EdTech Business: Message from Officer in Charge of Development

We will Contribute to Society in the Highly Public and Social Area of Education.

—Solving Social Issues Through Business Activities in "Education"—

Toshizumi Iwamoto

Executive Officer
Manager of EdTech Division, Manager of New
Business Development Unit

Expected Roles

- Leverage the Group's know-how (strength) gained from the provision of various cloud services in the Application Services Business and Medical Systems Business to accelerate efforts to expand the business into a new pillar of business that will drive medium- to long-term growth

Social Value

- Build a new form of communication through "tsumugino"
- As well as supporting children's learning, promote workstyle reform for teachers and administrative staff

Strengths of the EdTech Business
Offering innovation and new value to the education field with "tsumugino"

The "tsumugino" platform for schools is one that is always centered on the children. This is a clear point of difference that sets it apart from past school affairs support systems. In addition to providing a wealth of functions for communication within and outside schools, by centralizing functions from the accumulation of learning outcomes to school affairs support for teachers and other school staff, this platform will evolve school education from a one-size-fits-all, passive approach to one of self-directed, inquiry-based learning, enabling each and every child to expand their future potential.

The strengths of "tsumugino" give it a high affinity with the government's GIGA school concept*. A number of progressive educational institutions, including public and private schools, have introduced the platform and given it high commendation.

*Realization of an educational ICT environment optimized for each child that cultivates creativity with a "one child, one device" approach

Value Creation that Takes Advantage of Our Strengths
Creating new businesses for medium- to long-term growth

From its very beginning, TechMatrix has always created new businesses from scratch by seeking out new products or developing them in-house. In recent years, however, we have faced the issue that, while the businesses that we have created have continued to expand, it has become increasingly difficult for completely new businesses to emerge.

For this reason, in 2018, we established the New Business Development Unit and launched an initiative in which a small team, myself included, explores areas with high social impact using an "IT x market" matrix, with the aim of creating new businesses that will drive the medium- to long-term growth of the Group.

——Venturing into the Education Business——
Development of new systems previously missing from educational settings with a CRM (customer relations management) approach

The starting point of the EdTech Business was a system that we designed for Karuizawa Kazakoshi School. This was the first project taken on by the New Business Development Unit.

To coincide the opening of Kazakoshi School in 2020, we worked with the school's staff over a period of two years to develop a system called "typhoon." This system takes advantage of the new style of education pursued by Kazakoshi School and the systems development experience, know-how, and marketing concepts that TechMatrix has cultivated in its CRM business.
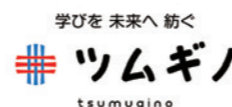
After Kazakoshi School opened, we started work on the commercialization of cloud services based on the "typhoon" system, and a year later, in 2021, we launched "tsumugino," a school communication platform and cloud-based school affairs support system. As a strategic business of the TechMatrix Group, we will address solutions to social issues through medium- to long-term business expansion.

Directions for Medium- to Long-term Growth — After "BEYOND THE NEW NORMAL"
Increasing added value to "tsumugino" through business expansion

In January 2023, we entered into a capital and business alliance with Educa & Quest Inc., a company that delivers the Quest Education program, which is an inquiry-based career education program accessed by a cumulative total of 350,000 students to date, to schools all over Japan. In the EdTech Business, we will actively pursue alliances with external services and collaborations with partner companies in areas such as educational program development and cloud-based educational platforms. In doing so, we aim to add even more value to "tsumugino."
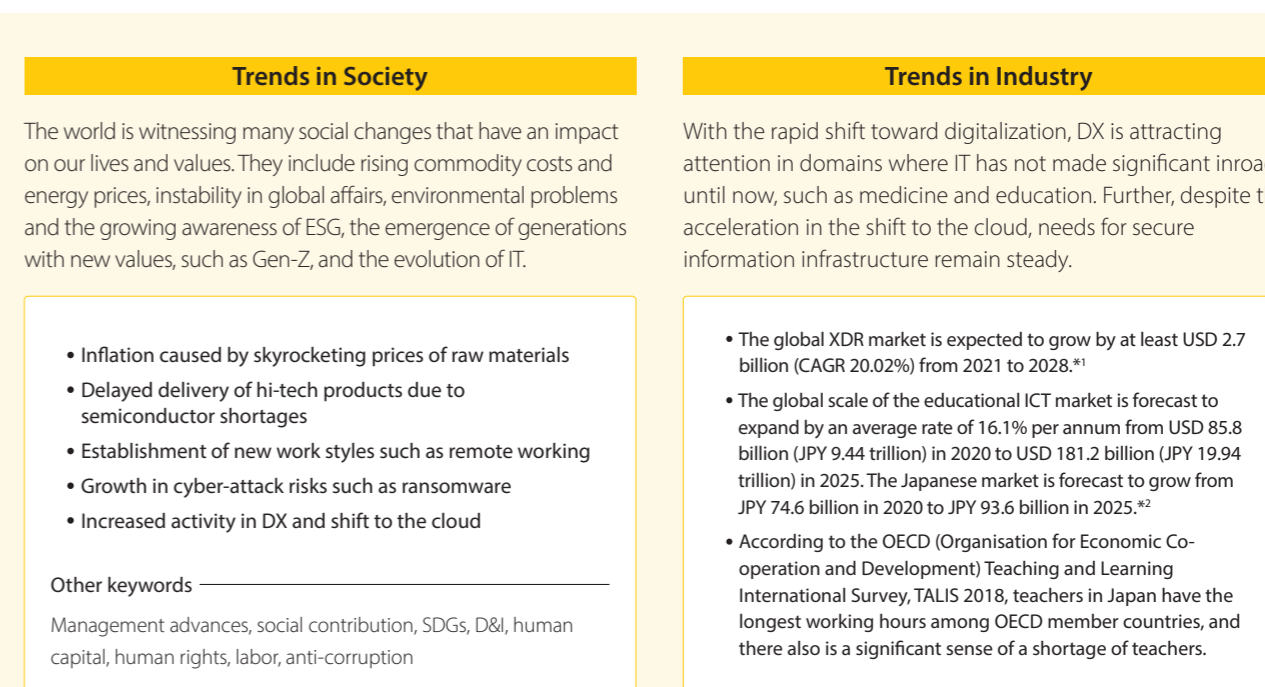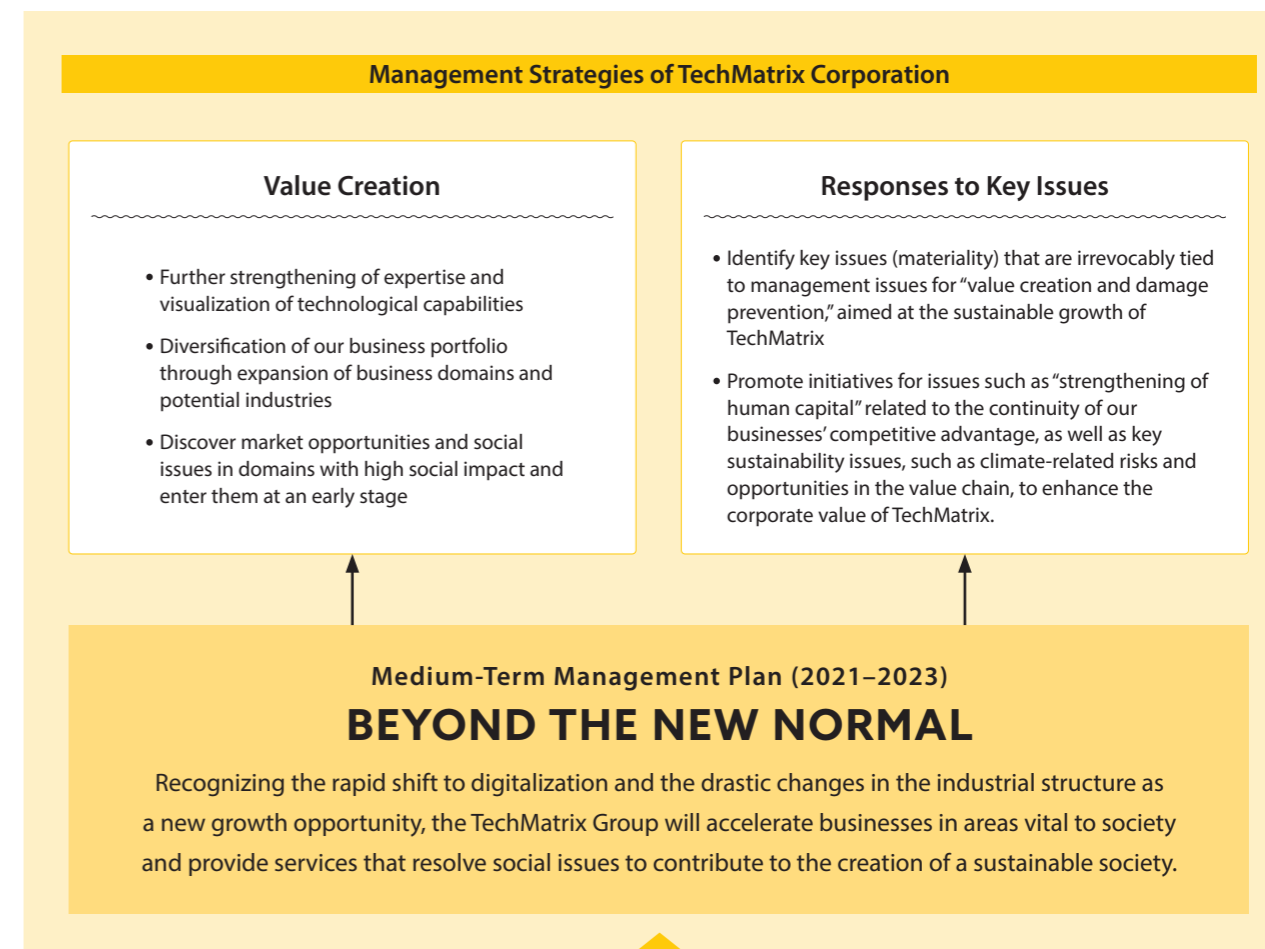
In future, we will use the learning histories of the many and varied children accumulated in "tsumugino" to research and develop functions that will assist in making proposals for optimal learning styles for increasingly diverse individual children, the enhancement and expansion of educational contents, and workstyle reforms for school teachers and administrative staff, as our contribution to the advancement of Japan's education industry.

学びを 未来へ 紡ぐ

ツムギノ
tsumugino

For more information ▼

Understanding of Business Environment and Management Strategies

Management Strategies of TechMatrix Corporation

Value Creation

- Further strengthening of expertise and visualization of technological capabilities
- Diversification of our business portfolio through expansion of business domains and potential industries
- Discover market opportunities and social issues in domains with high social impact and enter them at an early stage

Responses to Key Issues

- Identify key issues (materiality) that are irrevocably tied to management issues for "value creation and damage prevention," aimed at the sustainable growth of TechMatrix
- Promote initiatives for issues such as "strengthening of human capital" related to the continuity of our businesses' competitive advantage, as well as key sustainability issues, such as climate-related risks and opportunities in the value chain, to enhance the corporate value of TechMatrix.

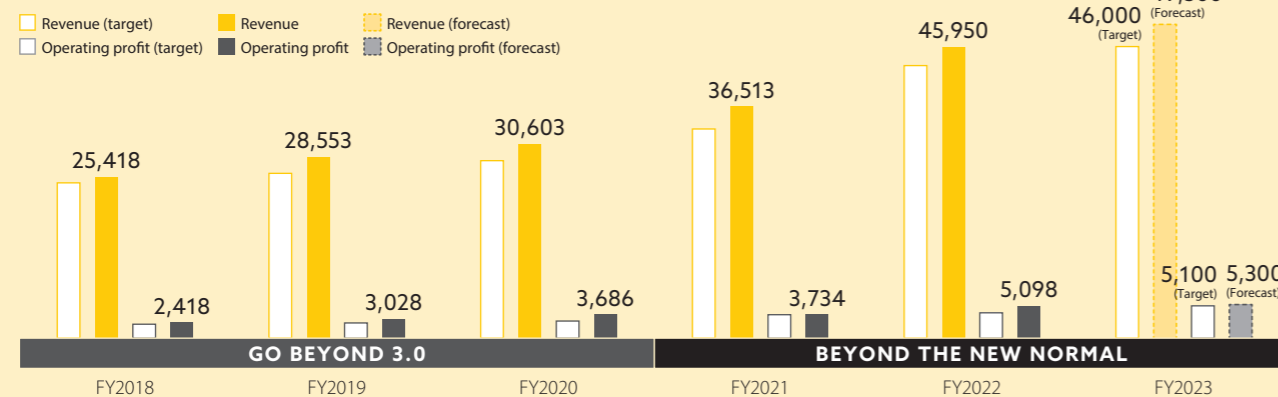### Medium-Term Management Plan (2021–2023)
BEYOND THE NEW NORMAL
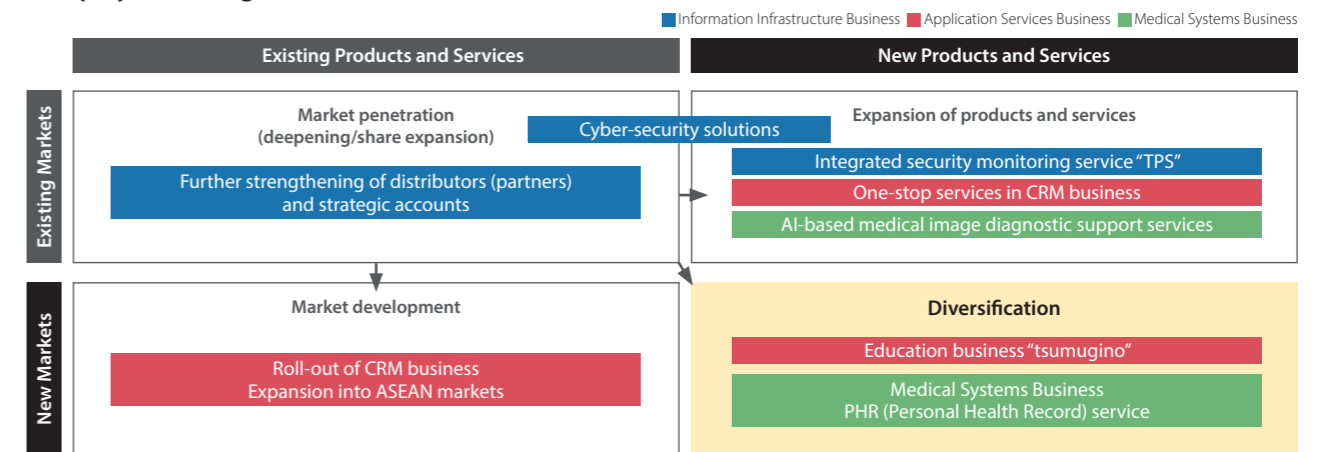
Recognizing the rapid shift to digitalization and the drastic changes in the industrial structure as a new growth opportunity, the TechMatrix Group will accelerate businesses in areas vital to society and provide services that resolve social issues to contribute to the creation of a sustainable society.

Trends in Society

The world is witnessing many social changes that have an impact on our lives and values. They include rising commodity costs and energy prices, instability in global affairs, environmental problems and the growing awareness of ESG, the emergence of generations with new values, such as Gen-Z, and the evolution of IT.

- Inflation caused by skyrocketing prices of raw materials
- Delayed delivery of hi-tech products due to semiconductor shortages
- Establishment of new work styles such as remote working
- Growth in cyber-attack risks such as ransomware
- Increased activity in DX and shift to the cloud

Other keywords

Management advances, social contribution, SDGs, D&I, human capital, human rights, labor, anti-corruption

Trends in Industry

With the rapid shift toward digitalization, DX is attracting attention in domains where IT has not made significant inroads until now, such as medicine and education. Further, despite the acceleration in the shift to the cloud, needs for secure information infrastructure remain steady.

- The global XDR market is expected to grow by at least USD 2.7 billion (CAGR 20.02%) from 2021 to 2028.*1
- The global scale of the educational ICT market is forecast to expand by an average rate of 16.1% per annum from USD 85.8 billion (JPY 9.44 trillion) in 2020 to USD 181.2 billion (JPY 19.94 trillion) in 2025. The Japanese market is forecast to grow from JPY 74.6 billion in 2020 to JPY 93.6 billion in 2025.*2
- According to the OECD (Organisation for Economic Co-operation and Development) Teaching and Learning International Survey, TALIS 2018, teachers in Japan have the longest working hours among OECD member countries, and there also is a significant sense of a shortage of teachers.

*1 Prepared by TechMatrix Group based on the Adroit Market Research 2021.
*2 Source: Education Technology (EdTech) and Smart Classrooms Market/Global Forecast To 2025, MarketsandMarkets
"After/With Korona Jidai ni oite Kaikaku ga Susumu Kyoiku ICT Shijo no Shorai Tenbo [Future outlook of educational ICT market undergoing reform in the post/with COVID era]" Fuji Chimera Research Institute, Inc.

Introduction

Message from Top Management

Value Creation of TechMatrix Group

Strategies

Governance

Data

Medium-Term Management Plan "BEYOND THE NEW NORMAL"

Review of the Previous Medium-Term Management Plan "GO BEYOND 3.0" `2018 - 2020`

Quantitative (FY2020)

	Revenue	Operating profit	Recurring revenue ratio	
			Information Infrastructure Business	Application Services Business
	¥30.6 billion	**¥3.68 billion**	**64.0%**	**55.1%**
	Achievement rate: 109%	Achievement rate 137%		

Qualitative

Major outcomes

Diversification of business operation system
- Established NOBORI Ltd.
- Invested in AI and fintech-related funds
- Entered into a capital and business alliance with Information Design & Architecture Yamazaki Co., Ltd. (currently ARECCIA Fintech Corp.)
- Established the New Business Development Unit (developed school communication platform + school affairs support service)

Use of data
- Progressed R&D on quality assessment for machine learning systems
- Progressed joint development of AI-based medical image diagnostic support systems

Entered the BtoC (consumer business) sector
- NOBORI Ltd. started provision of personal health record (PHR) service targeting individuals (general consumers)

Issues

Acceleration of business in overseas markets (take next step from market research mode)
- Bolster expansion of business, including business alliances

Medium-Term Management Plan "BEYOND THE NEW NORMAL" `2021 - 2023`

Basic Policy

Recognizing the rapid shift to digitalization and the drastic changes in the industrial structure as **a new growth opportunity**, the TechMatrix Group will accelerate businesses in areas vital to society and provide services that **resolve social issues** to **contribute to the creation of a sustainable society.**

Targets and Forecasts (FY2023)

	Revenue	Operating profit	Recurring revenue ratio	
			Information Infrastructure Business	Application Services Business
Target	**¥46.0 billion**	**¥5.10 billion**	**70.0%**	**65.0%**
Forecast	¥49.5 billion	¥5.30 billion		

Change in Target Figures (Revenue and Operating Profit) (Million yen)

- Revenue (target)
- Revenue
- Revenue (forecast)
- Operating profit (target)
- Operating profit
- Operating profit (forecast)

GO BEYOND 3.0

	FY2018	FY2019	FY2020
Revenue	25,418	28,553	30,603
Operating profit	2,418	3,028	3,686

BEYOND THE NEW NORMAL

	FY2021	FY2022	FY2023
Revenue	36,513	45,950	46,000 (Target) / 49,500 (Forecast)
Operating profit	3,734	5,098	5,100 (Target) / 5,300 (Forecast)

Deployment Image and Focus Areas

■ Information Infrastructure Business   ■ Application Services Business   ■ Medical Systems Business

	Existing Products and Services	New Products and Services
Existing Markets	Market penetration (deepening/share expansion) — Cyber-security solutions / Further strengthening of distributors (partners) and strategic accounts	Expansion of products and services — Integrated security monitoring service "TPS" / One-stop services in CRM business / AI-based medical image diagnostic support services
New Markets	Market development — Roll-out of CRM business / Expansion into ASEAN markets	Diversification — Education business "tsumugino" / Medical Systems Business PHR (Personal Health Record) service

Basic Strategies by Segment

Strategic and accelerated promotion of cloud-related businesses

Pursuit of security & safety

Segment	Major Key Strategies	
Information Infrastructure Business	• Expand products and services handled • Further strengthen expertise and visualization of technological capabilities (visualization of maintenance services, dissemination of technological information, etc.) • Expand sales of integrated security monitoring service (TPS)	• Expand center-aggregation business (pursuit of added value) • Promote shift to subscription sales (strengthening of recurring revenue business) • Further strengthen distributors (partners) and strategic accounts • Develop matrix of product organization and account organization
Application Services Business	• Invest aggressively for vertical launch of education business • Create businesses/services using AI • Expand portfolio (proprietary development of solutions for software development infrastructure) • Enter into third-party testing/verification market using tools	• Develop and deliver proprietary business analysis solutions • Collaborate with other vendors to establish one-stop CRM services • Accelerate global roll-out (ASEAN)
Medical Systems Business	• Accelerate AI-based medical diagnostic support services • Expand PHR (Personal Health Record) business	

Progress of Plan (as of FY 2022)

	Themes	Self-evaluation	Major initiatives
Contents strategies	1. Expanding portfolio of products and services	○	• Started handling products and services, including "TechMatrix NEO," a solution for cloud-native deployment, and "Votiro Cloud," a cloud-based solution to disarm files
	2. Accelerated servicization (increasing service ratio)	○	• Expanded sales of integrated monitoring and incidents response support service "TPS" • Increased number of private and public schools introducing "tsumugino," a cloud-based communication platform and school affairs support service
	3. Utilization of data (including use of AI)	○	• PACS business and new PHR/AI businesses accelerate by business merger between NOBORI and PSP • Established M3 AI, Inc. in a joint venture with M3, Inc.
External strategies	4. Diverse alliances/M&A (expansion of existing business, creation of new business)	○	• Formed capital and business alliance with Educa & Quest Inc., provider of an inquiry-based career education program • Collaborated with Canon Medical Systems Corporation in the healthcare IT solutions business • Formed capital and business alliance with Medmain Inc. to promote the digital pathology-related business
	5. Expanding business in the overseas market	△	• Established Thailand subsidiary, TechMatrix Asia Co., Ltd. • Formed capital and business alliance with Choco Card, a major Thai company involved in CDP, to accelerate business expansion in ASEAN region • Formed capital and business alliance with WISESIGHT
Internal strategies	6. Creation of synergies by strengthening group collaboration	○	• Aggregated head office functions of group companies and relocated the Head Office • Started holding quarterly Group Management Meetings
	7. Human resources development/organizational development (including promotion of diversity)	○	• Established D&I (Diversity and Inclusion) Promotion Office • Commenced introduction of flex-time system, hourly paid leave, work-interval system, and recommended days for taking paid leave • With introduction of new personnel system, introduced new role-based grading system and competency-based personnel evaluation

Solving Social Issues Through Business Activities

Through a diverse range of business activities, the TechMatrix Group provides new value and contributes to the achievement of the SDGs for a sustainable society.
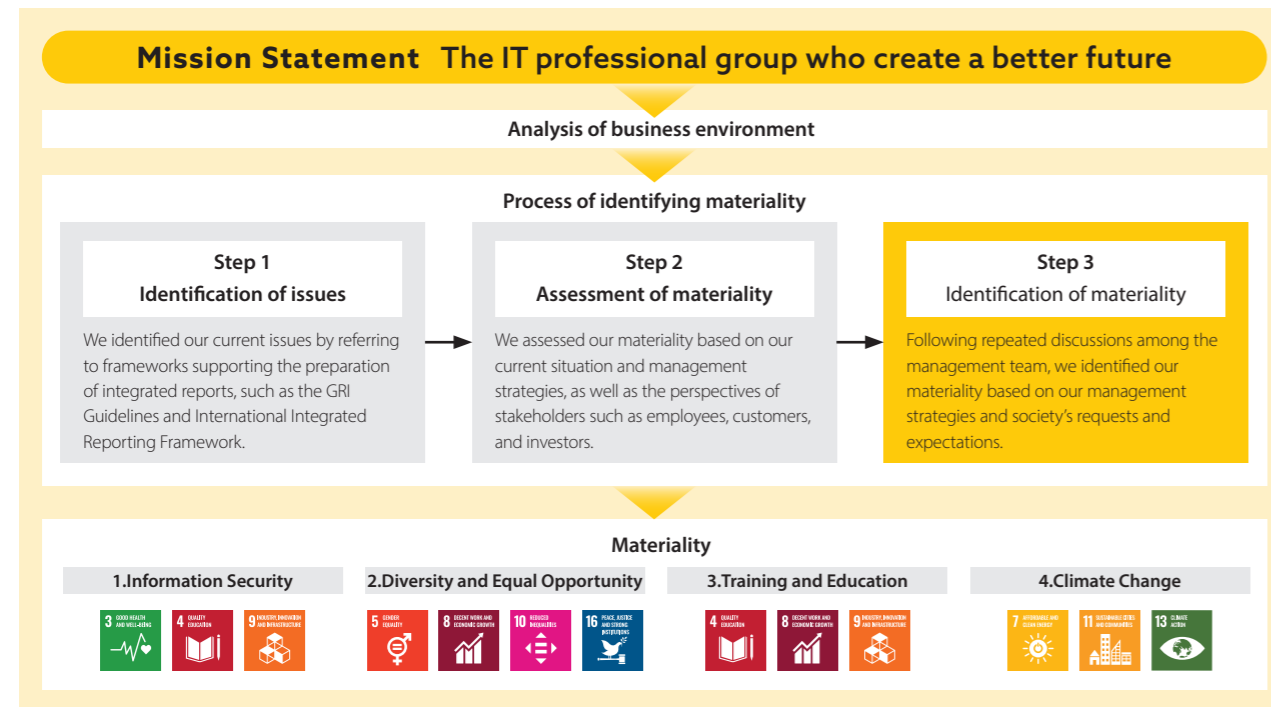
SUSTAINABLE DEVELOPMENT GOALS

Social issues (17 SDGs and 169 targets) and materiality	Solution	Example of services provided	Value provided

Industry, Innovation and Infrastructure

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure

Information Infrastructure Business
Information security

TechMatrix Premium Support powered by TRINITY

Cyberattack protection and security enhancement for customers
Integrated security monitoring service TechMatrix Premium Support

Developed independently by TechMatrix, the service tackles increasingly advanced and sophisticated cyberattacks and maximizes the efficiency of comprehensive threat detection and visualization, as well as security operations.

Issue Theft of important information and business suspension due to cyberattacks have become a threat to society, and a higher level of security measures are sought after.

Solution Our service comprehensively monitors attacks against user devices, internal system, and network environments, and conducts correlation analysis. It thereby strengthens security infrastructure against all types of powerful cyberattacks, including malware.

Good Health and Well-being

3 GOOD HEALTH AND WELL-BEING

3.6 By 2020, halve the number of global deaths and injuries from road traffic accidents

Application Services Business
Software quality assurance

Parasoft C++test

Development support for cars of the future
Provision of C++test, a static analysis and unit test tool

The all-in-one C/C++ test tool improves efficiency with its static analysis (coding rule check/flow analysis), unit test, coverage measurement, runtime memory error, and other functions.

Issue An enormous amount of effort is necessary to ensure software quality, such as functional safety standards ISO 26262, which is considered essential in automobile development, and coding rules MISRA, CERT, and AUTOSAR, which are de facto standards.

Solution C++test improves quality and productivity, as it is used in the software development for advanced driver-assistance systems (ADAS), a highly effective technology to avoid and mitigate collision, protect pedestrians, and prevent and mitigate automobile accidents in other ways.

Decent Work and Economic Growth

8 DECENT WORK AND ECONOMIC GROWTH

8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation
8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation

Application Services Business
CRM

FastHelp5

More efficient contact center operations
Contact center CRM system FastHelp5

In accordance with the industry and purpose, the system centrally manages customer information and all types of contact history gathered at contact centers (call centers) via telephone, email, FAX, the internet, and other means.

Issue Contact centers receive a large number of inquiries via various channels, such as telephone, email, and chat, and are busy responding to them. It is also difficult to increase staff due to labor shortages. Increasing the level of customer satisfaction while responding to inquiries with limited staff resources has been an issue.

Solution Our system enables customers to centrally manage customer information and response history, as well as to provide omni-channel support. It thus improves the productivity and quality of contact centers, thereby increasing the level of customer satisfaction. In addition, accumulating customers' voice and other CRM data and reflecting them in management will contribute to corporate value improvement.

Reduced Inequalities

10 REDUCED INEQUALITIES

10.5 Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations

Application Services Business
Business solutions

ARECCIA

Business solutions for financial service sector
Provision of market-based business management systems (front and middle systems) mainly to financial institutions

To ensure the financial health of banks, we provide risk monitoring functions that satisfy various international financial regulations implemented by the Basel Committee on Banking Supervision.

Issue Financial engineering is expected to manage uncertainties as probability events using a reasonable model. Specific examples include the calculation of market value (fair value) of future financial transactions and the estimation of risks upon the occurrence of a financial crisis.

Solution Combining global-standard financial instrument valuation models with in-house developed platforms that power the models, we realize an integrated risk management system that includes increasingly complex structured transactions.

Quality Education

4 QUALITY EDUCATION

4.1 Ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes

Application Services Business
EdTech (Education)

学びを 未来へ 紡ぐ
ツムギノ tsumugino

Educational platform system
School communication platform + cloud-based school affairs support service "tsumugino"

With a unique child-centered design, "tsumugino" centralizes the accumulation of learning outcomes and school support for teachers and other school staff, in addition to providing a wealth of functions for communication within and outside schools.

Issue Issues include school environments where digitalization, such as going paperless, is not making progress; efficiency improvement to reduce the burden on teachers and other school staff; making the time for teachers and other school staff to interact with children; support for children's inquiry-based learning; and the use of learning and school affairs data to adapt to the advancement of education.

Solution We realize a safe and secure cloud system for a one-stop service to centrally manage learning history and other school information and handle school affairs more efficiently. The service also allows users to share information within and outside schools by integrating school affairs functions with communication functions, and to support inquiry-based learning customized for each child.

Good Health and Well-being

3 GOOD HEALTH AND WELL-BEING

3.8 Achieve access to quality essential health-care services

Medical Systems Business
Medical

みんなの明日へ、医療情報クラウド。
NOBORI Medical information platform

PHR services
Personal health record (PHR) app NOBORI

NOBORI is a service that allows general consumers and their families to refer to medical information from their smartphones. Such information includes test results from medical institutions, information on medication, and images.

Issue People can rarely see detailed medical information, even though it is information about themselves. In addition, information asymmetry in medicine is an issue, where it is impossible to manage different forms of paper-based records at each hospital.

Solution Our PHR services realize a new style of medicine by managing consultation and health checkup results chronologically with images and test figures, allowing patients to learn about such information by themselves, and enabling them to share it with family members and other hospitals.

Quality Education

4 QUALITY EDUCATION

4.4 Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

▶ P. 39 **Materiality 3** Training and Education

TechMatrix's
• Human resources development
• Career support
• Support for acquiring qualifications

Issue Continuous upskilling by each employee, as well as knowledge acquisition and updating, is essential for a company's constant growth and new value creation, the source of which are considered to be human resources.

Solution We implement training programs to develop next-generation leaders, as well as human resources with advanced IT skills. In addition, relevant initiatives are constantly in place, such as the Career Challenge System for employees to proactively develop a place where they can better demonstrate their abilities and experience.

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Initiatives for Materiality to Promote Value Creation

Starting from a macro trend analysis to extract social issues, we analyzed risks and opportunities for us and identified materiality that has a large impact on value creation.

Identified materiality is also relevant to the Medium-Term Management Plan. We will reflect the materiality in our management strategies as issues that should be addressed to expand TechMatrix's medium- to long-term corporate value.

In addition, we understand that materiality is not only about important issues related to corporate competitiveness but about environmental, social, and other issues to fulfill responsibilities for and contribute to internal and external stakeholders.

Mission Statement The IT professional group who create a better future

Analysis of business environment

Process of identifying materiality

Step 1 Identification of issues	Step 2 Assessment of materiality	Step 3 Identification of materiality
We identified our current issues by referring to frameworks supporting the preparation of integrated reports, such as the GRI Guidelines and International Integrated Reporting Framework.	We assessed our materiality based on our current situation and management strategies, as well as the perspectives of stakeholders such as employees, customers, and investors.	Following repeated discussions among the management team, we identified our materiality based on our management strategies and society's requests and expectations.

Materiality

1.Information Security	2.Diversity and Equal Opportunity	3.Training and Education	4.Climate Change

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Materiality 1 ## Information Security

Reason for Identification

Due to the development of an advanced information society, unauthorized access, information leakage, falsification, viruses, and other threats have increased in today's world. We consider it extremely important to protect and appropriately manage the safety of all information assets we possess, including information we receive from customers.

Major Initiatives

■ **Establishment of a management structure**

The Information Security Committee, headed by the top management, meets quarterly to share the implementation status of the PDCA cycle related to information security management and to discuss internal issues (reinforcement of security measures, etc.). (Secretariat meetings, led by Corporate Division employees, are held monthly.)
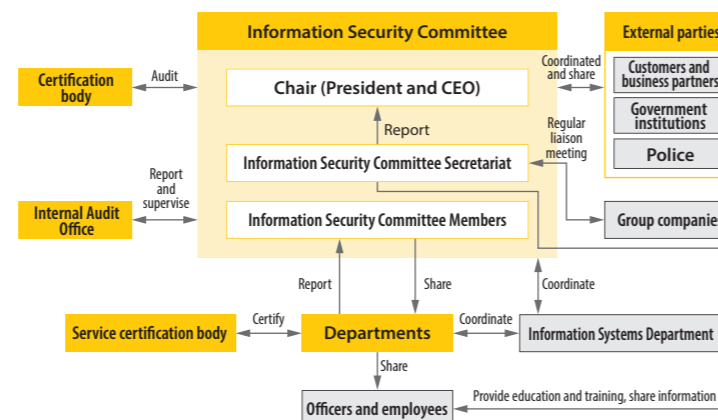
■ **Acquisition of external certification for services provided**

General Incorporated Association ASP-SaaS-AI-IoT Cloud Industry Association (abbreviation: ASPIC) has certified the cloud services we provide. This certification ensures that information on safety and reliability is properly disclosed for these services. On March 16, 2018, our Group's medical data storage service NOBORI also received certification under the Medical Data ASP-SaaS Information Disclosure Certification System (certification number: Medical 0002-1803).

Category	Certification number	Name of service	Certification date
ASP/SaaS	0092-1003	FastSeries	March 24, 2010
	0251-2108	TechMatrix TestRail Cloud Service	August 2, 2021
	0254-2109	tsumugino	September 30, 2021
	0271-2209	TechMatrix Redmine Cloud Service	September 30, 2022
Medical Information ASP/SaaS	Medical 0002-1803	NOBORI	March 16, 2018

■ **Establishment of a CSIRT structure**

Future security measures are likely to place importance on incident detection and recovery measures.

We have therefore established a CSIRT structure that respond to internal security incidents based on predictive signs from logs and the premise of actual accidents.

Internal CSIRT structure
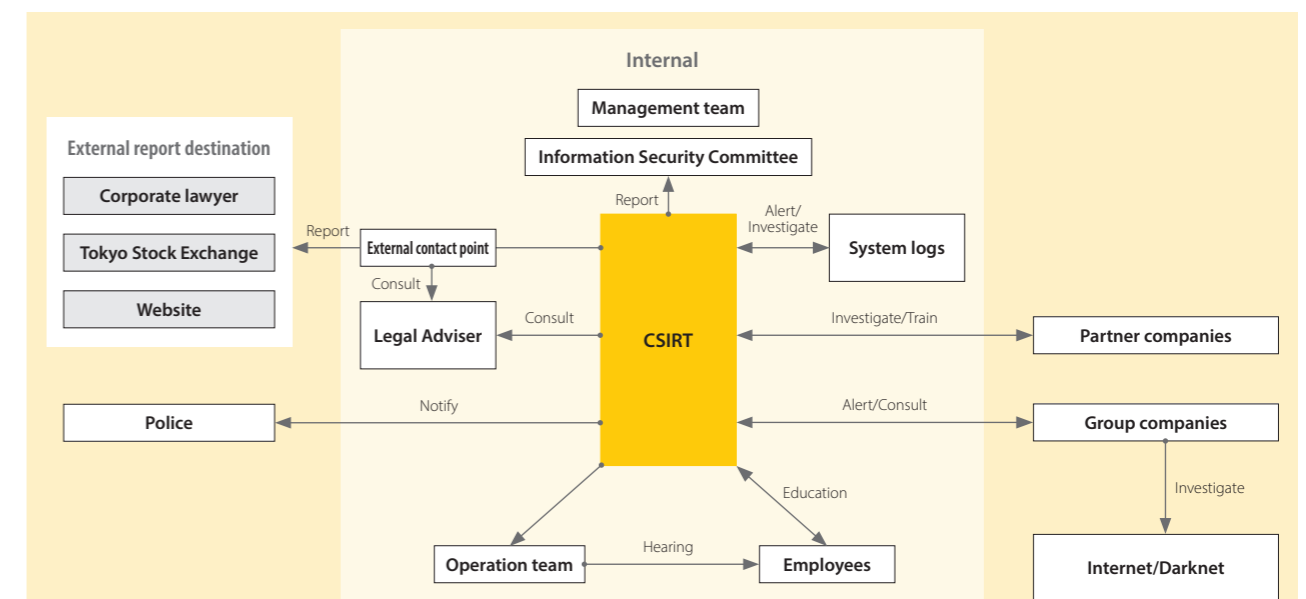
Main activities
- Review company-wide security measures from a bird's-eye point of view, and constantly assess whether they can address the latest type of attacks
- Instead of just collecting logs, compile them, detect predictive signs, and enhance monitoring
- Gain the latest security information, and enhance firewalls and add monitoring
- Develop response procedures for each incident level and conduct training to prepare for contingencies
- Strengthen coordination with related internal and external organizations
- As part of awareness-raising activities, deliver assessment results of monitoring and analysis as company-wide monthly CSIRT reports
- Take multiple preventive measures against increasingly advanced cyberattacks, such as practical training against targeted attacks, penetration tests, and company-wide education.
- Update the security map based on training, test results, and education contents; assess and identify vulnerabilities with external vendors; and take measures continuously to enhance security

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| Materiality 2 | **Diversity and Equal Opportunity** |

Reason for Identification

Regarding diversity in human resources, the Company believes that having diverse perspectives and values that reflect different experiences, technical abilities, and personal attributes within the Company will energize the organization, maintain flexibility, and enhance the Company's capabilities, thereby enabling the Company to achieve sustainable growth.

Human Resources Strategy to Achieve Management Strategies

■ Basic policy

TechMatrix maximizes organizational capabilities while helping employees take on challenges and grow and achieving a rewarding organizational climate.

■ Three basic strategies

1.Develop human resources that play a central role in the future	Foster next-generation leaders
2.Achieve new communication styles and flexible workstyles to maximize the potential of employees	Improve productivity, ensure recruitment capabilities to be a workplace chosen by prospective employees, and maintain and enhance organizations
3.Promote diversity and inclusion	Enhance organizational capabilities by leveraging diverse human resources amid a shrinking working population and competition to secure human resources

■ Overview of human resources strategy

The IT professional group who create a better future

Corporate Philosophy
Mission Statement

Aligned with each other

Human Resources Strategy ← Management Strategy

Human Resources Strategy to Achieve Management Strategy
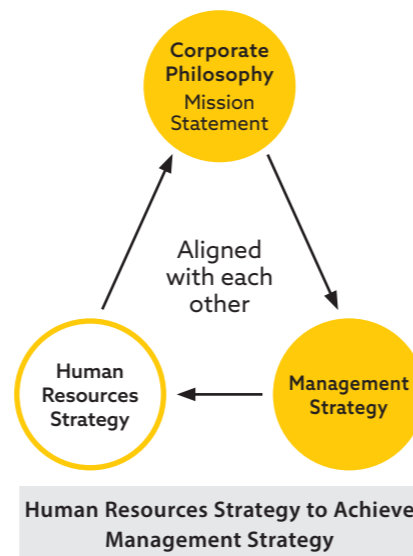
Major Initiatives

■ Creating innovation by leveraging diverse human resources

To be a workplace that respects basic human rights and promote diversity, we embrace and foster diverse values. We consider that letting diverse human resources demonstrate diverse values will be a source of innovation and lead to the development of our business. To this end, we established the Diversity & Inclusion Promotion Office in July 2022. The D&I Promotion Office has accelerated a wide range of initiatives to raise diversity and inclusion awareness and achieve diversity and inclusion.

Established the D&I Promotion Office in July 2022

■ Diversity in recruitment

To leverage diverse human resources, we are committed to recruiting women. The ratio of women to all workers recruited has been increasing year by year and reached 33.3% in FY2022. As a result, the ratio of women among all employees was 25.3% as of the end of FY2022, an increase of 7.0 percentage points from 18.3% at the end of FY2017.

Ratio of women among newly hired workers
31.0% in FY2021
33.3% in FY2022

Ratio of women employees
24.4% in FY2021
25.3% in FY2022
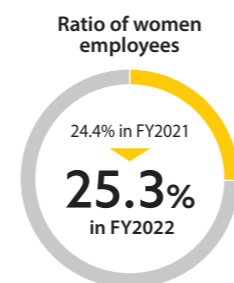
■ Initiatives to promote women's success in the workplace

To help employees balance childcare with work, we have various systems in place. Specifically, our childcare leave system is more generous than the law requires, we subsidize childcare expenses after employees return to work from childcare leave, and our child raising support leave system allows employees to take time off not only to take care of sick children but for broader purposes. Thanks to these measures, the childcare leave utilization rate and the ratio of female employees returning to work following childcare leave have been 100% for the past five years. As a result, we received the

Kurumin certification mark. In addition, we hold women's career seminars and implement other measures to support women's career development and enable them to fully demonstrate their abilities in management and as specialists.

Percentage of childcare leave taken （FY2022 Results）

Men **59.1**%

Women **100**%
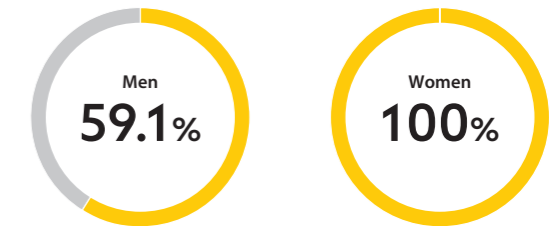
Action plan to promote women's success in the workplace
We strive to enable all employees, regardless of gender, to fully demonstrate their abilities by creating a comfortable and productive workplace in which all employees working at the Company may maintain a balance between their work and personal life. To do this, we have developed an action plan.

General Employer Action Plan
Period covered by the plan
Five years from April 1, 2021 to March 31, 2026

For more information ▶

Policy on creating an internal environment

To increase abilities of each and every employee and support their growth to enhance the overall organizational capabilities, we consider it important to achieve new communication styles and flexible workstyles to maximize the potential of employees, as well as to design various systems and create an organizational climate.

With an eye on the "new normal" era and workstyles, we have defined "TMX Communication Design." Based on various actions and measures, we design communication styles and workstyles for a new era and reflect them in work systems and human resources strategies.

■ Achieving a workstyle and an environment that promote independence and autonomy and produce better performance

We have defined "TMX Style Work," a workstyle where employees design their own workstyles and maximize performance, and introduced a system that allows employees to select days when they will work in the office and days when they will work remotely. The Head Office relocation in December 2022 allowed us to introduce an office that

promotes "co-creation." A complete free-address office system with no assigned seating has created an environment where necessary members can get together and optimal collaboration can be achieved across organizations and job roles. After the Head Office relocation, employees work 16% in the office and 84% remotely*.

*Average between December 2022 and February 28, 2023.
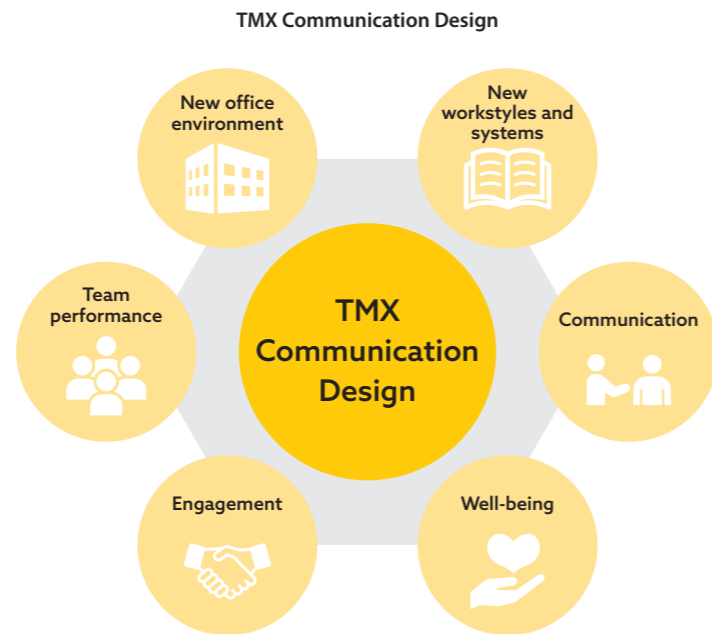
Cafe area where employees can relax

One-person seats with a good view, allowing employees to focus

■ Achieving flexible work systems that bring harmony between life and work and improve well-being

Flexible work systems have been in place since April 2023, where enabling flexible workstyles achieves work-life balance and allows employees to demonstrate performance at the Company for a long period of time.

Specifically, we have introduced a flex-time system and hourly paid leave, as well as the Life Event Support system that allows employees to flexibly select where they will live even if they have no choice but to move far away due to a life event. As for taking time off, we have introduced a work-interval system (ensuring an 11-hour rest between workdays) on a trial basis, as well as recommended days for taking annual leave.

TMX Communication Design

- New office environment
- New workstyles and systems
- Team performance
- **TMX Communication Design**
- Communication
- Engagement
- Well-being

■ Evaluation and personnel systems that support employees' growth

To constantly produce human resources who will play an active role for the Company in the future, we have strengthened the evaluation and development scheme. We treat employees fairly, create a rewarding organizational climate, and build systems and structures that support each employee's career development.

We have introduced a competency-based system, where requirements are set for each role-based grade. By making the requirements known to all employees, we aim to use the system for not only personnel evaluation but also employee development. Personnel grades have three layers: Player, Management, and Specialist. We define missions according to each role-based grade in each layer, and disclose them to all employees. Management and Specialist layers constitute senior positions. We have a multi-track personnel system in place, where employees can select their career path based on their aptitude and career preference.

We revised the conventional personnel system in April 2022, introducing an evaluation system that lays greater emphasis on contribution to the Company's future and coworkers' growth. By setting up a grading system that clarifies what is expected from each employee and what they should pursue, we realize a fair and reasonable personnel system in terms of the degree of contribution to and growth at the workplace.

■ Initiatives for occupational health and safety, workplace environment, and labor-management relations

We aim to create a working environment and an organizational climate where everyone who work for us are physically and mentally healthy and fully demonstrate their potential and passion. New employees answer a questionnaire about their workplace environment and have an interview with HR. We identify matters to improve through the questionnaire and interview and promptly make improvements in cooperation with HR and departments where new employees have been assigned to work. We thus support new employee onboarding and create an environment to bring out their potential.

We conduct monthly pulse surveys for our employees, looking to resolve mental and physical issues, as well as workplace interpersonal relationship issues, at an early stage by detecting and addressing them promptly.

In addition, an organizational survey is conducted once a year to analyze the current state of our organization, environment, and climate and culture. The results are disclosed to all employees and reflected in measures for improvement. We have adopted the Employee Net Promoter Score (eNPS®) as an indicator. Our score for 2022 was higher than the industry average.

### ■ Employee engagement eNPS® (Employee Net Promoter Score)

$$\text{eNPS}^\circ = \text{Promoters} - \text{Detractors} = 12\% - 42\% = -30$$

*eNPS® = % of Promoters (rounded down to the whole number) - % of Detractors (rounded down to the whole number)

Measuring eNPS®

- eNPS® is an indicator to measure employee loyalty. "How likely are you to recommend XXX (company name) as a place to work?"
  eNPS® is calculated by the following formula, based on the employees' answers to the above question.
- eNPS® = % of Promoters - % of Detractors
  9 - 10 points : Promoters
  7 - 8 points : Passives
  0 - 6 points : Detractors

*Net Promotor Score® and its abbreviation NPS are registered trademarks of Bain & Company, Inc., Fred Reichheld, and NICE Systems, Inc.
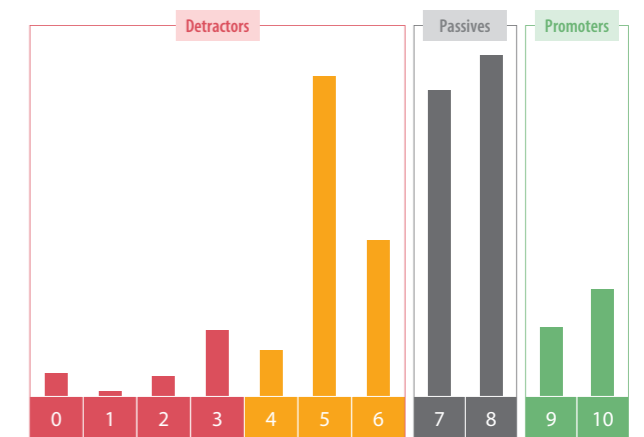
■ Promoting the understanding of psychological safety

We promote diversity and inclusion for the purpose of making diversity a source of innovation and leveraging diverse abilities of diverse human resources to the maximum extent. We press ahead with the promotion of diversity and inclusion while creating a climate where diverse human resources embrace diverse values and inspire each other, and the Company and employees can grow together.

To achieve the purpose, we consider it important to first develop an environment with a high degree of psychological safety, and create a climate where employees are welcome to express their opinions actively and take on challenges. In February 2022, we held a workshop for achieving an organization with a high level of psychological safety, creating an opportunity to learn how we can raise the level of psychological safety.

Scenes from the workshop

Respect for human rights

We have formulated the Basic Human Rights Policy to work to establish a corporate culture of respect for humanity so that each officer and employee does not engage in harassment based on race, nationality, , religion, creed, age, family origin, physical or mental disability, or any other reason not related to the performance of duties and does not tolerate such harassment. Based on the policy, we conduct regular education and training to ensure that our officers and employees thoroughly understand the Corporate Ethics Guidelines and the Compliance Standards of Conduct.

To accelerate business growth, we hire people with diverse backgrounds, regardless of gender, nationality, etc., through both new graduate recruitment and mid-career recruitment. By leveraging diverse human resources, we aim to further invigorate the organization and create new value.

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Materiality 3 # Training and Education

Reason for Identification

The technical domain of the IT industry to which TechMatrix belongs is so broad that no single company can cover all of it. A sustainable growth cycle of business creation and expansion can only be established by engaging with others, including business partners, mutually absorbing knowledge and know-

how, transforming it to technology, and combining it. To do so, it is essential that individual employees of TechMatrix continuously improve their skills. For this reason, we recognize training and education as an important issue and are working on it.

Policy on Human Resources Development

In order for the Group to grow sustainably, it is essential to increase abilities of each and every employee and support their growth to maximize the organizational capabilities. In other words, we believe that the human resources strategy is our

management strategy itself. In particular, we position developing next-generation leaders who will lead our management and business as an important theme in our human resources strategy.

Major Initiatives

■ Measures to Develop Next-Generation Leaders

We have established a "human resources pipeline model" as a measure to develop the future management team, with the aim of further improving leadership of the management team and developing future management personnel. Based on this model, we are working to develop next-generation leaders.

As part of this initiative, we have implemented a one-year program for general managers, who will be candidates for the next-generation senior management, since 2021. The program aims to help them develop a perspective as candidates for the next-generation senior management, as well as acquire leadership skills to gather empathy at their own will and to unite and lead the organization. For those at the entry level of management, a program is in place to provide opportunities for them to free themselves from their previous roles as a player and acquire the knowledge and skills required for management. They practice and reflect on what they have acquired, and are supported in their reflection through feedback and coaching from their superiors. In this way, they establish their own management style and empirical knowledge from their learning and practice.

■ Advanced IT Human Resources

Based on the belief that the use of advanced and cutting-edge IT technology is the source of our business, we invest in our IT technicians to acquire advanced and cutting-edge skills and to accelerate the realization of our business strategy. In the engineer training, new graduates learn basic knowledge of IT
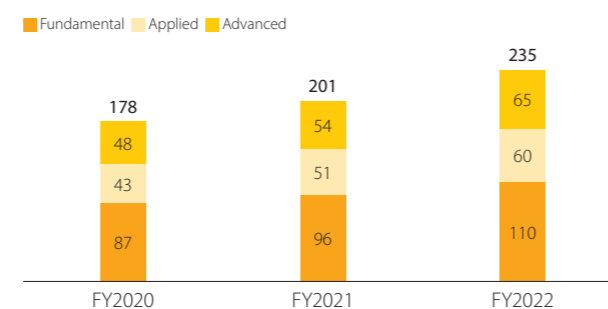
infrastructure and development technologies, and learn technologies related to system development, networking, security, and other infrastructure in a hands-on manner through development exercises and other activities.

In addition, each engineer is allocated an annual budget for education and training, and we actively utilize training opportunities provided by outside professional organizations to enable our engineers to acquire advanced and cutting-edge IT technologies and to respond quickly to changes in fast-moving IT trends.

■ Qualification Reward System and Support for Acquiring Qualification

We support the maintenance and improvement of technical skills by providing qualification rewards for those who acquire public certifications in various IT specialties and vendor certification in server, network security, and database, and establishing a support system for acquiring and maintaining qualifications.

Number of Information Technology Engineer Examination Certificate Holders (persons)

■ Fundamental ■ Applied ■ Advanced

	FY2020	FY2021	FY2022
Total	178	201	235
Advanced	48	54	65
Applied	43	51	60
Fundamental	87	96	110

■ Career Support System

We have supported our employees' career realization, including a Career Challenge System to create an environment in which they can proactively develop a place where they can better demonstrate their abilities and experience, and a Career Design System to support the realization of each employee's vision of what he/she wants to be.

The Career Challenge System allows employees to apply for open mid-career positions, with the aim of enabling them to more proactively fulfill their potential and contribute to the Company. Career Design System is designed to help employees realize their vision of what they want to be by sharing their career plans and current status from a medium- to long-term perspective with their supervisors through annual interviews.

In addition, we will start conducting career development training and career consulting interviews, starting in FY2023. Career development training will be provided for each age

group of employees to create opportunities for each employee to think about his/her own career, in order to continuously fulfill his/her potential while balancing work and life events that may occur in each age group.
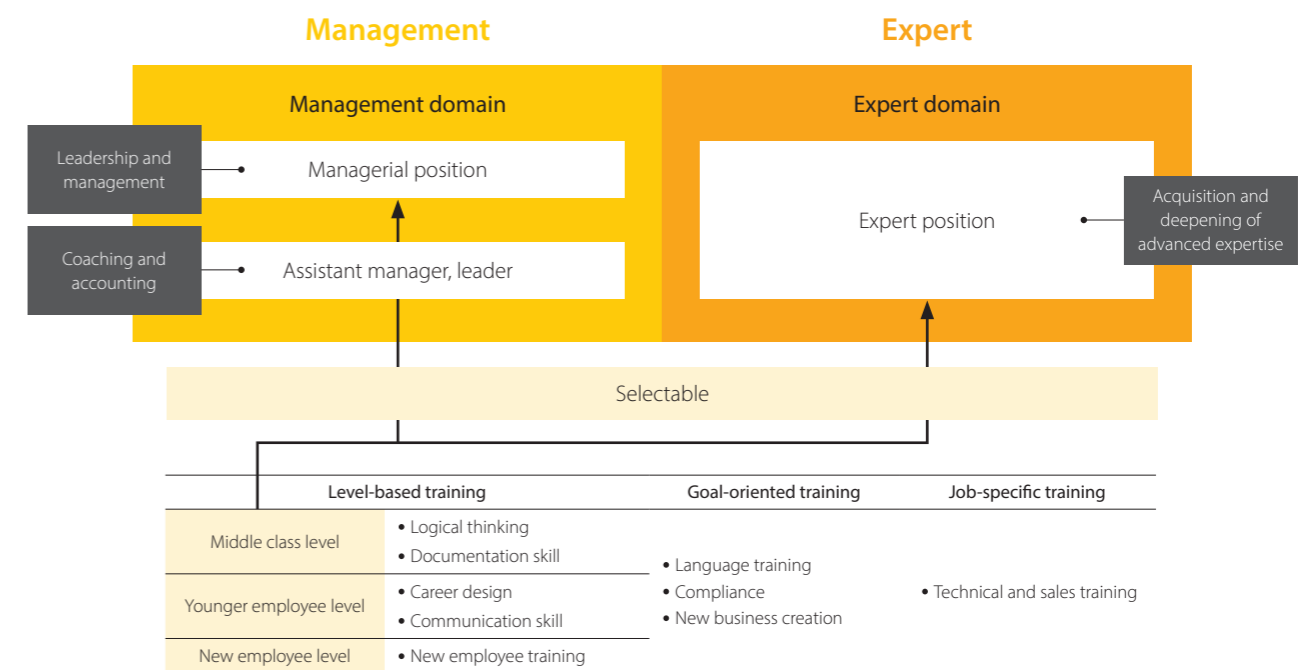
■ Realization of a Human Resources Development System Linked to a New Personnel Evaluation and Remuneration System

We take the opportunity to revise our personnel evaluations and remuneration system to promote the implementation of training by level that is more closely linked to the mission and competencies required for each grade. By helping employees acquire the abilities and skills required for their roles and demonstrate them in their daily operations, we aim not only to maximize the organization's capabilities and lead to continuous performance improvement, but also to further enhance employee motivation.

Training and Education System of TechMatrix

The Company offers level-based training as an educational system to develop and maintain the abilities that all employees should have in common. It also provides harassment prevention and health training as goal-oriented training. Apart from this, we have prepared programs to address specific needs and career characteristics.

We have also implemented the expert/professional (specialist) system. Specialists are professionals who demonstrate high level of performance based on their advanced expertise, knowledge, and know-how as specialists in specific fields, create high added value in business operations, and play a major role in the Company and organization. Employees who have reached a specific grade set by the Company may choose their own career.

Management / **Expert**

Management domain	Expert domain
Leadership and management → Managerial position	Expert position ← Acquisition and deepening of advanced expertise
Coaching and accounting → Assistant manager, leader	

Selectable

	Level-based training	Goal-oriented training	Job-specific training
Middle class level	• Logical thinking • Documentation skill		
Younger employee level	• Career design • Communication skill	• Language training • Compliance • New business creation	• Technical and sales training
New employee level	• New employee training		

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Materiality 4 ## Climate Change

Reason for Identification

TechMatrix recognizes that preserving and conserving the global environment is the foundation of the sustainable development and growth of the Group's management. Based on this awareness, we have positioned measures to address climate change as one of our important management issues. For this reason, we will disclose the progress of our initiatives in line with the TCFD (Task Force on Climate-related Financial Disclosures) recommendations, as well as strengthen our efforts on climate change.

Environmental Policy

As an IT solution provider, the Company accurately understands the needs of its corporate clients, and provides optimal solutions using world-class, cutting-edge IT and products developed in-house. In the course of these activities, the Company strives to provide solutions that effectively use the resources of corporate clients while also helping to prevent environmental pollution. Furthermore, internal environmental improvement measures will be systematically and continuously implemented. When implementing these measures, we will establish and continuously improve our environmental management system. We have established the basic policies.
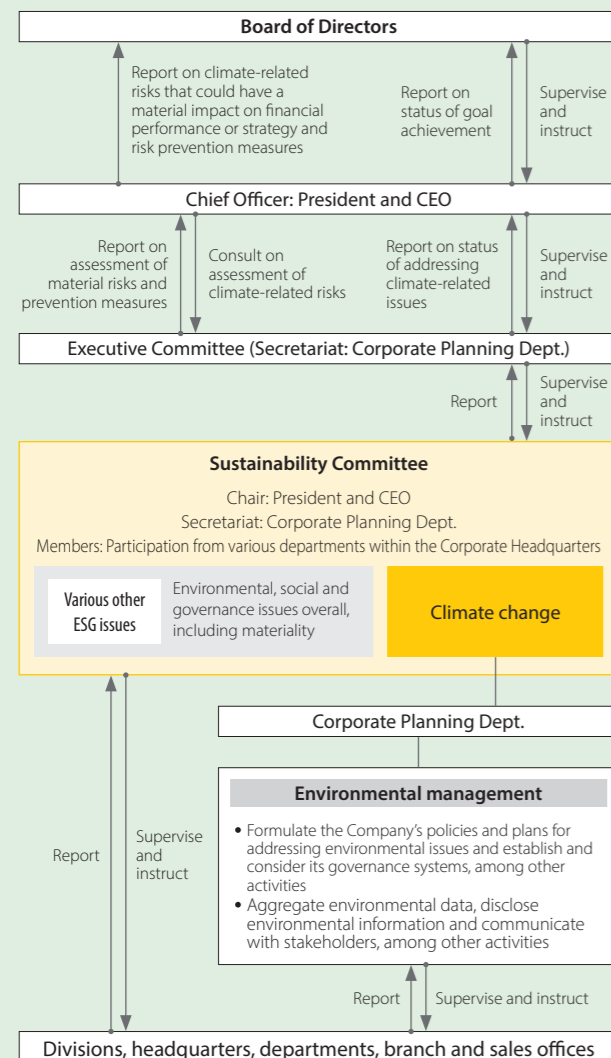
For more information : ▶

Information Disclosure Based on the TCFD (Task Force on Climate-related Financial Disclosures) Recommendations

Details are available on our corporate website. ▶ https://www.techmatrix.co.jp/en/ir/esg/esg_01.html

Governance

The Sustainability Committee, which reports to the Executive Committee, the body responsible for overall business execution, manages progress. The Sustainability Committee works closely with the Corporate Planning Dept., which is in charge of environmental management, to supervise the climate change response measures and related planning at each division, headquarters, department, branch and sales office.

Board of Directors

Report on climate-related risks that could have a material impact on financial performance or strategy and risk prevention measures

Report on status of goal achievement

Supervise and instruct

Chief Officer: President and CEO

Report on assessment of material risks and prevention measures

Consult on assessment of climate-related risks

Report on status of addressing climate-related issues

Supervise and instruct

Executive Committee (Secretariat: Corporate Planning Dept.)

Report

Supervise and instruct

Sustainability Committee

Chair: President and CEO
Secretariat: Corporate Planning Dept.
Members: Participation from various departments within the Corporate Headquarters

| Various other ESG issues | Environmental, social and governance issues overall, including materiality | Climate change |

Corporate Planning Dept.

Report

Supervise and instruct

Environmental management

- Formulate the Company's policies and plans for addressing environmental issues and establish and consider its governance systems, among other activities
- Aggregate environmental data, disclose environmental information and communicate with stakeholders, among other activities

Report

Supervise and instruct

Divisions, headquarters, departments, branch and sales offices

Strategy

Risks are broadly classified as transition risks (policy and legal, technology, market, reputation), which require adaptation to climate change, and physical risks (acute, chronic), which require responses to the physical effects of climate change. For these items, we identified and assessed climate-related risks with material impact on financial performance or strategy.

Please see the table below for risks, opportunities, and strategies identified.

Category		Specific examples	Time horizon
Physical risks	Acute risks	• Risk of hindrances in the purchasing of core products due to factors such as natural disasters caused by climate change • Risk of increased procurement costs as a result of rising raw material costs if carbon pricing is implemented • Risk of compensation for losses if a major system failure occurs at a data center due to abnormal weather • Risk of a decline in net sales because of fewer work days due to factors such as the suspension of public transportation service, if there is an increase in the frequency of abnormal weather	Short to Long
	Chronic risks	• Risk of cost increases due to an increase in energy required for cooling at data centers owing to a chronic rise in average temperatures	Long
Transition risks	Policy and legal	• Risk of cost increases due to taxation of electricity charges if a carbon tax is introduced as a result of stricter regulations • Risk of cost increases due to the requirement for the Company to procure renewable energy if customers request decarbonization services	Long
	Technology	• Our competitiveness may decrease and growth opportunities may be lost if we fall behind competitors in developing low-carbon (high energy efficiency) technologies for our products • Risk of not being chosen as a business partner by customers seeking to reduce Scope 3 emissions, if there are delays in measures to reduce electricity usage at data centers	Medium to Long
	Market and reputation	• Risk of loss of growth opportunities or reduced net sales due to delays in collaboration and activities with suppliers when demand for decarbonization-type products and services increases	Long

Category		Specific examples	Time horizon
Opportunities	Opportunities related to products and services	• Opportunities to reduce customers' power usage and minimize their greenhouse gas emissions by transitioning them to cloud services provided by the Company • Opportunities to reduce greenhouse gas emissions by reducing customers' operating hours and facility energy consumption by streamlining their operations through the cloud services provided by the Company	Medium to Long
	Opportunities related to energy source	• Opportunities to avoid cost increases due to carbon pricing and other factors by strengthening energy conservation measures for power usage in business activities	Short to Long
	Opportunities related to resilience	• Opportunities to contribute to customers' business continuity by securing a backup system in case of a failure at a site or data center due to a natural disaster	Medium to Long

Risk Management

① The Executive Committee, consulted with by the Chief Officer, reports its assessment of material risks and risk prevention measures.

② The Corporate Planning Dept., which serves as the Executive Committee's secretariat, works with the Internal Control Office to identify and assess climate-related risks in collaboration with each division, headquarters, department, branch and sales office, and places those matters before the Executive Committee.

③ The Executive Committee discusses the climate-related risks placed before it, and material risks are assessed and monitored.

④ The Chief Officer reports on climate-related risks that could have a material impact on financial performance or strategy and risk prevention measures, as important issues that should be placed on the Board of Directors' agenda.

⑤ The Executive Committee shares the identified risks with various departments and companies, and each department and company considers specific individual response measures, which will be reflected in risk management activities for the following fiscal year after verification (at least once a year).

Metrics and Targets

▶ **P.56:** Environmental Data

■ Greenhouse Gas Emissions Target

Recognizing that responding to climate change is an important social issue, in 2022 we set a target of reducing CO_2 emissions from the Group's business activities by 46% by FY2030[1], relative to the FY2020 level[2].

Reasons for setting target value	● **SBT standard (1.5°C) :** **-4.2%/year x 10 years = -42% or more** ● **Government target :** **-46% in FY2030 (versus FY2013)**
Scope of application	● **TechMatrix Corporation on a standalone basis** * Plans call for expanding the scope of application by successively adding consolidated subsidiaries (covering Scope 1 and Scope 2)

*1 The target year must be set between 5 and 15 years after the year the target was set (2022). (Here, the target year is provisionally set as 2030, 8 years after the target was set.)
*2 The base year was set as a year prior to the year the target was set (2022), in which data could be collected.

■ Net Zero Target

Of the Company's greenhouse gas emissions from its business activities, approximately 73% is from electricity, while the remaining roughly 27% is from the use of gas for air conditioning. These electricity and gas are used mainly at business sites (Head Office, branch, and sales offices). In the future, electricity used in business activities will be switched to electricity from renewable energy sources and any remaining greenhouse gas emissions will be offset by purchasing J-Credits, Green Energy Certificates, Non-Fossil Certificates, and so on. We have set a target of achieving carbon neutrality for all greenhouse gas emissions from business activities by 2050.

Reasons for setting target value	● **SBT standard (1.5°C) :** **-4.2%/year x 28 years = -117.6% or more** ● **Government target :** **Carbon neutrality in 2050 (net zero)**
Scope of application	● **Company-wide** (covering SCOPE 1 and 2)