

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

# FY2023 Financial Results and 4<sup>th</sup> Medium-Term Management Plan Briefing Material

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Thursday May 9<sup>th</sup>, 2024

ITFOR Inc. (Ticker : 4743)

Tsunenori Sato

President & Representative Director



# We are a company that supports safe, secure, and convenient daily lives



ITFOR provides systems and services that contribute to the enrichment of the daily lives of our customers such as banks, governments, and department stores, as well as the people in the regions beyond them.

Bringing smiles and excitement to regional communities.

We will actively contribute to the creation of a sustainable society

# Business Model

## Business Overview

**For financial institutions**

Application, screening, and credit management systems for personal loan operations, enterprise investigation services

**For public institutions**

Delinquency management systems and school operation support systems, business process outsourcing (BPO)

**For retailers and EC businesses**

Core systems that encompasses functions including sales management and customer management, EC site construction

**For contact centers**

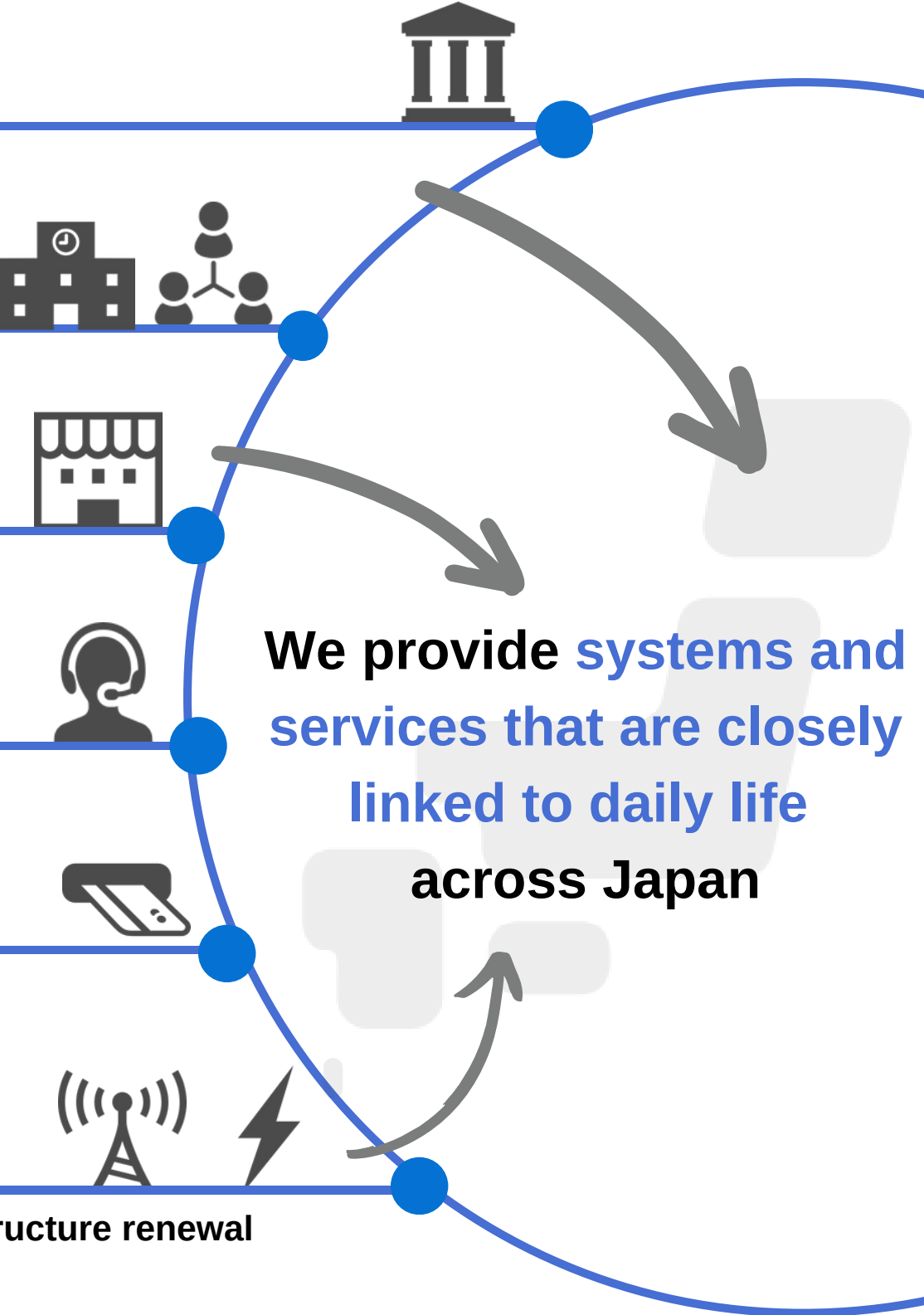
Voice recognition, conversation analysis, automated call reception systems

**Cashless payment**

Cashless payment terminals, payment cloud systems  
Payment services for BtoB and EC merchants

**Communication infrastructure and data security**

Cloud infrastructure, mobile network construction, social infrastructure renewal  
Network security systems



**Through our systems (IT) and operations (BPO), ITFOR supports not only companies but also people in various life stages beyond**



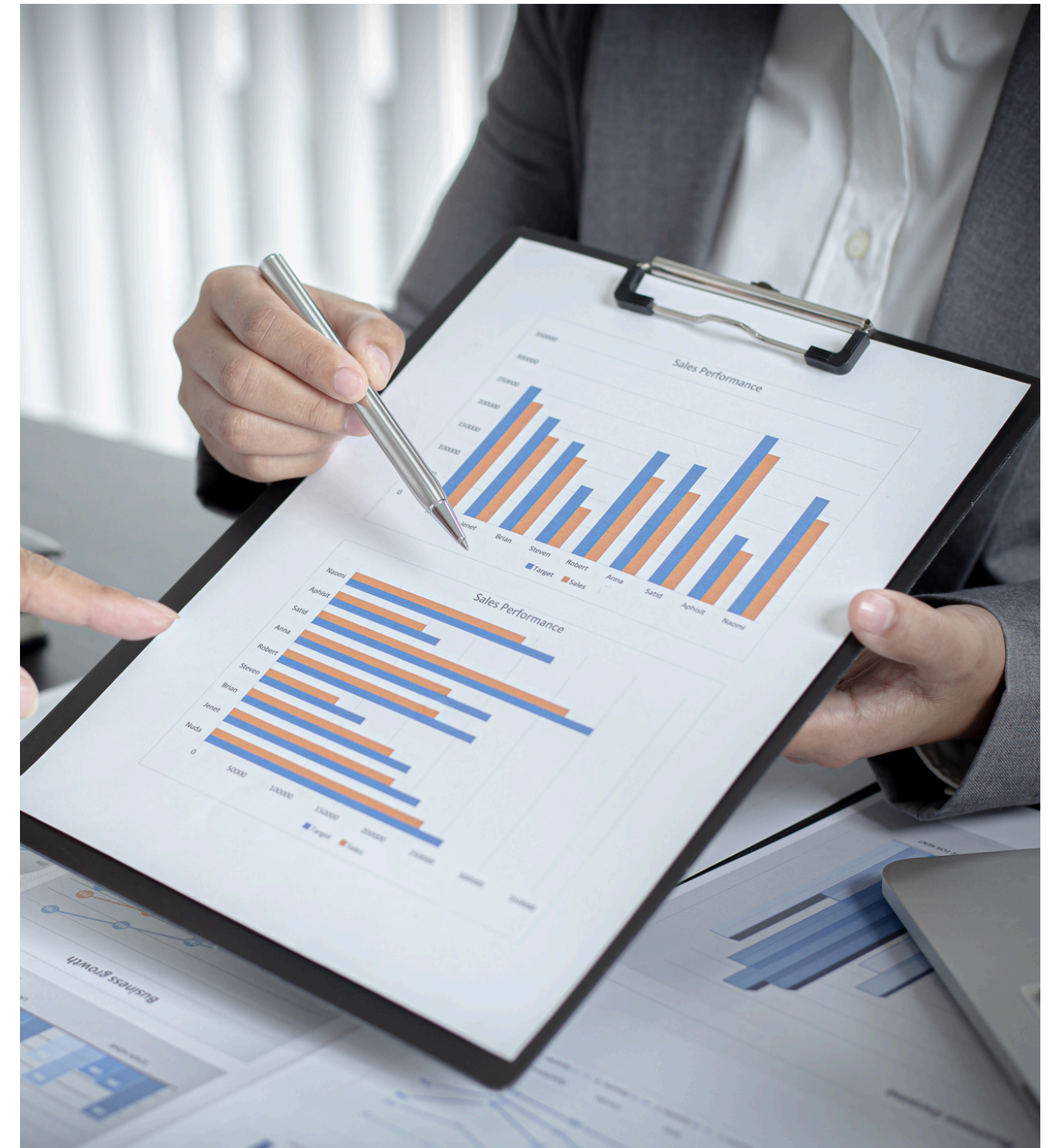
# AGENDA

- 01 FY2023 Financial Results
- 02 Review of 3<sup>rd</sup> Medium-Term Management Plan
- 03 FY2033 Concept
- 04 4<sup>th</sup> Medium-Term Management Plan (FY2024~2026)
- 05 FY2024 Forecasts



# AGENDA

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# Summary of Financial Results

FY2023 Financial Results

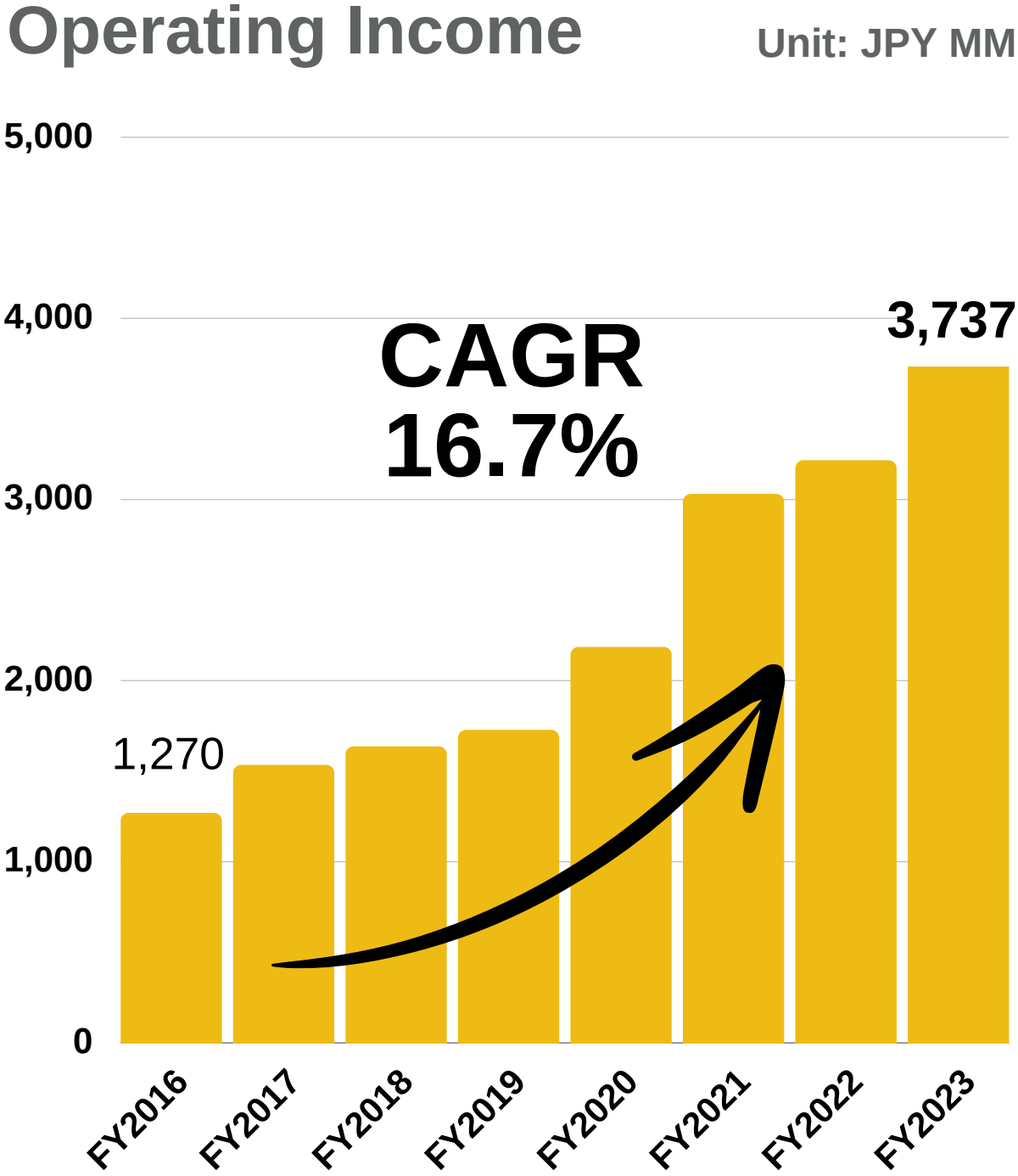
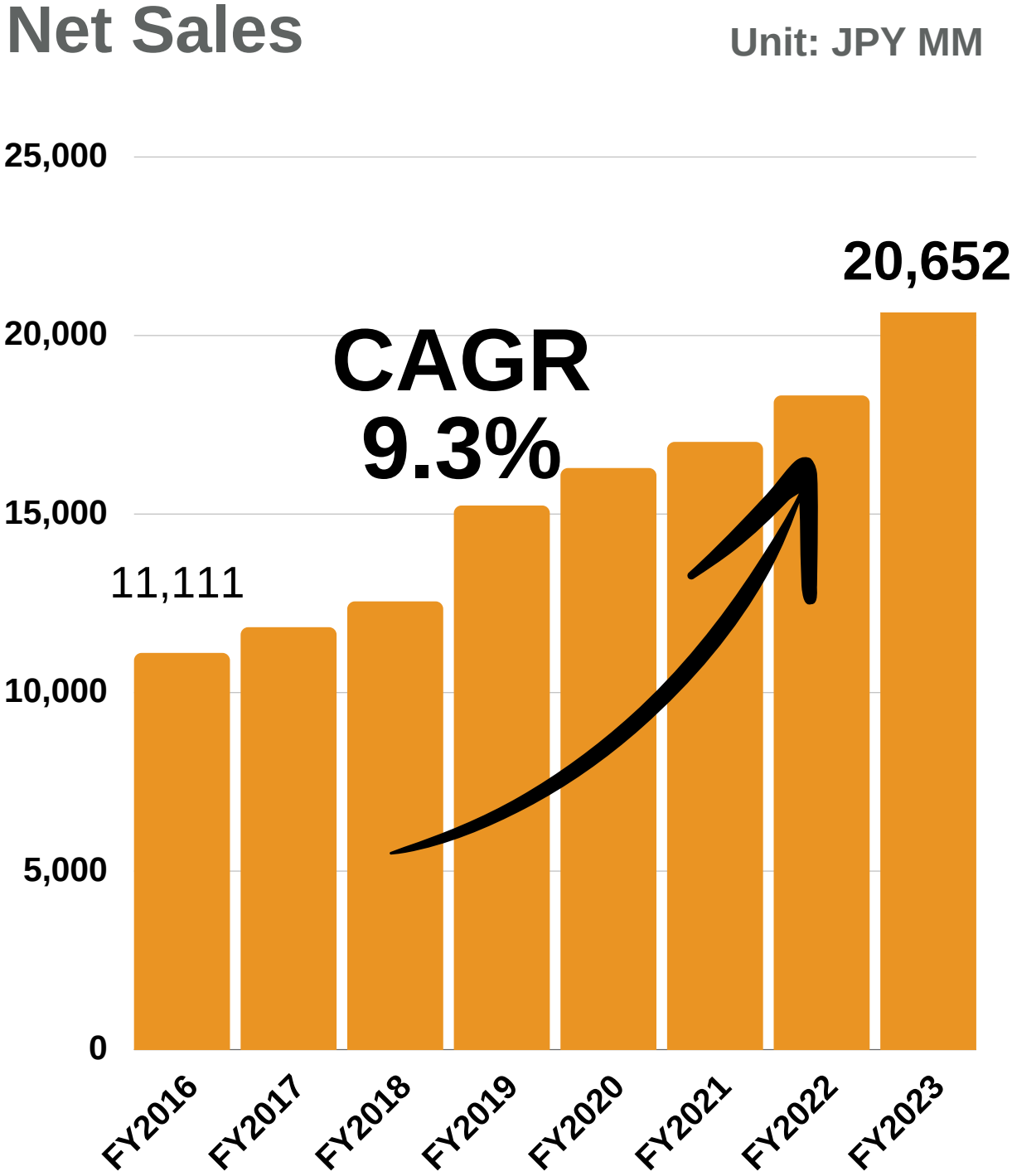
	FY2022	FY2023	YoY	vs Plan
Net sales (JPY MM)	18,322	<b>20,652</b>	112.7%	98.3%
Operating income (JPY MM)	3,217	<b>3,737</b>	116.2%	109.9%
Operating income margin (%)	17.6	<b>18.1</b>	+0.5pt	+1.9pt
Net income attributable to owners of the parent company (JPY MM)	2,291	<b>2,770</b>	120.9%	116.9%
EPS (Yen)	82.96	<b>101.77</b>	122.7%	116.8%
ROE (%)	14.0	<b>15.4</b>	+1.4pt	+ 2.4pt
ROIC (%)	13.7	<b>15.0</b>	+1.3pt	+2.0pt

- **Net sales and income grew year on year**
- **Operating income surpassed plan, although net sales fell short**
- **ROE and ROIC remain at high level exceeding previous year and plan**

# Net Sales and Operating Income Trends

FY2023 Financial Results

Both net sales and operating income reached record highs for the 7<sup>th</sup> consecutive year



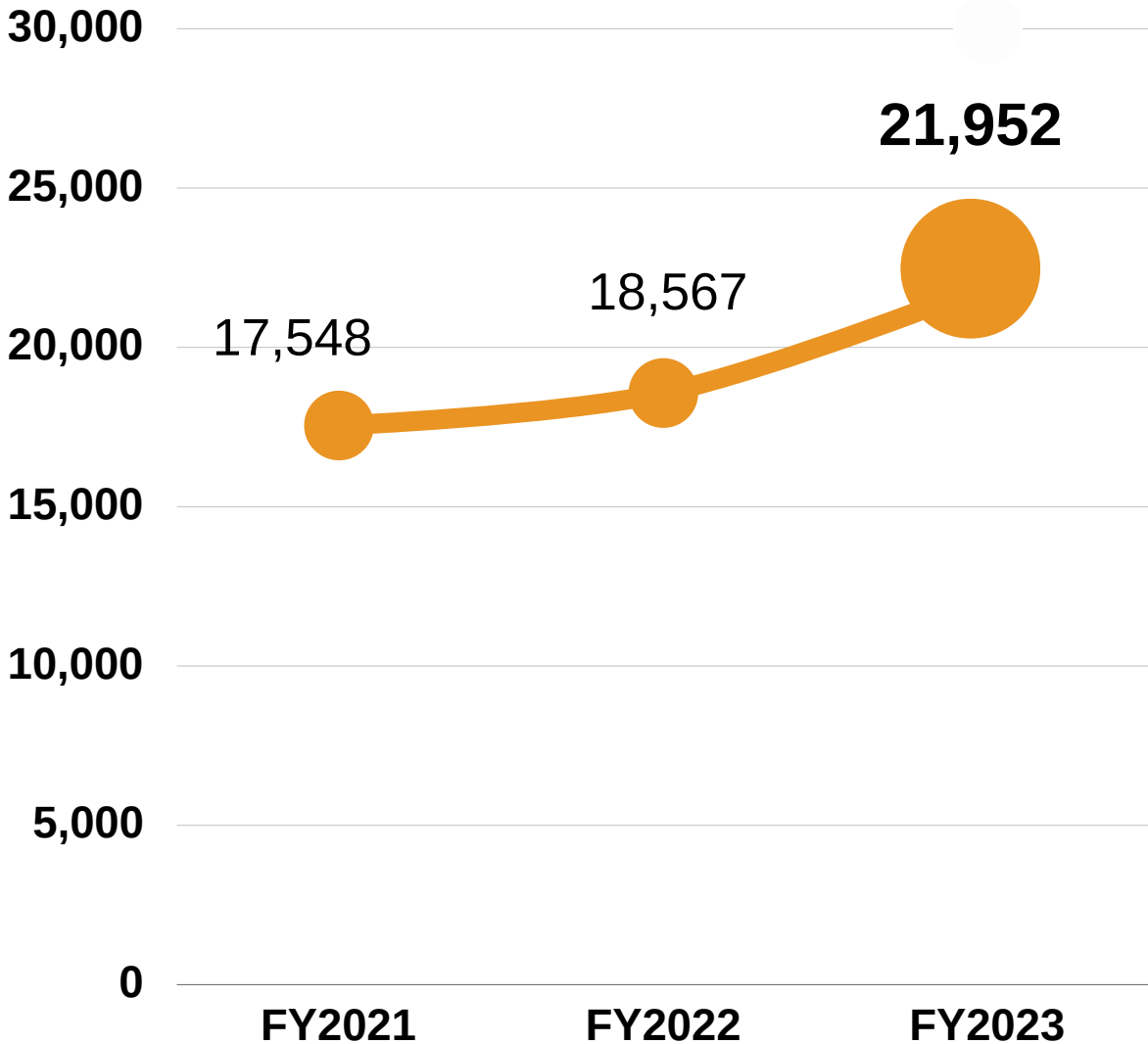
# New Orders and Order Backlog Trends

FY2023 Financial Results

Maintained business stability on the back of order growth

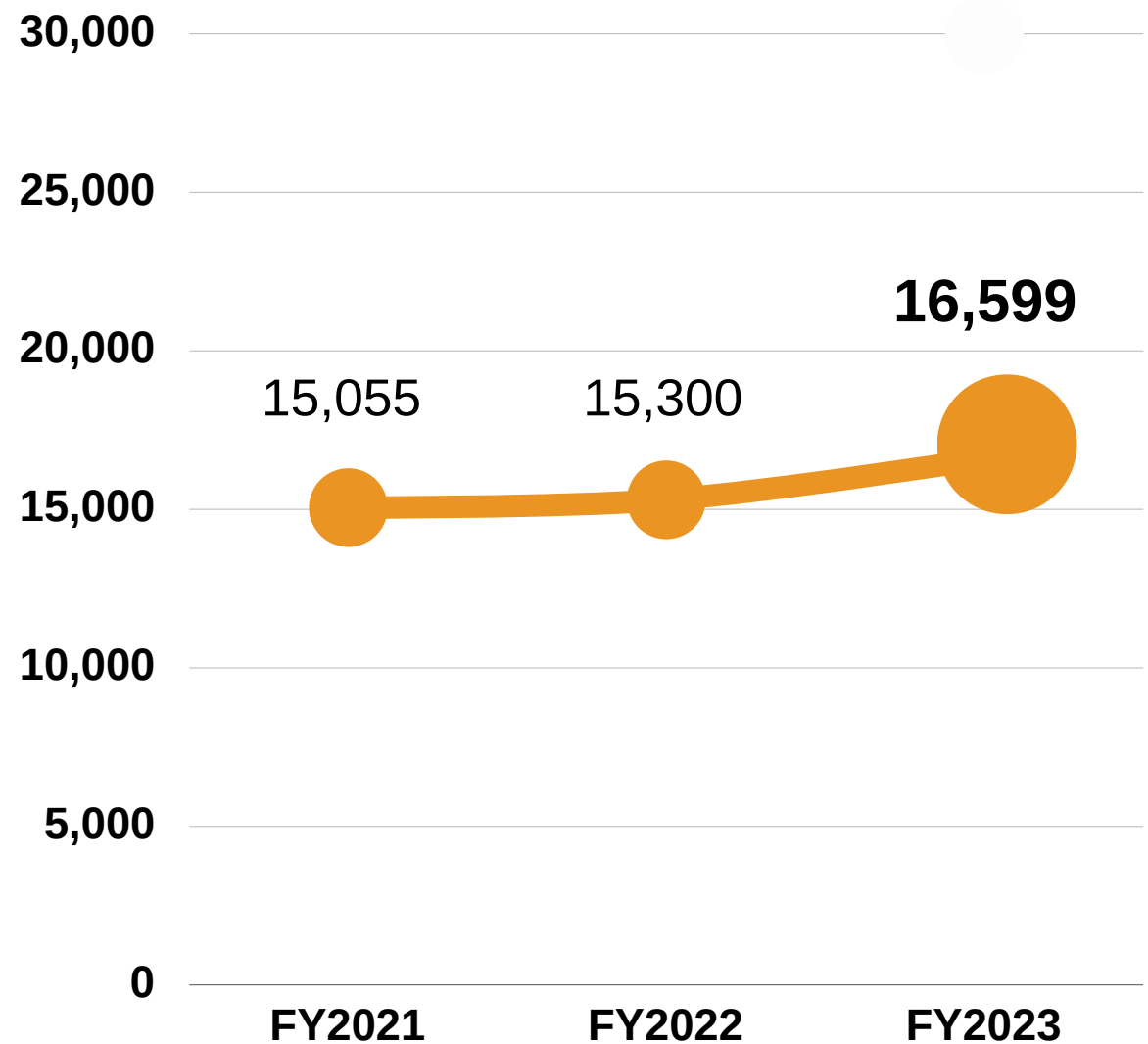
## New Orders

Unit: JPY MM



## Order Backlogs

Unit: JPY MM





# Sales Results by Sectors

FY2023 Financial Results

	Unit: JPY MM	FY2022	FY2023	YoY	Main business domains
System Development and Sales	Financial Systems	4,966	5,197	104.7%	For financial institutions
	Public Systems	368	489	133.1%	For public institutions
	Retail EC Systems	645	1,006	155.9%	For retailers and EC businesses
	CTI Systems	1,200	1,317	109.7%	For contact centers
	Communication Systems	1,210	1,300	107.4%	Communication infrastructure and data security
	Payment Systems	1,543	1,945	126.1%	Cashless payment
	Others	678	859	126.8%	
Recurring	BPO	3,499	3,869	110.6%	For public institutions
	Maintenance, Usage Fees	4,210	4,665	110.8%	

■ Achieved year-on-year growth in all sectors

■ Stable growth in Financial Systems

■ Sales of Retail EC Systems (to regional department stores) and Payment Systems significantly increased

### Performance

- Hit record highs for the 7<sup>th</sup> consecutive year
- Achieved the income target of 3rd Medium-Term Management Plan

### Investment in future growth

- Human resources: JPY204MM
- R&D: JPY248MM
- Internal system: JPY470MM

### Customer trends

- Demand remained solid
  - Operational efficiency improvement projects
  - Non-face-to-face/payment projects
  - Replacement of legacy infrastructure

### New businesses

- Digital Safe
- Digital payment
- Established an organization devoted to future businesses

### Development

- Improving development efficiency and quality
- Securing training time and qualification acquisition for development personnel
  - Training time ratio: 1.3%
  - PMP certified: 60 employees
- New technology initiatives in the Cloud Services Division

### Shareholder returns

- Executed purchase and cancellation of treasury stock of JPY900MM
- Total return ratio of 71.8%, returned a total of JPY1,988MM to shareholders

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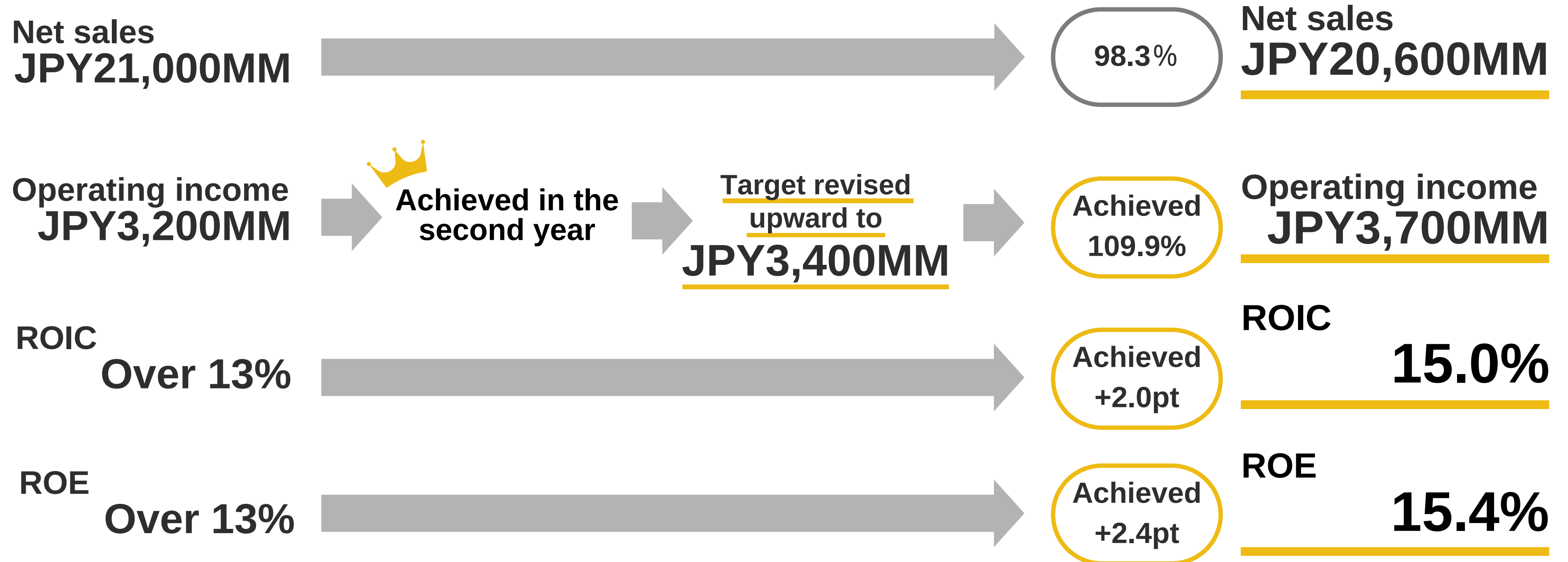


# Summary of 3<sup>rd</sup> Medium-Term Management Plan

Review of 3<sup>rd</sup> Medium-Term  
Management Plan

NEXT STAGE 2023 - HENCA SINCA SOZO -

## FY2023 Financial Targets



# Sales by Segments

NEXT STAGE 2023 - HENCA SINCA SOZO -

	(JPY MM)	FY2021	FY2022	FY2023	FY21-23 Change
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%

- **Solid growth in Financial Systems**
- **Sales of Public Systems declined due to the impact of the standardization for regional governments system**
- **Steady growth in Recurring sales along with growth in System Development and Sales**

# Existing Business Areas

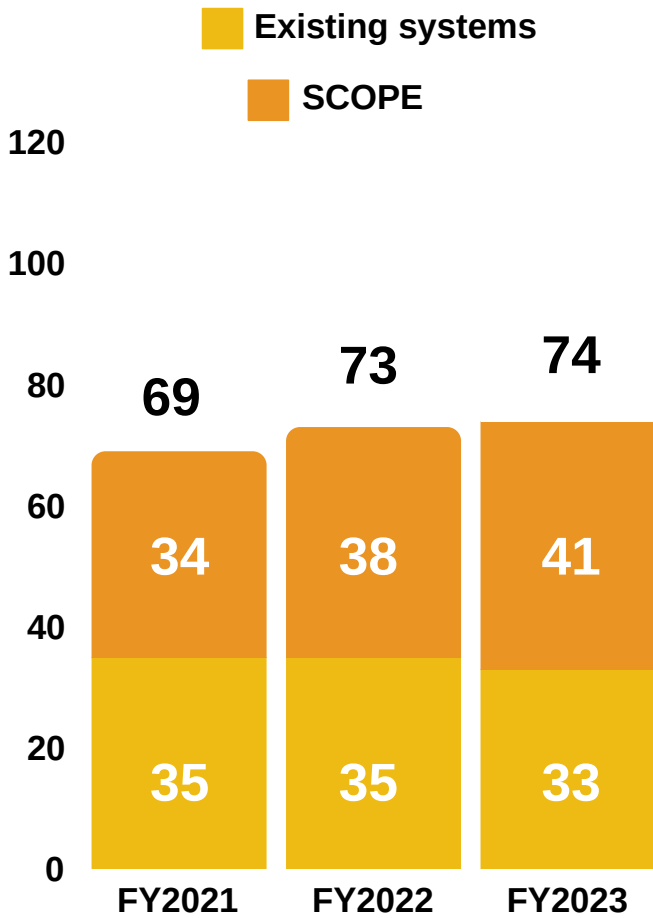
NEXT STAGE 2023 - HENCA SINCA SOZO -

## Steady growth in existing business areas



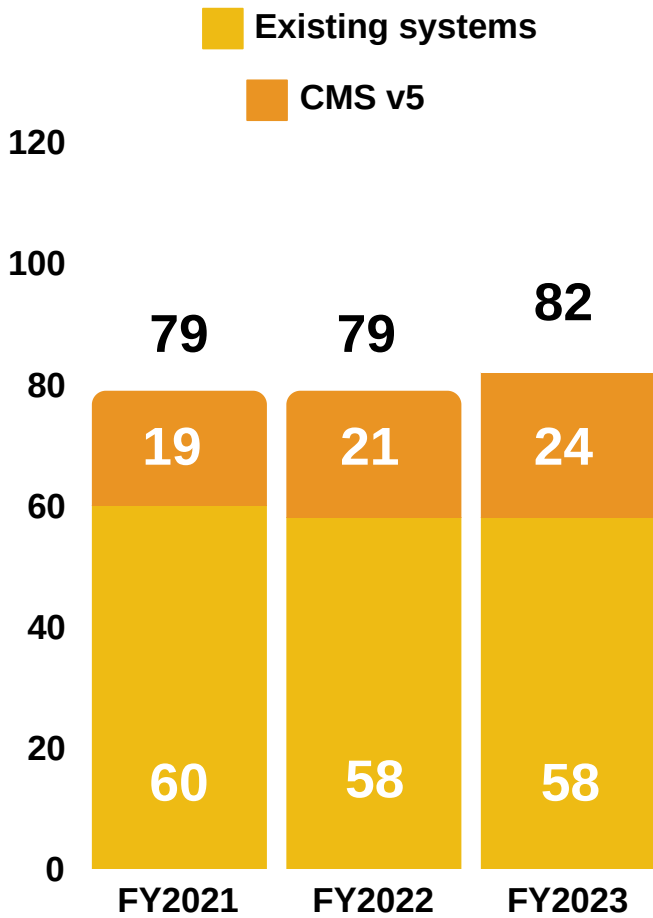
Personal loan screening support systems

# of clients: Company



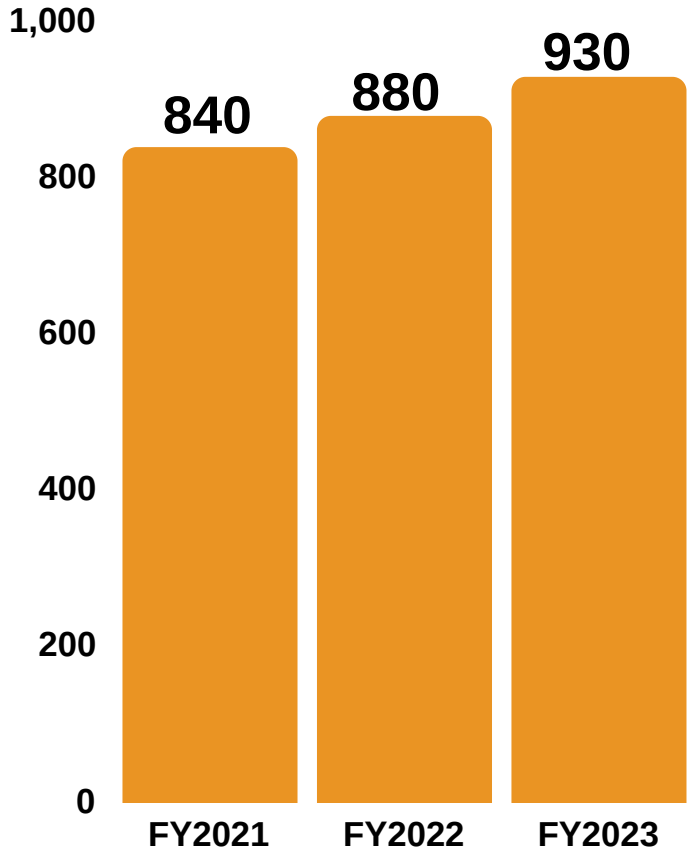
Credit management systems

# of clients: Company



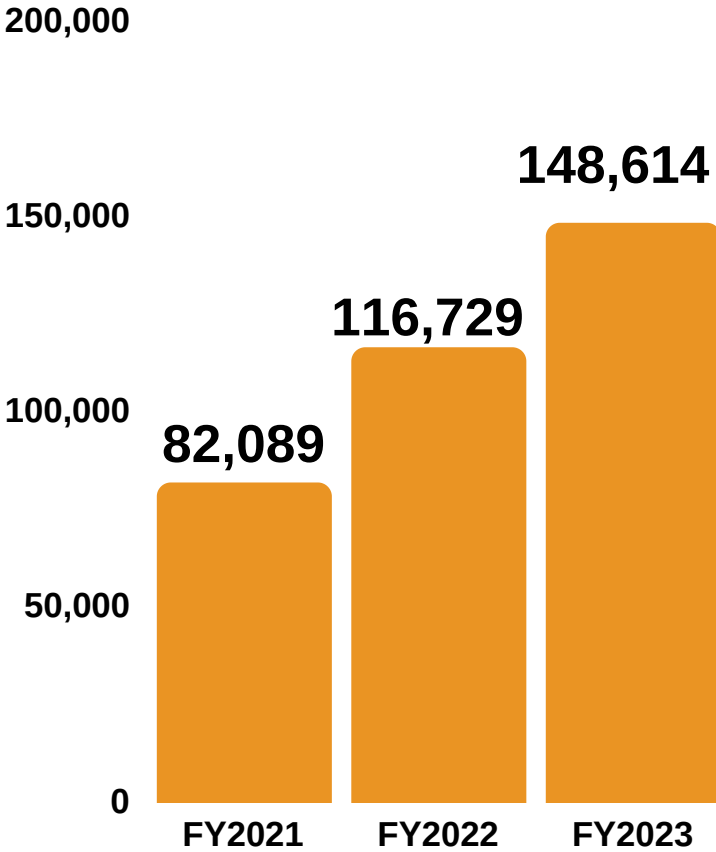
Robotic Call

Net sales: JPY MM



Cashless Payment terminals

# of accumulated order: terminal



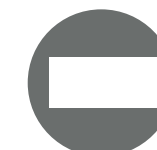
### Financial Targets have been mostly achieved Certain issues shall be continued to be addressed

#### Reinforcing Management Base

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



- Flexible and continuous organizational restructuring
- Renewal of HR system
- Digitalization of internal procedures



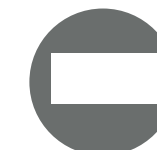
- Room for collaboration between sales and development
- Room for collaboration among sales divisions
- Carryover of internal core systems renewal
- Room for investment in HR

#### Enhancing Profitability

- Introduce ROIC mgmt
- 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

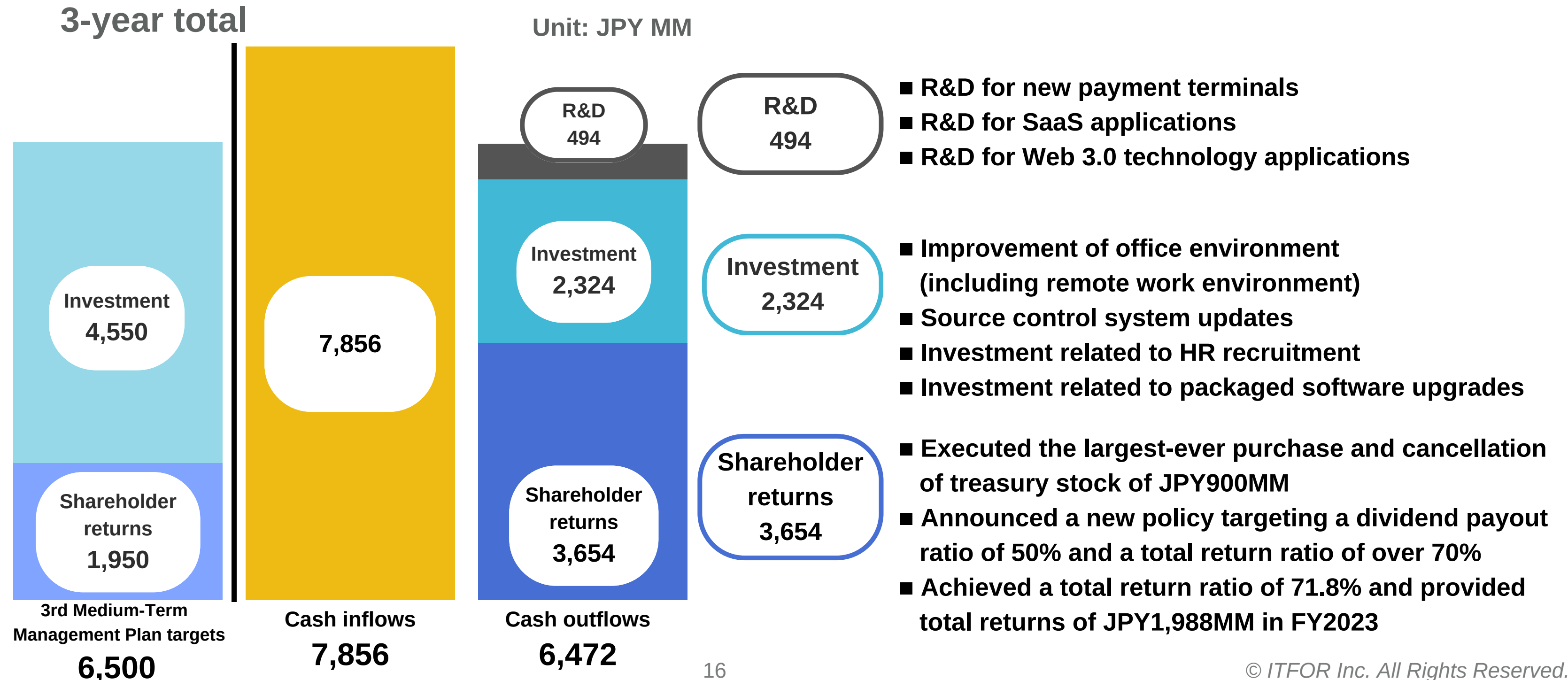


- Publication of Integrated Report
- Establishment and enhancement of the Sustainability Promotion Committee
- Stronger regional connections

# Cash Allocation

NEXT STAGE 2023 - HENCA SINCA SOZO -

## Growth investments and shareholder returns exceeding plan





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## **HIGH FIVE 2033**

To become a company that creates **businesses which generate regional economic circulation**

Utilizing our current business base to expand into new areas and establish businesses that drive economy within a region

Create **quality time** for people through our businesses



# Forecasts for the Business Environment Surrounding Our Company

FY2033 Concept

HIGH FIVE 2033

## Our current strengths alone are insufficient for long-term growth

### Our strengths

Overwhelming position in screening and delinquency management

**70%**

\*Market share for regional banks

Relationships within regions

**85%**

\*Cross-sell ratio of business divisions within regions (at least two divisions)

Solid customer base

**65%**

\*10-year retention rate for top 30 clients in terms of sales

- Stagnation of regional economies
- Rapid evolution of technology, led by AI
- Needs diversifying and changing at a faster pace

- Growing expectations from capital markets
- Accelerating migration from on-premise to cloud
- Recruiting difficulties

# Approaches to facing challenges

FY2033 Concept

HIGH FIVE 2033

Build social infrastructure with no regional differences

## ■ Expansion of 3 platforms

- Digital platform
- Cashless platform
- Security platform

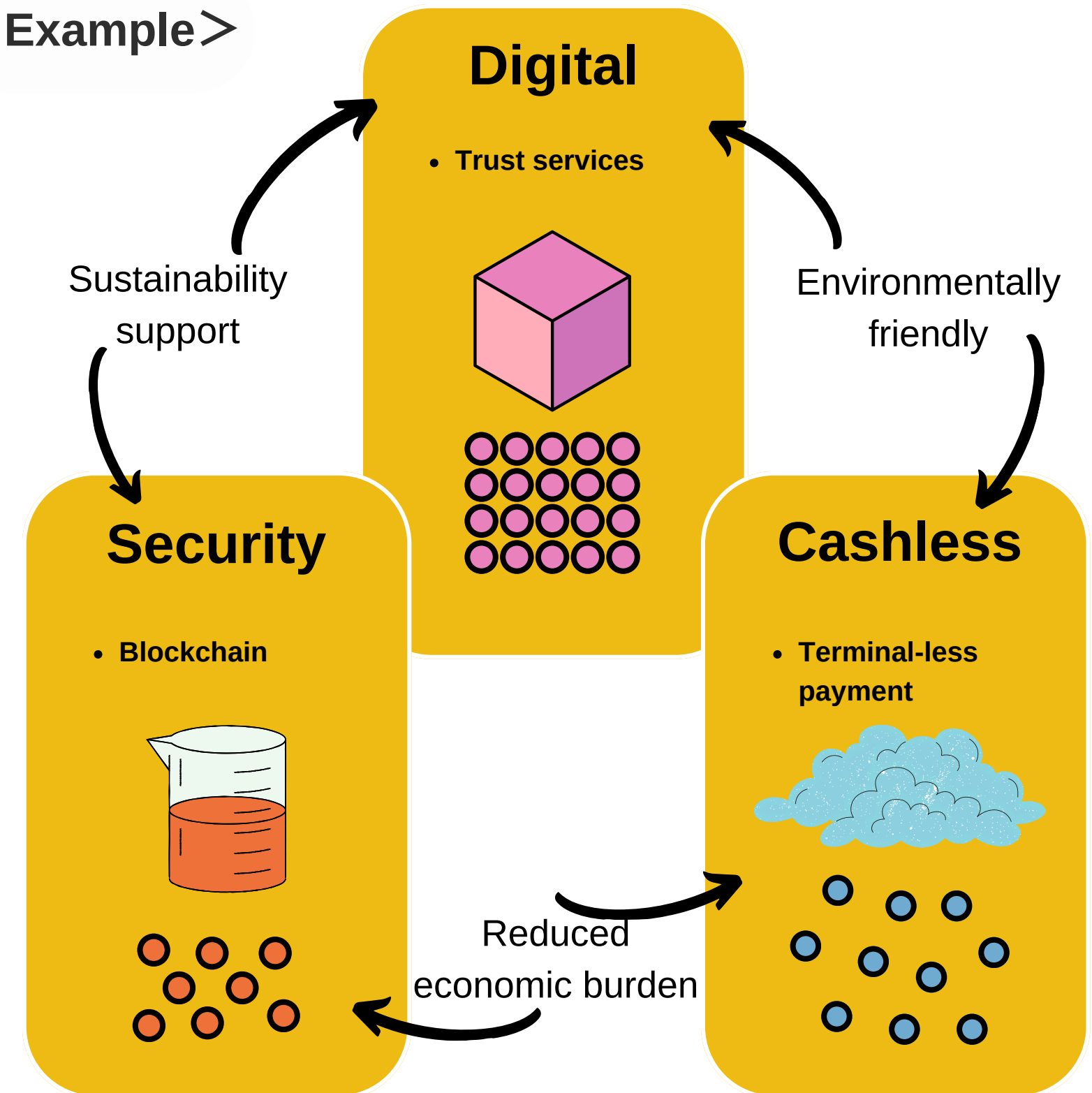
## ■ Platform integration

## ■ New platform creation



## ■ Promotion of the sharing economy

<Example>



## ■ Drastic advancement of our businesses

- Aim to achieve net sales of JPY70,000MM / operating income of JPY12,600MM, and to enhance corporate value in the capital markets

## ■ Empowerment of human resources

- Aim to foster a culture in which diverse human resources can play an active role and contribute to the creation of quality time for employees

## ■ Expanding influence on society

- Aim to solve social issues and improve the value of our existence as a company

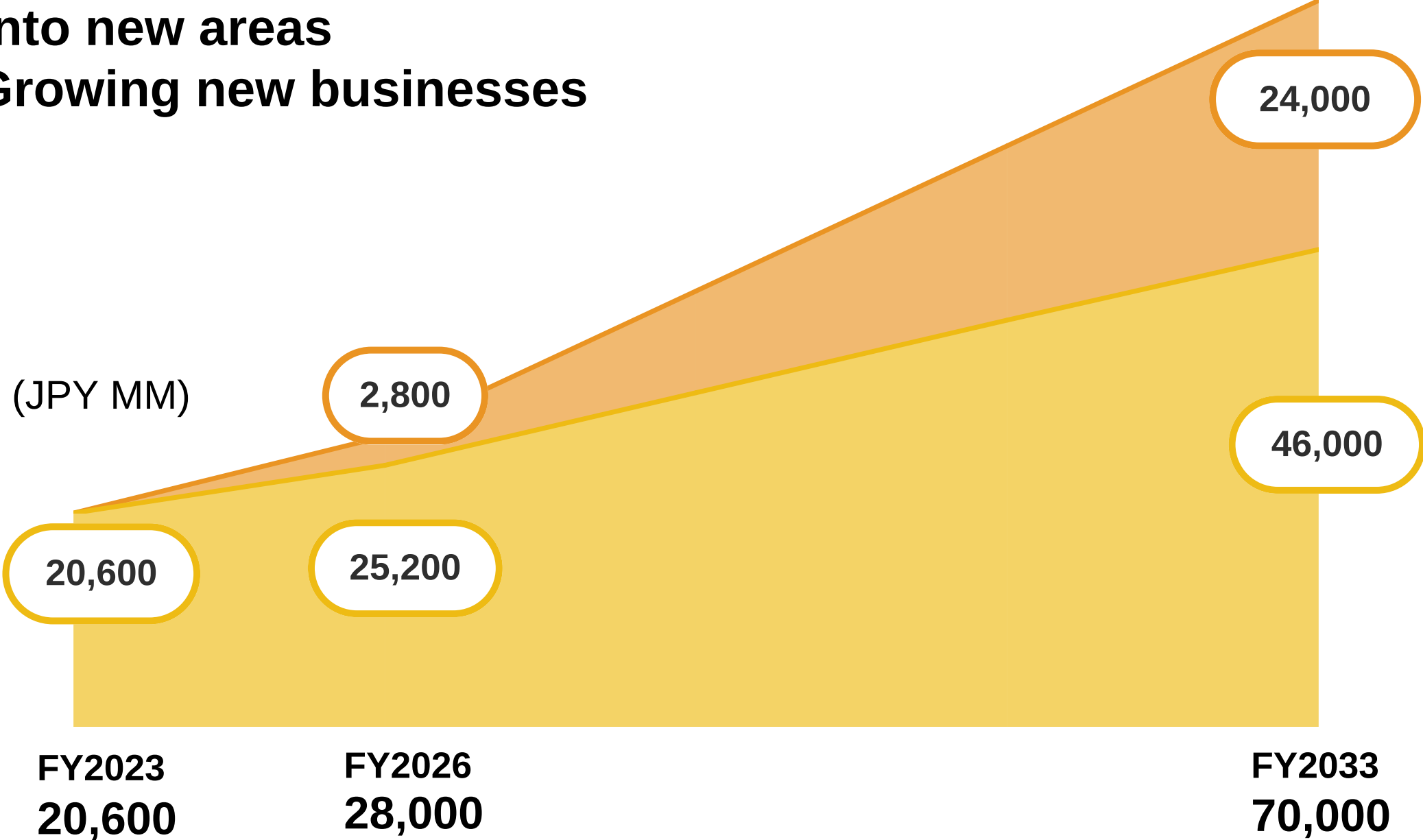
# Drastic advancement of our businesses

FY2033 Concept

**HIGH FIVE 2033**

**Aim to achieve net sales of JPY70,000MM  
/ operating income of JPY12,600MM through**

- Deepening existing businesses and expanding them into new areas
- Growing new businesses



**New businesses**

Disasters Agriculture Education Infrastructure AI

**Existing businesses**

Financial Public Retail BPO  
CC Comm. Power Payment

# Empowerment of Human Resources

FY2033 Concept

**HIGH FIVE 2033**

**Aim to support drastic advancement of our businesses by maximizing the power of human resources and organization, with human resources, source of value creation, being the most important management resources**

Foster company culture

Enhance education and training

Promote DE&I

Support career development

Improve work-life balance

Improve evaluation management

Effective recruitment strategies

Leadership development

Retention measures to prevent employees from leaving

Increase spare time by improving productivity

- **Team of 1,500 full-time employees**
- **Extend the employee referral program**
- **Reduce employee turnover**
- **Allocate 5% of working time on self-improvement**
- **Promote qualification acquisition**

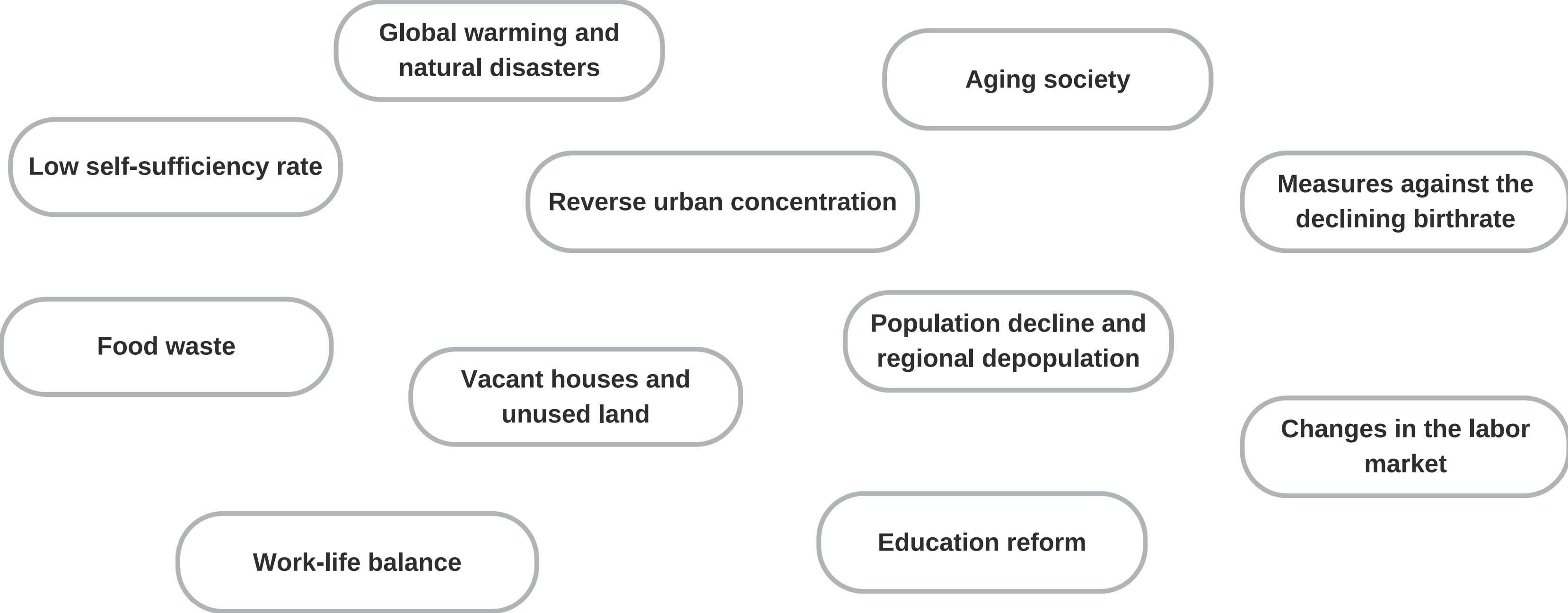
\*DE&I: Diversity, Equity and Inclusion

# Expanding Influence on Society

FY2033 Concept

HIGH FIVE 2033

## Aim to create new businesses to solve social issues and reduce risks





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## FLY ON 2026

**This theme contains our will to dynamically develop our existing businesses and achieve drastic growth through new businesses**

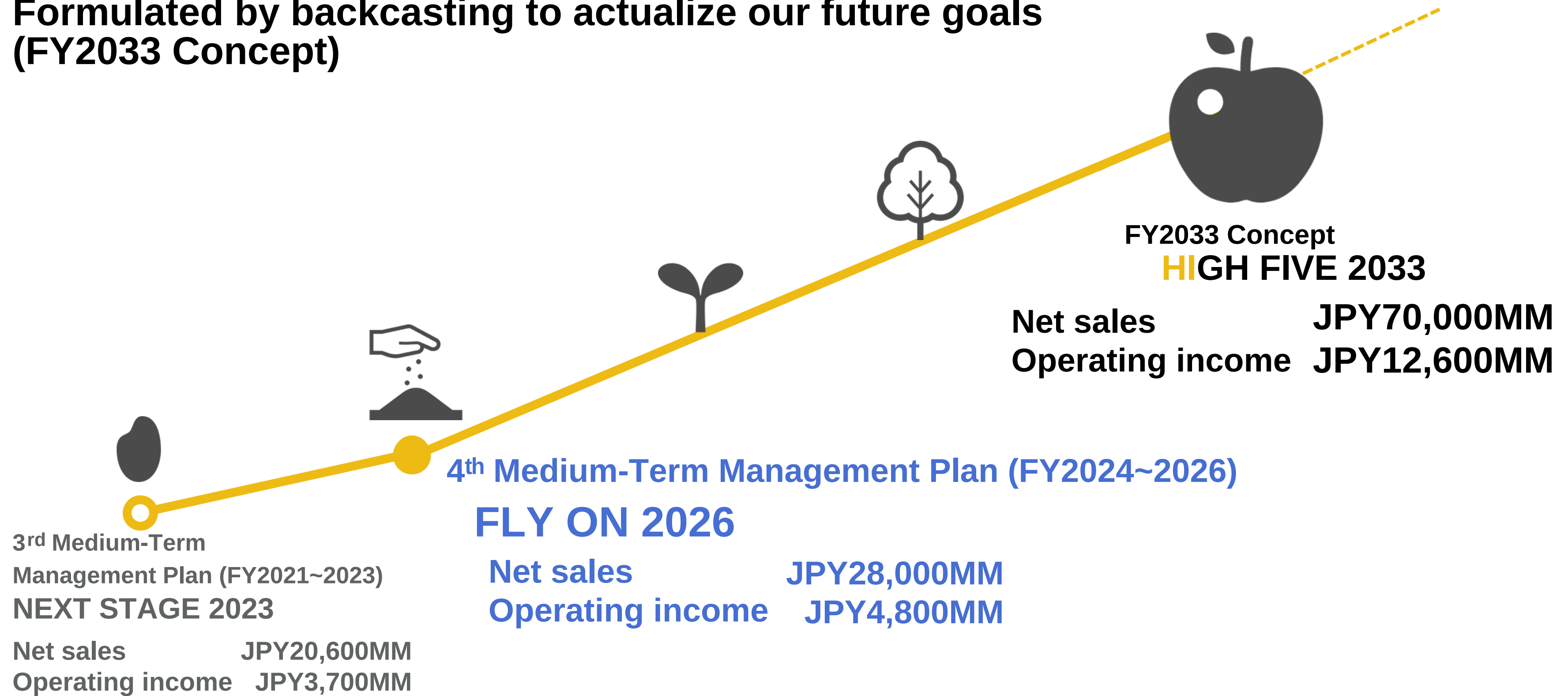
***The curtain has risen  
on a new era***

# Positioning of 4<sup>th</sup> Medium-Term Management Plan

4<sup>th</sup> Medium-Term Management Plan

FLY ON 2026

Formulated by backcasting to actualize our future goals (FY2033 Concept)



3<sup>rd</sup> Medium-Term Management Plan (FY2021~2023)  
NEXT STAGE 2023  
Net sales JPY20,600MM  
Operating income JPY3,700MM

4<sup>th</sup> Medium-Term Management Plan (FY2024~2026)  
FLY ON 2026

Net sales JPY28,000MM  
Operating income JPY4,800MM

FY2033 Concept  
HIGH FIVE 2033  
Net sales JPY70,000MM  
Operating income JPY12,600MM

\*Results

- 1 . Business Strategy**
- 2 . Human Resource Strategy**
- 3 . Corporate Value  
Enhancement Strategy**

# Business Strategy

- Targets -

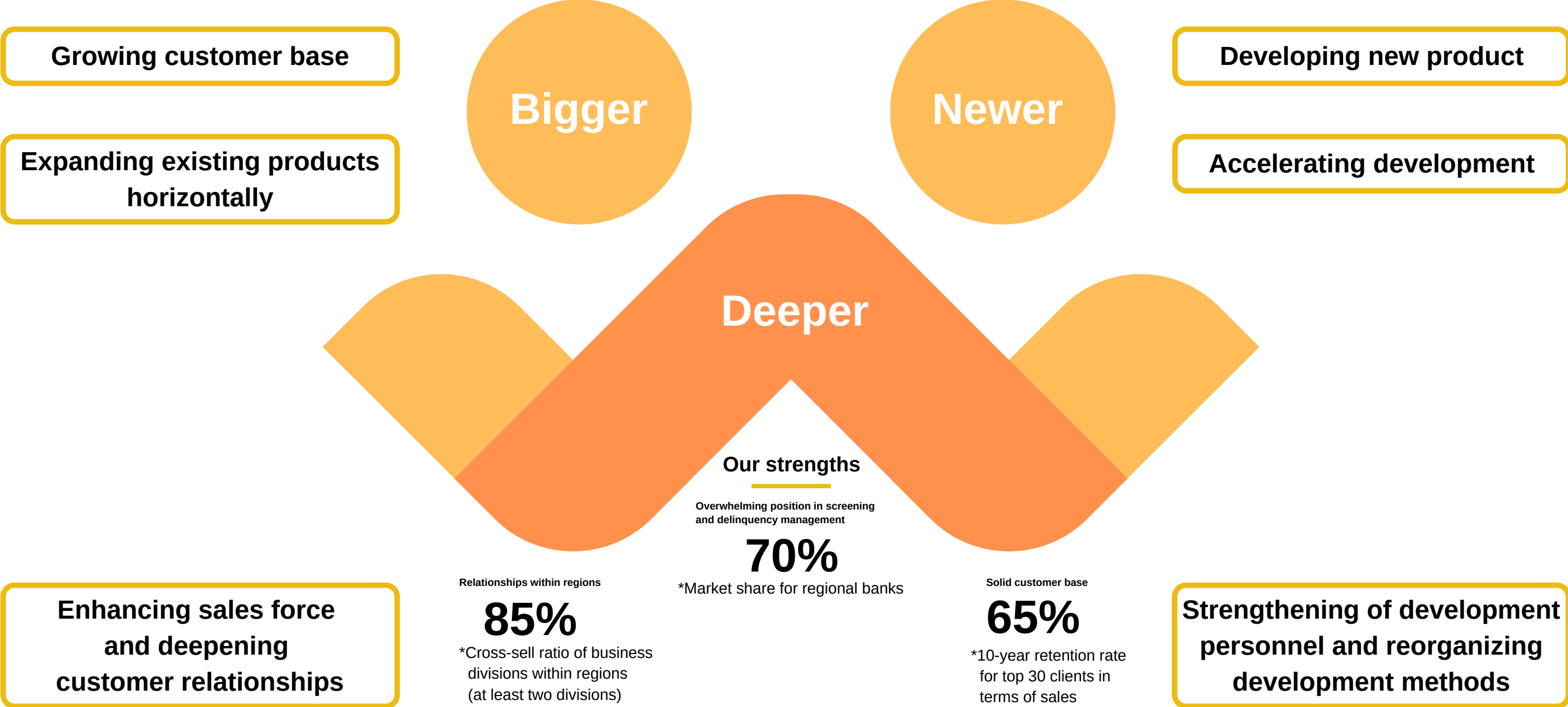
4<sup>th</sup> Medium-Term  
Management Plan

FLY ON 2026

	FY2023	FY2026
Net sales (JPY MM)	20,652	28,000
Operating income (JPY MM)	3,737	4,800
Operating income margin (%)	18.1	17.1

- Further develop and expand existing businesses
- Sow the seeds of new businesses
- Discover new core businesses

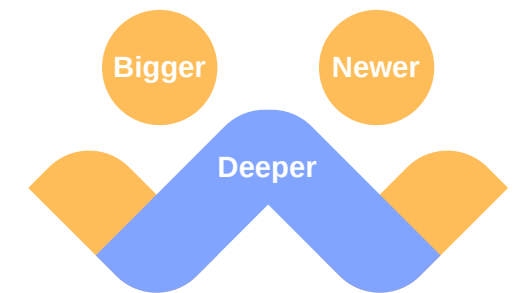
# Business Strategy - Expanding of Business Portfolio -



# Business Strategy - Expanding of Business Portfolio -

Aim to develop existing business areas through account-based selling

FLY ON 2026



Enhancing sales force and deepening customer relationships

## Current situation

- Each division covers the whole of Japan
- Our customer base of regional banks is not being fully utilized

Increase regional cross-selling rates by division

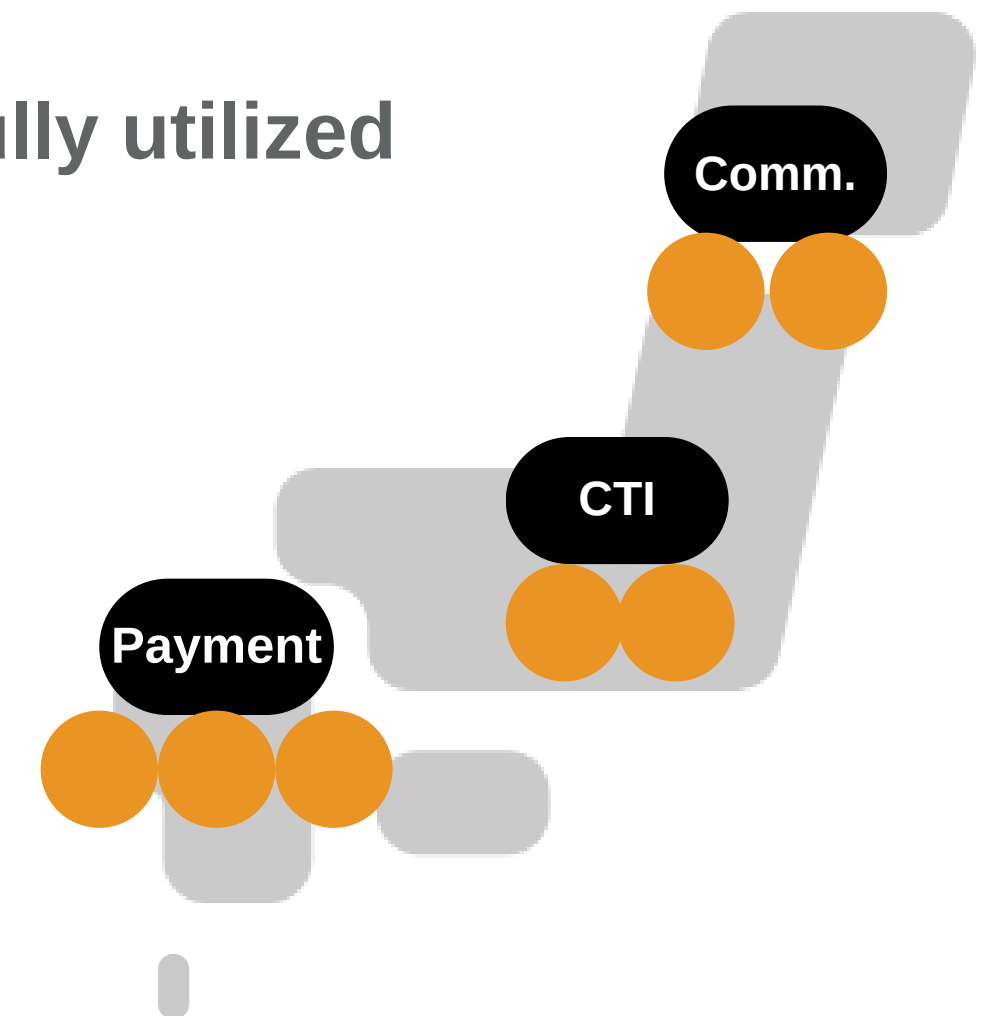
- 2-division cross-selling 40/47 (85.1%) → 95%
- 3-division cross-selling 28/47 (59.6%) → 75%

Aggregate regional information

Serve as a focal point of businesses driving regional economies

Propose multiple services

Strengthen connections with customers



# Business Strategy - Expanding of Business Portfolio -

Aim to shorten delivery times and improve quality by utilizing the latest technologies and alliances

Strengthening development personnel and reorganizing development methods

## Current situation

- Each employee specializes in a specific product
- Continue conventional development method

Acquire latest technologies and revamp packages

- Enhance added value by strengthening alliances
- Expand cloud packages

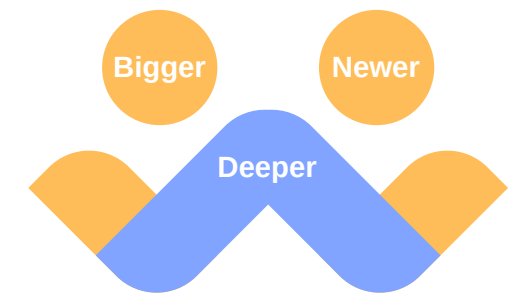
Utilize AI technology effectively

Promote SaaS models

Combine with agile development

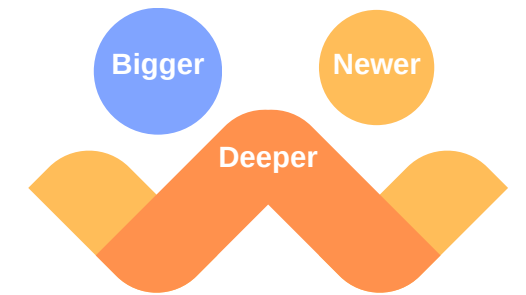
Advance Web3.0 initiatives

FLY ON 2026





FLY ON 2026



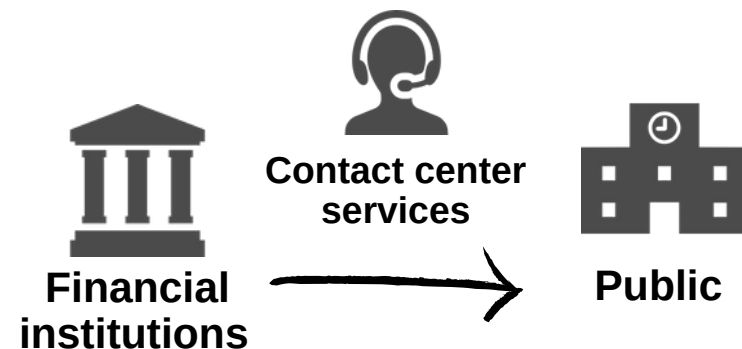
Aim to expand existing solutions into new areas, roll out new solutions to existing areas

Growing customer base

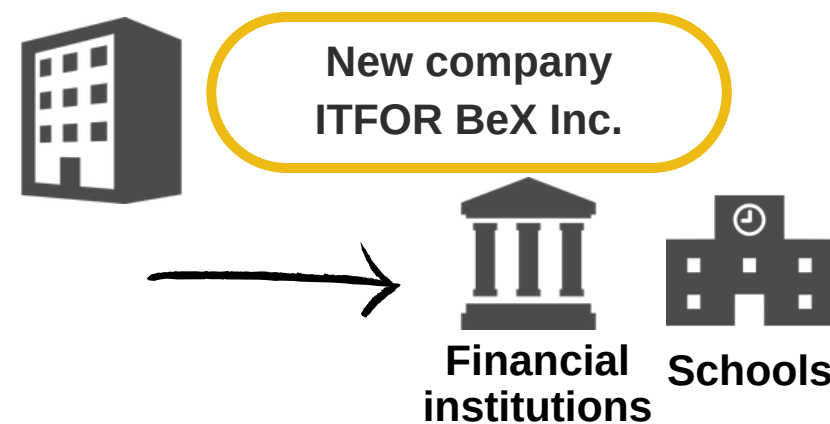
Expanding existing products horizontally

### 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.

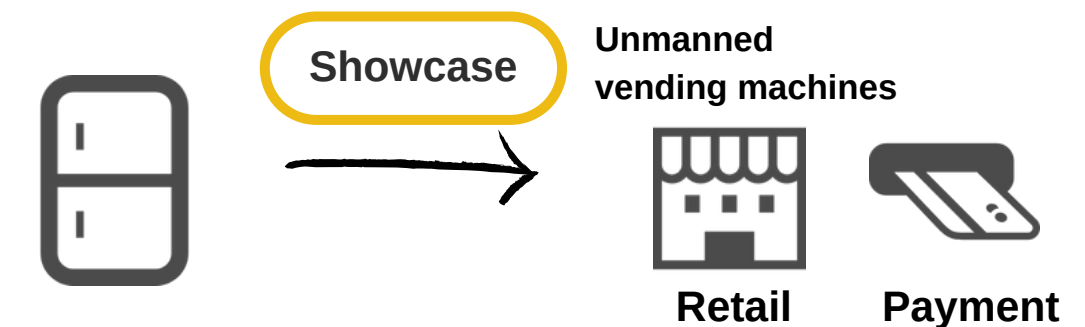


- Spin off BPO services cultivated through public sector projects and expand them into other business areas



### 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

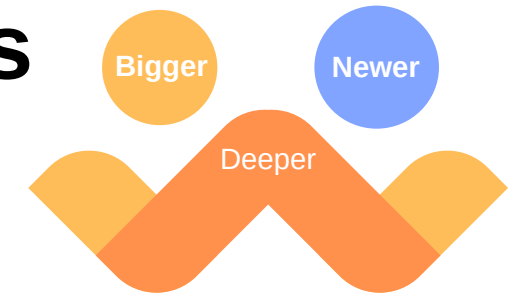


# Business Strategy - Expanding of Business Portfolio -

4<sup>th</sup> Medium-Term Management Plan

FLY ON 2026

Aim to generate sales of JPY2,800 in FY2026 from new businesses

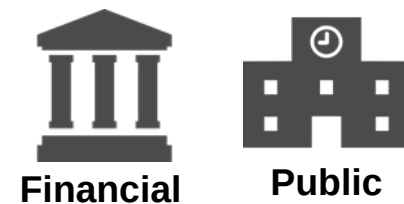


Developing new product

Accelerating development



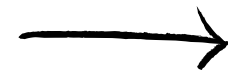
Digital Safe



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



Syddy



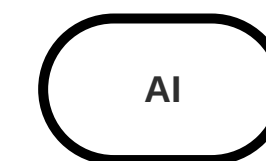
BtoB payment services  
Digital payment agency services  
Providing optimal solutions for ever-growing digital payment



Visionary Ventures Project



Internal venture organization  
aim to create businesses in the following new areas



Members gathered through internal recruitment

## Aim to solve social and environmental issues

### Expected benefits

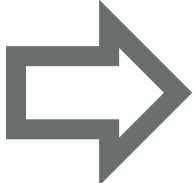
- Reducing CO<sub>2</sub> emissions
- Conserving nature such as forests
- Reducing economic burden



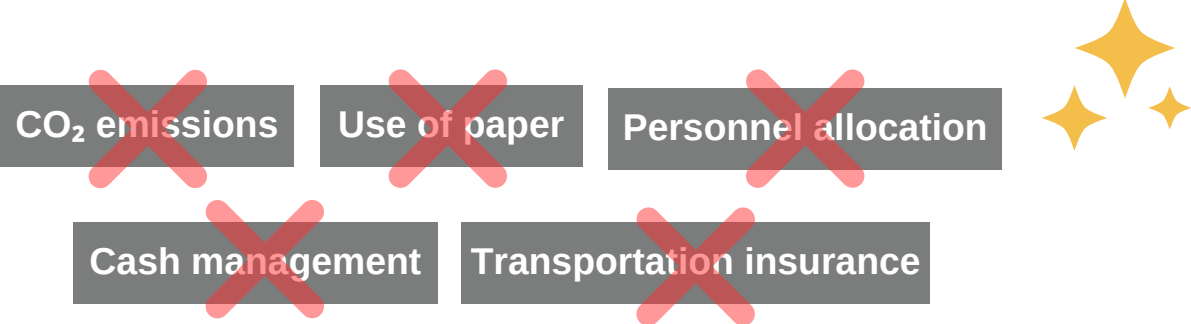
- Enhancing sustainability in the event of a disaster
- Ensuring safety and security (Blockchain)

### Example) Acquiring certificates

- Travel to the place of issuance or apply by post
  - CO<sub>2</sub> emissions
  - Use of paper
- Filling out of the application form and certificate issuance
  - Use of paper
  - Personnel allocation
- Payment (mainly cash)
  - Personnel allocation
  - Cash management
  - Transportation insurance
- Post-acquisition travel and submission to end organization
  - CO<sub>2</sub> emissions
  - Use of paper
  - Personnel allocation
  - Transportation insurance



Application by smartphone  
 Digital acquisition (paperless)  
 Cashless payment



Not only environmentally friendly, equally serviceable in the even to contingency.  
 Creating opportunities for personnel to play an active role in advanced work.  
 Furthermore greatly reducing back-office work and costs

# Human Resource Strategy

—Active Investment in Human Resources —

4<sup>th</sup> Medium-Term  
Management Plan

FLY ON 2026

## Aim to secure and develop human resources, and related investments



### 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



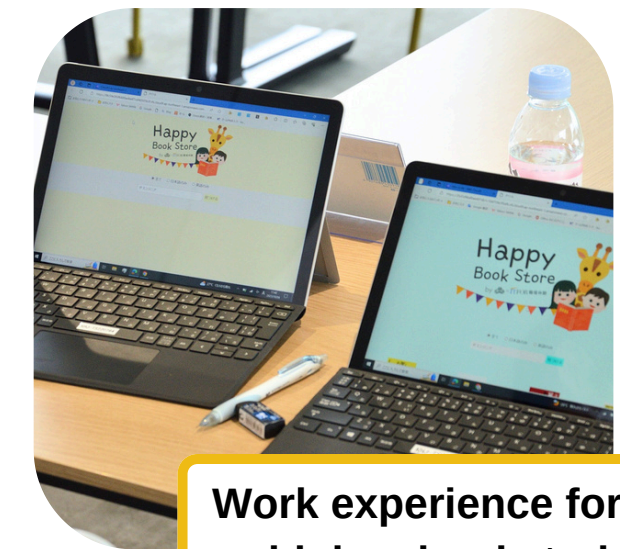
### Training

- 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



### Work experience for junior high school students

4 students participated in a 3-day work experience program at our company



### The 2023 National Programming Competition for Elementary School Students

Mr. Misawa, a 3<sup>rd</sup>-year elementary school student at the time of winning the ITFOR Award, visited our head office and exhibited his work

## Aim to increase recognition and maintain high levels of shareholder returns



### Continue to communicate our growth story

- Financial results briefings \*Twice a year
- ITFOR Newsletter (information to shareholders)  
\*Twice a year
- Meetings for individual investors



### Increase the number of institutional investors

- Targetting to be included in the investment scope of wider spectrum of insitutional investors (FY2026)



### Reflect dialogue with institutional investors into management as appropriate

- Increasing investor meetings  
annual target of 60 meetings in FY2026 from current 40
- Sharing and discussing information about investor meetings with management



### Shareholder return policy

- Targetting dividend payout ratio of 50%
- Mainting a total return ratio of over 70%
- Planning to pay dividends twice a year (interim and year-end)



### ROIC management

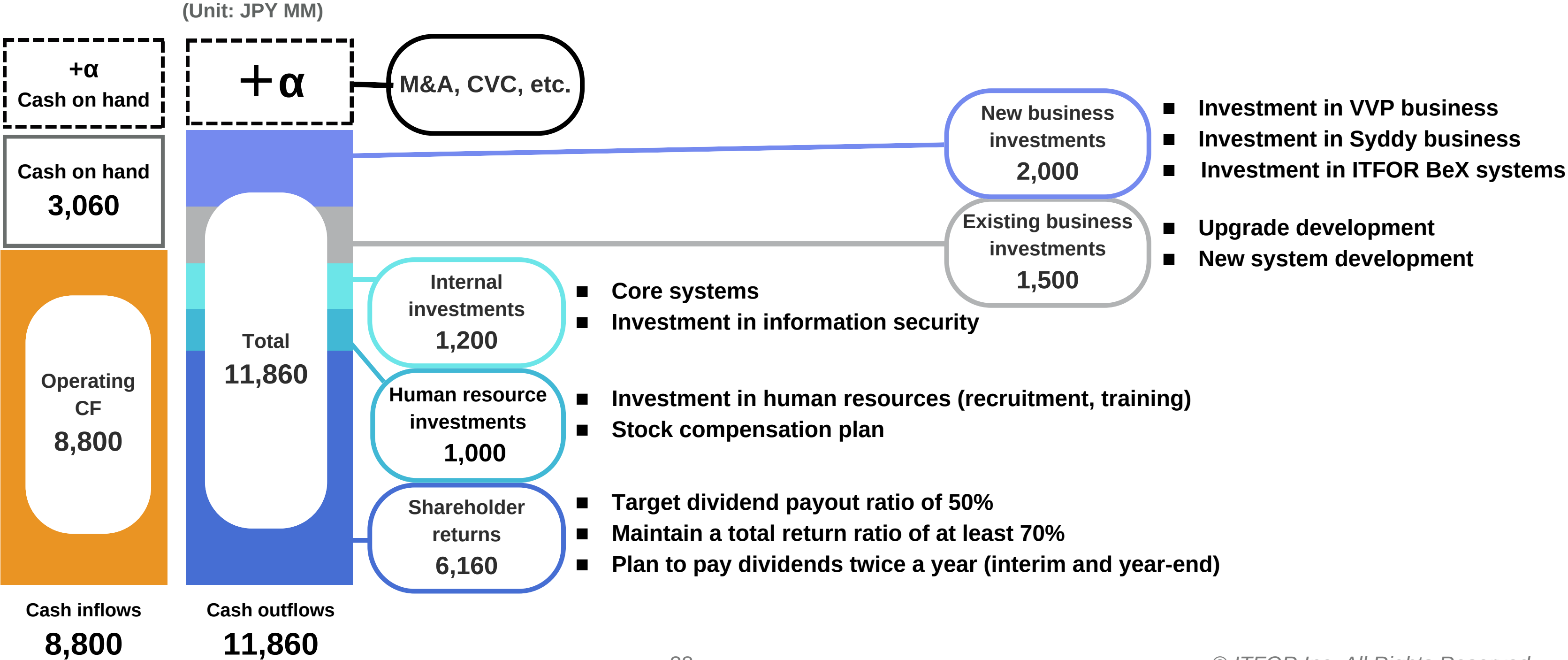
- Setting ROIC target that exceeds the cost of capital
- Reflecting ROIC target in investment decisions
- Withdrawing from businesses that do not meet ROIC target

# Corporate Value Enhancement Strategy

## - Capital Allocation -

Plan to make shareholder returns and investments more than cash flow

3-year total



# Financial Targets

4th Medium-Term  
Management Plan

**FLY ON 2026**

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

- Net sales CAGR 10.7%
- Operating income CAGR 8.7%
- Maintain high levels of ROE and ROIC

# AGENDA

- 01 FY2023 Financial Results
- 02 Review of 3<sup>rd</sup> Medium-Term Management Plan
- 03 FY2033 Concept
- 04 4<sup>th</sup> Medium-Term Management Plan (FY2024~2026)
- 05 FY2024 Forecasts**





# Financial Targets

FY2024 Forecasts

FLY ON 2026

	FY2023	FY2024 (Targets)	YoY
Net sales (JPY MM)	20,652	<b>22,000</b>	106.5%
Operating income (JPY MM)	3,737	<b>3,800</b>	101.7%
Net income attributable to owners of the parent company (JPY MM)	2,770	<b>2,750</b>	99.3%
New orders (JPY MM)	21,952	<b>22,820</b>	104.0%
Order backlog (JPY MM)	16,599	<b>17,419</b>	104.9%
ROE (%)	15.4	<b>13.8</b>	(1.6pt)
ROIC (%)	15.0	<b>13.8</b>	(1.2pt)

- **Sales growth driven by growth in existing businesses**
- **Slight increase in income despite elevated expenses associated with various investments**
- **ROE and ROIC are expected to improve in FY2026 as a result of such investments after a temporary decline**

# By Segment

FY2024 Forecasts

FLY ON 2026

**Discover customer needs in the System Development and Sales segment through customer contact points in the Recurring segment**

Unit: JPY MM

		FY2023	FY2024 (targets)	YoY
<b>System Development and Sales</b>	New orders	11,927	13,000	109.0%
	Net sales	12,117	13,200	108.9%
	Segmental profits	1,994	2,150	107.8%
<b>Recurring</b>	New orders	10,024	9,820	98.0%
	Net sales	8,534	8,800	103.1%
	Segmental profits	1,743	1,650	94.6%

# Shareholder Return Policy

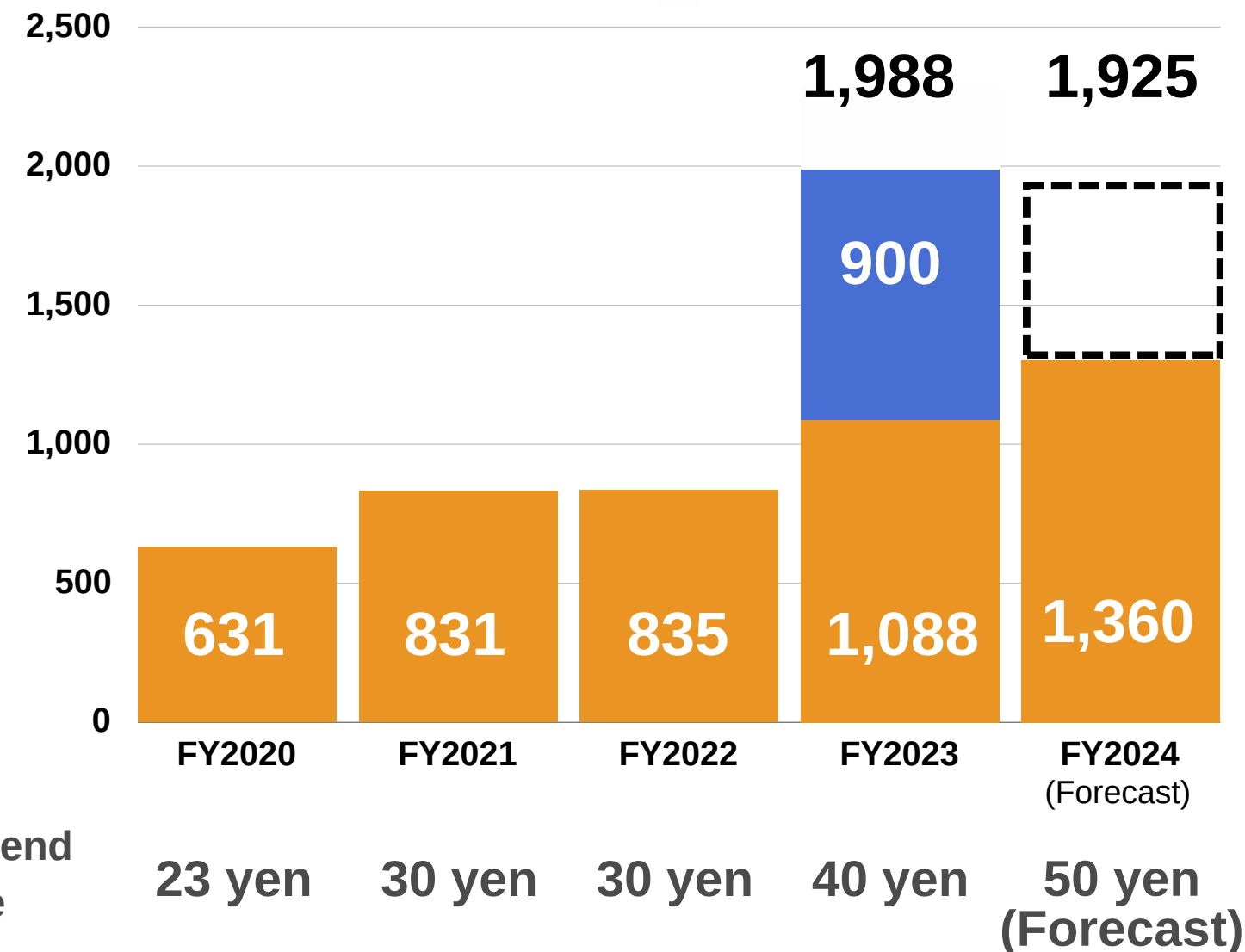
FY2024 Forecasts

FLY ON 2026

- Aim for a dividend payout ratio of 50% and expect total return ratio of over 70%
- Plan to pay dividends twice a year (interim dividend of 25 yen and year-end dividend of 25 yen)

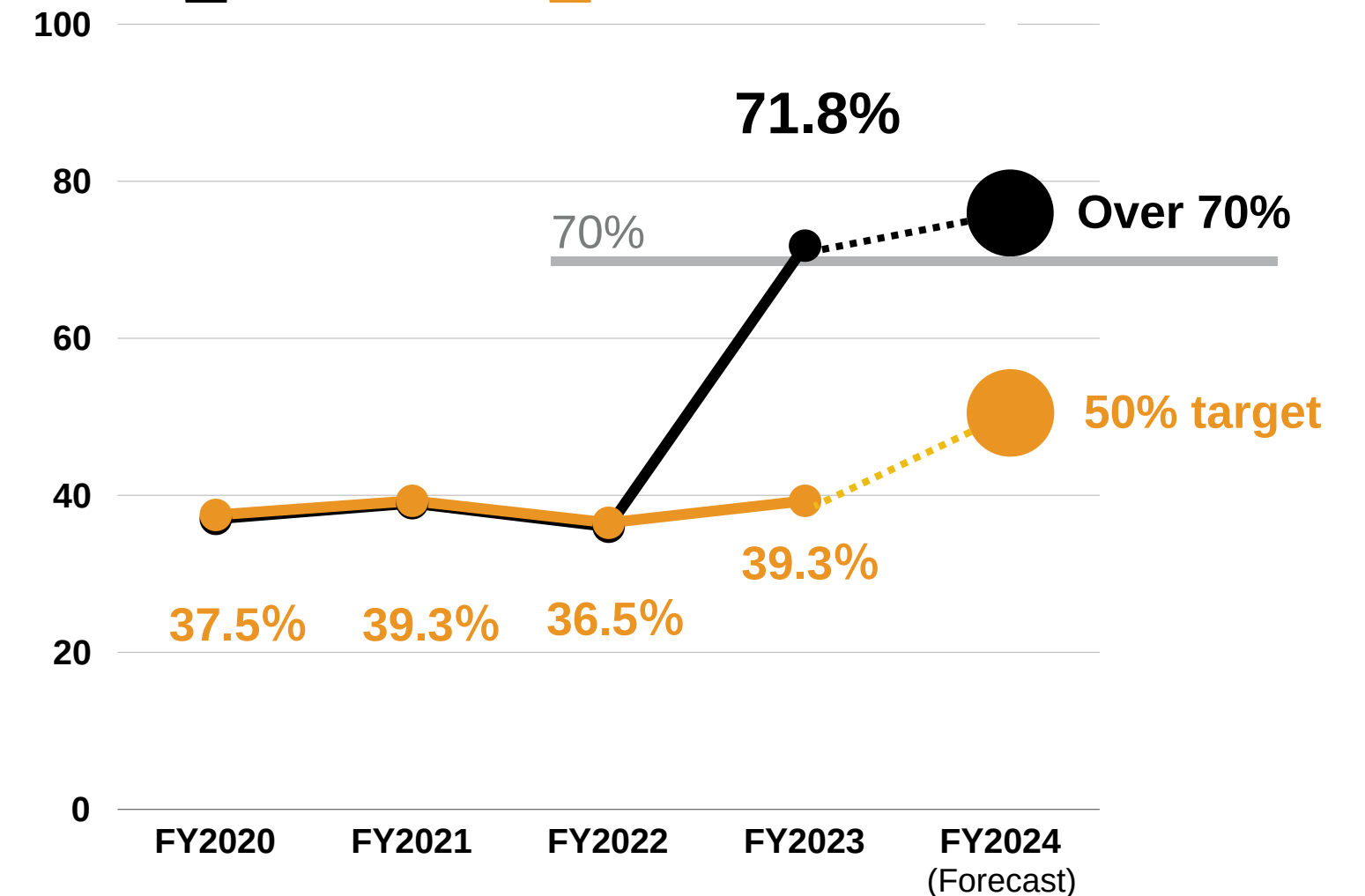
Total shareholder returns Unit: JPY MM

Dividends Total amount of purchase of treasury stock



Total return ratio and dividend payout ratio

Total return ratio Dividend payout ratio





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