



*Takashi Yuri*

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President and  
CEO

## As IT professionals who are well versed in customer operations, we will create a virtuous cycle of value co-creation in domains with large social impact.

### — On the Publication of Our Integrated Report

The TechMatrix Group has disseminated information, including financial and non-financial information, to our investors and other stakeholders in various forms for some time. We have now decided to publish an integrated report to communicate the Company's strategies and directions and present an overall picture of the Group in an easily understood format. The final year of the current medium-term management plan has begun. As we start the process of developing our management strategies anew for the formulation of our next medium-term plan, I felt that this was an excellent time to convey sincerely and carefully and with elements of story, what kinds of new value TechMatrix will create and commercialize and how we will be able to contribute to society.

Through this integrated report, we hope to further deepen our dialogue with stakeholders and give them a deeper understanding of the TechMatrix Group. In addition, by reflecting our stakeholders' opinions in our business activities, we hope to roll out businesses that will contribute to the sustainable advancement of society.

### — Business Portfolio

#### Aim for the diversification of our business portfolio through proactive business creation

The TechMatrix Group has three business segments, namely the Information Infrastructure Business, the Application Services Business, and the Medical Systems Business. The main business of these three segments is the development and provision of, respectively, cybersecurity solutions, cloud-based business applications and various development tools, and medical imaging system (PACS).

The Application Services Business has a mixture of multiple domains and businesses, including CRM, education, software quality assurance, and business solutions. It also serves as

an incubator by searches for new application domains. When businesses from those domains reach a certain scale, they are set up as independent new businesses, with the aim of diversifying our business portfolio. It was based on this policy that the Medical Systems Business was spun out as a separate new segment in April 2022. Currently, we are working on the expansion of the education business as the next pillar of our business. Although it is not our intention to diversify indiscriminately, if we have a certain number of businesses in our portfolio, even if individual businesses were to underperform, the other businesses would be able to make up for them, helping the performance of the Company as a whole to remain stable. I believe that this is a particularly important management strategy for mid-tier companies such as ours to grow. I also believe that friendly competition between our multiple businesses will accelerate the growth of the individual businesses.

### — Until We Enter a Growth Trajectory

#### Acquisition of two forms of intellectual capital in the process of engaging in businesses with the aim of growth

When the Company was first founded in 1984, as late bloomers in the area of IT, if we were to make inroads into the market, we knew that we needed to come out strongly with distinctive characteristics that our competitors did not possess. To this end, by being the first to import and distribute cutting-edge overseas products that had not yet been introduced in Japan, we aimed to establish our position in the industry and, from that position, we focused our efforts on honing our ability to discern promising technologies. As we engaged in our business with this style of constantly pursuing new technologies, we built up our "technological capabilities" as important intellectual capital.

Subsequently, in 1990, the Group entered the contracted systems development business for enterprises, and we

expanded our domains into the Application Services Business. At this juncture, we concentrated our efforts on better understanding the functional requirements of the systems that our customers needed, which enabled us to build up “business know-how” in various industries and operations. This became our second form of intellectual capital, joining the “technological capabilities” that we already had.

Realizing that we needed to break free from labor-intensive businesses such as contracted development if we wanted to achieve further growth, we leveraged these two forms of intellectual capital and launched a business of selling business packages (today, these packages are primarily cloud-based services) based on “one-source, multi-use” strategy, by developing applications in-house and rolling them out horizontally.

— The Value of the Company’s Existence

**Delve deeply into the purpose of the Company’s existence**

In 2000, very soon after I assumed the position of president and CEO, we were cut from the capital of our parent company, which plunged the Company into very difficult circumstances. As the top executive, I called on the Company’s entire team to think seriously about the purpose of the Company’s existence and to aim for the Company’s continued growth by taking on the challenge of new technologies and new businesses, centered on the intellectual capital of “technological capabilities” and “business know-how” that we had built up over the years.

In a matrix where the vertical axis represents specific vertical markets such as medical, call center, finance, and education and the horizontal axis represents layers of information technologies such as infrastructure, middleware, and applications, there are many points where the vertical and horizontal axes intersect. By remaining conscious of these intersections to discover domains where the use of IT has fallen behind and leveraging technology to solve problems in those domains, we will contribute to society. We made it clear that this, precisely, is the business style and the value of the existence of our Group, and as an expression of that resolve, we changed the company name to TechMatrix (Technology + Matrix).

At the same time, while IT itself can be applied to a wide range of domains, we made the conscious decision to enter domains that have large social impact and high barriers to entry, with the aim of continuing to grow as an entity that makes best use of IT. For example, the peculiarities of the medical and educational fields make it difficult for the use of IT to progress, and they are domains with high barriers to entry.

On the other hand, the effectiveness and expected value of expanding the use of IT in these fields are high, so we could assume that there is a great deal of capacity for the market to grow.

The TechMatrix Group entered the medical and educational fields due to their growth potential as businesses and our values of emphasizing public and social good, and we have continued our businesses in these fields, all while facing many difficulties. That attitude will never change. The expansion of business in these kinds of domains is difficult and time-consuming, but the fruits of success will be great, and their sustainability will increase. All companies must grow, but our Group is not aiming for rapid expansion of scale. Instead, we believe that it is important to grow steadily, a little at a time, with sustainable businesses.

— Reasons for Growth

**Building relationships with customers and partners is the foundation of growth**

Since changing our name to TECHMATRIX CORPORATION, we have maintained our growth trajectory, listing on the Nasdaq Securities Exchange in 2005, the Tokyo Stock Exchange (TSE) Second Section in 2010, and the TSE First Section (now the Prime Market) in 2013.

I believe that there are three factors that have enabled that growth: (1) the fact that we have both the Information Infrastructure Business, which provides cyber security technology and other infrastructure, and the Application Services Business, which provides business applications; (2) the fact that we have been blessed by the partners and customers we have encountered and that we have built up relationships of trust through our operations over a long period of time; and (3) our approach to business creation of “starting new businesses small.”

Firstly, infrastructure building and application development are different technologies, and there are a reasonable number of companies in the IT industry that excel in one or other of them. However, actually operating a system requires both of these technologies, and cybersecurity solutions are essential for systems in all domains. Under these circumstances, the fact that we possess technology and expertise in both infrastructure building and application development is a major strength for the Company in terms of business portfolio management.

In the immensely complex and extensive world of IT, partnering with other companies is essential if we are to provide best practice to our customers. In the TechMatrix Group, while committing strongly to our own technologies,

we actively introduce useful technologies that meet our customers’ needs. We are also expanding our business domains through M&As to incorporate companies that operate businesses in complementary domains that are adjacent to the Group’s businesses, as well as expanding market share with joint ventures with our competitors. Further, we develop our own brands through joint development by combining our ideas with the know-how built up by our customers. In these ways, we are employing a variety of methods to expand our alliances outside the Group, absorbing know-how and turning it into new strengths that will lead to growth.

Finally, in the Group’s business creation, often, our frontline staff sensitively detect and respond to customers’ latent yet universal needs and issues in domains that are peripheral to our existing businesses. I view business creation as basically a repetition of this process. Many new businesses fail, but I believe that we have achieved a relatively high success rate in that regard because, instead of starting from the seeds of technology, we move into places where there are actual needs.

— Medium- to Long-term Growth Strategy

**Striving to strengthen our stock type business by promoting the shift to the cloud**

To achieve sustainable and stable growth into the future, we carried the core business strategies of “promote strategy and acceleration of cloud-related business” and “pursuit of security and safety” from the Group’s previous medium-term management plan into our current medium-term management plan, “BEYOND THE NEW NORMAL” (2021-2023) and we have promoted a variety of measures under those strategies.

In terms of medium- to long-term directions, we believe it will be necessary to strengthen our profitability and improve our stability, and we are working on the transition from flow-based business models centered on custom development to recurring revenue business models, based on subscriptions and the shift to the cloud.

In the process of converting to a recurring revenue model, although there will be some temporary side effects, such as upfront costs placing downward pressure on profits, revenue will later increase as the number of contracts increases. As such, if we can secure contracts above a certain threshold, we can expect to see stable profits in the long-term. For this reason, in addition to emphasizing operating profit margin as an indicator of profitability in all segments, we are emphasizing the recurring revenue ratio, which is an indicator

of stability (sustainability), as a yardstick by which we will view the progress of the conversion of our business model, and aim to improve that ratio.

In the year ended March 31, 2023, the second year of the medium-term plan, both revenue and profit reached record high levels, greatly exceeded the plan’s targets. Profitability is improving well, and our recurring revenue ratio has steadily increased to 68.6% (TechMatrix Corporation + PSP Corporation).

By segment, recurring revenue ratio was 77.4% (74.7% in the previous fiscal year) for the Information Infrastructure Business, due to the steady expansion of demand for cloud-based cybersecurity solutions triggered by the COVID-19 pandemic, while in the Application Services Business, it increased slightly from 60.0% in the previous fiscal year to 62.4%. This result is due to the fact that in some business solutions, there is still a development element, and the peculiarities of the business make the shift to the cloud difficult in some domains. However, we do believe that we should ultimately aim for the shift to the cloud in those domains as well. Regarding the Medical Systems Business, we have been promoting cloud-based services for some time, and our recurring revenue ratio in FY2022 was 49.1%. This is because the shift to the cloud of on-premises systems at the former PSP, which merged with TechMatrix in April 2022, is proceeding at a slower speed than envisaged. However, because the systems of the former NOBORI and the former PSP will be integrated in future, we believe that the shift to the cloud will pick up pace.





— Strengthening of Human Capital

**Sharing a mindset of autonomous learning as our corporate culture**

No matter what the industry or business, the strengthening of human capital is an unavoidable theme in any company's aim to achieve sustainable growth. At the TechMatrix Group as well, we believe our human resources to be the source of the competitiveness that underpins our business model. Also, the current executive management team, myself included, are the first generation that gave shape to the business, and while we are all still hale and hearty, we have a shared recognition that developing the human resources to whom we can entrust the future after us is an urgent challenge.

In human resources development in the Group, in addition to technological capabilities and expertise, we also emphasize development of management and leadership skills. Our career training programs offer opportunities for growth so that our people can achieve comprehensive improvement of their abilities, including communication methods, self-management skills, and interpersonal skills, such as building good working relationships with other members according to their role.

On the other hand, the technical domains of the IT industry are so wide-ranging that we could not hope to teach everything through training alone. In a world where technology evolves at a rapid pace, it would be impossible to keep up with the latest technologies without continuing to learn about them autonomously from a personal interest. For

this reason, I believe it is essential that we recruit people who have high aspirations toward growth and to share an attitude of autonomous learning in the course of operations as our corporate culture. In terms of recruitment, while knowledge and skills are important, the most important thing is to gauge whether or not a candidate has potential to grow in the future. As such, I make a point of always participating personally in our recruitment activities as an interviewer in the final interview.

I view the fostering of an organizational culture that will generate independence in our employees and a bottom-up approach is essential for the Company's growth. As one initiative to achieve this, once a month, we hold a "morning meeting," attended by all employees, at which we ensure the transparency of management by disclosing the latest management information. In doing so, we encourage employees to have a sense of ownership of the Company by encountering information that is shared by executive management.

The sharing of corporate culture is a never-ending theme. Even so, from the Company's outcomes and the feedback that we have received from customers and partners, I have sensed the fact that our culture is held in high regard by those outside the Company, which makes me very proud.

— Sustainability

**Promoting measures to bring greater freedom to workstyles for the sake of diversity and inclusion**

In the TechMatrix Group, we believe that we should engage more proactively in social contributions and contributions to our customers through our business activities.

Amid growing interest in sustainability, this fiscal year, we developed an understanding of the social issues and business environment and identified our four materiality items, based on our management strategies and society's wishes and expectations. By steadily executing the strategies set forth in the medium-term management plan, we are advancing with certainty our initiatives toward these materiality items, as well as strengthening our ESG (environment, social, governance) initiatives.

Specifically, in terms of the environment (E), we believe in the importance of incorporating global frameworks into our management, and we are making disclosures (non-consolidated basis) based on the framework of the Task Force on Climate-related Financial Disclosures (TCFD). We plan to deepen these initiatives going forward, including expanding the boundaries to include our consolidated companies.

In social (S) initiatives, from our recognition that greater freedom in the working environment will help secure diversity and attract outstanding human resources, we are proceeding with the development of programs to accommodate the diverse life stages of our employees. To this end, we have introduced TMX Communication Design, a working scheme in which employees can choose between attending the office and working remotely. In addition, with the adoption of a flex-time system in April 2023, we have enabled workstyles in which employees can design their own ways of working that will increase their performance the most. I also believe that measures to bring greater freedom to workstyles will lead to the active participation of women in the workplace. The IT industry was originally a male-dominated society, with men accounting for an overwhelmingly large percentage of engineers in particular. In recent years, however, the percentage of women has steadily increased, in both sales and engineering.

This fiscal year, we set targets of 30% female employees by the end of FY2026 and 20% female managers by the end of FY2030, and we are pursuing activities aimed at diversity and inclusion in line with the Corporate Governance Code.

Regarding governance (G), to enhance the supervisory function of the Board of Directors, we have made Outside Directors the majority of the Board's membership, welcoming two female Outside Directors to the Board. The experiences and areas of expertise of the Board members are also highly diverse, including finance, technology, legal, and corporate management. Three of our Directors live in Silicon Valley, and their global perspectives and varying viewpoints make for lively discussions, reinvigorating the Board of Directors. While the internal Directors focus on short-term improvement of business results, the Outside Directors make beneficial suggestions of issues regarding the Company's directions that will be important in the medium to long term.

— To Our Stakeholders

**My management philosophy is "All things are a blessing in disguise" — Aim to constantly strengthen the management foundations in readiness for the turning point to come**

There is a Chinese proverb that roughly translates as "All things are a blessing in disguise." There are many different interpretations, but the nuance that I glean from this proverb is that whether something becomes a joy or a sorrow depends on one's own frame of mind and the value one can offer.

One method for the formulation of corporate strategy is to draw up a vision for what the future should look like and then

backcast from that to decide on what initiatives to implement today. While not denying the value of such an approach, I personally am convinced that the turning points in the course of business lie in our encounters with people. The major turning points for our company to date, such as our entry into the education business, could not have been achieved through backcasting. While we cannot completely control our encounters, even so, it is precisely because, in important encounters, our own value was recognized by the other party that we have been able to gain opportunities to advance our business. Unless we are people and a company that offer value for the other party, we could not take advantage of that encounter. I believe in the importance of making constant efforts to improve ourselves, so we will always be ready for new encounters.

The year ending March 31, 2024 is the final year of "BEYOND THE NEW NORMAL," and as such, we have positioned it as an important year in which we will sum up the past three years and connect them to the next. We do not envisage any significant change to the business environment, and we will aim to achieve our target figures for both revenue and profit.

While I cannot yet reveal any details of our next medium-term management plan, I can say that it describes a story in which our three businesses will stand side-by-side as major pillars and continue to grow in friendly competition with each other. Rather than starting any significantly different initiatives, the new plan will likely explain both those areas in which we will continue with past measures and those areas in which accelerate our initiatives.

While remaining strongly aware of the lifestyle changes that were accelerated all at once by the pandemic and the evolution of technology, including generative AI, we will evolve our medium-term management plan in a rolling style, without changing its substantive parts, while increasing their precision and speed, in our aim to achieve sustainable growth.

Along with the arrival of the DX era, the power of digital technologies is now exerting an even more tremendous impact on society. The TechMatrix Group will make skillful use of digital tools to actively take on challenges in a variety of areas, including cybersecurity solutions, medical, and education. I hope you will continue to offer your kind support to our endeavors.