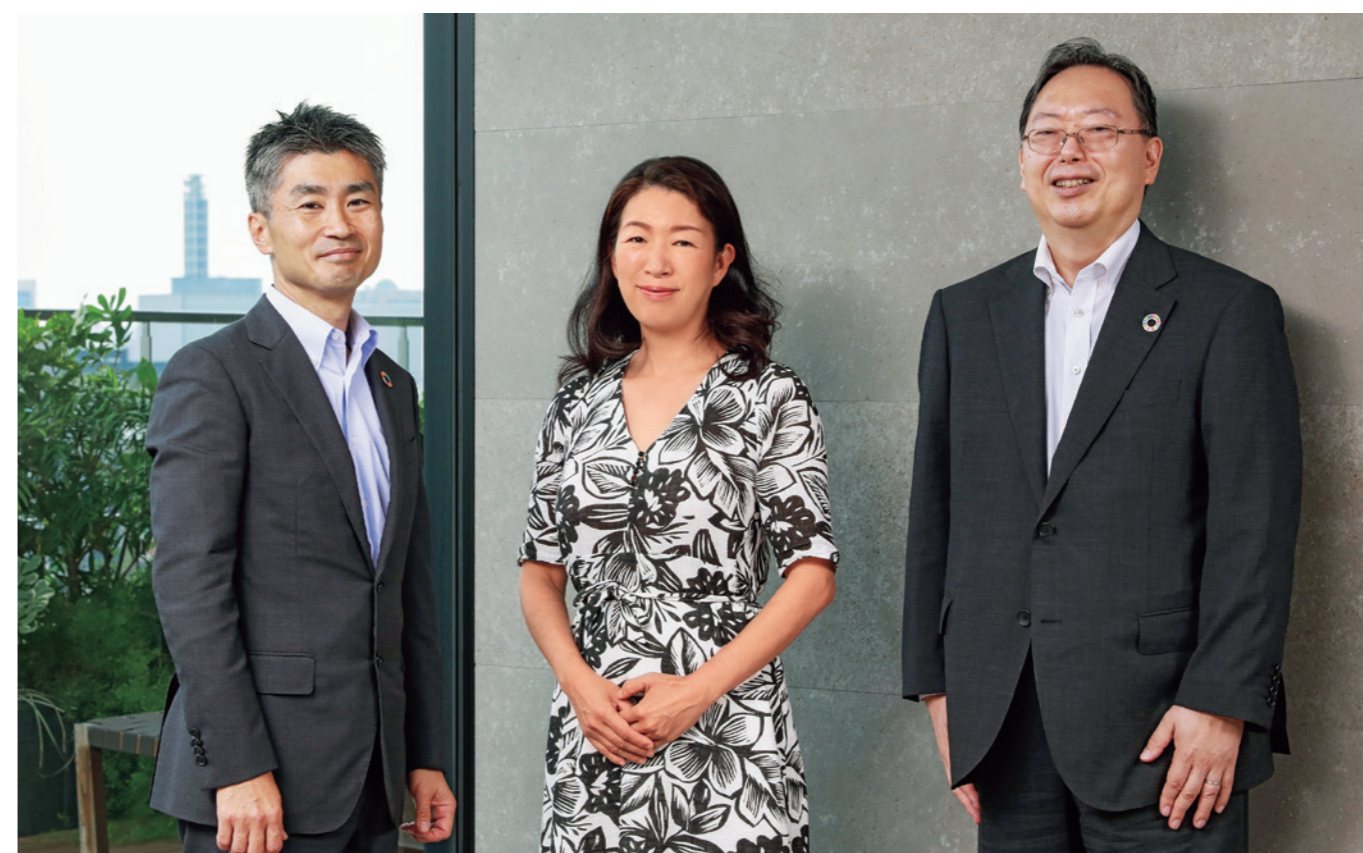
At a Glance 2

■ Non-financial information

Fiscal 2023, ended March 2024

Average length of employment

12 year
1 month

Fiscal 2022
11 years

Number of employees (nonconsolidated)

494

Fiscal 2022
457

Percentage of female workers among workers employed in fiscal 2023

29.8%

Fiscal 2022
26.0%

Rate of male parental leave uptake

57.1%

Fiscal 2022
44.4%

Rate of paid leave uptake
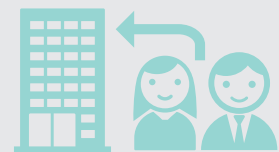
81%

Fiscal 2022
83%

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

100%

Fiscal 2022
100%

Voluntary employee turnover rate

4.2%

Fiscal 2022
5.8%

Medical checkup attendance rate

92%

Fiscal 2022
89%