

2024

ITFOR Integrated report




ITFOR

Creating inspiration and smiles through “The Power of Empathy.”



The needs of society and people are becoming increasingly diverse today, along with a broad range of changes occurring throughout the social environment.

Beginning with the sale of information equipment and system packages, ITFOR transformed into a service-provision company supplying useful systems and services around the world, and contributes to the creation of a society that brings excitement and smiles to people by leveraging the capabilities of “IT.”



FOR LOCAL DEVELOPMENT

ITFOR has contributed to revitalizing regional economies by providing systems and services chiefly to regional financial institutions, local governments and regional department stores. We will continue standing by communities and delivering what they need by leveraging with our “IT.”





FOR MANY SURPRISES

ITFOR is seeking to harness the capabilities of “IT,” one of its core strengths, to deliver countless surprises in the future to companies and all, with the underlying thinking of “accomplishing so much.”

FOR A SUSTAINABLE FUTURE

The mission at ITFOR is to add enjoyment to people's lives through IT. We are aiming to achieve a sustainable future by facilitating the development of the global environment, economic systems and society.



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Editorial policy

This report provides insight into ITFOR Inc.’s ongoing efforts to enhance its corporate value and the sustainability thereof. To ensure clarity for our stakeholders, including shareholders and investors, we have edited this report to interrelate vital financial and nonfinancial information, with an emphasis on key initiatives. In compiling this report, we have taken guidance from the International Integrated Reporting Council (IIRC)’s International Integrated Reporting Framework and from Japan’s Ministry of Economy, Trade and Industry’s Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation.

The value-creation process leverages nonfinancial assets, such as human resources and IT (DX), and we provide innovative and optimal services to our mainstay regional clients. This report outlines our business models for building up a strong customer base while aligning with our commitment to regional revitalization, and also elevates our corporate value.

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

■ Reporting period

- In general, April 1, 2023 to March 31, 2024 (includes some information outside of this period)
- The report mainly includes results for the current financial reporting period from April 1, 2023 to March 31, 2024, and also includes some corporate information, targets and plans for future periods.

■ Scope of reporting:

ITFOR Inc. and ITFOR Group

■ Disclaimers:

This report has been prepared mainly to share insights into ITFOR Inc.’s efforts to boost its corporate value. It is not a solicitation for the purchase or sale of shares. Any projections or outlooks presented herein are not a guarantee of future performance.

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For more detailed information, please refer to our website:

<https://www.itfor.co.jp>

Current issue date: September 30, 2024

Next issue date: planned for end of September 2025

1. Our Value Creation



Our Value Creation

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Message from the President



Tsunenori Sato

President and Representative Director

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

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

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

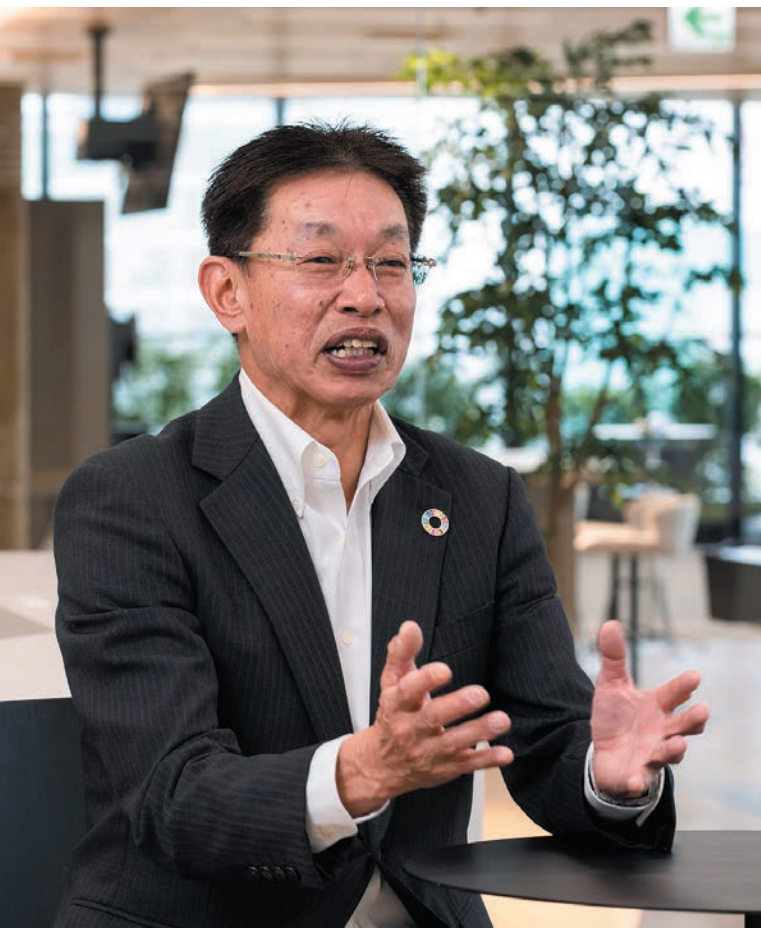
that I can commend the fact that we were able to bring about changes to our business operations and internal procedures, as well as quickly adopting new ideas and methods of communication with our customers. We also achieved most of what we had planned with regards to our organizational restructuring 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,

1. Our Value Creation

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.

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

Promotion of DE&I

Increase in work-life balance

Effective recruitment strategies

Retention measures for potential retirees

Enhancement of education and training

Career development support

Improvement in evaluation management

Leadership development

Increase in spare time from greater productivity

- Personnel system with 1,500 full-time employees
- Expansion of employee referral system
- Reduction of turnover
- 5% of working hours for self-improvement
- Promotion of qualification acquisition

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



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



ROIC management

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



Increase the number of institutional investors

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



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

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 about 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.



Special Feature: Dialog between customers and the President

Ideas from regional areas to energize society Taking on challenges to achieve mutual goals

A chance meeting at a pitch contest immediately led to a mutual understanding

Sato: The first time we came together was back in January 2018. I recall so clearly cheering on one of ITFOR's employees who had advanced as a finalist in the Okinawa block competition of a new business pitch contest. As a senior managing director of Fukuoka Bank at the time, you were serving on the judging panel, so I was so keen on exchanging business cards with you given how rarely such an opportunity to meet you would come by. You suggested that I should visit you at your bank, so we met again there at a later date.

Yokota: My first impression of you was your positive attitude as a person. I thought you were always beaming with smiles, and had a very frank and open relationship with your employees—you embodied the concept of “處人講然” (shojinanzhen: when interacting with others, try to make them feel at ease and calm) found in the “六然訓” phrases that I live by myself. We got along with each other instantly.

We had two things in common, the first being our outlook of the world, and the other was that we made our own presentations ourselves. These are two areas that I am very particular about, so I felt that we were very similar deep down.

Sato: What do you mean by our outlook of the world? Does that come from our frequent talks on topics like the fact that we had both visited Israel in the past?

Yokota: Yes, that's right. When I heard that you had business dealings with an IT manufacturer in Israel, and had also visited the embassy to get more information about the company, I was so impressed and felt that you were someone I could look up to.

Sato: Oh, stop... One thing that is true, though, is that do really insist on making my own presentations. This takes so much time, but it means I can do the presentation without referring to any script. I also remember that we talked often about the marathons you run. You mentioned that you took part in a 100-kilometer marathon and ran for 12 or 13 hours—and that if you had that amount of time, you could even go to Israel.

ITFOR taking part in Minna no Ginko development project as a partner for taking on challenges together

Yokota: We talked about so many things whenever you visited me in Fukuoka, and at first I felt that you were a friendly vendor, but I had the opportunity to learn more about ITFOR after you joined us as a development partner for the Minna no Ginko project. Our Fukuoka Financial Group

Koji Yokota

Minna Bank, Ltd.
Advisor



all around Japan.

launched Minna no Ginko in May 2021 as the first digital bank in Japan. The bank was started from scratch by building a public cloud-based system, and we planned to begin a loan business the following year, so we asked ITFOR to cover the credit management system aspects.

Sato: After hearing that you were developing a nationwide digital bank, I am so happy that we were able to be part of it. While we did have a lot of experience with credit management systems, the fact that these loans were to be used by people the bank had never met before meant that we needed to completely change our way of thinking, which presented a major challenge. No doubt this represented an even bigger challenge for you, but we were overjoyed to take on such a challenge together.

Yokota: The reason why we developed Minna no Ginko was that, in addition to the structural challenges arising in the regional bank market at the time due to the declining birthrate and aging population, the term “fintech” emerged as a buzzword around 2015. In 2018, the term digital transformation, or DX—leveraging digital and data to spearhead

transformation of business models—was also viewed as the keyword for the competitive strategies being adopted by regional banks. While traditional banking services are quite familiar to seniors, such services are not regarded well by digital natives, and as such there was a growing sense of impending crisis among banks that if nothing was done to address this situation continued, other industries would begin making inroads into the market by harnessing fintech and start poaching younger generation customers.

Yet any attempts to try modernizing and migrating the legacy systems of traditional banks would take a tremendous amount of effort and time. Modifying the way channels and teller operations work was also deemed to be extremely demanding, given that some customers who only used the bank by visiting branches. So the idea we came up with was to develop a bank using backcasting, by looking toward the future of what the bank of tomorrow should be like. There was an intense sense of fear that regional banks would not be able to survive the looming age of digital revolution if they all took the same approach and simply provided additional services as an extension to their conventional services.

Sato: ITFOR has experience providing services to regional financial institutions and local governments, so we had a thorough understanding of the challenges faced by rural areas. With the growing number of young people moving to the Tokyo metropolitan area, and the assets that they are inheriting also flowing toward Tokyo, major corporations in different industries that were not originally banks ended up as the winners—this created a significant flow of funds from all 46 prefectures around Japan concentrating solely in Tokyo. In the face of such tendencies, Minna no Ginko is attempting to buck the trend. This is a trend that is absolutely necessary, and is also very exciting.

Yokota: I am so grateful that you understood what we are trying to achieve. While the base of the Fukuoka Financial Group is with regional banks in Fukuoka, Kumamoto and Nagasaki prefectures, funds are truly flowing to the capital. We need to find a way of somehow bringing this to an end. In essence, all the regional banks were thinking how they could focus on local production and local consumption of money.

Sato: Restoring the movement of people and money to how they were takes an immense amount of power once they have started flowing. It is also very difficult to change the fundamental mindset of young people, but if the available services are clearly more convenient, it is the young people who will make use of them, regardless of which bank provides those services. I pondered how interesting it would be if money ended up concentrating in Kyushu without anyone realizing it, thanks to the efforts of the Fukuoka Financial Group.

Tsunenori Sato

ITFOR Inc.

President and Representative Director

What Japan's first digital bank created, and what it linked up

Yokota: Minna no Ginko celebrated its third anniversary this year with over one million accounts, but 70% of account holders are customers under the age of 40. They comprise digital natives hailing from Hokkaido down to Okinawa Prefecture, in line with demographics, as we had initially envisioned.

Our customer base that had been almost exclusively in Kyushu has expanded nationwide, and we have broadened the domains that our Group operates in. The capabilities of our organization that were previously limited to banking services have also expanded to cover digital marketing and app development engineering. Further to this, we have now developed the organizational capability of working with our partners to build the API platform for creating the value of the customer experience we are seeking. The creation of a customer base has also resulted in value that will be able to generate future revenue, or the so-called franchise value.

Minna no Ginko currently has about 300 employees, with around 30% of them from the banking sector—the remainder have been hired from other sectors, with engineers making up about half of the total number.

Sato: It find it hard to believe that half of those working at the bank are system engineers. Having people with different backgrounds join in and openly express their opinions makes it much easier to lead to business opportunities. A number of regional banks have realized that they are no

longer able to achieve what they want to do after continuing to cut back on the number of system engineers due following system integration—some are now urgently trying to get their engineers back.

Yokota: That's right. I visited one of the world's largest digital banks in 2017 and heard that they started outsourcing 80% of their systems in the year that Lehman Brothers collapsed, but then spent about 10 years returning everything back to their own development. When I witnessed how that bank had transformed into a digital bank through these steps, I realized that we definitely needed to bring development in-house, with our own engineers creating the service themselves to ensure a speedy process.

Sato: Your foresight has definitely become a case of best practice in Japan. When it comes to banking systems, naturally the whole premise is that there cannot be any failures, but it was one of the world's leading overseas financial institutions that was the first to redefine this. In 2017, we actually set out to create a sandbox system where we could do whatever we wanted, and even fail if need be. Financial institutions in the UK also implemented a similar approach for their cloud-based system infrastructure.

ITFOR also wanted to adopt a sandbox for our 12th floor head office here, but our company still has a stubborn attitude in that it wants to achieve everything at once, without any failures. We need to change this approach as we focus on future development and the way we look at about things.

Yokota: The concept of trying things quickly and failing while things are still small was certainly not an approach taken by banks, and the more we tried it, the more we found out that it is quite reasonable. Developing apps by adopting an agile approach inevitably results in bugs. Naturally we fix those bugs before releasing apps, but the issue lies when just how quickly we can address them. Another example is making changes immediately if customers are not responding as we expected or if it looks like they are making the wrong movements—this is one of the organizational capabilities that we have built up.

Sato: Smartphone apps are one of the reasons I actually wanted to become involved with Minna no Ginko. Around 70% of all bank transactions are now made via Internet banking—this rate is even higher among younger generations—but these transactions are being made using smartphones, rather than computers. Minna no Ginko already has many young customers using smartphones, so there is plenty of potential in the non-financial sector. I definitely want our company to be involved in this.

Yokota: For sure. Half of our employees are also system engineers, but I think we are still lacking with our own development capabilities. Just like ITFOR set regional revitalization as a goal of its medium-term management plan, it is people and the capabilities of human resources that set objectives like the first penguin concept or moonshot thinking.



Heading outbound from Fukuoka and working with newly acquired partners to create value for local regions.

The key lies with just how to hire and train as many talented people as possible. This remains an eternal challenge. Many of our engineers shared a similar purpose and vision as us, approaching us because we are “a bank doing exciting things,” and I feel the tremendous capabilities of those who joined us because of a shared purpose.

Sato: Exactly. I also hope to organize personnel exchanges, like inviting employees cultivated at Minna no Ginko.

Working with ITFOR aiming to revitalize local communities with a global perspective

Sato: One of the reasons making development with Minna no Ginko so easy is that the API is largely open and shared, and you are deeply committed to the philosophy of having an open API. This is simply not possible at other banks.

Yokota: I think there are probably three skill requirements needed for banks in the future. The first is engineering, and this means the bank is developing its own apps. Second is the skill of open banking for coordinating efforts with various partners via the API. And the third is being data-driven, which I feel is turning more to AI-driven these days. Based on these skill sets, I think our API platform is the most advanced banking API platform in Japan. We are able to operate in an open manner while also maintaining the level of security required in the UK and Europe. This is also why we are able to create a safe customer experience when it comes to BaaS (Banking as a Service). Furthermore, we are able to exchange data with ITFOR via the APIs, so I am sure we have a long future ahead working together.

Sato: The fact that we do not operate any actual branches means that no matter where our customers reside, they will receive the same level of service as in Tokyo or Fukuoka as long as they have a smartphone—an achievement that was unthinkable in the past. One of our business visions is “providing services anywhere in Japan without any differences,” and Minna no Ginko has already accomplished this.

Yokota: The service called Embedded Finance is already available in Europe and the U.S., and I also want to achieve this in Japan. For instance, I am referring to a bank that only provides services like directly debiting fees from a bank account when a user makes a payment on a major distribution e-commerce site, or automatically creating a loan if the user has no balance. As this is one platform where the bank is embedded in the processes making up the customer experience, our bank should be the first one approached by any type of businesses, regardless of size.

Sato: I also want our company to be involved in BaaS. More than just

being able to be integrated into the existing smartphone apps of financial institutions, if services like ride-sharing can also be booked and paid for via the Minna no Ginko app, it will become an app that plays an essential role in daily life.

Yokota: The fees for transactions can be very high when using credit cards or mobile payments, and those fees are becoming a significant issue when viewed across society as a whole. BaaS can be provided at a lower marginal cost so it can even be rolled out at regional retailers, which can help overcome such issues.

Our business domains now span all over Japan and will hopefully become global in the future, but from my hometown in Fukuoka, I am sending out the message about redesigning banking and finance, and redefining the form that banking will take on in the future. I would like to cast my gaze more and more outward, build up new partnerships, and then return to Fukuoka and link up with customers and partners in Fukuoka based on new relationships. There are many great materials and manufacturing companies throughout Japan, and if Minna no Ginko is able to entice new partners to local areas, there will likely be many new opportunities that arise.

Sato: If we are able to properly communicate our purpose in these regions and add value there, things will naturally begin moving, which will bring about a change in the flow of both people and money. While each of the 47 prefectures possesses their own value on a regional basis, the fact is that these values are not well known or conveyed to others. As you mentioned, I think there are cases where you realize the value of the region only after leaving Fukuoka and heading outward. There is a tremendous amount of potential for the synergy generated by the value in different regions. I would love to play a role helping you create new value for such regions.



Minna no Ginko has already achieved our business vision of “providing services anywhere in Japan without any differences”

ITFOR's history

■ Evolving in tandem with regional societies

ITFOR was founded in 1972 as CJK Co., Ltd. Under that name, the company's business was the import and sale of information equipment and systems from overseas.

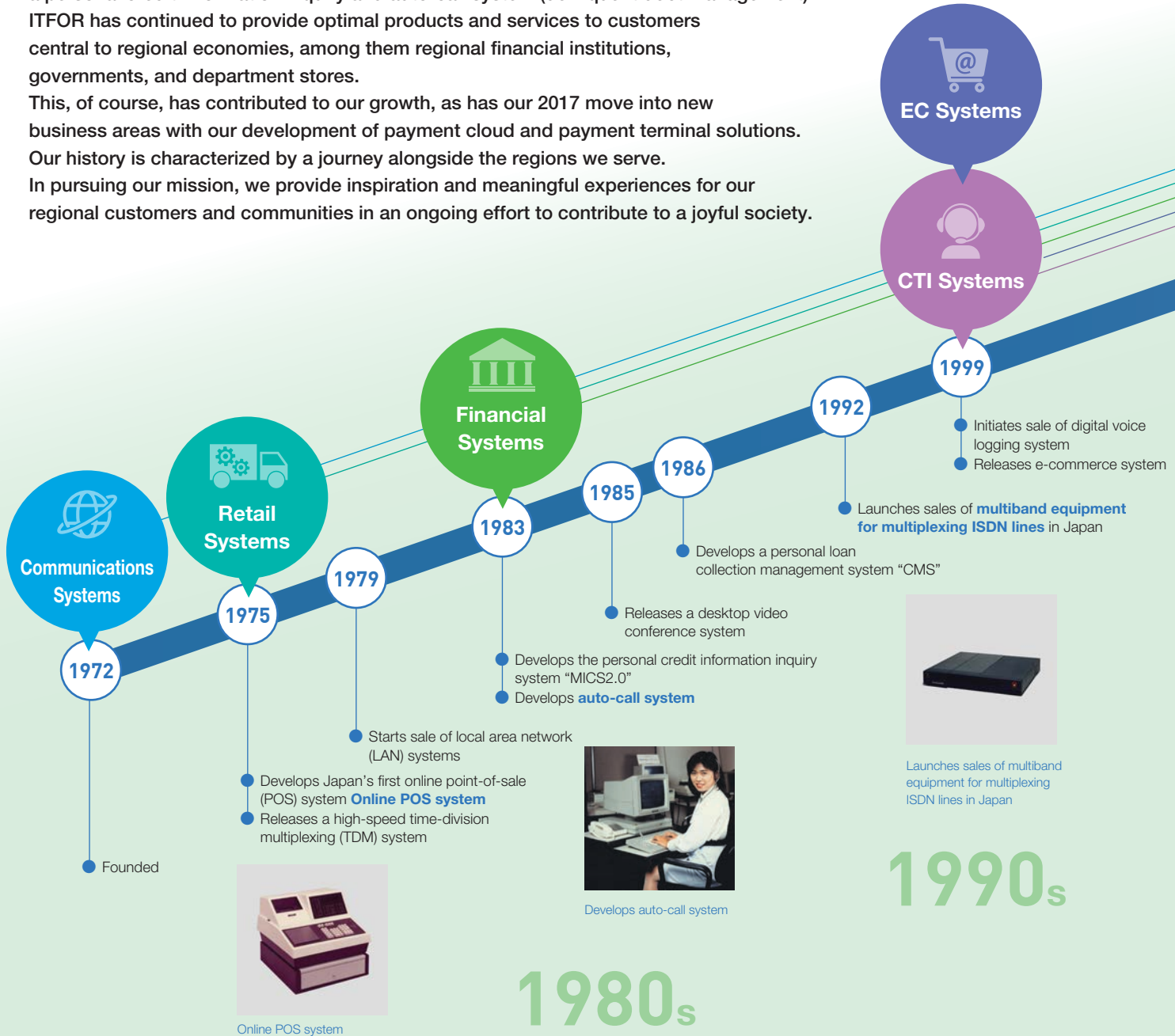
By 1975, however, we had developed and introduced Japan's first online POS system.

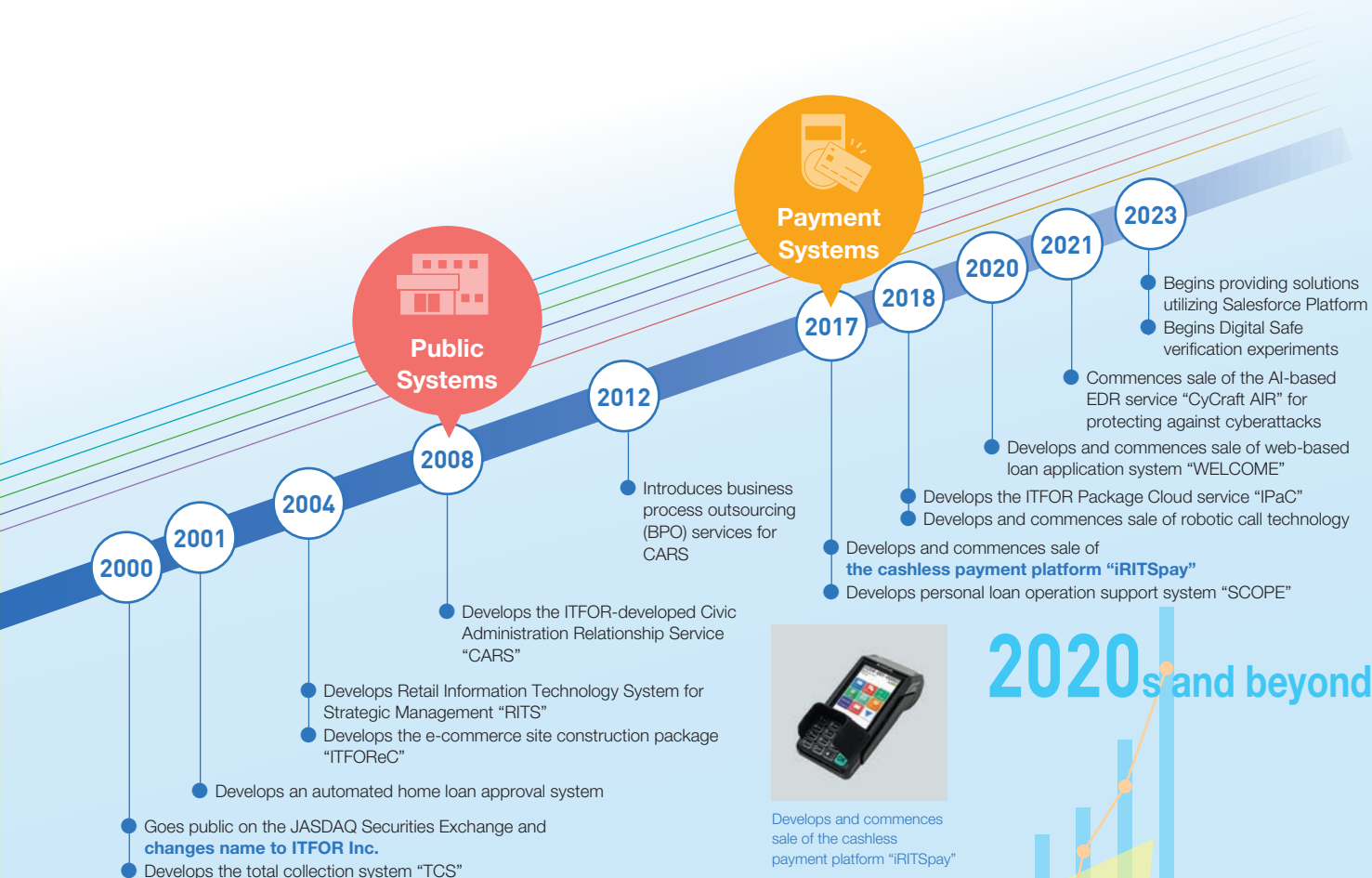
Ever-expanding capabilities led us in 1983 to develop and introduce a personal credit information inquiry and auto-call system (delinquent debt management). ITFOR has continued to provide optimal products and services to customers central to regional economies, among them regional financial institutions, governments, and department stores.

This, of course, has contributed to our growth, as has our 2017 move into new business areas with our development of payment cloud and payment terminal solutions.

Our history is characterized by a journey alongside the regions we serve.

In pursuing our mission, we provide inspiration and meaningful experiences for our regional customers and communities in an ongoing effort to contribute to a joyful society.





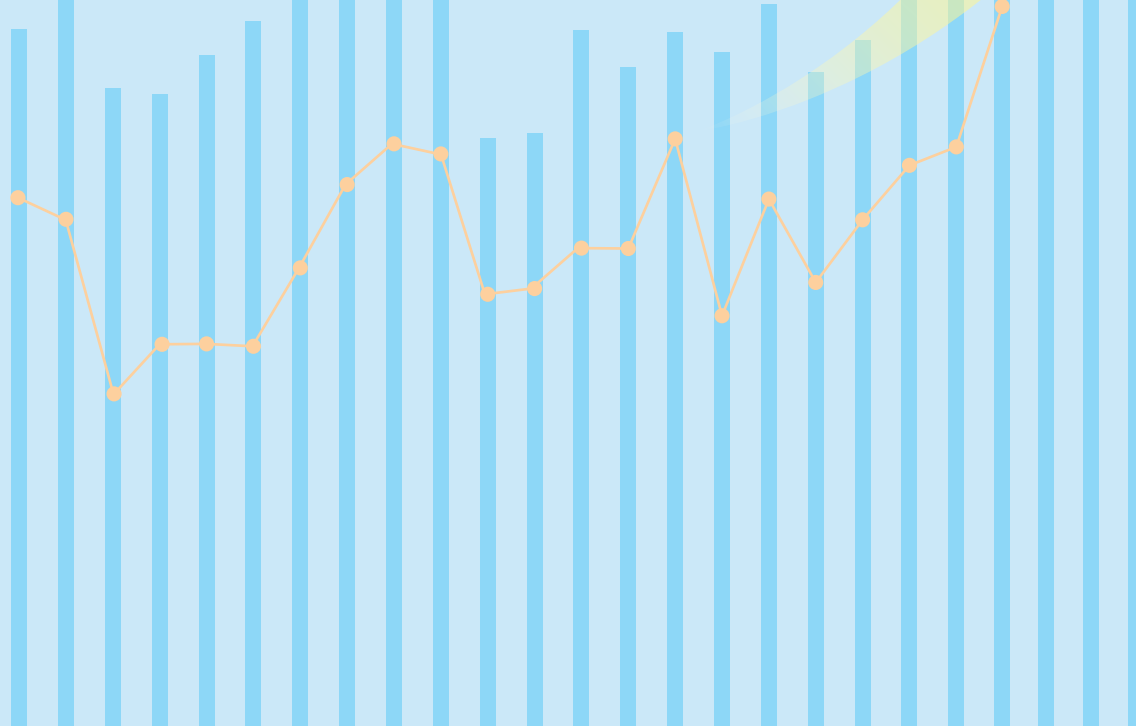
Develops and commences sale of the cashless payment platform "iRITSpay"

2020s and beyond

ITFOR

2010s

2000s



Change in net sales and operating income (non-consolidated)

Net sales

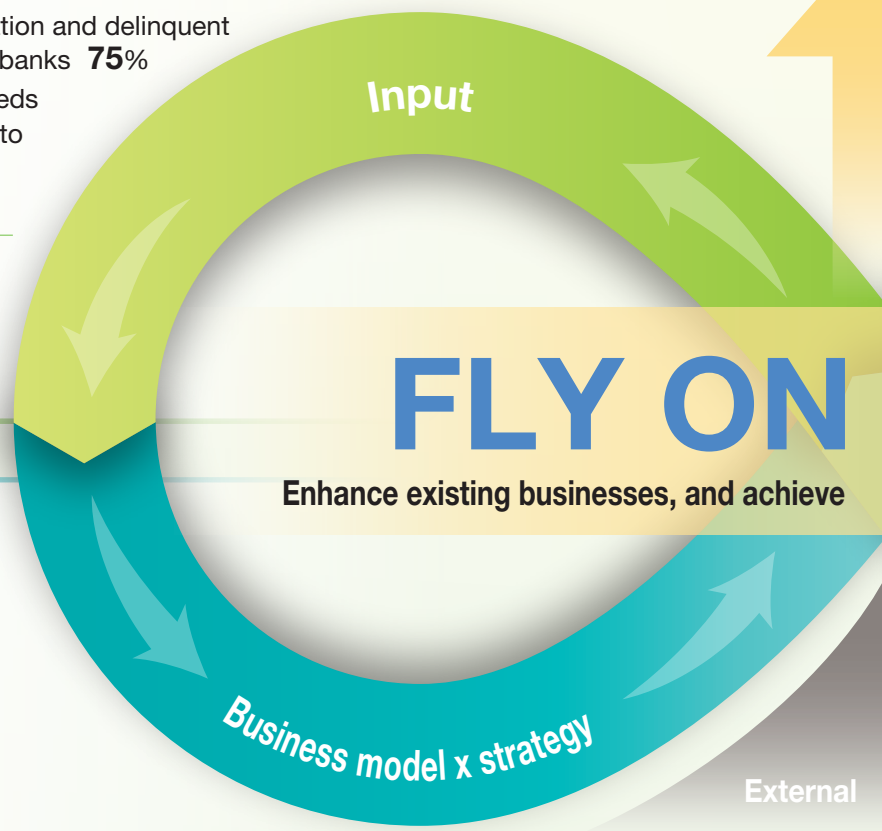
Operating income

Value creation process

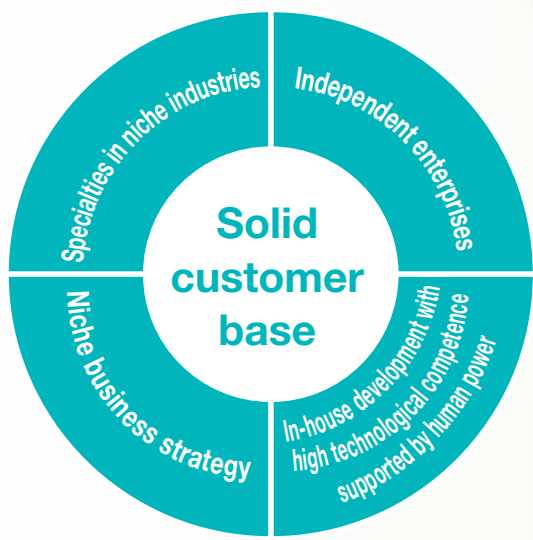
With the diversification of business and personal consumer needs amid changes in the social environment, the ITFOR Group aims to be a company that generates excitement and smiles with “A Spirit To Be Close” to people by addresses various social issues through businesses that leverage our strengths.

Financial capital	Sales	20.6 billion yen	ROIC	15.0%
	Operating profit	3.7 billion yen	ROE	15.4%
Intellectual capital	Investment in R&D (three years)	494 million yen		
Customer capital	Share of systems for examination and delinquent loan management in regional banks	75%		
	Consolidate the additional needs found in the users’ meeting into packages to facilitate continued usage	65%		
Human resources	Number of employees (consolidated)	592		
	Investment in human resources	204 million yen		

HIGH FIVE



- International situation
- Declining birthrate and aging population
- Human resources shortage



Management Philosophy

Generating excitement and smiles with “A Spirit To Be Close” to people

Purpose

Realizing a sustainable future by supporting regional societies and the life stages of residents through innovation, and providing surprises

2033

Providing B2B2C total services

System (IT) / Business (BPO)

Financial institutions

P.40

Local governments and educational institutions

P.46

Retailers and department stores

P.43

Contact centers

P.44

Payment infrastructure

P.42

Social infrastructure

P.45

Financial KPI (target for fiscal 2026)

Sales	28.0 billion yen	ROIC	15.0%
Operating profit	4.8 billion yen	ROE	15.0%

Non-financial KPI (target for fiscal 2026)

Percentage of female managers	9%
Rate of male parental leave uptake	50%
Employment rate of disabled people	2.7%
Voluntary employee turnover rate	6%

2026

a drastic growth with new business

Output

Outcome

environment

Diversification of social systems

Technology innovation

DX promotion

Creating well-being

Regional revitalization

P.64

Reducing environmental load

P.61

Developing human resources that support society

P.62

Realizing safe and secure society

P.34

Improving corporate value for the continues execution of sound business activities

P.66

ITFOR Business Model

ITFOR steady growth over the past five decades years has been underpinned through its business model of providing optimal solutions through “Industry-specific expertise,” “Niche business strategy,” “Corporate independence,” and “In-house development with advanced technology by quality human resources,” and then building a “solid customer base” based on these solutions. ITFOR will be leveraging these five strengths to further cultivate new customers and business fields, and achieve continual growth in a sustainable manner.

BtoBtoC Company

To create products and services that satisfy our end customers, it is essential to consider the society or people using them. In system development, our emphasis lies in understanding in detail the lives, habits, service usage scenarios, and emotions of our customers and all who might use what we offer, to enhance the value of the solutions provided to an entire array of customers. This is the reason why ITFOR identifies itself as a B2B2C company.

5 Strengths

Industry-specific expertise

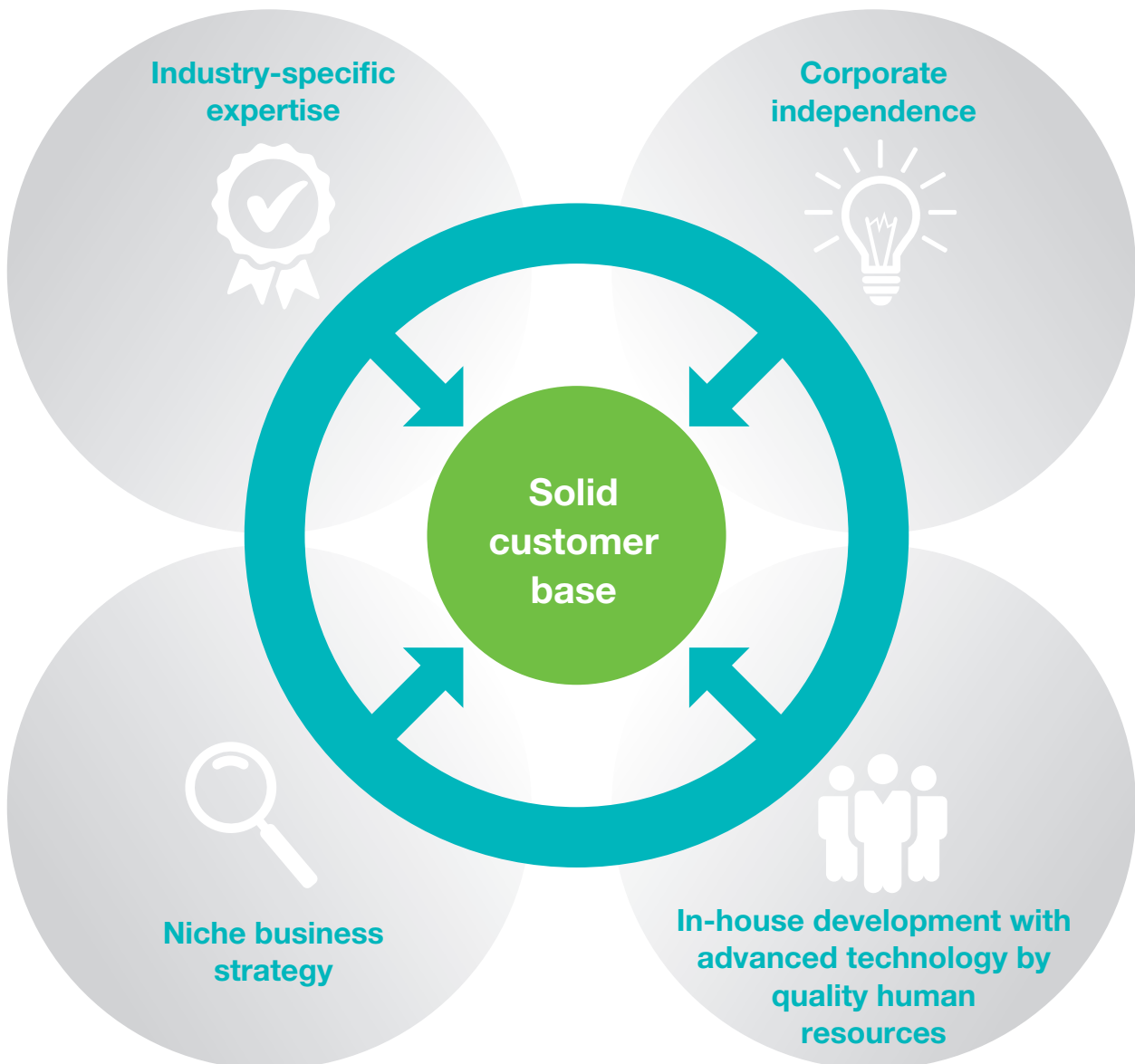
The starting point of ITFOR’s business model is concentrating on specific industries and enhancing its own expertise. We are concentrating our management resources to cater to specific industries such as regional financial institutions, local governments, and department stores.

Niche business strategy

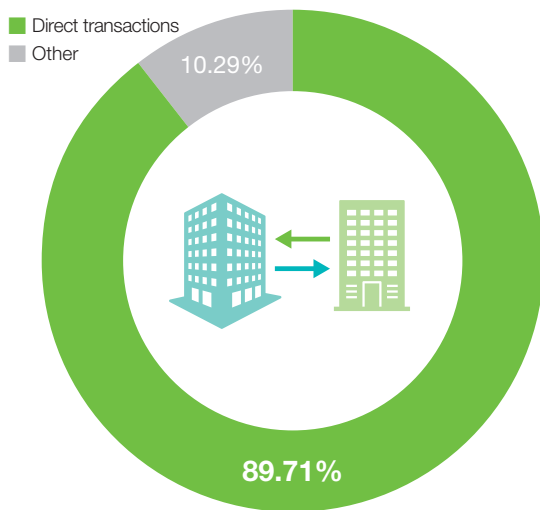
ITFOR has a deep understanding of our customers, and leverages our refined expertise to provide optimal solutions tailored to niche areas that are essential to those industries, and where we are able to harness our own strengths. We are creating unique value by driving ahead with strategies that leverage our industry-specific expertise.

Corporate independence

Our ability to harness advanced technical expertise ensures deep engagement with the challenges faced by our customers and their local communities, and ITFOR’s approach is facilitated by its status as an independent company. Being unaffiliated with any particular group means we are free from technical constraints or obligations, and enables us to deliver our proprietary, optimal solutions.



Ratio of direct transactions (FY2023)

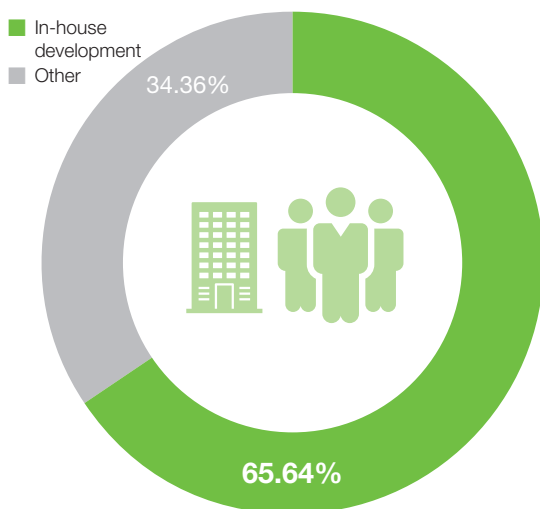


In-house development with advanced technology by quality human resources

Crucial to providing optimal solutions is our ability to develop systems in-house, characteristics of corporate independence, and the capabilities of the human resources that make this possible. We aim to provide a working environment where each of our employees can thrive and work enthusiastically and reach their full potential. It is our belief that every initiative related to securing and nurturing human resources contributes to our corporate growth. As such, we promote the engagement and development of diverse talents, the provision of a fulfilling workplace, and the necessity of occupational health and safety.

We, in turn, benefit from a wealth of highly skilled personnel who grant us an accumulated level of expertise and business knowledge in system development that is unparalleled, qualitatively and quantitatively. This is the source of our technological advancements and high degree of specialization.

Ratio of in-house development (FY2023)



Solid customer base

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

ITFOR regularly hosts user meetings that transcend the conventional lecture format. Each session is a dynamic forum where clients discuss and exchange opinions on shared business challenges, and forms a valuable opportunity to elicit suggestions for the services we offer. The meetings also broaden mutual understanding between us and customers, further customer trust in us, and cultivate future business ventures for us with customers. Customers' robust trust in ITFOR underpins their ongoing utilization of ITFOR's solutions, and that recurring business generates a steady revenue stream for ITFOR.

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

10-year persistency rate of the top 30 companies with sales

65%

Cross-selling rate of divisions in region (2 or more divisions)

85%

Share of regional banks nationwide

75%

* Share of installed screening and delinquent loan management systems

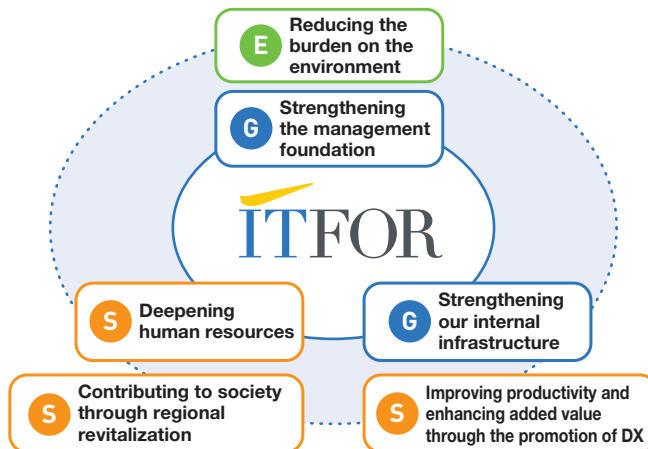
Materiality

ITFOR has set forth five Materialities (Important Topics) based on its Sustainability Policy for boosting corporate value through its business strategy and underpinning sustainable growth of the entire group, while contributing to development of a sustainable future society.

Materiality (Important Topics)

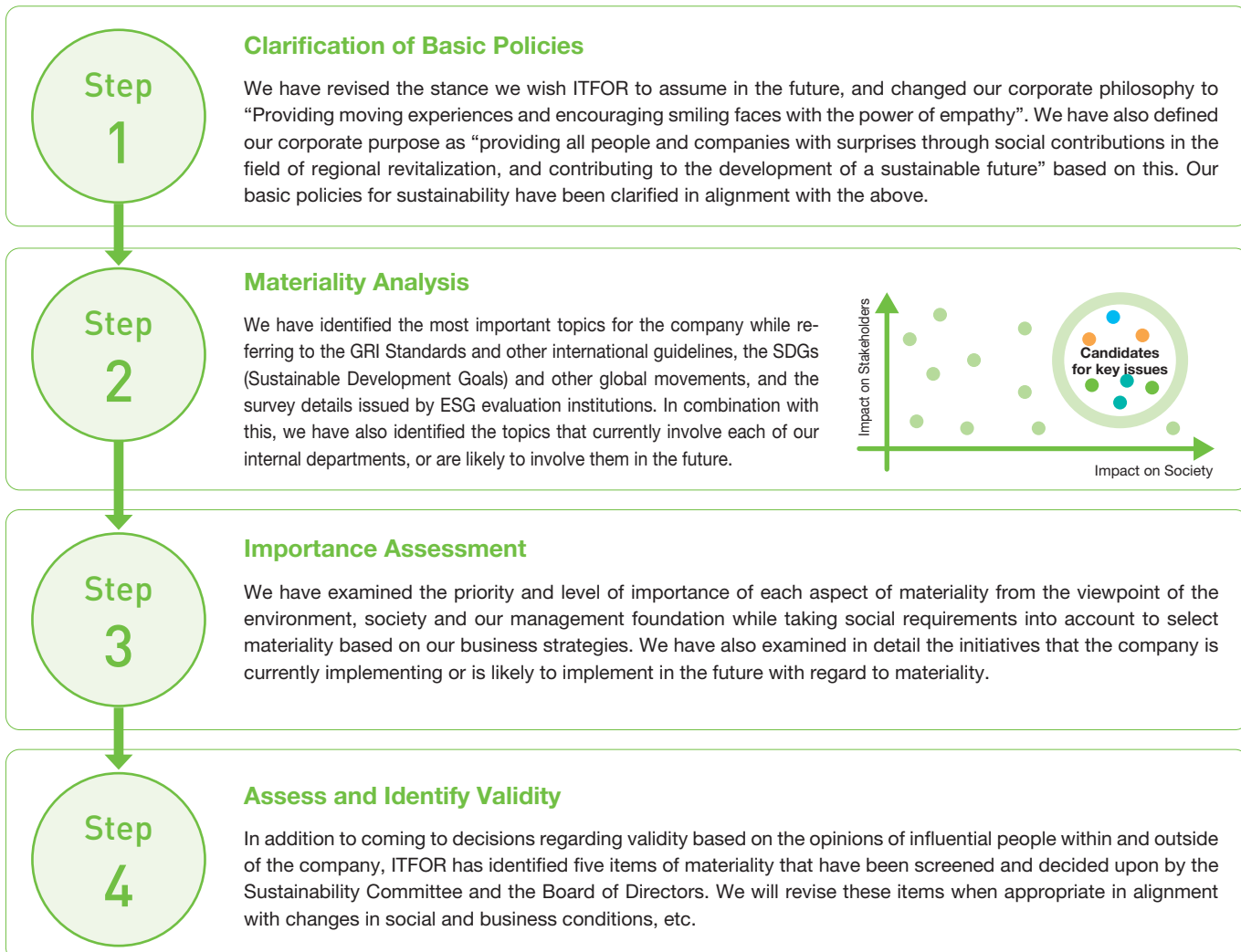
ITFOR has clarified its purpose as “Realizing a sustainable future by supporting regional societies and the life stages of residents through innovation, and providing surprises” as the vision to achieve. Based on our “Sustainability Basic Policy” formulated in line with this purpose, we have identified five materialities based on Environmental (E), Social (S) and Governance (G) perspectives.

ITFOR’s sustainability activities are addressing these materialities with specific initiatives through its core business activities.



Identification Process

In November 2021, ITFOR established the Sustainability Committee that is effective throughout the entire organization, and identified five specific aspects of materiality in alignment with our corporate philosophy, international guidelines and global tendencies.



Materiality (Important Topics)	Detailed Initiatives	Related SDGs
<p>Reducing the burden on the environment</p>	<p>We are implementing direct and indirect initiatives pertaining to the reduction of greenhouse gases so that we are able to accept the challenges involved in halving emissions by the year 2030. We are also responding to the effect our business affairs have on the risk of climate change so that we can provide solutions that support our BCP from the viewpoint of business sustainability.</p>	<p>Promoting activities against the risk of climate change</p> 
<p>Contributing to society through regional revitalization</p>	<p>We are utilizing open innovation, including solutions, in our business activities to correct the disparities between urban areas and rural areas and aim at revitalizing regional economies.</p>	<p>Resolving regional issues through business Regional revitalization through open innovation Providing solutions for regional employment revitalization</p> 
<p>Improving productivity and enhancing added value through the promotion of DX</p>	<p>In addition to supporting the improvement of organizational and corporate productivity with the use of ever-evolving IT, we are also supporting the establishment of environments in which it is worth working.</p>	<p>Creating and providing social infrastructures utilizing new technologies Promoting decent work through DX</p> 
<p>Strengthening the management foundation</p>	<p>We are strengthening our management foundation in such areas as compliance management, risk management and corporate governance, and moving ahead with promoting the adoption of DX within the company and other initiatives that strengthen our internal infrastructure.</p>	<p>Strengthening the management foundation</p> <ul style="list-style-type: none"> Strengthening compliance management Strengthening the risk management system Strengthening corporate governance <p>Strengthening our internal infrastructure</p> <ul style="list-style-type: none"> Promoting DX within the company Strengthening security 
<p>Deepening human resources</p>	<p>In addition to promoting human resource activities and providing training to ensure that diverse senses of value and backgrounds are respected and to get the maximum potential out of each and every employee, we are also creating future-oriented working environments in which it is worth working.</p>	<p>Respecting human rights Promoting activities and training for diverse human resources Providing working environments in which it is worth working Continual promotion of occupational health and safety, and healthy management</p> 

Business overview



Financial Systems Division

Provides packaged systems for banks, credit unions and guarantee companies supporting personal loan applications through to screening, credit management and write-offs.
For non-banks and servicers, efficient demand and collection solutions are available, in addition to collection management systems.



Public Systems Division

Offers debt management solutions for local governments, including delinquency management and notice service systems; provides academic support solutions for educational institutions; and delivers business process outsourcing (BPO) services leveraging systems and ICT.



Retail EC Systems Division

Developed the first POS system in Japan in 1975, for a major department store chain.
Currently provides the “RITS” core system and “ITFOReC” e-commerce site development system, primarily for regional department stores and specialty stores.



CTI Systems Division

Provides advanced solutions linking contact center platforms with business systems, for customers such as financial institutions, public organizations and telemarketing.
Has been assisting clients develop businesses for over 20 years as a pioneer in the field.



Communications Systems Division

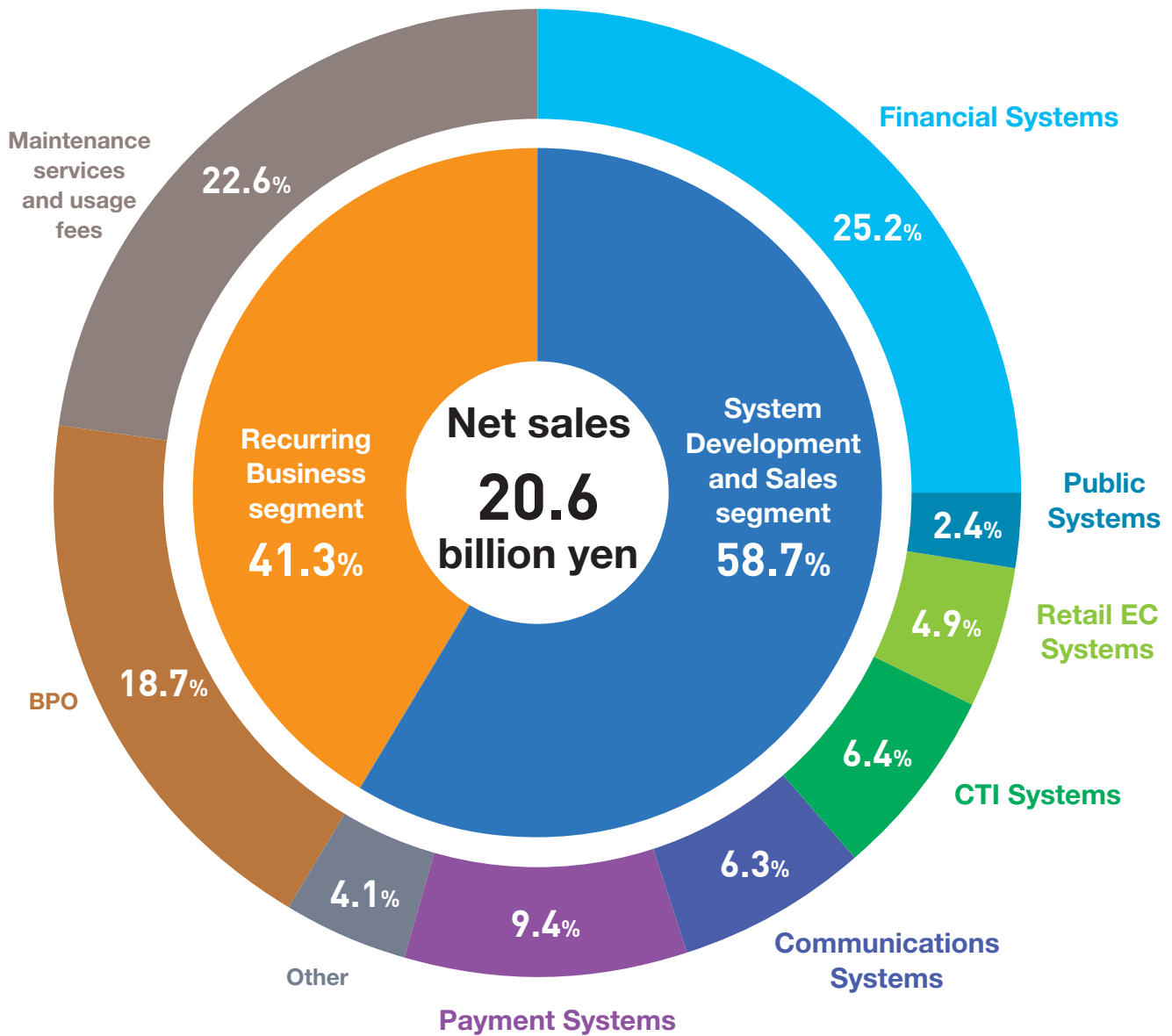
Core business that has been operating since foundation in 1972.
Provides comprehensive services, from network infrastructure to server development, cloud computing, and other infrastructure equipment and security for running networks efficiently and safely.



Payment Systems Division

Provides ITFOR's proprietary multi-payment services and cashless payment platform to participating merchants such as retailers, restaurants and municipalities, via regional financial institutions.

ITFOR Sales Breakdown



Overview of ITFOR Group Companies

The ITFOR Group comprises six group companies with expertise in each of their respective areas, such as software development and BPO services, to generate synergies with ITFOR toward achieving business growth. Our philosophy of sustainability is shared throughout the entire group, and contributes to re-energizing local communities through regional revitalization.

ICR Co., Ltd.



Katsuo Nakayama

President and Representative Director

Continuing to spearhead the Group’s growth by covering ITFOR reputable BPO services

ICR Co., Ltd. is a core company of the ITFOR Group that joined in 2014. ITFOR, with its broad range of solutions such as credit management systems for municipalities, and ICR, with human resources specializing in guidance for systems, recommendations, and know-how in collection operations, partnered together on debt clearance and notification systems for the public sector, and expanded the scope of business to BPO covering all aspects of teller operations. We are leveraging our mutual strengths to help improve services for residents of each local government area.

We operate three main businesses: administrative support services that provide operational support for taxes and national health insurance premiums; social security support services that assist citizens manage their health care; and on-site support services related to utility bills. Combining ITFOR’s solutions with the capabilities of human resources in the optimum manner allows us to significantly improve operational efficiency, and help local government clients overcome issues with their staff shortages or human resource training issues.

In April 2024, the ITFOR Group also established ITFOR · Bx Inc. as a new company providing BPO services. Going forward, the entire group is aiming to achieve further growth by adopting a new strategy to strengthen the BPO services business and expand into other areas.

Company name	ICR Co., Ltd.
Head office location	2F Yahagi Higashisakura Bldg., 2-10-1, Higashisakura, Higashi-ku, Nagoya 461-0005
Representative	Katsuo Nakayama
Founded	1975
Established	May 1982
Capital	100 million yen
Line of business	Commissioned to assist in the collection of insurance fees for the National Health Insurance System
URL	https://aicr.co.jp

Aisel Co., Ltd.



Reiko Kusakawa

President and Representative Director

Taking “customer satisfaction” one step further. Facilitating solutions to corporate and regional issues with the capabilities of human resources, in an era of rapid change

Aisel Co., Ltd. has its head office located in Taito-ku, Tokyo, with offices in Osaka and Saga prefectures. The company joined the ITFOR Group in 2008 as part of a capital alliance. Our businesses are based on three core pillars—the first and largest being software development, which is a one-stop service designed to meet customer needs, from requirement definitions to maintenance and operation of core business systems. Second is our security license sales business, where we install security products tailored to individual customers designed specifically for their particular environment, as well as provide services, maintenance and operation. The third is our DX business, where we respond to the various concerns that customers have regarding implementing IT and providing optimal proposals. With a large number of our corporate clients facing various concerns while promoting DX, we began operating full-scale business from 2024 with the view to assisting our clients in some way.

The group’s new medium-term management plan aims to develop new services required around the world by using new technologies such as AI, robotics and blockchain, and we seek to contribute to this goal as a member of the group. Aisel specializes in developing apps for mobiles and smartphones, and is providing its knowledge and skills. Some nine years after establishing a base of operations in Saga City, today Saga Prefecture is actively implementing DX initiatives, and we hope to play a role in closing the digital divide that exists in Saga.

Company name	Aisel Co., Ltd.
Head office location	12F Ueno Frontier Tower, 3-24-6, Ueno, Taito-ku, Tokyo 110-0005
Representative	Reiko Kusakawa
Established	January 25, 1989
Capital	100 million yen (non-consolidated)
Line of business	Development of computer software
URL	https://www.aisel.ne.jp

EeB Corporation



Toshiro Nakagen

President and Representative Director



We will be contributing to society by supporting digital society with technology in line with our philosophy: “for Every e-Business”

Based in Nomi City, Ishikawa Prefecture, our company’s main line of business involves software development, training of system engineers and programmers, and temporary staffing solutions. Our company name EeB was coined from the philosophy of “for Every e-Business.” Established in the 1990s right when IT was starting to pick up the pace around the world, we have also been focusing on training Java engineers since 2000. In line with our philosophy, we convey to each and every potential engineer and employee that being an IT engineer is an amazing profession that is related to and supports all types of industries and sectors, including finance, distribution, construction, and food and beverage.

We became an ITFOR Group company in 2019. We joined the group because its philosophy of regional revitalization and social contribution aligned with that of our company, and because we believed that our creation capabilities could be boosted by the driving force of ITFOR. Looking forward, we hope to achieve even greater synergy together.

There is a considerable shortage of digital human resources in the areas around Ishikawa and Toyama prefectures, and responding to requests for temporary staffing continues to be a challenge. More than just digital human resources, labor shortages is becoming an increasingly serious issue throughout all of Japan, so new technologies are needed at a level where one person is able to do the job that used to be done by multiple people. We hope to cultivate engineers who are able to design such concepts by leveraging cutting-edge technology from early on.

Company name	EeB Corporation
Head office location	Ishikawa Frontier Lab, 2-5-12, Asahidai, Nomi, Ishikawa 923-1211
Representative	Toshiro Nakagen
Established	December 6, 1996 (incorporated December 6, 2001)
Capital	14.5 million yen
Line of business	Development of computer software
URL	https://www.eeb.co.jp

CVC Co., Ltd.



Tokichi Tomimatsu

President and Representative Director



We provide swift, high-quality information research services to a wide range of customers, including financial institutions.

Since being established as a research company in 2002, CVC Co., Ltd. has developed a network of investigators throughout the 47 prefectures of Japan that provided information services to a wide range of clients, including financial institutions, credit card companies, and law offices. We are confident that our surveys are superior to those of our competitors in terms of both speed and quality. This has drawn exceptional praise from our customers, with whom we have built a very long relationship with.

We joined the ITFOR Group in 2014. As a specialized research company, we are now able to provide ITFOR’s credit management system and robotic calls to our clients, thereby creating a synergy with our human resources capabilities and IT capabilities to provide even better solutions for our clients. We have around 200 professional survey staff in each of the 47 prefectures of Japan, and we believe that we can combine the capabilities of our human resources with ITFOR’s technological and system capabilities to provide the new services that our clients demand in this day and age. We hope to continue making a significant contribution to the group’s business with our independent management.

Company name	CVC Co., Ltd.
Head office location	2F Hakata Ekimae City Bldg., 1-9-3 Hakata Ekimae, Hakata-ku, Fukuoka 812-0011
Representative	Tokichi Tomimatsu
Established	April 2002
Capital	100 million yen
Line of business	Corporate surveys and work involved in corporate surveys related to accounts receivable business processes
URL	https://www.cvc-3s.co.jp

ITFOR • BeX Inc.

Business transformation and creation of a new future



Company name	ITFOR • BeX Inc.
Head office location	12th Floor Ichibancho Tokyu Bldg. 21 Ichibancho, Chiyoda-ku, Tokyo 102-0082
Representative	Junichi Murata
Established	April 01, 2024
Capital	100 million yen
Line of business	BPO services for local government collections and related operations
URL	https://itfor-bex.co.jp

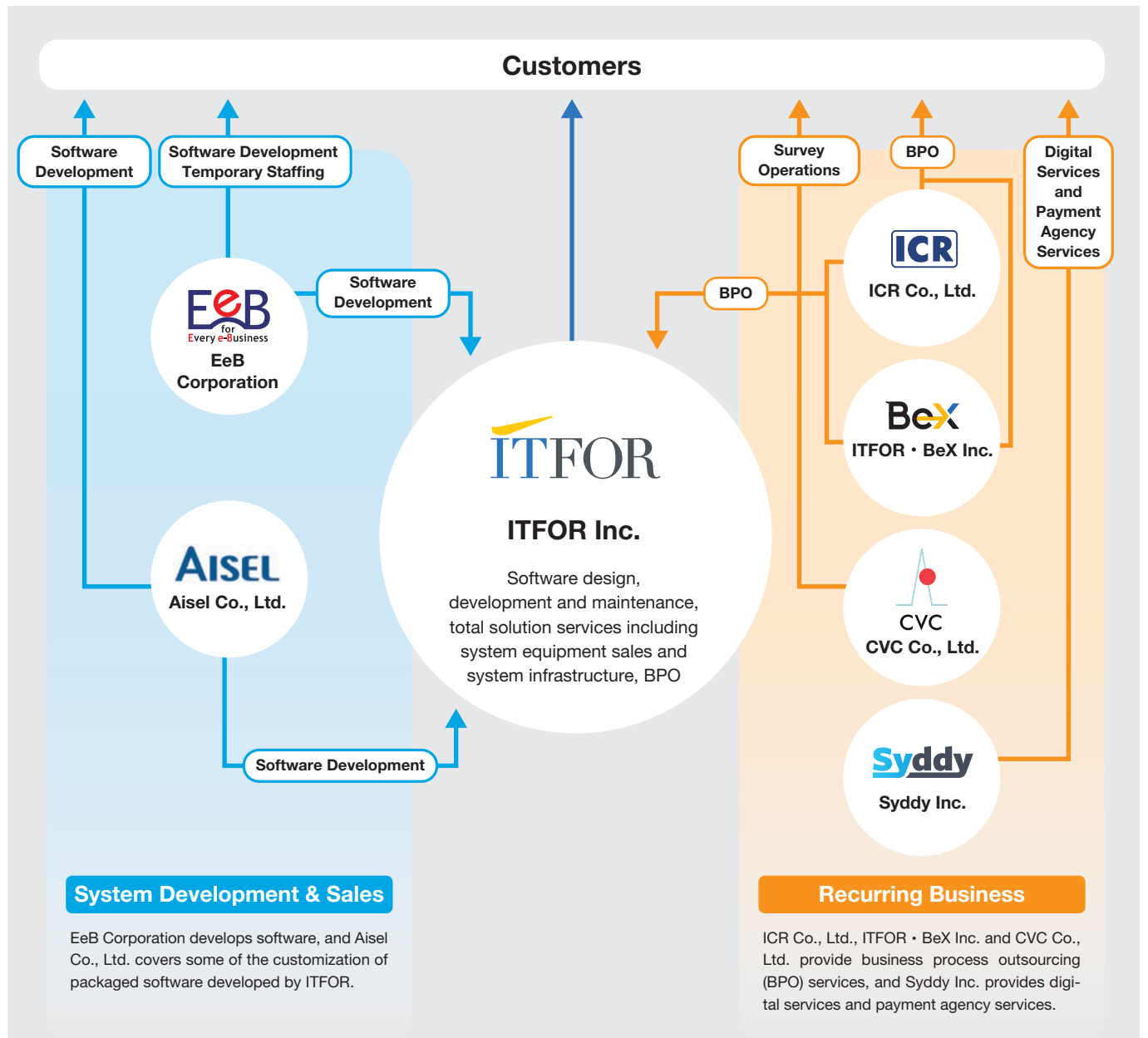
Syddy Inc.

Achieving digital businesses that are close to people by leveraging the power of technology



Company name	Syddy Inc.
Head office location	12th Floor Ichibancho Tokyu Bldg. 21 Ichibancho, Chiyoda-ku, Tokyo 102-0082
Representative	Akinori Aizawa
Established	July 7, 2022
Capital	92.5 million yen
Line of business	Digital services business and payment agency business
URL	https://www.syddy.co.jp

Outline View of Group Companies



2. Our Strategy



Value Creation Strategy

- P.34 Medium-term management plan
- P.40 Overview by business division
- P.48 Message from the CFO
- P.50 At a Glance 1



Medium-Term Management Plan

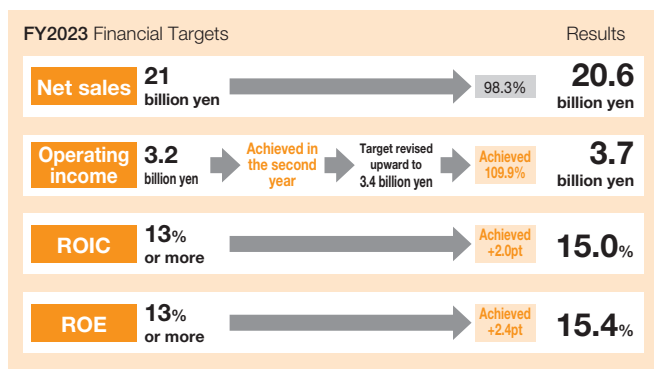
FY2023 marked the final year of the 3rd Medium-Term Management Plan “NEXT STAGE 2023,” and we have embarked on the 4th Medium-Term Management Plan “FLY ON 2026” from April 2024. We are aiming to achieve “HIGH FIVE 2033” as our ideal vision for a decade ahead.

Review of third medium-term management plan

NEXT STAGE 2023 - HENCA SINCA SOZO -

Financial targets have been mostly achieved. Only slightly short in terms of sales.

The financial target for operating income in the 3rd medium-term management plan was revised upward to 3.4 billion yen, as the target was achieved in FY2022. Only the target for sales fell short in FY2023, the final year of the plan, but other figures for operating income, ROIC and ROE significantly exceeded targets.



Significant growth in performance over 3 years

Financial Systems achieved steady growth, and Retail EC Systems and Payment Systems also expanded significantly.

Unit: JPY MM		FY2021	FY2022	FY2023	FY21-23 Ratio
System Development and Sales	Financial Systems	4,954	4,966	5,197	104.9%
	Public Systems	501	368	489	97.6%
	Retail EC Systems	705	645	1,006	142.5%
	CTI Systems	989	1,200	1,317	133.2%
	Communication Systems	934	1,210	1,300	139.1%
	Payment Systems	1,429	1,543	1,945	136.1%
	Others	338	678	859	253.8%
Recurring	BPO	3,103	3,499	3,869	124.7%
	Maintenance, Usage Fees	4,062	4,210	4,665	114.8%

Results and remaining issues from implementing our basic strategy

Reinforcing Management Base

- Reform organization and systems
- Strengthen internal collaborations
- Promote internal DX
- Strengthen HR Development

+

- Flexible and continuous organizational restructuring
- Renewal of HR system
- Digitalization of internal procedures
- Room for collaboration between sales and development
- Room for collaboration among sales divisions
- Carryover of internal core systems renewal
- Room for investment in HR

- Reform monitoring
- Investment/Exit rules
- Synergies among divisions
- Investment in new and growing businesses

+

- Increase in the frequency of management indicator monitoring
- Expansion of cross-selling
- Divestiture of an affiliate company
- Wider penetration of ROIC by business lines
- Thorough implementation of investment/exit rules
- Pursuit of further synergies among divisions
- Explored M&As as investments in new and growing businesses, but efforts did not materialize

Advancing ESG Management

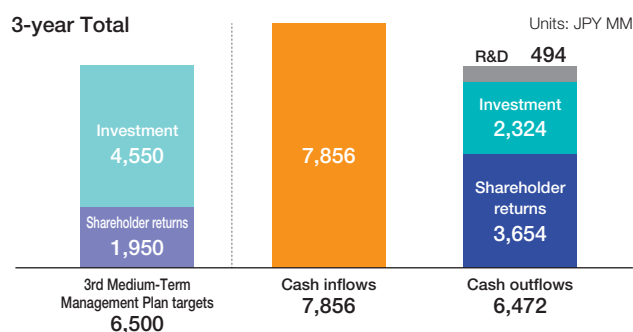
- Designate officer
- Make significant changes in current approach

+

- Publication of Integrated Report
- Establishment and enhancement of the Sustainability Promotion Committee
- Stronger regional connections

Growth investments and shareholder returns exceeding plan

Investments in R&D are for new payment terminals, SaaS-type applications, R&D for Web 3.0 technology applications, and others. We announced a new policy for shareholder returns, outlining a “dividend payout ratio target of 50%” and a “total return ratio of over 70%,” and in FY2023, we achieved a total return ratio of 71.8%, with total returns to shareholders of 1,988 million yen.



We have developed the foundation for the next stage of growth, and preparations are complete for taking off.

ITFOR FY2033 Concept

HIGH FIVE 2033

Toward achieving our ideal vision in a decade

ITFOR has announced its FY2033 Concept, “HIGH FIVE 2033.” Since being established, we have been providing systems and services that are useful for regional financial institutions, local governments, regional department stores, and other local communities. ITFOR’s customer base, which is now present in every area of Japan, is one of our greatest strengths, and we pondered how we could leverage this foundation to give back to local communities with our role backing up revitalization efforts in those regions. This is the idea underpinning “HIGH FIVE 2033.”

We envision ourselves celebrating with local communities throughout all 47 prefectures of Japan, for achieving our purpose of “Realizing a sustainable future by supporting regional societies and the life stages of residents through innovation, and providing surprises.”



Create quality time for people through our businesses

Together with members of the local community, we hope to take on challenges for resolving various issues that the region is currently facing, such as the “population decline and labor shortages,” “vacant houses and unused land,” “aging society,” and “abnormal climate and natural disasters,” by leveraging the capabilities of our IT and BPO. These are the thoughts that drive ITFOR.

We are aiming to transform into a company that creates businesses which generate regional economic circulation to stimulate the economy in local communities, by expanding into new areas in addition to existing business areas. We will also help create quality time for people. It is for these reasons that we embarked on “HIGH FIVE 2033.”

What are businesses that generate regional economic circulation?

ITFOR’s systems and services will be used to create a platform that facilitates economic circulation within the region, with the aim of helping to revitalize the region by expanding the scope of this circulation.



2. Our Strategy

Forecasts for the business environment surrounding our company

ITFOR holds a 75% share of the regional bank market for screening and delinquent loan management systems, an 85% cross-selling ratio with two or more business units in the same region, and has also been involved in business with 65% of the top 30 companies in terms of

sales for 10 years or more. While these are tremendous fortes, many challenges remain in terms of local regions and markets, and we believe that our current fortes alone will be insufficient for achieving ITFOR's long-term growth.

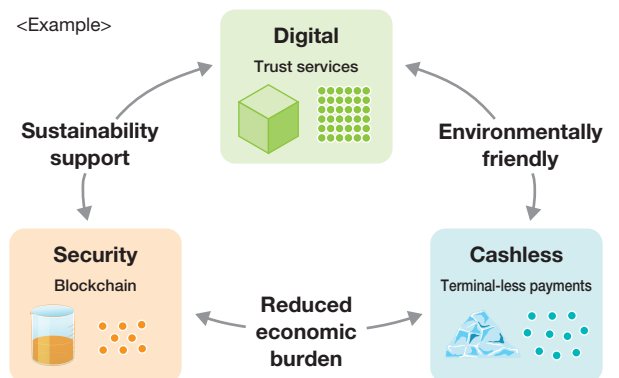
We will be evolving into the ideal vision we seek to achieve in a decade: "becoming a company that creates businesses which generate regional economic circulation."



*1 Share of regional banks nationwide *2 Cross-selling rate of divisions in region (2 or more divisions) *3 10-year persistency rate of the top 30 companies with sales

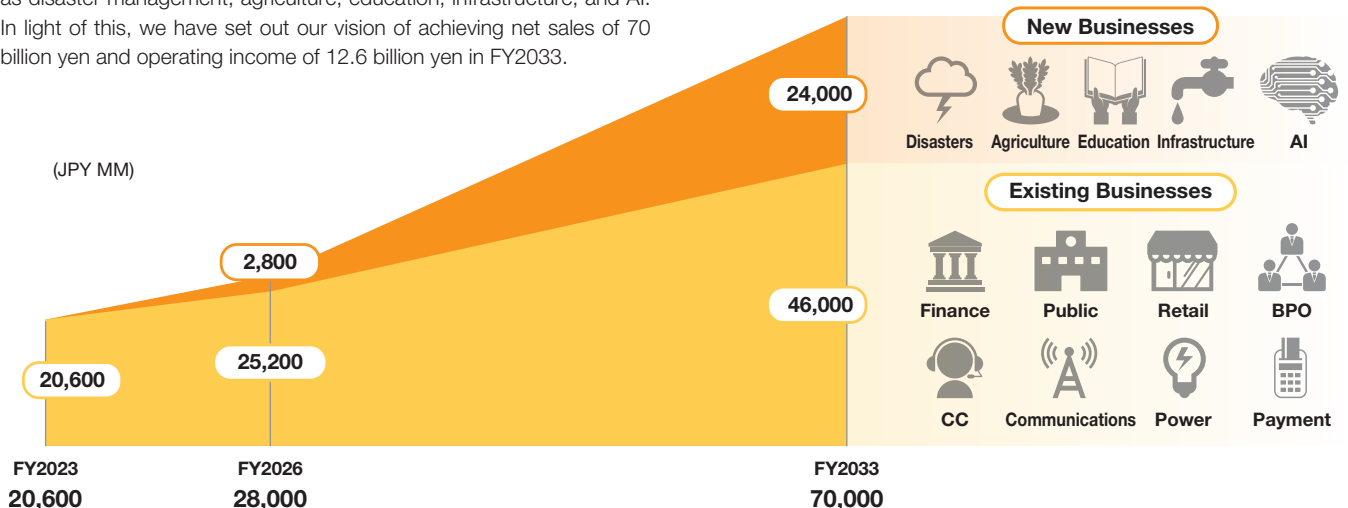
Build social infrastructure with no regional differences

Efforts are anticipated to be accelerate by local governments to make the shift to DX that had been lagging behind, with the view to meeting the end of FY2025 deadline for standardizing local government systems. With telecommunication infrastructure and IT infrastructure being installed throughout regional areas today, ITFOR is seeking to expand its three platforms—digital, cashless, and security—to help eliminate differences in social infrastructure of regions. These platforms will then operate in tandem to support the promotion of regional economic activities and the sharing economy.



Vision of achieving net sales of 70 billion yen and operating income of 12.6 billion yen in FY2033

We will be further cultivating our existing businesses, with the aim of using them as the foundation from which to expand into new areas such as disaster management, agriculture, education, infrastructure, and AI. In light of this, we have set out our vision of achieving net sales of 70 billion yen and operating income of 12.6 billion yen in FY2033.



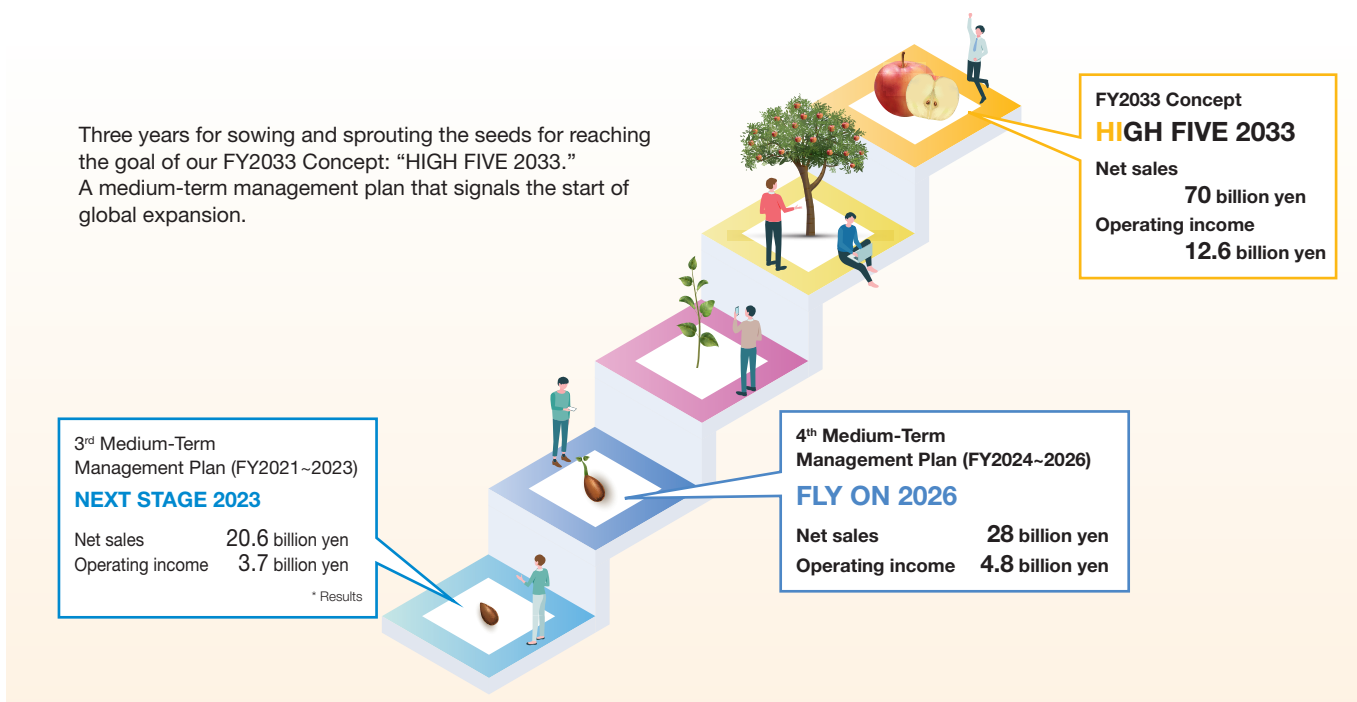
Fourth medium-term management plan

FLY ON 2026 (FY2024 to 2026)

FLY ON ! The curtain has risen on a new era

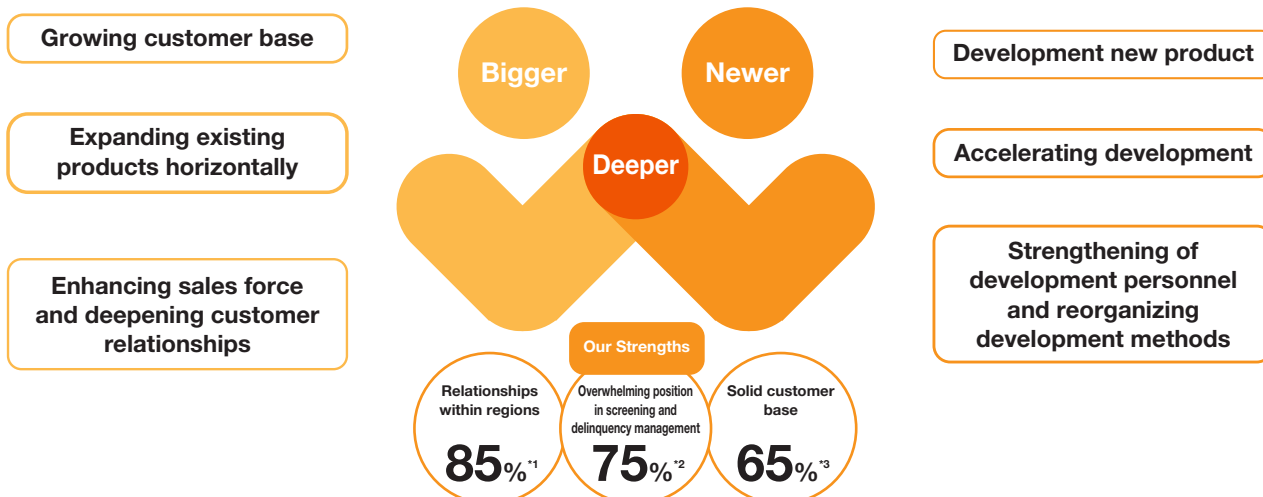
Dynamically develop our existing businesses and achieve drastic growth through new businesses

Medium-term management plan developed by backcasting the ITFOR FY2033 Concept “HIGH FIVE 2033”



Business strategy: Expanding of Business Portfolio

We will be expanding our business portfolio by leveraging and further cultivating the strengths we have built up with our existing businesses, expanding our customer base and developing them into new businesses.



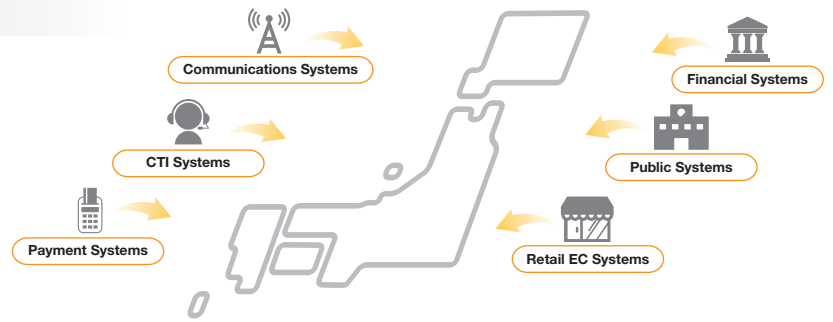
*1 Cross-sell ratio on business divisions within regions (at least two divisions) *2 Market share for regional banks *3 10-year retention rate for top 30 clients in terms of sales

2. Our Strategy

Account sales system

In addition to the traditional sales activities conducted in the past in each industry, we will leverage our solid nationwide customer base by promoting cross-divisional sales activities with regional sales systems that factor in the characteristics and connections unique to each region.

With these efforts, we are aiming to increase the cross-selling ratio between two divisions from the current 85.1% to 95%, and the cross-selling ratio between three divisions from the current 59.6% to 75%.



Aggregate regional information

Propose multiple services

Serve as a focal point of businesses driving regional economies

Strengthen connections with customers

Strengthen development capability and development functions

We will be moving away from a development system where each developer specializes in a particular product and uses conventional development methods, and accelerating the use of the latest technologies and strengthening alliances to achieve shorter delivery times, improve quality, and enhance cloud-based packages.

Utilize AI technology effectively

Combine with agile development

Promote SaaS models

Advance Web3.0 initiatives

Expanding existing products horizontally

Growing customer base

Expanding existing solutions into new areas, rolling out new solutions in existing areas

Expanding existing solutions into new areas

- Expand contact center services provided to financial institutions into new areas, and contribute to improved operational efficiency through such as inquiry automation.

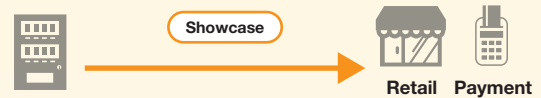


- Spin off BPO services cultivated through public sector projects and expand them into other business areas

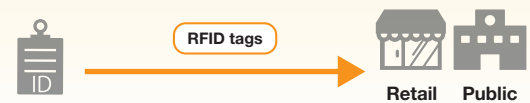


Rolling out new solutions in existing areas

- Develop unmanned vending machines that enable cashless payments in the retail business areas to further promote cashless payments, alleviate labor shortages, and achieve zero food waste



- Provide regional sightseeing promotion services using digital means in order to help revitalize regional economies



Targeting sales of 2.8 billion yen in FY2026 from new businesses

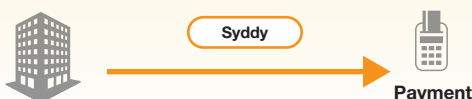
Developing new products

Accelerating development

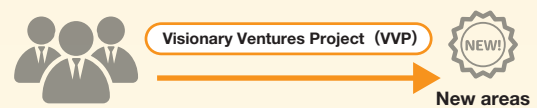
- Provide digital Safe using blockchain technology
An electronic end-of-life document apps that combines “Safe Deposit Box” and “End-of-Life Documents” by using blockchain technology securing important information in a safe place



- Provide optimal solutions for ever-growing digital payment through BtoB payment services and digital payment agency services



- Creation of new areas of business through internal venture organizations in the following new areas



Business strategy: Active investment in human resources

Human resources, the source of value creation, are our most important management resource. To implement our management strategy, we will be maximizing our human resources capabilities by increasing the hiring of new graduates, hiring with the view toward developing new businesses, encouraging in-house training and reskilling, and working on improving employee satisfaction.



Recruitment

- Recruitment of a diverse range of new graduates
Raising from current 30 to 60 people annually (FY2026)
- Recruitment of experienced professionals
- Recruitment of human resources with an eye to new business development



Training

- Enhancement of internal training
- Encouragement of reskilling



Improving engagement score (ES)

- Continuous wage rise
- Enhanced office environment
- Introduction of a stock-based compensation program
- Further improvement of efficiency via DX promotion

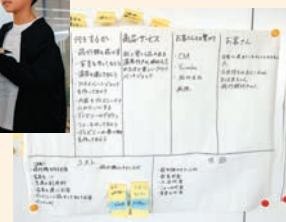
Topic

Approach to next-generation human resources

We sponsored the FY2023 National Selection Coding Competition for Elementary School Students. Recipient of the ITFOR Award Misawa (3rd grade elementary school student when receiving award) visited our head office to showcase her work. We also held a junior high school student work experience (internship) program, with four junior high school students taking part in three days of work experience at our head office.



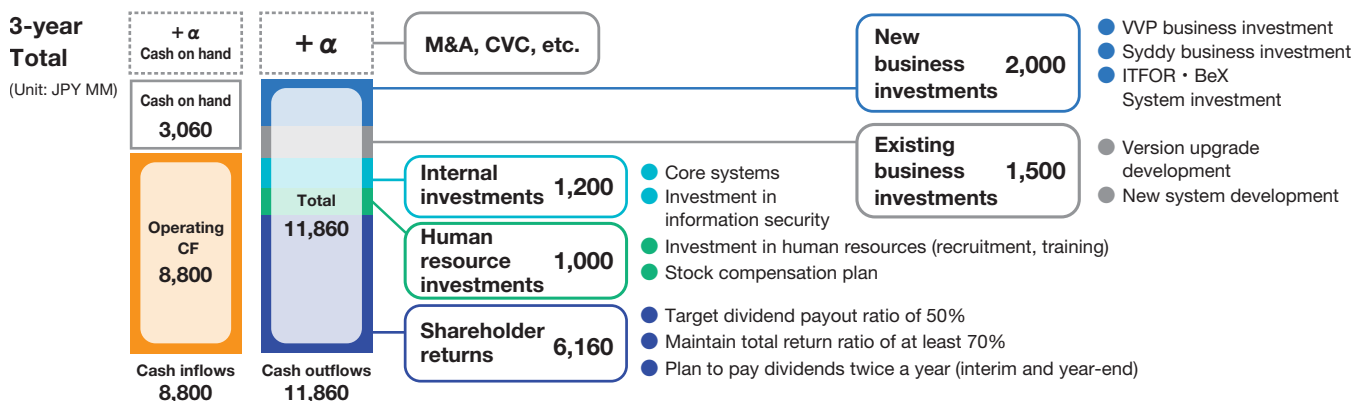
Misawa, ITFOR Award recipient



Work experience for junior high school students

Corporate value enhancement strategy: Capital allocation

With our fourth medium-term management plan “FLY ON 2026,” we are planning on growth investments and shareholder returns beyond a three-year period of cash inflows. We will also be examining additional investments toward achieving major growth, such as M&As and CVC.



Financial Targets

	FY2023	FY2026 (Targets)
Net sales (JPY MM)	20,652	28,000
Operating income (JPY MM)	3,737	4,800
Operating income Margin (%)	18.1	17.1
ROE (%)	15.4	15.0
ROIC (%)	15.0	15.0



Details of fourth medium-term management plan
<https://pdf.irpocket.com/C4743/BbNL/pFae/kXgM.pdf>



Overview by business division

Financial Systems Division

Built on a dominant share and trust among regional banks in Japan
Assisting customers to boost competitiveness even in times of rising interest rates

Go Yoshimura

Executive Officer
 General Manager of Financial Systems Division



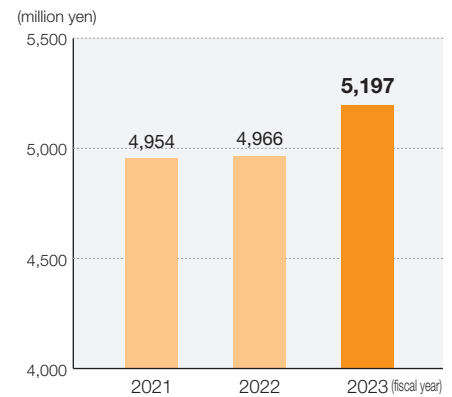
ITFOR's strengths (in the Financial Systems Division)

- Business knowledge cultivated since developing the first auto-call system in Japan
- No. 1 market share in the delinquent loan management systems sector
- High level of competitiveness for personal loan operation support systems
- More than 450 systems installed at financial institutions around Japan.
 Building strong relationships of trust by providing maintenance and services

Opportunities and Risks

- | | |
|---------------|--|
| Opportunities | <ul style="list-style-type: none"> ◆ Accelerating shift to non-face-to-face customer contact ◆ Accelerate DX with the aim of improving operational efficiency and creating new value |
| Risks | <ul style="list-style-type: none"> ◆ Shift of major customers developing in-house systems ◆ Market contraction due to consolidation of regional financial institutions |

Net sales of system development and sales



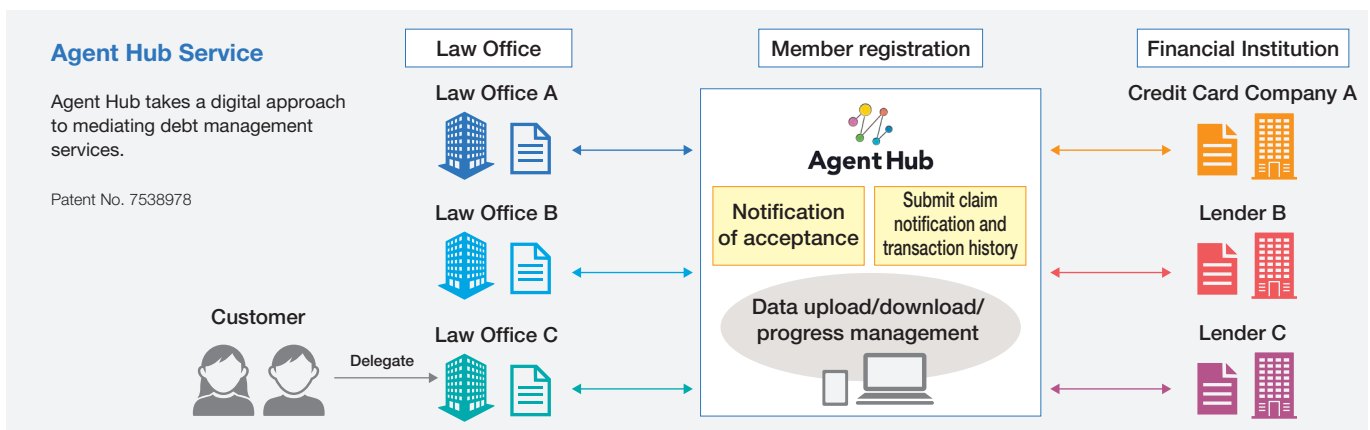
FY2023 business overview

During FY2023, net sales from the Financial Systems Division's system development and sales came to 5,197 million yen, a result of 104.7% from the previous year. Regional financial institutions saw a growth in residential loans, and instead of traditional branch-based services, there is growing shift to non-face-to-face services that are more efficient for both the loan customer as well as the financial institution. In light of this demand, the personal loan operation support system "SCOPE" and the web-based loan application system "WELCOME" both performed well, becoming a core pillar of business accounting for around 45% of total sales. The other core pillar of business, delinquent loan management systems that encompasses "TCS" for nonbank entities and servicers

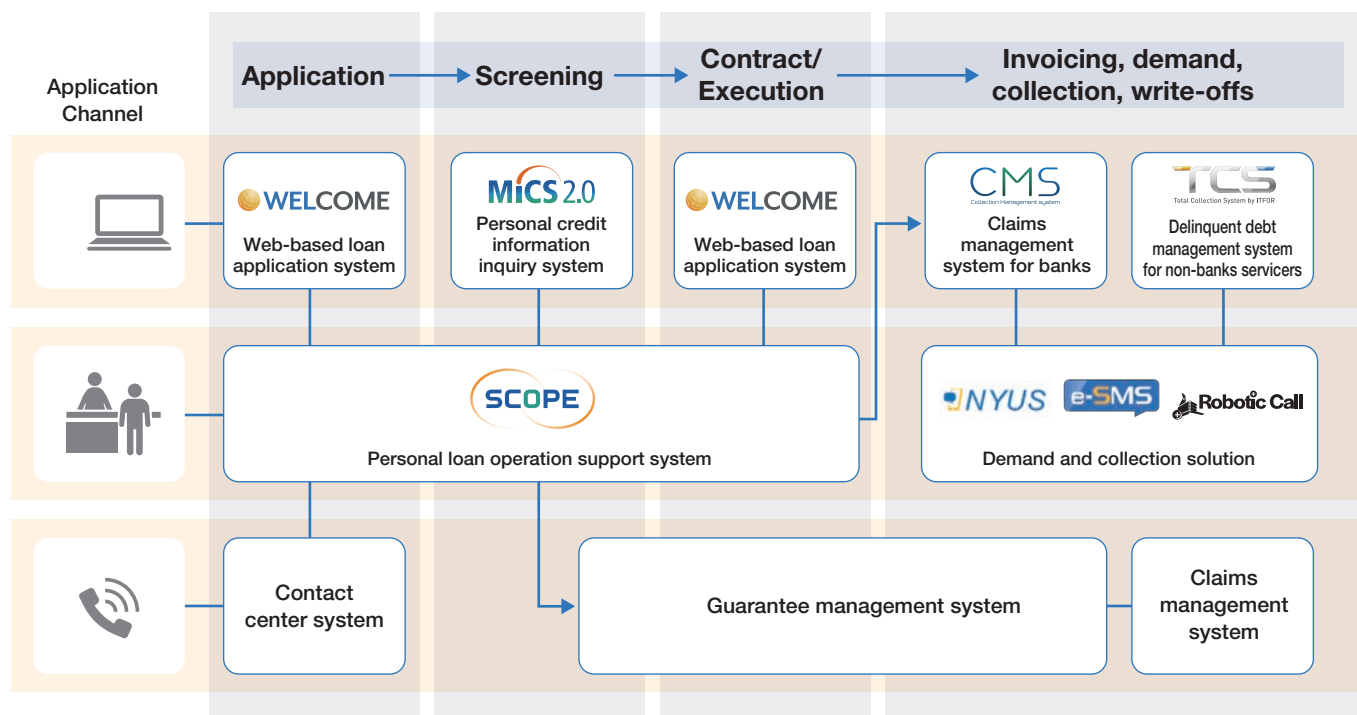
and "CMS" for banks, accounted for 37% of total sales—these two pillars of businesses are contributed most to sales. Recurring businesses for maintenance and services following new system development and installation also led to growth. In November 2023, we resumed the "ITFOR Bank User General Meeting" that had been put on hold for three years due to the COVID-19 Pandemic, and drew customers from some 80 countries around the country.

Growth strategy

With the fourth medium-term management plan that we embarked on FY2024, we are aiming to improve the ratio of our recurring business segment. System development and sales currently account for around



One-stop solutions for lending services



three-quarters of sales of Financial Systems Division, with the recurring business segment accounting for the remaining quarter of sales—to ensure more stable earnings, we are of the view that the recurring business segment, which is less susceptible to demand fluctuations, needs to be further strengthened, and we are aiming to expand this to 40% of total sales in FY2033. As the first step to achieve this, we are planning to launch the SaaS-type service “Agent Hub” during FY2024. SaaS-type services are a potent option for customers because they facilitate the use of ITFOR’s solutions without needing any initial investment. Going forward, we are moving ahead with plans to roll out second and third batches of new services.

In June 2024, we finished upgrading our “TCS Servicer System” and begin offering a next-generation packages catering to industry trends and changes in system environments. Armed with this, we are aiming to further build up our market share in the industry. We also launched an account sales system beginning from our new medium-term management plan.

The Financial Systems Division maintains a dominant share of the regional financial institution market, and has built up an extremely solid customer base by holding regular user meetings for exchanging information with customers throughout the country. Starting from this customer base, we want to create a regional economic circulation business by increasing the number of proposed services and strengthening our ties with customers in other industries and sectors. Looking ahead, we are anticipating an unprecedented level of services.

R&D

We are strengthening our alliances with business tie-ups and open innovation in order to respond quickly to diversifying needs, customer issues and social issues, such as providing automated screening functions by combining “SCOPE” with the “Screening AI Service” supplied by Mitsubishi Research Institute, Inc., and linking packaged systems with

external services like AI-OCR and eKYC. We are focusing on developing highly value-added packaged systems and services that improve the quality and productivity of business operations, by combining ITFOR’s fortes in business know-how and cutting-edge technologies.

Toward the future

In the wake of the COVID-19 Pandemic, we feel that initiatives toward achieving DX are moving at full-pace and accelerating among our financial institution clients around Japan. “SCOPE” and “WELCOME” are increasingly being used by regional and second-tier regional banks, as well as by credit unions, and we anticipate even more areas where we will be able to provide useful services. The shortage of human resources is also becoming evident as a social problem, resulting in us relying on systemization. The collections departments of nonbank entities and servicers are finding it increasingly difficult to handle collections using only human resources, and are considering automating collections with the use of systems. The Financial Systems Division developed automated debt collection solutions for customers by providing systems such as “Predictive Dialer” based on the “TCS” delinquent loan management system, “Robotic Call (IVR),” “e-SMS,” and the “NYUS” payment pledge service, but will also be developing SaaS-type services to support automating debt collection for an increasing number of customers.

The high market share that ITFOR has captured in the industry comes from its ability to provide solutions from the customer’s perspective, with the combined efforts of system engineers who are well versed in operations and business know-how, and sales staff. The time needed for installing systems is short, and we offer a high value proposition that is far superior to the competition. Our mission is to assist customers with promoting DX and enhancing their competitiveness through digitalization. We will continue providing systems and services that are supported by our customers.

Payment Systems Division

Aiming to provide multi-service solutions in response to the accelerating cashless era

Kazunori Kono

Director and Executive Officer
General Manager of Payment Systems Division



ITFOR's strengths (in the Payment Systems Division)

- Multi-payment platform “iRITSpay” supporting the industry’s most popular payment methods
- One-stop business model providing terminals, apps and terminal-related operations
- Strengths in development and multi-functionality with expertise in the financial, distribution and retail industries

Opportunities and Risks

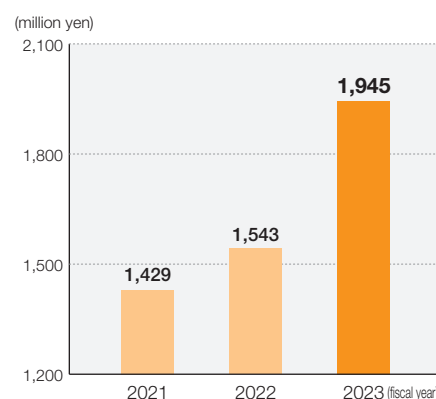
Opportunities

- ◆ From multi-payment to multi-service (financial, distribution and retail industries)
- ◆ Acceleration of cashless, contactless and tap payments

Risks

- ◆ Emergency in Taiwan due to terminals being made in Taiwan, and greater yen depreciation

Net sales of system development and sales



FY2023 business overview

During FY2023, net sales from the Payment Systems Division’s system development and sales came to 1,945 million yen, a result of 126.1% from the previous year. There was an increase in demand for replacement terminals following discontinuation of ISDN lines, and sales grew on the back of around 150% of shipped units compared to the previous year. Meanwhile, the yen continues to depreciate, which has increased procurement costs and put pressure on profits.

Growth strategy

“iRITSpay” is a multi-payment platform that provides a one-stop service for various types of payments. Many stores currently use different terminals to process different types of payment methods, but iRITSpay is able to process a variety of payment methods such as credit cards, debit cards, mobile payments, and e-money on a single device. This not only saves time and effort for consumers, but also allows for easier processing by store staff. iRITSpay helps to save space around the cash register and makes aggregating sales work more efficient, which gives it a superior position within the market. Yet times continue evolving, and there is an emerging trend toward integrating all terminals in the store, including payments and POS, attendance, and business systems. In light of this trend, in FY2023 we completed development of “SATURN,” which is compatible with the Android OS. “SATURN” is a terminal that can be used in the same way as a smartphone with tap and flick

controls, and is being developed as a multi-service terminal supporting not only payment functions but also POS functions.

We also began receiving orders for cashless systems compatible with embedded e-money for vending machines. This system provides functions combining the Vending Machine System that manages coins/bills and sales of vending machines, with cashless processes, and will be further developed and marketed as an unmanned vending machine solution as a means of addressing worker shortages in the future.

Toward the future

Following revised guidelines in the credit industry, PIN bypass (no PIN input) payments will be prohibited in March 2025. This is anticipated to spearhead a shift from fixed terminals to mobile or pocket terminals that are suitable for in-person payments to enhance convenience for consumers. Demand for payment systems is also anticipated to grow further as regional banks, our main scope of customers, enter the credit business. As the “one and only cashless platform service provider specializing in both the financial industry and the distribution/retail industry,” we are intending to respond swiftly to diversifying needs.

Reliability and security are also of the utmost importance in the payments business sector. The amount of transactions processed already amounts to 600 billion yen annually. With such volume of funds being processed by our payment platform, we are keenly aware of the extent of social issues that may arise from any potential problems with the platform. We will continue strengthening measures against risks such as system downtime and card information leaks.

Retail EC Systems Division

Aiming to resolve the management problems at regional department stores and retail mass merchandisers from the core with the capabilities of IT

Hiroataka Oeda

Director and Managing Executive Officer
General Manager of Corporate Strategy Department and Retail EC Systems Division



● ITFOR's strengths (in the Retail EC Systems Division)

- "RITS," a total package system covering department store operations
- "ITFOReC," an e-commerce site development package for developing omni-channels with solutions developed in-house
- Comprehensive provision of operations "RITS," payments "iRITSpay" and EC "ITFOReC"

◆ Opportunities and Risks

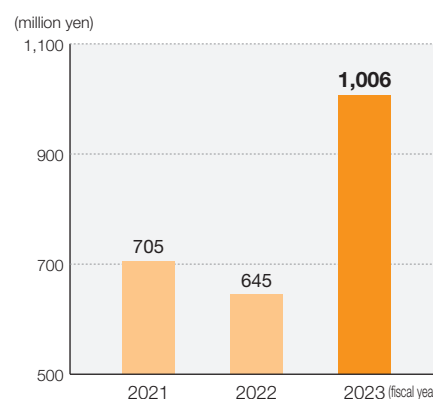
Opportunities

- ◆ Cost structure reform trends in the department store industry
- ◆ Reform of department store styles, shift toward new businesses

Risks

- ◆ Shrinking scale of department store market

■ Net sales of system development and sales



FY2023 business overview

During FY2023, net sales from the Retail EC Systems Division's system development and sales came to 1,006 million yen, a result of 155.9% from the previous year. The mainstay "RITS" contributed significantly to these sales. With the drop in profitability of the department store style due to the COVID-19 Pandemic, there is currently a very strong trend toward reforming cost structures, which has led to growth of our product, a multi-functional core system that covers all department store operations and is also highly cost-competitive.

Growth strategy

"RITS" is a product designed to address the management challenges that department store customers face, with low initial costs, business operation and maintenance without requiring a permanent technician, and low operating costs. We were able to develop a product like this due to ITFOR being the first vendor in Japan to provide online POS for department stores, and we have developed expertise pertaining to the operating flow of department stores from our long relationship with them. While "RITS" has a high market share of regional department stores around Japan, we believe there is still ample room for growth, and we are aiming to further expand our market share going forward.

The most important factor for achieve the division's goals is to further improve services. We are currently working on developing new services combined with existing services within the company. This service is likely to become one of our major growth strategies, as it already has a proven track record at customer stores, showing very positive results.

In terms of EC, we are in the process of researching and examining new business models and approaches as a way of responding to the rapid changes occurring throughout society and lifestyles. Our division is making the most of this opportunity to take on the challenge of implementing major reforms to the EC system. We are seeking to propose "marketable EC" by making department store EC, including gift shops, easier to use and more enhanced.

Toward the future

Regional department stores are viewed as a symbol of local economies, and in many cases, local businesses and various organizations support their operations in tandem, making them an "indispensable" type of business. ITFOR has set forth regional revitalization as its purpose, so we will be actively proposing DX initiatives that lead to structural reform at department stores, improvements to operational efficiency, and labor savings, as well as contributing to the creation of new systems suited to new business models and current times to support businesses.

I personally hold the position of chairperson of the cross-divisional organization Regional Revitalization Promotion Committee, and various ideas have already been raised at this committee. Some examples include a mall style as a new e-commerce system that allows tenants to enter the e-commerce market, or taking the reverse approach and developing real stores into mall styles, or alternatively building up a framework that allows business systems and e-commerce systems burdened by individual costs to benefit mutually.

I think any of these examples hold high potential. We are aiming to revitalize department stores, the distribution and retail industry, as well as local communities by providing systems equipped with various ideas harnessing ITFOR's accumulated technology and know-how.

CTI Systems Division

Providing advanced solutions contributing to business innovation and resolving problems in the contact center business

Tenpei Ogawa

Executive Officer
General Manager of CTI Systems Division



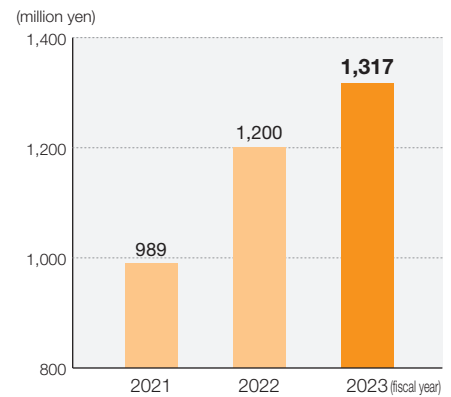
ITFOR's strengths (in the CTI Systems Division)

- Track record of providing the automated call reception system "Robotic Call" linked to our mainstay delinquent loan management system
- Providing solutions from NICE, the world's leading call recording device
- In-house integrated service system, covering construction to development and maintenance based on our expertise in contact center operations

Opportunities and Risks

- | | |
|---------------|--|
| Opportunities | <ul style="list-style-type: none"> Growing demand for robotic calls in light of increase in non-face-to-face services and declining working population Growing momentum in innovation with cloud-based services, SaaS, AI implementation, etc. |
| Risks | <ul style="list-style-type: none"> Increased procurement costs caused by weakening yen due to large number of products from overseas |

Net sales of system development and sales



FY2023 business overview

During FY2023, net sales from the CTI Systems Division's system development and sales came to 1,317 million yen, a result of 109.7% from the previous year. We have secured a high market share of the "robotic call" segment, which led to an overall increase in the number of calls made, with recurring revenue contributed to our division's sales growth. We also strengthened sales of the full-cloud contact center platform "CXone" as a new proposal to customers, and significantly increased opportunities for making proposals to new customers. We will continue working on increasing sales during FY2024.

While there has been a shift from on-premises to cloud-based types for call recording systems that make up our core business, there are still industries and businesses that rely on traditional on-premises systems, and we want to ensure that we are able to capture some of those markets.

The full cloud-based platform "CXone" allows operation of the omni-channel CX that covers services from voice calls to email and chat services, and also meets a wide range of other needs, such as advanced customer analytics and workforce management. Looking ahead, we hope to continue contributing significantly to the operational innovation of contact centers by proposing this product. In terms of "robotic calls," we are also accelerating development to reestablish service-oriented solutions.

Growth strategy

Contact centers have an important position for our business strategy as a means of enhancing CX (customer experience) and collecting valuable customer feedback. While collections of delinquent loan are essential operations for contact centers of financial institutions, many financial institutions face challenges in dealing with this task due to the complexity of guidelines related to such reminders set out by various ministries and agencies. For more than 20 years, the CTI Systems Division has been assisting contact centers with performing their day-to-day operations in an efficient and accurate manner. Innovation in business operations has picked up the pace in recent years, with the use of communication tools such as e-mail, chat services and social media, as well as implementation of AI, in addition to telephone support.

Toward the future

Today, the CTI Systems Division is a department that handles cutting-edge technologies leveraging generative AI in addition to telephone services, email and chatbots. ITFOR's forte has traditionally been with hardware technology and expertise, but now we have proven software technology and expertise, and we are aiming to provide solutions that our customers truly want to have installed. In June 2024, we will have the opportunity to lead our customers to a global conference held overseas and hosted by manufacturers, to provide them with the latest information from around the world. We will continue contributing to the growth and development of the contact center industry by ensuring that each individual member of our division takes responsibility attending to our customers.

Communications Systems Division

Providing high-quality telecommunications and IT infrastructure for supporting ITFOR's customers and society

Satoshi Yumoto

Executive Officer
General Manager of Communications Systems Division



● ITFOR's strengths (in the Communications Systems Division)

- Providing one-stop service for infrastructure and systems such as cloud, network, security, and lines
- Providing highly unique products and equipment from cutting-edge communications technology countries such as Israel and Taiwan
- Developing unique application package products by leveraging our technological expertise we have built up over 50 years

◆ Opportunities and Risks

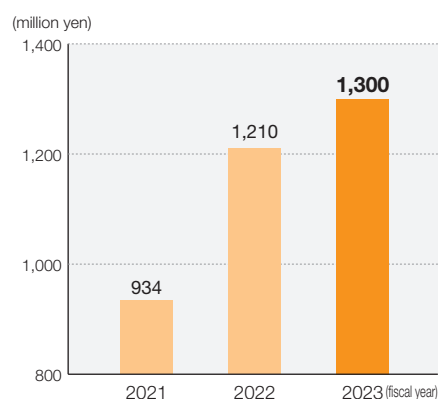
Opportunities

- ◆ Growing demand due to the growing threat of cyberattacks
- ◆ Growing demand for infrastructure facility upgrades due to the acceleration of DX in society

Risks

- ◆ Increased procurement costs caused by weakening yen and increased geopolitical risks

■ Net sales of system development and sales



FY2023 business overview

During FY2023, net sales from the Communications Systems Division's system development and sales came to 1,300 million yen, a result of 107.4% from the previous year. The increasing threat of cyberattacks has led to increased use of the AI-driven EDR "CyCraft AIR" for projects run by the Tokyo Metropolitan Government. The packaged cloud service "IPaC on AWS" also meets the cloud computing needs of customers that are seeking convenience, security and reliability, and is being adopted by more than 30 companies, primarily financial institutions. For social infrastructure systems, we also made progress increasing IP-based equipment for electric power-related companies and DPI systems for ISPs.

Growth strategy

Our operations are centered on four main areas: IT infrastructure, security, social infrastructure, and telecommunications carrier infrastructure. Our division has two missions—the first being to provide customers with IT infrastructure comprising the cloud, networking and security to ensure the various business systems and solutions developed by each division are safe and easy to use. The second is providing IT infrastructure equipment and security for social infrastructure companies such as electric power, gas, water, and telecommunications companies, to ensure efficient and secure operation of their networks.

ITFOR has been developing its own packaged cloud service "IPaC" since 2018, and "IPaC on AWS," a public cloud version of IPaC, is

anticipated to experience rapid growth as it is adopted by regional financial institutions, credit companies and other customers. In addition to financial institutions, local governments are now also allowing their subsystems to run in the cloud, so we are hoping to take advantage of this opportunity by upgrading and developing additional versions to ensure we can always respond in a flexible and speedy manner.

ITFOR also has also set forth "regional revitalization" as its own purpose, and the Communication Systems Division will also focus on developing regional markets. To ensure efficient development, we are also seeking to coordinate efforts with local businesses and integrate them as hubs for achieving provision of services to users in each region.

We are also aiming to provide new solutions catering to each region and local government based on keywords such as IoT, disaster countermeasures, and MEC (Multi-Access Edge Computing).

Toward the future

There are likely to be many competitors including existing vendors in the region and industry, during the process of taking on the challenge of developing new markets. To maintain a leading position in such markets, ITFOR will be developing businesses by partnering with IT companies that have highly unique solutions, such as RAD (Israel) and CyCraft (Taiwan) that specialize in this type of expertise. Many companies including companies in these countries and other leading IT and telecommunications companies have developed unique IT services by taking a different approach to that of Japan. We are planning on actively collecting information on such startups and incorporating them into our business, while also examining the feasibility of investing in M&As and capital and business alliances where necessary.

Public Systems Division

Leading local governments to solutions for the issues they have with systems, BPO and data analysis

Kenji Kobayashi

Executive Officer
General Manager of Public Systems Division



ITFOR's strengths (in the Public Systems Division)

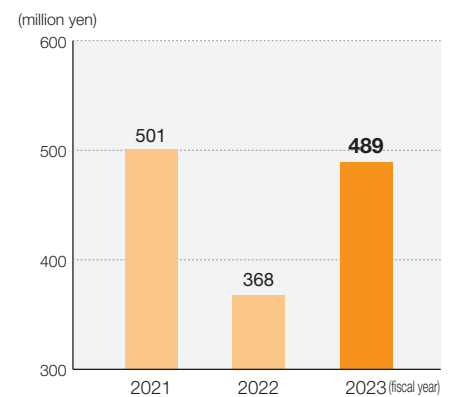
- "CARS*" supply model with our mainstay delinquent loan management system tailored to local governments
- Greater collection rate by providing BPO services in tandem with delinquency management and notification systems
- Contribute to resolving customer issues in a reliable manner, and secure long-term contracts

* CARS: Civic Administration Relationship Service

Opportunities and Risks

- | | |
|---------------|---|
| Opportunities | <ul style="list-style-type: none"> ◆ National local government system standardization led by the Ministry of Internal Affairs and Communications and the Digital Agency (FY2025) ◆ Decrease in the number of local government employees, systemization due to mergers, etc., and expansion of outsourcing needs |
| Risks | <ul style="list-style-type: none"> ◆ On-time completion of system standardization for all local governments |

Net sales of system development and sales



FY2023 business overview

During FY2023, net sales from the Public Systems Division's system development and sales came to 489 million yen, a result of 133.1% from the previous year. The Public Systems Division has been working on strengthening its sales capabilities, cultivating human resources in operations departments, and enhancing operational efficiency through optimized staffing. In addition to implementing collaborative strategies with external core vendors and regional Slers, we have completed development of a web-based telephone notification system.

services and operations. It will be difficult to stand out from competitors for systems after the transition to standardization, so we will be shifting to cloud-based systems and developing accompanying proprietary services. We will also be increasing our sales activities with a focus on regional hub cities, keeping in mind the declining population of each local government and potential mergers in the future. Given that it will likely become difficult securing human resources and maintaining profitability for BPO services that are handled by human resources, we are planning to shift to providing BPO services that ensure quality while reducing labor costs by leveraging ICT. We will be enhancing our support for local governments in a more strategic and swift manner, such as establishing the ITFOR · BeX Becks subsidiary specializing in BPO in April 2024.

Growth strategy

While the standardization of local government systems in 2025 is a significant event in solutions market for local governments, we are expecting to see major changes in the provision of solutions for local governments in the future, given that it will become difficult to differentiate ourselves from competing vendors after standardization is completed. When the challenges faced by local government customers are taken into account, the total number of employees has continued to decrease every year since 1994, and the aging of the population has increased the complexity of administrative tasks, with ICT and outsourcing to the private sector expected to continue to grow going forward. As local governments continue to seek mergers due to increasing population decline and other factors, system consolidation and outsourcing are also slated to increase further.

With the growing complexity and severity of customer issues like these, the Public Systems Division is aiming to expand its scope of new

Toward the future

ITFOR's BPO service is a business that has experienced steady growth, with many local government customers maintaining ongoing contracts. Current services are primarily related to delinquency management, but we believe that the outsourced services segment needs to be expanded, factoring in future drops in the number of local government employees. I think that services that do not require an advanced skills, such as teller information services, will be required through the use of AI and robot technology.

Our key forte in the local government solutions market is that we provide both systems as well as BPO services. After system standardization is mostly completed in FY2026, the need for automation and unmanned operations utilizing ICT, AI analysis, RPA, and other technologies is expected to grow, and the Public Systems Division will be targeting further growth in both sales and revenue.

Technology Development Department

Enhancing development personnel and reorganizing methods to achieve the strongest development system in ITFOR's history

Koji Sakata

Director and Senior Managing Director
General Manager of Technology Development Department



ITFOR's strengths (in the Technology Development Department)

- All businesses are in possession of application packages devised and developed in-house
- Cultivating engineers with a solid foundation with intensive training for 7 months prior to deployment
- Increased development quality, speed and cost reductions by encouraging PMP certifications

Opportunities and Risks

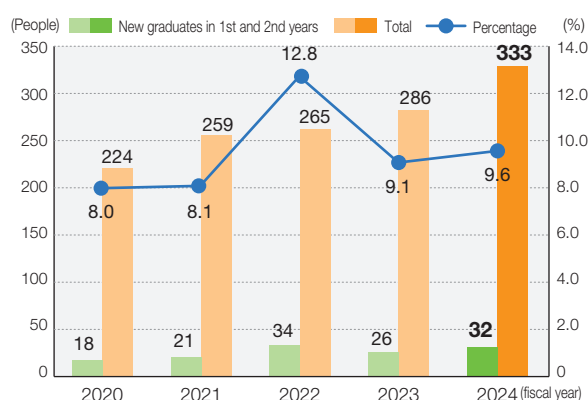
Opportunities

- ◆ Successfully attract new and recent graduates in a highly competitive human resources market

Risks

- ◆ Soaring labor costs and intensifying competition in the mid-career recruitment market

New and Second-time Graduate Engineer Recruitment Trends



FY2023 business overview

Financial Systems delivered a large number of projects for the web-based loan application system “WELCOME” and personal loan operation support system “SCOPE.” We have embarked on development of standardization support for public systems.

We have been working on converting all of our packages to web-based systems from 2015, and are planning to begin converting to a web-based total department store and distribution package system “RITS”, with all packages finally approaching completion. This is anticipated to further raise the effective utilization of engineers and increase development efficiency. For retail EC systems, we will begin integrating the gift system and “ITFOReC.”

Growth strategy

The Technology Development Department has an individual software department, infrastructure systems department and customer support department for the Financial, Public, Payment, and Retail EC System divisions, with around 300 staff in charge of development and support at ITFOR. We have been encouraging our employees to acquire PMP certification from several years ago, and currently have some 60 PMP certified employees who are assigned to each project to help improve development quality, speed, and cost reduction.

In the fourth medium-term management plan we embarked on in FY2024, we are focusing on further strengthening our development staff and restructuring our methods. Our first step will be planning to double the number of engineers hired and also promoting in-house production,

with the goal of increasing the in-house production ratio from 45% in FY2023 to 50% or higher in FY2025. The objective of these initiatives is to significantly improve the quality and speed of development, and we intend to accelerate package enhancement with the latest technologies, effectively leverage AI technologies, promote SaaS-type models, introduce agile development, and adopt Web 3.0-related measures. We have also started trialling code generation AI for development methods, and hope to be able to utilize it at a certain level.

We are also expanding our investment in R&D to revamp our development environment, and are planning 120 million yen in investments during FY2024.

Toward the future

ITFOR is aware that it specializes not only in developing our own packaged products and applications, but also with its ability for developing infrastructure foundations. We currently have a large number of engineers with expertise in each of our business divisions and who specialize in the development of high-quality packaged products, but going forward, we intend to develop human resources capable of handling development in multiple fields while maintaining a high level of expertise—with this, we are seeking to create a system that enables flexible project composition.

We are aiming to become a group of high-quality engineers working closely with our customers, understanding the essence of the issues they are facing, quickly identifying the matters that need to be resolved, and developing high-quality and speedy solutions while maintaining sight of objectives. I trust that you can expect positive results from the activities of ITFOR's engineers going forward.

Message from the CFO

Katsuo Nakamura

Director and Executive Officer
General Manager of Management
Division



We will continue to elevate our unique corporate value through sufficient growth investment and shareholder returns while maintaining financial health.

Financial strategy of ITFOR

Realizing growth with flexible ideas based on three policies: no-loan management, growth investment, and enhancement of shareholder return

For the past 20 years, ITFOR has been maintained the no-loan management policy. One of the main reasons for avoiding loan is that we have many customers that are financial institutions, and therefore, we want to avoid a situation of asking for loans from only some of them. In the past 20 years or so, we have been achieving steady growth without being in the red despite many changes in the economic climate and business environment including the Lehman crisis and COVID-19 pandemic. In addition, we have been increasing dividends since we went public, and have never decreased them. Although the capital cost is kept high due to no-loan management, we have been making continuous growth through investment on package systems in order to respond to customer needs. In fiscal 2023, ended March 2024, the consolidated revenue and operating profit of the Group marked a sixth consecutive record high. During that period, we have accumulated cash on hand, and we are looking to use it in investments for our growth to the next stage.

The Company recently announced a FY 2033 plan “HIGH FIVE 2033,” in which we aim at sales of 70 billion yen and an operating profit of 12.6 billion yen. In order to realize this drastic development, we must bring our existing business to new fields and enhance new businesses. The current fourth mid-term management plan (fiscal 2024 to 2026), which will be explained later, only indicates a three-year capital

allocation. However, we have not decided to continue no-loan management for the next 10 years. I think there is a possibility of making a financial procurement by a loan when we decide on a large investment to start a new business, management integration with another company, or acquisition of a company.

One of our important purposes of investment is technology development. Because we are shifting to self-manufacturing to speed up development and improve quality, we need to make continuous investment on securing and nurturing excellent personnel who engage in development. Furthermore, when we enhance our business portfolio in the future, we will be seeking partnership in various forms such as making investment in, M&A with, or cross-licensing with a good company that engages in technology development. We will make investment actively aiming for incorporating software technologies, which is our core field, as well as high technologies such as those related to AI and blockchain.

Management with capital cost and stock price in mind

**Recognizing the effect of ROIC management and disseminating it across the Company
Enhancing the opportunities of dialog with investors to communicate the attractiveness of ITFOR**

Since its foundation in 1972, the Company has been growing as an independent enterprise that engages in system development and the sales of IT products, without falling under the control of large capital. We maintain a strong mindset of a venture company that carefully responds

to customer needs with “the power of empathy” for each and every customer in local communities. Such behavior enables us to create a solid customer base, and the customer base grows involving other customers. Based on this business model, we have been considering the sales, orders, and gross profit margin as the major management indicators. However, while recurring businesses are gradually increasing and ITFOR is changing from a company that sells products and systems to a company that provides services, we have been trying to change our mindset from the third medium-term management plan, putting forward a management policy that values ROIC in addition to profitability. There must have been many employees who felt it difficult to change their minds. However, the introduction of ROIC enabled us to conduct meticulous profit management based on plans through to the operating profit stage, and more employees, especially those in management positions, now understand the effect of this policy. In order to have all employees understand the policy, we have to reflect it to the performance evaluation system and the incentive rule. As the first step, we started deliberation on a stock compensation plan for employees. We will continue to take measures steadily so that each employee can control management indicators and keep capital efficiency in mind as they conduct business.

As for running business in consideration of the capital cost and stock prices, we added ROE and ROIC as management indicators with target levels exceeding the capital cost. Our current PBR is kept at around 2 times (as of July 2024). I think one of the factor for this is that we have been able to maintain a certain level of earning rate after the completion of the disposition of non-profitable businesses. In the fourth medium-term management plan, we have set a target ROE of 15% and a target ROIC of 15%. They are not easy goals, but we are determined to achieve them.

On the other hand, PER, which represents growth expectation from shareholders and investors, stays around 14 times (as of July 2024), lower than the average of the information and communication industry, which is 25 times. We thought that this is because the business content and management status of the Company are not easy to understand from outside, and we started active dialog with shareholders and investors from the year before last. Our strength is in B-to-B niche areas, and we are earning steady profits on a firm business base in these areas. It may be difficult to make a rapid growth like companies that engage in front-line fields, but I think there is still a lot of room for growth on a medium- and long-term basis. However, in order to have investors recognize the Company as an attractive brand, it is important to achieve a market capitalization value of 50 billion yen soon and conduct more understandable information disclosure and IR activities. We are planning to hold briefing sessions on our business performance and business content, as well as on details of trends and our strategy of financial and payment businesses.

Capital allocation

Planning to put more emphasis on investment and shareholder return than cash flow

We forecast the operating cash flow in three years from fiscal 2024 to

be 8.8 billion yen. By adding currently available cash to it, we are planning investments totaling 11.86 billion yen. First, in order to maintain and maximize the value of our current core products and services, we will conduct steady investment on the backbone system, security, and human resources of the Company.

Other investments on existing businesses are for the major version update of existing products and the development of new services to respond to new needs of customers. We are planning to launch new services gradually from fiscal 2025, ending March 2026, the second period of the fourth medium-term management plan, although some of them are still in the research and development stage while others are already in business negotiation.

Furthermore, the key to our major growth for the future is investment in new businesses. For the public system business, we established a new company ITFOR BeX Inc. in April 2024. The company will start operation in BPO business targeting local governments in this year. We will invest for further strengthening and development of this business. New projects, VVPs (Visionary Ventures Projects), have been born through open solicitation as internal ventures under the direct control of the President. We are also paying close attention to and will make active investment in these projects.

We estimate the amount of investment in these growth businesses as 5.7 billion yen, and plan to return the remaining 6.16 billion yen to shareholders to continue our target payout ratio of 50% and total return ratio of 70%. Besides these budgets, we will consider investment in M&A and CVC when opportunities arise.

Message to stakeholders

Pursuing what only ITFOR can do in the past and into the future

We have set target sales of 70 billion yen and a target profit of 12.6 billion yen for fiscal 2033, which enabled us to consider measures for achieving more concrete indicators. For existing businesses, however, our main focus will be continuing to extend new products and services in the market keeping pace with social evolution, rather than making a major leap. For new businesses, however, we have already started to study what the management resources are that we need more and what we should acquire to gain these resources from a wide range of options. We are considering disaster, agriculture, education, infrastructure, AI, etc. as key words for new business areas. For these new business areas, we will continue to select directions so as to ensure the growth of ITFOR, taking speedy actions including investment. I think these efforts will support secure, safe, and convenient everyday life in local communities and align with our purpose—Engagement with Communities and Contribution to Regional Revitalization.

ITFOR has been and will be a company that pursues what only ITFOR can do. We promise shareholders and investors that we will maintain financial health, make growth investment, and enhance shareholder return, while maintaining the ITFOR way.

At a Glance 1

Financial information

Fiscal 2023, ended March 2024

Income statement (Units: millions of yen)

Net sales	20,652	Operating income	3,737
Gross profits	7,753	Ordinary income	3,846
		Net income attributable to owners of the parent	2,770



Cash flow statement (Units: millions of yen)

Cash flows from operating activities	2,836	Cash flows from financial activities	(1,623)
Cash flows from investing activities	(504)	Cash and cash equivalents at year-end	11,505



Balance sheet (Units: millions of yen)

Current assets	19,498	Fixed liabilities	280
Fixed assets	4,497	Net assets	18,836
Current liabilities	4,878	Total assets	23,996



Key indicators

ROA	16.8%	Equity to total assets ratio	78.5%
ROE	15.4%	Net D/E ratio	0.0
ROIC	15.0%	Operating profit margin	18.1%
		Total return ratio	71.8%



3. Special Issue



Special Issue

P.52 Special issue—Round table discussion of young section managers



Special issue—Round table discussion of young section managers

The future of ITFOR is in tandem with our regional customers. Unlocking our potential for resolving regional issues



What are issues in Japan, viewed from ITFOR young section managers?

1

Declining population and stagnation of local economy
Significantly changed work style

Yamazaki: We are in charge of customers that are financial institutions in different regions, which are the main customer base of ITFOR, and as such, we were selected as the members of this round table discussion. How do you view your area in terms of the current situation and issues of Japan?

Takagi: I belong to the West Japan Office and mainly in charge of the Kansai area. As I visit customers in rural areas, I feel that the gap between rural areas and urban areas is spreading steadily. Reducing young people, shrinking vitality in town, and stagnating local economy

constitute one big issue. On the other hand, I feel that there are increasing initiatives in different prefectures to revitalize towns. In the Hokuriku region, for example, areas around stations have changed drastically due to opening of the Shinkansen line.

Ochiai: Kyushu, which I am in charge of, also seems to be polarized. Lusty areas are gaining more energy, while there are areas that are stagnating. The Kyushu Office is located in the Hakata Station area, which has a lively atmosphere due to redevelopment, but other major stations near Hakata Station are not very vigorous.

Yamazaki: There is an area in East Japan that I have been visiting for more than ten years, and I feel a downturn in population and economy in that area.

Ochiai: In April this year, the Population Strategy Council announced the list of districts in danger of distinction, but the listed districts were different from what I imagined.

Takagi: I had the same impression. But I think there are more people

now who want to work in rural areas than those days when we joined the Company. ITFOR also added options of fixed area employment and employment without transfer.

Yamazaki: I certainly had the impression that there were more people who opted for fixed area employment than I expected. People have come to give more importance to work-life balance compared to ten and several years ago, and the atmosphere of the Company has probably changed so that it is more easy to say that they want to avoid transfer due to reasons of their families.

Takagi: Telework has increased due to the COVID-19 pandemic, and people value personal time than before. The work style has changed significantly overall. We did not have web conferences at all in the past, but now our local bank customers can conduct telecommuting and web conference.

Yamazaki: However, I heard some juniors say that they have hard time during telework because then cannot consult. They probably also have a wish to work with coworkers nearby.

Ochiai: In the Kyushu Office, drinking parties revived after the COVID-19 pandemic. We actively use the Happy Hours System—"Let's refresh ourselves after the official work hours"—proposed by the President. Of course, communication is also active in occasions other than drinking parties.

Yamazaki: In the Tokyo Head Office, young people often gather and have a friendly talk. Then, an Executive Officer joins, whom they usually do not have much chance to talk with. I feel that the Happy Hours System is a very good idea when I see people of various positions and ages are talking around a table.

Takagi: Reinforcing teamwork in various occasions is important because the Company must grow in spite of changes of the work style such as reduced overtime.

What are challenges for local financial institutions, our customers, to solve regional problems?

2

**Solving the problem of labor shortage by DX
Active new businesses that leverage the
charm of regions**

Yamazaki: I am in charge of the Tokyo metropolitan area, the Tohoku area, and Hokkaido, and issues that customers have vary by area. The issue in the Tokyo metropolitan area is chronic shortage of workers. Competition among local banks is intense. For example, there are three local banks in Chiba Prefecture. So, their main needs are rapid streamlining and sophistication by systematization. On the other hand, in areas around Tokyo such as Yamanashi Prefecture and the Boso area of Chiba



Toru Ochiai

Financial System Division
Section Manager of
4th Group, 2nd Sales
Department

Yusuke Yamazaki

Financial System Division
Section Manager of
2th Group, 1st Sales
Department



Prefecture, the population is declining because there are many young people who go to universities in Tokyo and do not return after graduation.

However, when I asked a customer in a bank of Ibaraki Prefecture the other day, "Isn't the population decline severe?," the response was "Not very," contrary to my expectations. For example, Ibaraki Prefecture in the Kanto area is similar to Hokkaido. It has unique items of produce and food, and it is near Tokyo. They are confident that these competitive advantages will not be lost despite some decline in population. This reminds me that prefectures close to major consuming areas are different from other prefectures.

Takagi: There is a strong trend of systematization also in customers in the areas that I in charge of. The number of employees is reducing, so they have to deliver results with a smaller workforce. They have trouble in human resource development such as teaching operational know-how to junior employees, so they are highly positive about automation and streamlining. Every task is related to a system nowadays, so banks are working to improve IT literacy by, for example, having all employees acquire the IT passport.

Ochiai: My section is in charge of Yamaguchi Prefecture, the seven prefectures of Kyushu, and the Okinawa Prefecture. Also, issues vary by region. In the Kyushu area, people are gathering in Kumamoto Prefecture seeking employment from a semiconductor factory that was recently set up by a foreign-capital company. The decision of building the second factory has already been made. However, the construction of infrastructure in the area is not catching up, so that commuter rush is as intense as Tokyo even now. I heard from a local bank in the area that their problem is that, although the demand on mortgages is rising rapidly due to the home construction boom, they cannot raise sales any more due to personnel shortage.

Yamazaki: I see that kind of a story in the media, and you are telling me that is actually happening.

Ochiai: Yes. People say it is worth working hard now because Kyushu is gaining special attention.

Takagi: The number one issue of local areas is finding ways to advertise attractive features of individual prefectures. People are probing for business chances by setting up regional trading companies.

Yamazaki: That is true. As for private sector projects such as the sophistication of banking business, an initiative of a bank in Chiba Prefecture is very interesting. With the enthusiasm to bring about a miracle in Chiba Prefecture, that initiative was launched in April this year, aiming for regional revitalization through businesses of agriculture, consulting, and trading.

Local financial institutions are very active in sending out information on features of their prefectures, and a bank in Yamanashi Prefecture has started tourism. Yamanashi Prefecture features Mount Fuji, Fuji Five

Lakes, and castles, and foreign tourists are increasing rapidly in recent years. The local bank embarked on tourism with these backgrounds. There is a buzz of overtourism, but I think that is part of the reality if you want to boom the local economy.

Takagi: Toyama Prefecture has many sightseeing spots such as the Kurobe dam, Gassho-zukuri houses, and villages, and the number of tourists from Europe and North America is increasing. I recently came to know that collaboration started between the government of Toyama Prefecture and local banks to solve various issues of Toyama Prefecture such as the stagnation of local economy, disaster measures, reducing people who engage in agriculture, and finding successors of local firms. I think banks are looking to solve regional issues than ever by participating in initiatives instead of just providing loans.

Ochiai: Banks in Kyushu are also trying to engage in non-financial businesses. Some of them are putting effort into agriculture business. I was very surprised when I first knew it, but now we take advantage of it as an interesting and helpful example of initiative.

ESG management is a challenge also in rural districts in recent years, and in fact there is a local bank that provides a system for calculating CO₂ emissions of corporations. Of course, profitability is still an issue, but they are taking various challenges such as collaboration with a company in a different industry and diversification of business. The phrase “regional trading company” seems to have become common, as I hear talks of you two.

What ITFOR can do to support regional customers in taking challenges?

3

**Facing regional issues more earnestly
The role of an IT company is to solve problems of customers**

Takagi: What we can realize now is the systematization of the procedure of home mortgages. Personnel shortage is serious in local banks, so streamlining of their operations is essential. I think this is where we should provide support. Also, they are actively promoting cashless transaction in their areas.

But I think strongly that they should not stop there and should move forward to solve local issues. In Toyama Prefecture, which mentioned earlier, ITFOR collaborates with local vendors to engage in a part of the proposal for solving issues and demonstration experiments.

We provide systems to support customers in taking various challenges, but it is not enough just streamlining their clerical tasks and payment processes. I want to do other things that we can do, and also want to provide added values. If we can accumulate experiences, those experiences can be applied to solving issues of other prefectures, and it may lead to the creation of a new business of the Company. I am thinking of creating such a new direction recently.

Yamazaki: ITFOR has been focusing its effort on package products, and has been placing value on proposing them in accordance with customer environments. However, the Company is recently taking a new direction other than package products. It started internal venture organizations and collaboration with other companies, and more people are now getting qualifications. I think these activities help to enhance the scope our capabilities to help customers. Furthermore, as being set forth in our management policy, I think we should always liaise not only with our direct customers that are financial institutions but also with

Keisuke Takagi

Financial System Division
Section Manager of
1st Group, 2nd Sales
Department



local people who use our systems so that we can make proposals that respond to their ever-changing needs.

Come to think of it, I hear that the Kyushu Office, which is the first office of the Company that started account-based sales, started visiting local governments and department stores. How things are going after starting this activity?

Ochiai: All right. We are starting it gradually. I feel it very important and valuable for us in the Financial System Division to hear voices of customers that are not financial institutions.

For the past 20 years or so, the strength of ITFOR has been its unique package products. However, according to what I hear from seniors, ITFOR did not have packages in the past. I often hear from the President that the Company has been repeating developing and providing new systems and tools responding to what customers want to realize. Now that we started account-based sales, I think this is the mindset that we should have. ITFOR is making positive results with its own products now, but stories of Yamazaki-san and Takagi-san reminds me that ITFOR will not survive unless we face customers’ issues earnestly.

Takagi: I agree. In that context, we should have deep consideration about regional problems and collect more information. Then, I think the next step to take in our role is to face issues earnestly to find out things that can be solved by IT and communication technologies, and create businesses of our company from them.

Yamazaki: The strength of ITFOR is among others to have direct dialog with bankers, and then offer proposals and make trial-and-error experiments. For example, through a challenge that we take with bank A, we gain the understanding of things succeeded and things failed. Then, we will be able to determine whether the same method applies to bank B or a different method is better. I think our company has the strength of being able to provide that kind of support.

Being able to make proposals to customers that are not limited by the patterns of packages is the best part of IT companies, and above all, it greatly motivates the front-line sales staff like us.

Ochiai: I want to create value together with customers, instead of just providing what customers want. I think that is what account-based sales aims at.

Takagi: You are right. Our office locations and responsible areas are different, but this kind of face-to-face discussion is interesting from time to time.

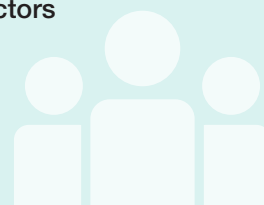
Ochiai: I have a feeling that a good project will be born by sharing information on characteristics of responsible areas and unique efforts for them.

Yamazaki: The door is open for us to grab many opportunities to revitalize regions across Japan. Let’s join forces to create the future of the Company and the future of regions.



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

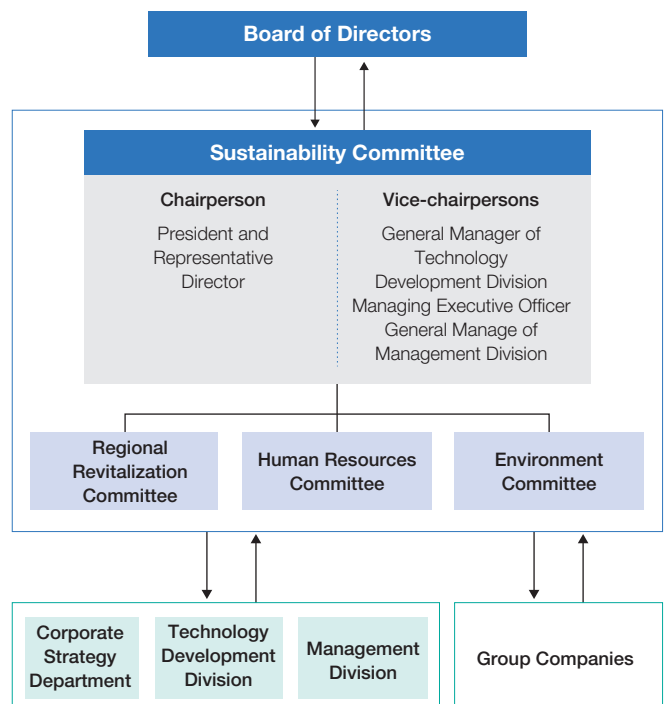
The Regional Revitalization Committee considers measures for revitalizing local communities and makes propositions to the Corporate Strategy Office, which is responsible for this matter. The Committee takes leadership or provides support for activities that the Company co-sponsors and activities for 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.

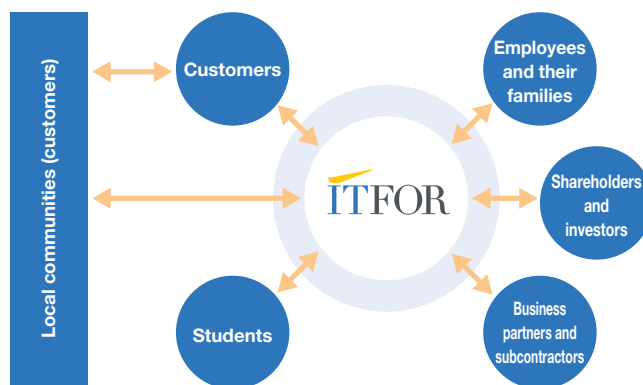
Environment Committee

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.



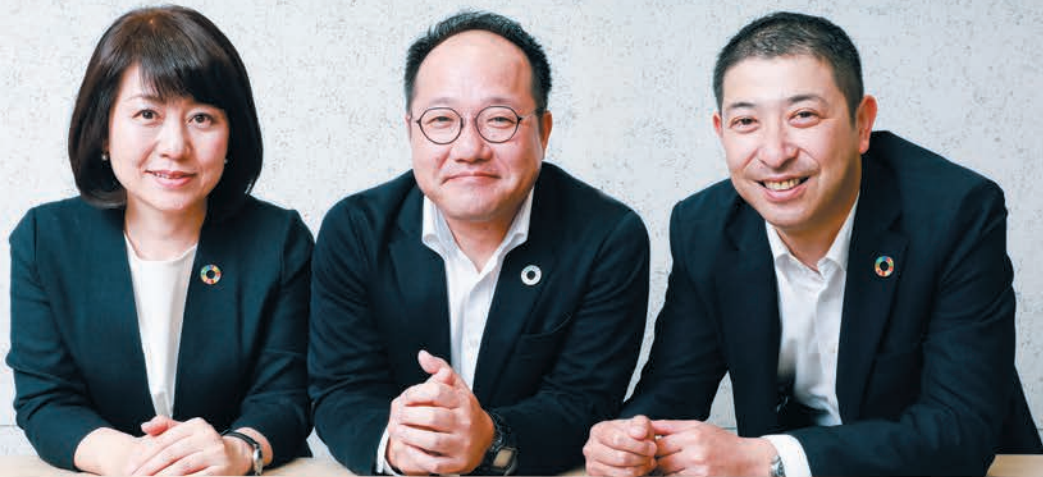
Stakeholder		Main method of dialog
Customer	All customers including institutions and enterprises that use products and services provided by the ITFOR group	Events such as seminars, user conferences, research conferences
Shareholders and investors	Individual and institutional investors including shareholders 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.

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

What is sustainability for ITFOR?

1 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 CO₂ 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 CO₂ 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.

What were activities of the committees in fiscal 2023?

2 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 CO₂ emissions calculation service to make the calculation of CO₂ 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

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.

Aiming to be a sustainable company

3 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

4. Foundation for Value Creation

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 CO₂ 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-CO₂.

CO₂ 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 CO₂ emissions associated with the issuance, transport, and management of cash. ITFOR promotes cashless transactions in support of regional economic revitalization by providing local financial institutions and other entities with cashless payment platforms.

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.

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.

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.

Human resource strategy

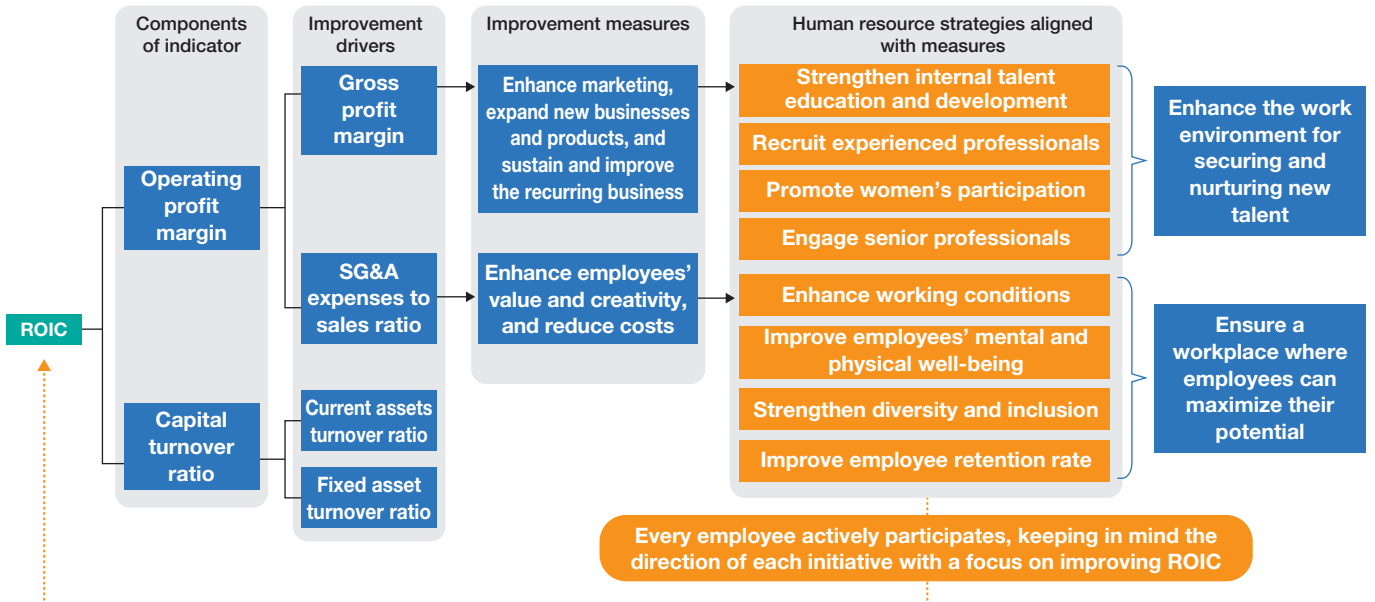
ITFOR conducts human capital management with the aim of maximizing the effect of initiatives by visualizing the path in which each initiative for securing or fostering human resources is eventually connected to management goals, thereby all employees who engage in related initiatives take action with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

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

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%

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 the 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.

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 Slers and our customers, which are regional financial institutions, local governments, and local companies, and also by signing agency agreements with these Slers.

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 unflinchingly 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 unflinchingly 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.

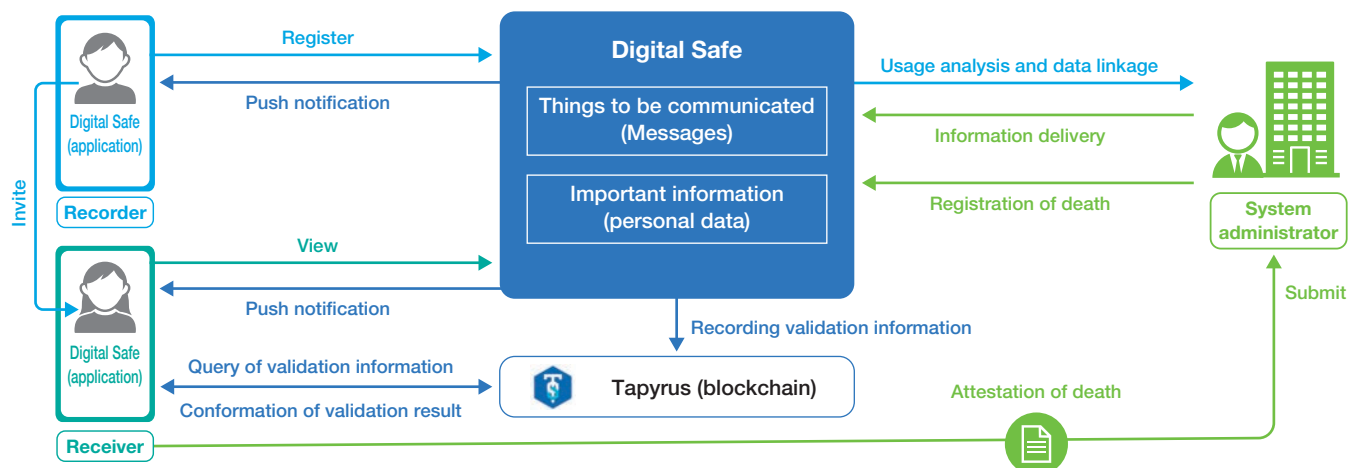
Effort of Management Division

The Management Division of ITFOR sets the policy for DX promotion as follows:

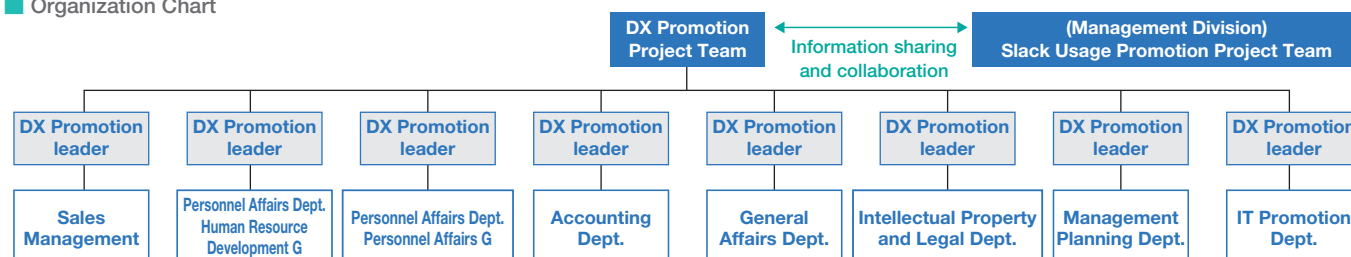
- Visualize the DX initiatives that are going on in the Management Division.
- Employees should be conscious of DX promotion and try to find issues in their tasks.
- The DX promotion leader takes the role of the contact point for investigation and communication with different departments.

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



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

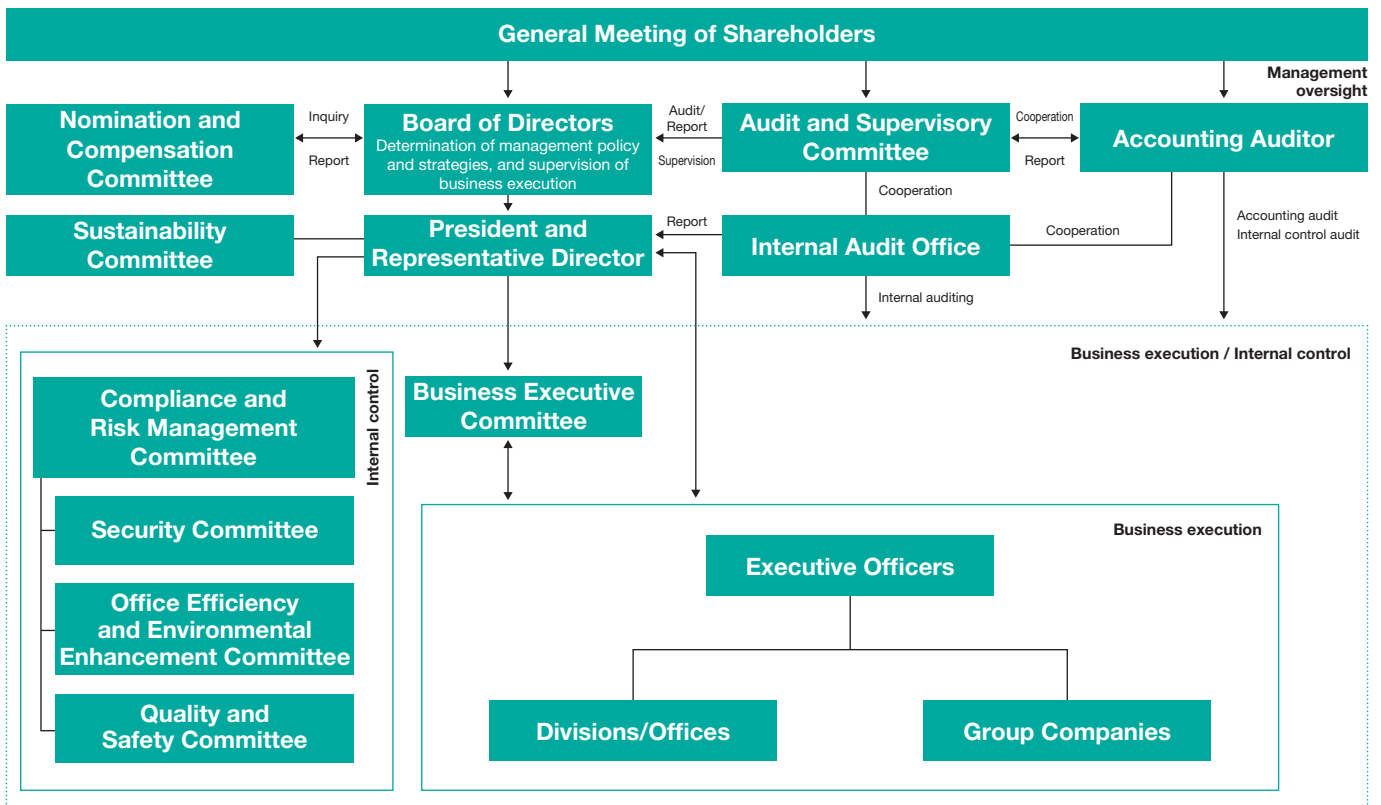
less, the current number of such Directors is three including two Outside Directors. In order to respond quickly to changes of the management environment by separating the decision making and supervision function and the business execution function, the Company adopts the executive officer system, under 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.

Organization chart of corporate governance



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's 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

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	○		○	○	○			○
Hiroataka 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.

4. Foundation for Value Creation

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-linked 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	<ul style="list-style-type: none"> 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	<p>Compensation as short-term incentive (monthly)</p> <ul style="list-style-type: none"> Total of performance-linked compensation = Target net income attributable to owners of the parent¹ × 8.0% (maximum) × Company performance evaluation factor Amount paid to each Director = $\frac{\text{Total performance-linked compensation} \times \text{Points of each Director} \times \text{Performance evaluation factor of each Director}^2}{\text{Sum of (points of each Director} \times \text{Performance evaluation factor of each Director}^2)}$ <p><small>*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.</small></p>
Variable		Tax-qualified stock option
	Compensation as medium-to long-term incentive	Performance-linked stock compensation

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

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

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.

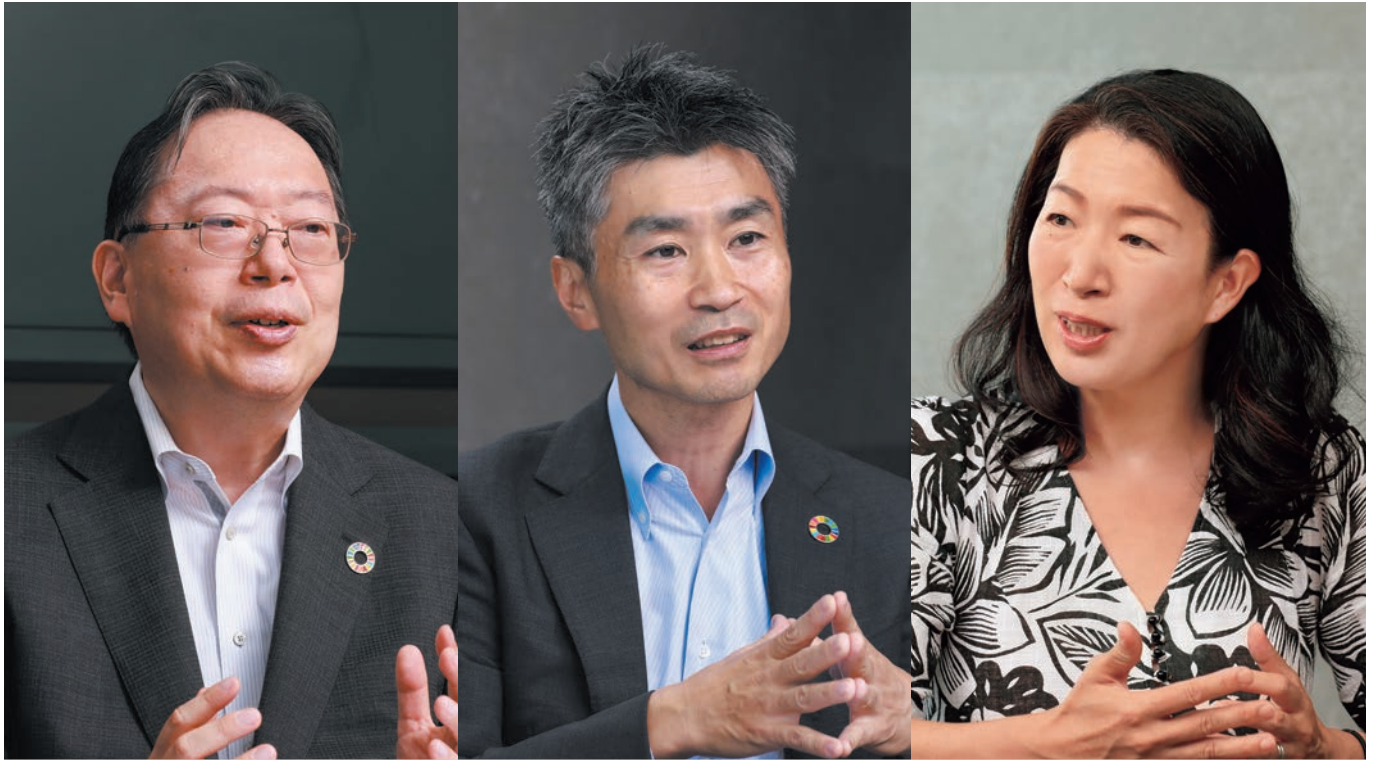
Organization

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.

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

4. Foundation for Value Creation

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?

→ See P.66 [Organization chart of corporate governance]

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?

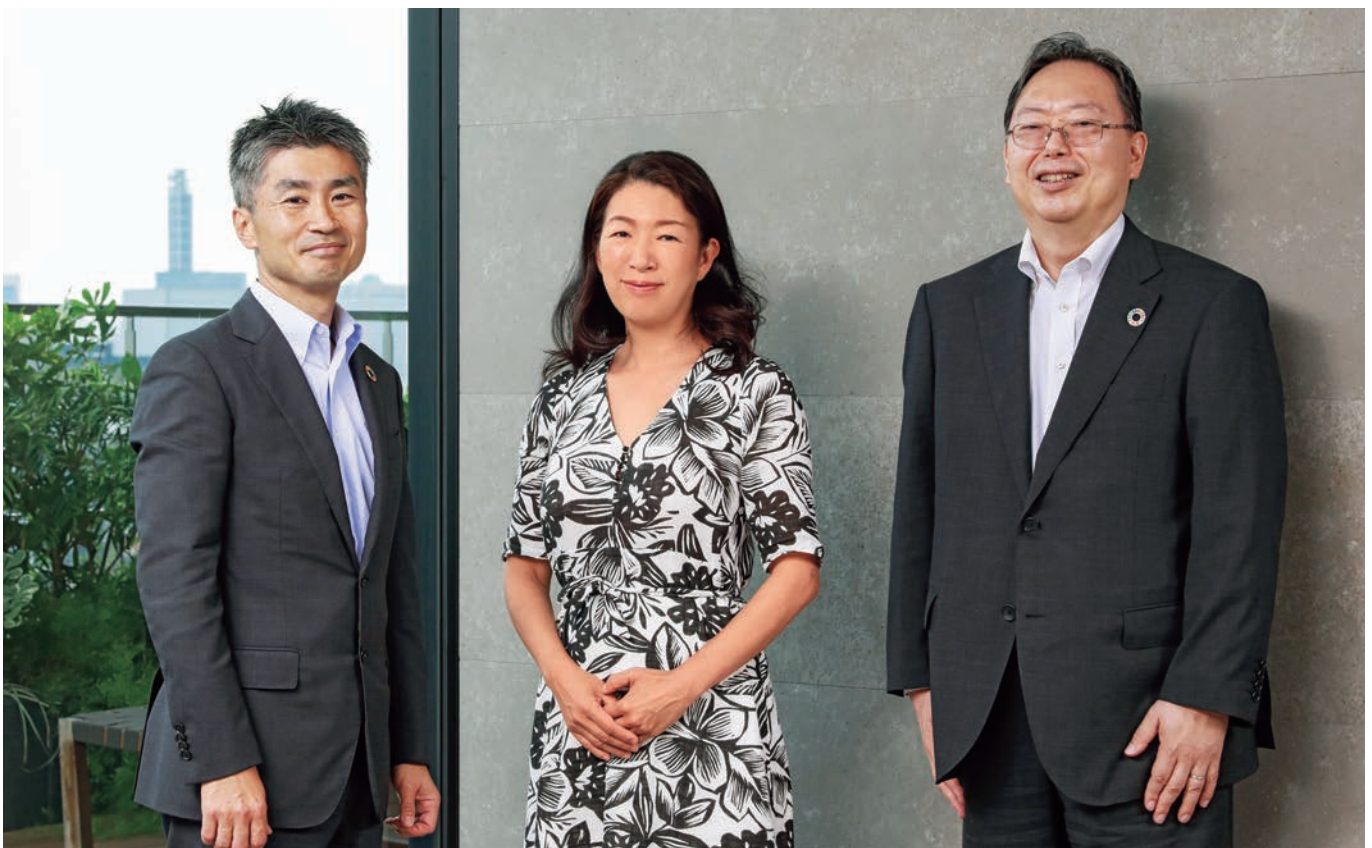
Koizumi: I am researching companies in which employees are said to be happy, and to date, I visited such companies in 63 countries. According to Professor Ed Diener of the University of Illinois, companies with high levels of employees' happiness exert productivity that is 31% higher, sales that is 37% 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%



5. Data Section



Data Section

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Financial information

11-year financial summary

	FY2013	FY2014	FY2015	FY2016	FY2017
Balance sheet					
Current assets	10,225	9,886	10,796	10,507	11,322
Fixed assets	3,213	4,770	4,166	4,411	4,095
Current liabilities	2,830	2,986	2,954	2,445	2,777
Fixed liabilities	246	351	257	386	427
Net assets	10,361	11,318	11,750	12,088	12,213
Total assets	13,438	14,656	14,962	14,919	15,259
Profit-and-loss sheet					
Sales	10,974	11,467	12,154	11,111	11,831
Gross profit	4,248	3,989	4,410	4,079	4,528
Operating income	1,675	1,078	1,540	1,270	1,535
Ordinary income	1,697	1,100	1,588	1,331	1,605
Net income attributable to owners of parent	1,009	658	1,013	906	1,124
Cash flow statement					
Cash flows from operating activities	1,118	1,215	1,464	1,531	1,830
Cash flows from investing activities	(1,534)	(1,239)	(186)	(155)	(203)
Cash flows from financing activities	(225)	(562)	(255)	(825)	(1,129)
Cash and cash equivalents at year-end	5,045	4,458	5,480	6,031	6,528
Key indicators					
ROA (%)	13.3	7.8	10.7	8.9	10.6
ROE (%)	10.3	6.2	8.9	7.7	9.3
ROIC (%)	10.1	5.8	8.6	7.3	8.4
Equity to total assets ratio (%)	76.0	75.9	77.5	80.9	79.9
Net debt to equity ratio (times)	0.0	0.0	0.0	0.0	0.0
Operating profit margin (%)	15.3	9.4	12.7	11.4	13.0

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

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

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

(Unit: million yen)

FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
12,299	12,849	14,694	16,264	17,676	19,498
3,578	3,445	3,996	3,746	3,990	4,497
3,244	3,459	4,341	4,174	4,243	4,878
266	271	248	229	256	280
12,367	12,564	14,101	15,606	17,167	18,836
15,878	16,294	18,690	20,010	21,667	23,996
12,554	15,239	16,289	17,021	18,322	20,652
4,652	4,840	5,386	6,156	6,734	7,753
1,637	1,728	2,186	3,031	3,217	3,737
1,709	1,839	2,317	3,106	3,278	3,846
1,148	1,232	1,683	2,112	2,291	2,770
899	1,879	2,728	2,811	1,714	2,836
(306)	(714)	(429)	(353)	(758)	(504)
(693)	(694)	(526)	(544)	(744)	(1,623)
6,428	6,899	8,672	10,585	10,796	11,505
11.0	11.4	13.2	16.1	15.7	16.8
9.4	9.9	12.7	14.3	14.0	15.4
9.0	9.3	11.8	13.9	13.7	15.0
77.7	76.8	75.2	77.9	79.1	78.5
0.0	0.0	0.0	0.0	0.0	0.0
13.0	11.3	13.4	17.8	17.6	18.1

Corporate Profile

Executive officers



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

Directors and Audit and Supervisory Committee Members

(as of September 30, 2024)

Tsunenori Sato

President and Representative Director

1998 March	Joined the Company
2009 October	Executive Officer, General Manager of Solution Systems Division
2011 June	Director and Executive Officer, General Manager of Solution Systems Division
2017 June	Representative Managing Director and Executive Officer, General Manager of Financial Systems Division
2018 June	Representative Senior Managing Director and Executive Officer, General Manager of Corporate Strategy Department and Financial Systems Division
2019 April	President and Representative Director, General Manager of Corporate Strategy Department
2021 April	President and Representative Director (current position)

Koji Sakata

Representative Senior Managing Director and Executive Officer

1987 April	Joined the Company
2008 October	Executive Officer, General Manager of Software Development Department
2013 June	Director and Executive Officer, General Manager of Technical Support Division
2014 June	Director and Managing Executive Officer, General Manager of Technology Development Headquarters
2019 June	Director and Representative Senior Managing Director, General Manager of Public Systems Division
2020 October	Representative Senior Managing Director and Executive Officer, General Manager of Technology Development Department (current position)

Hiroataka Oeda

Director and Managing Executive Officer

1981 April	Joined the Company
2004 June	Executive Officer, General Manager of Osaka Office
2006 June	Director and Executive Officer, General Manager of Solution Systems Division
2009 October	Director and Managing Executive Officer, General Manager of Corporate Strategy Department
2018 December	Director and Executive Officer, General Manager of CTI Systems Division and Communications Systems Division
2021 April	Director and Executive Officer, General Manager of Corporate Strategy Department and Retail EC Systems Division
2024 July	Director and Managing Executive Officer, General Manager of Corporate Strategy Department and Retail EC Systems Division (current position)

Katsuo Nakamura

Director and Executive Officer

1991 October	Joined Showa Ota & Co. (now Ernst & Young ShinNihon LLC)
2003 June	ITFOR Outside Corporate Auditor
2010 June	Director and Executive Officer, General Manager of Administration Department (current position)

Kazunori Kono

Director and Executive Officer

1996 April	Joined the Company
2010 October	General Manager of Network Solution Division
2011 June	Executive Officers, General Manager of Network Solution Division
2014 April	Executive Officer, Deputy General Manager of Corporate Strategy Department
2022 April	Executive Officer, General manager of Payment Systems Department
2023 April	Executive Officer, General manager of Payment Systems Division
2024 June	Director and Executive Officer, General Manager of Payment Systems Division (current position)

Waka Abe

Outside Director

2004 March	Joined SK-Electronics Co., Ltd.
2014 April	Joined Shashin Kagaku Co., Ltd.
2019 December	Director of Business Development Office, SK-Electronics Co., Ltd. Head of Business Development Office and Solutions Division (current position)
2021 June	Outside Director (current position)

Masahito Motoyama

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

1981 April	Joined the Company
2008 June	Executive Officer, Deputy General Manager of Corporate Strategy Department
2011 June	Director and Executive Officer, Deputy General Manager of Corporate Strategy Department
2021 June	Director and Audit and Supervisory Board Member (current position)

Makoto Sato

Outside Director (Member of Audit and Supervisory Committee)

2005 April	Registered as certified public accountant and established M. Sato CPA Office (current status)
2006 February	Registered as certified public tax accountant and established M. Sato CPTA Office (current status)
2007 August	Representative Partner, Asunaro Audit Corporation (current position)
2015 June	ITFOR Outside Director and Audit and Supervisory Board Member (current position)

Daisuke Koizumi

Outside Director (Member of Audit and Supervisory Committee)

1999 April	Registered as certified public accountant
2003 July	Representative Director, KIA Professional Co., Ltd. (now Owner's Brain Co., Ltd.)
2004 September	Registered as certified public tax accountant
2015 June	ITFOR Outside Director and Audit and Supervisory Board Member (current position)

Company details

(as of March 31, 2024)

Corporate details

Corporate name	ITFOR Inc.
Head office location	12F Ichibancho Tokyu Bldg., 21 Ichibancho, Chiyoda-ku, Tokyo 102-0082
Established	December 2, 1972
Capital	1,124 million yen
Number of employees	494

Business locations

Head Office	12F Ichibancho Tokyu Bldg., 21 Ichibancho, Chiyoda-ku, Tokyo
West Japan Office	14F Mainichi Intecio, 3-4-5, Umeda, Kita-ku, Osaka
Chubu Office	6F Meieki Imai IMAI Bldg., 4-10-25, Meieki, Nakamura-ku, Nagoya, Aichi
Kyushu Office	6F Kyukan Hakata Bldg., 3-26-29, Hakata Ekimae, Hakata-ku, Fukuoka
Okinawa Sales Office	4F Shintoshin DL Bldg., 4-19-30, Omoromachi, Naha, Okinawa
Tokorozawa Building	ITFOR Tokorozawa Bldg., 2-5-7, Higashi Tokorozawa Wada, Tokorozawa, Saitama

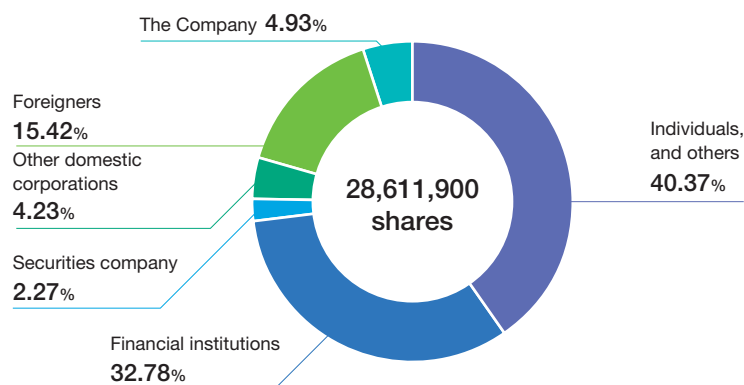
Group Companies

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

Stock information

Listing	Tokyo Stock Exchange, PrimeSecurity code: 4743
Number of authorized shares	110,000,000
Number of shares issued	28,611,900 (including 1,411,207 treasury shares)
Stock trading unit	100
Number of shareholders	11,719

Shareholder Distribution by Ownership



Renewal of corporate logo

ITFOR revised its logo that it has been using since 2000, in which the company name was changed. The new logo features "I" of IT and "F" meaning free fly toward the future, and I and F gently leaning together express the power of empathy for customers. ITFOR will continue to grow into the future with this new logo.





itfor.co.jp/en/

ITFOR

ir.itfor.co.jp/english/