TechMatrix

INTEGRATED REPORT
2023

TECHMATRIX CORPORATION
Integrated Report 2023

BEYOND
THE
NEW NORMAL

TechMatrix

Corporate Philosophy

Mission Statement

The IT professional group who create a better future

Standards of Business Conduct

In a spirit of co-existence and co-prosperity, we work hard to make a contribution to our customers and society.

Keeping in mind the importance of humbly learning something new, we continue to challenge new technologies and new businesses.

All the members make a strong commitment to a team success and team growth through open discussion.

TechMatrix's vision of professional human resources

SIMPLE & 4C

- Speed
- Innovation
- Management
- Passion
- Learning
- Endeavor
- Commitment
- Customer Satisfaction
- Confidence
- Challenge

TechMatrix Group
- CROSS HEAD
- OCH Co., Ltd.
- CASAREAL, Inc.
- ARECCIA Fintech Corp.
- TechMatrix Asia Co., Ltd.
- PSP Corporation
- Ichigo LLC
- A-Line Co. Ltd.

For more information of SIMPLE & 4C ▶

Contents

Editorial policy
This comprehensive report on financial and non-financial information was edited as an Integrated Report to disclose information to and promote dialogue with various stakeholders, such as shareholders and investors.

Period covered by the report
Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Some parts of the report may include information on activities outside the above period.

Notes on forward-looking statements
Forecasts, plans, and outlooks concerning future performance presented in this report are considered reasonable by the Company's management based on currently available information. Actual results may be substantially different from these forecasts, plans, and outlooks due to changes in various factors.

Referenced guidelines
In editing this report, the Company referenced the International Integrated Reporting Framework proposed by the International Integrated Reporting Council (IIRC) and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation proposed by the Ministry of Economy, Trade and Industry.

Environment
Social
Governance

Guidance for Collaborative Value Creation

Structure of information disclosure tools

Value creation story

Non-financial

Integrated Report
intended for multi-stakeholders, mainly institutional investors

- Notice of Annual General Meeting of Shareholders
- Annual Securities Report
- Earnings Release
- Financial Results Briefing Materials
- Shareholders' Report

Financial

- Sustainability website
- IR website

Comprehensive coverage
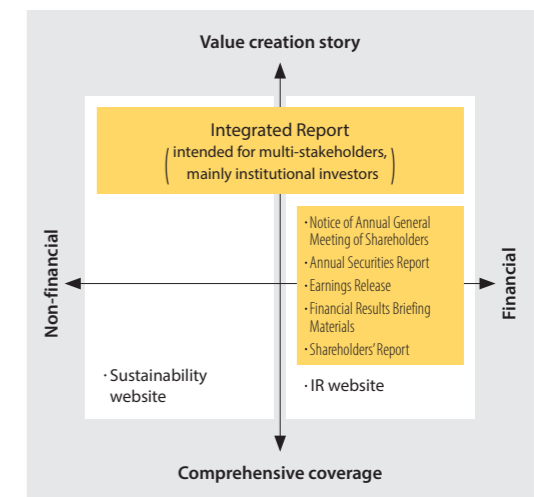
About the cover
- As the IT professional group who create a better future, TechMatrix rolls out a variety of businesses. The cover expresses how our business activities provide a better future for people in a wide range of fields and generations.

What is TechMatrix ?

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■ Characteristics of Our Business

Matrix of technologies and vertical markets

The company name TechMatrix comes from the concept, "matrix of technologies and vertical markets." This is a matrix where the vertical axis represents ind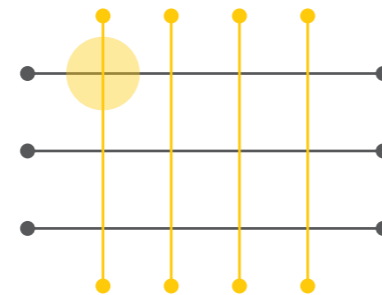ustry-specific vertical markets (medical, call center, education, finance, automobile, etc.) and the horizontal axis represents technologies. There are many intersections on the matrix. Paying attention to these intersections, we will keep embracing new technologies and embarking on new businesses.

Vertical markets (vertical axis)	Technologies (horizontal axis)
• Medical	• **Application**
• Call center	Software for efficient and effective functioning of business processes
• Education	Scope of provision **SaaS** (business support software, testing tools, BI, AI)
• Finance	• **Middleware**
• Automobile	Software used in common for application development and execution
⋮	Scope of provision **PaaS** (databases, APIs, operating systems, virtual networks)
	• **Infrastructure**
	Hardware and equipment to operate software
	Scope of provision **HaaS/IaaS** (servers, storage, network devices, security measures)

■ Business Portfolio

Six solutions

TechMatrix not only provides applications and technologies for business use but listens to clients' challenges, finds the best solution for them, provides new technologies, and takes charge of the implementation and maintenance of those technologies.

Business Unit	Solution	Overview
Information Infrastructure Business	Network security	• Provide cutting-edge network and cybersecurity solutions • Build safe information infrastructure • Provide around-the-clock operation monitoring services
Application Services Business	CRM	• Provide inquiry management systems for contact centers • Provide FAQ knowledge systems
	Software quality assurance	• Sell testing tools for quality assurance of embedded software of the IoT era
	Business solutions	• Provide online services and solutions in the field of finance
	EdTech (Education)	• Provide "tsumugino," a school communication platform
Medical Systems Business	Medical	• Provide medical imaging system (PACS) • Provide PHR services • Provide AI medical diagnosis support services • Provide remote image reading platforms

■ Group Companies

With high levels of expertise and problem-solving abilities in the fields of IT systems, medical, finance, etc., as well as collaboration with and synergy effects between Group companies, we strive to increase added value as the Group as a whole.

	Company	Business	Description
1	CROSS HEAD	Information Infrastructure Business	Consulting on, as well as design and building of, IT system infrastructure; import, sales, and support of overseas IT products; dispatch of network engineers; consulting on and lump-sum contracting of operation and monitoring; nationwide on-site maintenance for multi vendors; education, development, etc. of IT technicians
2	OCH Co., Ltd.	Information Infrastructure Business	Education and development of IT technicians in Okinawa Prefecture, building of network servers, data center services and their operation and maintenance, provision of SaaS services, dispatch of IT technicians, development, sales, etc. of products and services for SMBs
3	CASAREAL, Inc.	Application Services Business	System development using open source software, education of IT technicians
4	ARECCIA Fintech Corp.	Application Services Business	Strength in system planning and design in the area where financial engineering and information technology overlap (Provision of series of Apreccia is main business.)
5	TechMatrix Asia Co., Ltd.	Application Services Business	Sales, marketing and technical support for FastSeries, a contact center CRM system/FAQ knowledge system, in the ASEAN region, mainly in Thailand
6	PSP Corporation	Medical Systems Business	Provision of On-Premise image management system "EV Insite", cloud service for healthcare information "NOBORI" and PHR service for the individual (Patient).
7	Ichigo LLC	Medical Systems Business	Provision of IT infrastructure to support teleradiology and telepathology in the healthcare field
8	A-Line Co. Ltd.	Medical Systems Business	Provision of MINCADI, a cloud-type radiation dose management system that facilitates the optimization of examinations by recording in the cloud, for each examination and patient, medical radiation exposure information obtained from medical image data and referring to and comparing the record with radiation dose information at other medical institutions

Locations (as of March 2023)

ARECCIA Fintech Corp.
ARECCIA

CASAREAL, Inc.
CASAREAL

Ichigo LLC
医知悟LLC

TechMatrix Asia Co., Ltd.
TechMatrix

CROSS HEAD
CROSS HEAD

PSP Corporation
PSP

A-Line Co. Ltd.
A-Line

OCH Co., Ltd.
OCH

Hokkaido, Aomori, Iwate, Miyagi, Yamagata, Fukushima, Tochigi, Gunma, Saitama, Tokyo, Kanagawa, Yamanashi, Nagano, Niigata, Ishikawa, Aichi, Mie, Osaka, Tottori, Hiroshima, Kagawa, Ehime, Fukuoka, Kumamoto, Kagoshima, Okinawa, Thailand, Singapore, Nepal

TechMatrix Solutions for Creation of a Sustainable Society

Digital technologies are built into society at every level, and as efforts accelerate to promote business model reform through DX (digital transformation), industry structures are bound to undergo significant change in the process.

Going forward, the TechMatrix Group will contribute to the creation of a sustainable society by accelerating business in areas indispensable to society and industry, and by providing services to solve social issues.

Creating a sustainable society

Manufacturing, finance, medical, distribution, etc.

DX

Best Practice

Business applications

Network　Security　Cloud　AI

IT platform

Sustainability initiatives

To create a sustainable society, we contribute to the achievement of the SDGs through our business activities and the provision of solutions.

Sustainable Development Goals (SDGs)

The Sustainable Development Goals are international goals to achieve a better, sustainable world by 2030. They are included in the 2030 Agenda for Sustainable Development, adopted by the United Nations Summit in September 2015. Comprising of 17 goals and 169 targets, the SDGs pledge that no one on earth will be left behind.

SUSTAINABLE DEVELOPMENT GOALS

SDGs		Target	TechMatrix Group's solution
3 GOOD HEALTH AND WELL-BEING	Good Health and Well-being	3.6 3.8	● **Software quality assurance** Development support for cars of the future ● **Medical** Medical information cloud services, PHR services, etc.
4 QUALITY EDUCATION	Quality Education	4.1 4.4	● **Education** Educational platform system "tsumugino" ● **Business solutions** Training seminars for IT technicians
8 DECENT WORK AND ECONOMIC GROWTH	Decent Work and Economic Growth	8.2 8.3	● **All business areas** ● **CRM** More efficient contact center operations
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Industry, Innovation and Infrastructure	9.1	● **Network security** Support for the creation of secure network environments
10 REDUCED INEQUALITIES	Reduced Inequalities	10.5	● **Business solutions** Business solutions for financial service sector

Application Services Business　**Medical Systems Business**

Business applications

Recognition of social issues

There have been increasing needs for IT use to improve business operations and reduce costs for resolving customer inconvenience.

Value provided by TechMatrix

We provide best practices in business through cloud-based business applications with a sophisticated user experience (UX) that is easy for anyone to use and various software development tools for customers to accelerate in-house development.

Information Infrastructure Business

IT platform

Recognition of social issues

High levels of information security measures are sought after, in response to socially threatening cyberattacks that invade computer systems and steal important information.

Value provided by TechMatrix

Through network, security, cloud, and AI services, we provide cybersecurity solutions that ensure the safety and security of social infrastructure essential for life.

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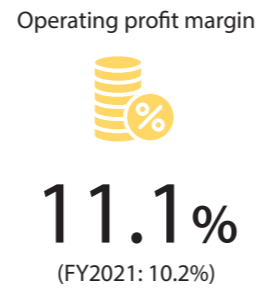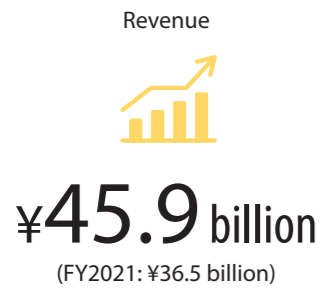
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At a Glance

Financial Data (FY2022)

Profitability

Revenue increased for the 21st consecutive year

Revenue

¥**45.9**billion

(FY2021: ¥36.5 billion)

Operating profit

¥**5.09**billion

(FY2021: ¥3.73 billion)

Operating profit margin

11.1%

(FY2021: 10.2%)

Non-financial Data

Diversity (FY2022)

Number of group employees

1,439

(FY2021: 1,404)

Ratio of women employees (Non-consolidated)

25.3%

(FY2021: 24.4%)

Ratio of women in management positions (Non-consolidated)

5.6%

(FY2021: 5.9%)

Percentage of childcare leave taken (Non-consolidated)

Men **59.1**%
Women **100**%

Ratio of employees with disabilities (Non-consolidated)

3.07%

(FY2021: 3.26%)

Percentage of annual leave taken (Non-consolidated)

60.3%

(FY2021: 55.3%)

Information Security	Training and Upskilling (FY2022)	Climate Change (FY2022)

ISO/IEC 27001 (international standards)

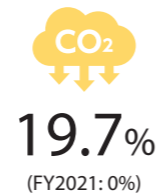**JIS Q 27001** (Japanese standards)

Total training hours (Non-consolidated)*

14,397 hours

*Refers to employee training, etc. including self-development programs organized by the Human Resources Dept.

CO$_2$ emissions reduction rate (Non-consolidated)

19.7%

(FY2021: 0%)

Data by Business Unit

Information Infrastructure Business

Revenue and operating profit (Million yen)
■ Revenue ■ Operating profit

	FY2021	FY2022
Revenue	24,711	29,305
Operating profit	3,054	3,125

Recurring revenue ratio (Million yen)
■ Recurring revenue □ Non-recurring revenue ●Recurring revenue ratio

|	FY2021	FY2022
Recurring revenue ratio	74.7%	77.4%
Non-recurring revenue	5,123	5,550
Recurring revenue	15,095	19,016
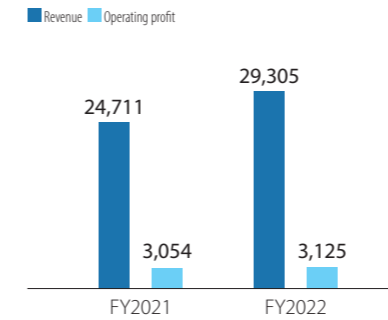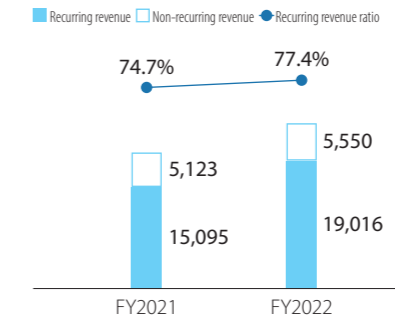
Providing secure information infrastructure, cybersecurity solutions and services as social infrastructure to ensure safety and security in today's digital society.

Application Services Business

Revenue and operating profit (Million yen)
■ Revenue ■ Operating profit

	FY2021	FY2022
Revenue	7,242	7,300
Operating profit	−48	−20

Recurring revenue ratio (Million yen)
■ Recurring revenue □ Non-recurring revenue ●Recurring revenue ratio

|	FY2021	FY2022
Recurring revenue ratio	60.0%	62.4%
Non-recurring revenue	3,699	2,386
Recurring revenue	5,545	3,962
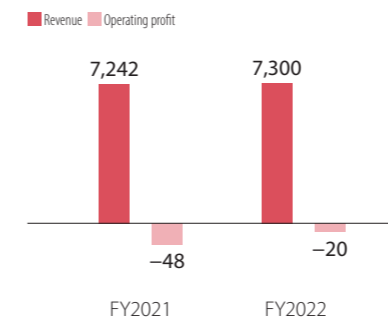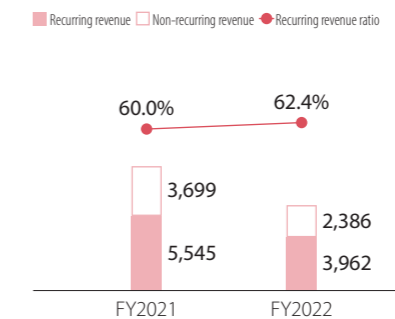
Providing cloud-based business applications with a sophisticated user experience (UX) that is easy for anyone to use and various software development tools and platforms for customers to accelerate in-house development of software.
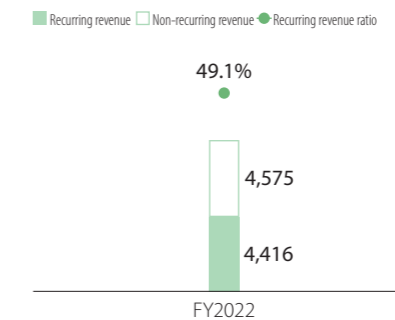
*FY2021 results for Application Services Business include results for medical field. Medical System Business was spun off from the Application Services Business in FY2022.

Medical Systems Business

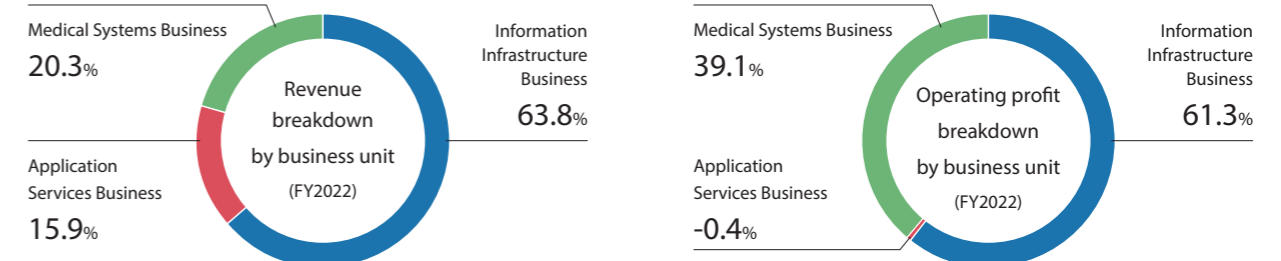**Revenue and operating profit** (Million yen)
■ Revenue ■ Operating profit

	FY2021	FY2022
Revenue	4,560	9,344
Operating profit	728	1,993

Recurring revenue ratio (Million yen)
■ Recurring revenue □ Non-recurring revenue ●Recurring revenue ratio

	FY2022
Recurring revenue ratio	49.1%
Non-recurring revenue	4,575
Recurring revenue	4,416
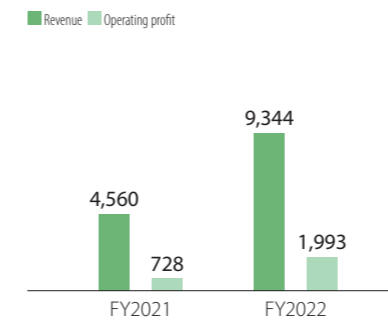
Providing applications and services that aim to build a medical information infrastructure that supports the rest of life of each and every customer.

*Medical Systems Business was spun off from the Application Services Business in FY2022.

Revenue breakdown by business unit (FY2022)
- Medical Systems Business 20.3%
- Application Services Business 15.9%
- Information Infrastructure Business 63.8%

Operating profit breakdown by business unit (FY2022)
- Medical Systems Business 39.1%
- Application Services Business -0.4%
- Information Infrastructure Business 61.3%

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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.

Takashi Yuri

Takashi Yuri

President and
CEO

— 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

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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 Jasdaq 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).

Be 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.

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— 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.

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Journey of TechMatrix's Growth

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TechMatrix was founded in 1984 as a strategic subsidiary of the Sales division of Nichimen Corporation (currently Sojitz Corporation). Since then, as the IT professional group who create a better future, we have kept transforming ourselves while reading the trends of societal changes, and embraced new technologies and embarked on new businesses.

Together with various stakeholders, we will continue to strive for sustainable social contribution and corporate value improvement.

2015	2018	2021
Medium-Term Management Plan 2015–2017 **TMX 3.0**	Medium-Term Management Plan 2018–2020 **GO BEYOND 3.0**	Medium-Term Management Plan 2021–2023 **BEYOND THE NEW NORMAL**

Listed on the Prime Market of the Tokyo Stock Exchange

Revenue increased for the 21st consecutive year

Million yen
40,000

- Revenue (left axis)
- Operating profit (right axis)

Million yen
6,400

Listed on the First Section of the Tokyo Stock Exchange

Listed on JASDAQ

TechM@trix
Changed company name to TECHMATRIX CORPORATION

Listed on the Second Section of the Tokyo Stock Exchange
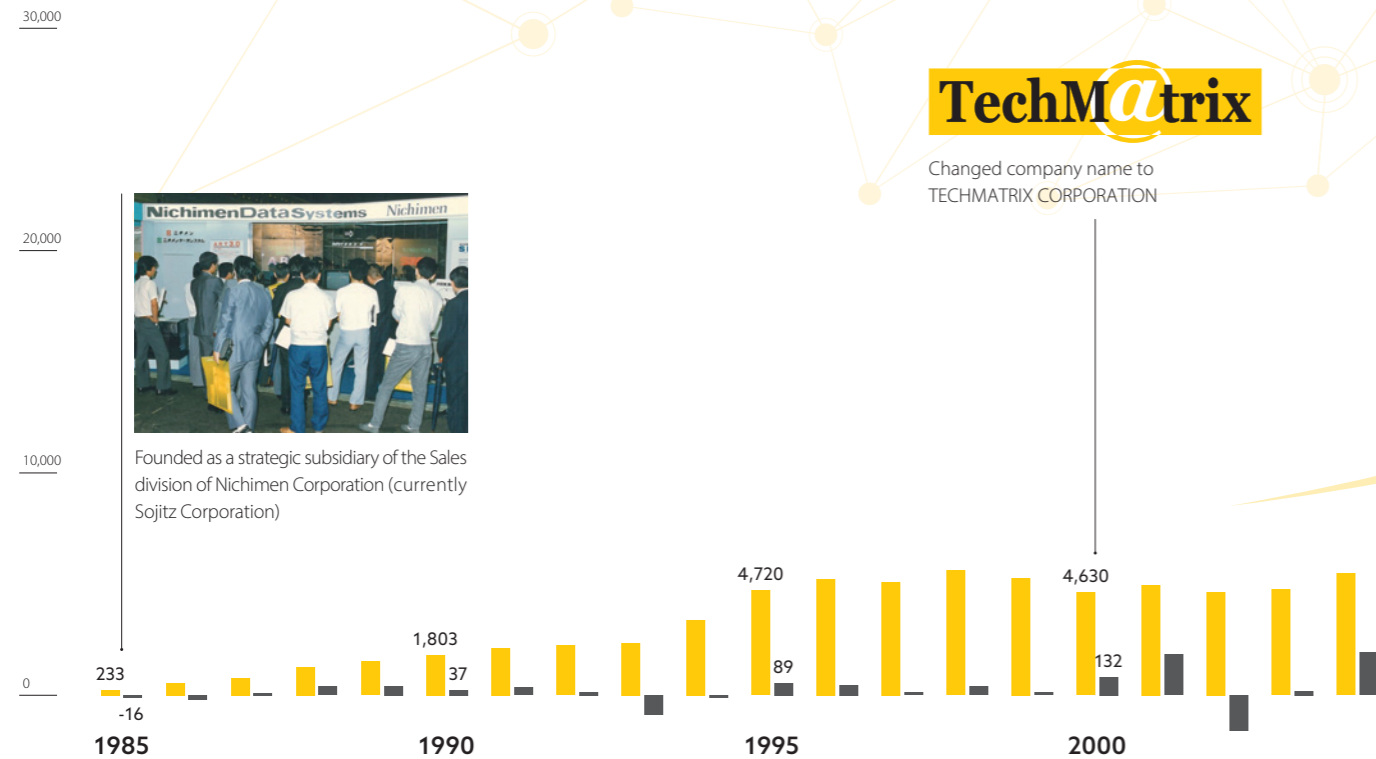
Founded as a strategic subsidiary of the Sales division of Nichimen Corporation (currently Sojitz Corporation)

Chart revenue values: 233, 1,803, 4,720, 4,630, 6,596, 14,248, 18,418, 28,553, 30,928, 36,513, 45,950

Chart operating profit values: -16, 37, 89, 132, 557, 746, 1,130, 3,028, 3,583, 3,734, 5,098

Years axis: 1985, 1990, 1995, 2000, 2005, 2010, 2015, 2020, 2023

Axis values left: 0, 10,000, 20,000, 30,000, 40,000
Axis values right: 0, 1,600, 3,200, 4,800, 6,400

PC, client-server computing → **Internet, web** → **Cloud (possession to usage)** → **AI, digital transformation (DX)**

Start of business
Found cutting-edge technologies and products from Silicon Valley and other high-tech hubs, and imported and sold them in Japan

1990
- Made a full-scale entry into the contracted systems development business

1994
- Made an entry into the software engineering business

1996
- Made an entry into the business package business
- Developed and sold the proprietary contact center CRM system called "FastSeries"

1998
- Developed and sold the proprietary DICOM-compatible medical image server called "Secured DICOM Server" (currently "SDS Image Server")

2007
- Established Ichigo LLC

2008
- Made CROSS HEAD a consolidated subsidiary
- Launched the Fast Cloud service, a cloud-based contact center CRM system

2009
- Made CASAREAL, Inc. a wholly owned subsidiary

2014
- Acquired 100% ownership of CROSS HEAD and Okinawa CROSS HEAD Co., ltd. (currently OCH Co., Ltd.)

2018
- Established NOBORI Ltd.

2019
- Made Information Design & Architecture Yamazaki Co., Ltd. (currently ARECCIA fintech Corp.) a consolidated subsidiary
- NOBORI Ltd. entered into a capital and business alliance with A-Line Co. Ltd.
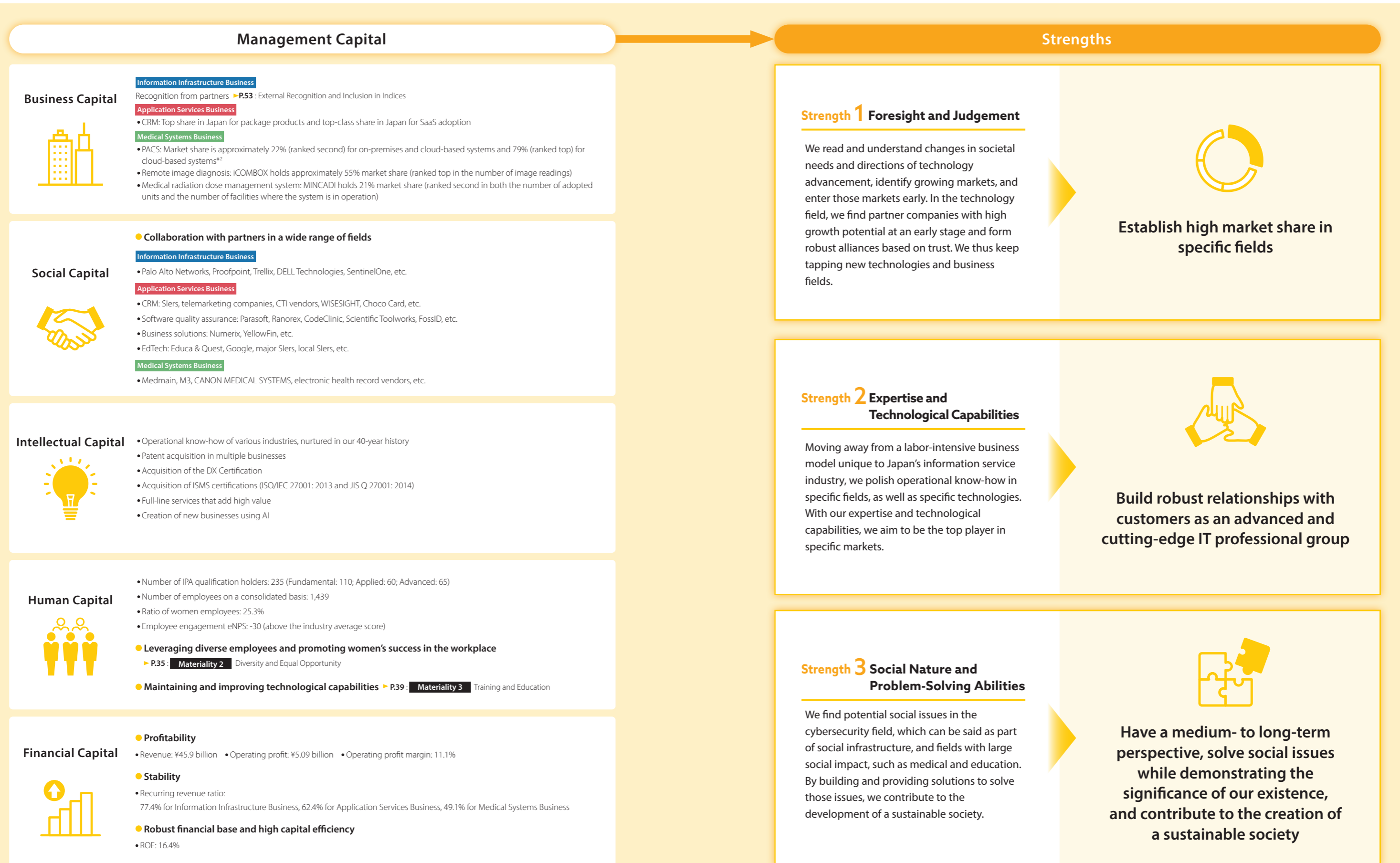
2022
- Acquired shares of PSP Corporation and made it a consolidated subsidiary

2023
- PSP Corporation and NOBORI Ltd. were merged with PSP Corporation as the surviving company
- Established TechMatrix Asia Co., Ltd.
- Acquired 100% ownership of ARECCIA Fintech Corp., which succeeded the finance business

Source of Value Creation and Competitive Advantage

Management Capital

Business Capital

Information Infrastructure Business
Recognition from partners ▶P.53 : External Recognition and Inclusion in Indices

Application Services Business
- CRM: Top share in Japan for package products and top-class share in Japan for SaaS adoption

Medical Systems Business
- PACS: Market share is approximately 22% (ranked second) for on-premises and cloud-based systems and 79% (ranked top) for cloud-based systems*2
- Remote image diagnosis: iCOMBOX holds approximately 55% market share (ranked top in the number of image readings)
- Medical radiation dose management system: MINCADI holds 21% market share (ranked second in both the number of adopted units and the number of facilities where the system is in operation)

Social Capital

● **Collaboration with partners in a wide range of fields**

Information Infrastructure Business
- Palo Alto Networks, Proofpoint, Trellix, DELL Technologies, SentinelOne, etc.

Application Services Business
- CRM: SIers, telemarketing companies, CTI vendors, WISESIGHT, Choco Card, etc.
- Software quality assurance: Parasoft, Ranorex, CodeClinic, Scientific Toolworks, FossID, etc.
- Business solutions: Numerix, YellowFin, etc.
- EdTech: Educa & Quest, Google, major SIers, local SIers, etc.

Medical Systems Business
- Medmain, M3, CANON MEDICAL SYSTEMS, electronic health record vendors, etc.

Intellectual Capital

- Operational know-how of various industries, nurtured in our 40-year history
- Patent acquisition in multiple businesses
- Acquisition of the DX Certification
- Acquisition of ISMS certifications (ISO/IEC 27001: 2013 and JIS Q 27001: 2014)
- Full-line services that add high value
- Creation of new businesses using AI

Human Capital

- Number of IPA qualification holders: 235 (Fundamental: 110; Applied: 60; Advanced: 65)
- Number of employees on a consolidated basis: 1,439
- Ratio of women employees: 25.3%
- Employee engagement eNPS: -30 (above the industry average score)

● **Leveraging diverse employees and promoting women's success in the workplace**
  ▶ P.35 : **Materiality 2** Diversity and Equal Opportunity

● **Maintaining and improving technological capabilities** ▶ P.39 : **Materiality 3** Training and Education

Financial Capital

● **Profitability**
- Revenue: ¥45.9 billion • Operating profit: ¥5.09 billion • Operating profit margin: 11.1%

● **Stability**
- Recurring revenue ratio:
  77.4% for Information Infrastructure Business, 62.4% for Application Services Business, 49.1% for Medical Systems Business

● **Robust financial base and high capital efficiency**
- ROE: 16.4%

Strengths

Strength 1 Foresight and Judgement

We read and understand changes in societal needs and directions of technology advancement, identify growing markets, and enter those markets early. In the technology field, we find partner companies with high growth potential at an early stage and form robust alliances based on trust. We thus keep tapping new technologies and business fields.

Establish high market share in specific fields

Strength 2 Expertise and Technological Capabilities

Moving away from a labor-intensive business model unique to Japan's information service industry, we polish operational know-how in specific fields, as well as specific technologies. With our expertise and technological capabilities, we aim to be the top player in specific markets.

Build robust relationships with customers as an advanced and cutting-edge IT professional group

Strength 3 Social Nature and Problem-Solving Abilities

We find potential social issues in the cybersecurity field, which can be said as part of social infrastructure, and fields with large social impact, such as medical and education. By building and providing solutions to solve those issues, we contribute to the development of a sustainable society.

Have a medium- to long-term perspective, solve social issues while demonstrating the significance of our existence, and contribute to the creation of a sustainable society

*1 Most figures represent results as of March 31, 2023
*2 Calculated by the Company based on "Medical Imaging Systems and PACS Markets 2022 – Related Equipment Market Outlook and Strategies," Yano Research Institute Ltd.

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Value Creation Model

As the IT professional group who create a better future, the TechMatrix Group solves social issues and contributes to the creation of a better future by continuing to embrace new technologies and embark on new businesses.

Corporate Philosophy **The IT professional group who create a better future** ► P.01
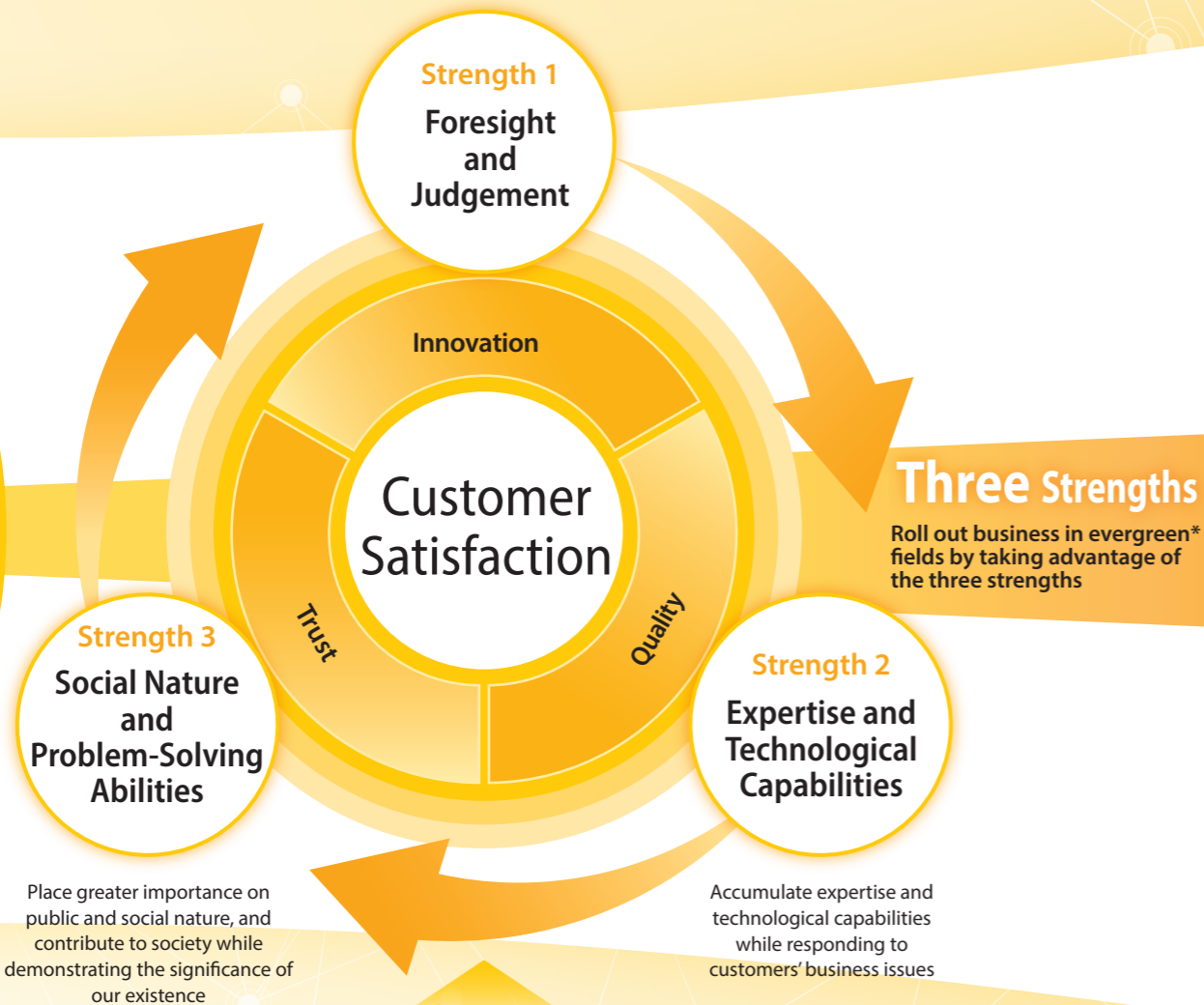
Value Creation

Make an early entry into fields that require safety and security as social infrastructure

Social Issues and Customer Needs
► P.28
P.31

Strength 1
Foresight and Judgement

Innovation

Trust

Quality

Customer Satisfaction

Strength 3
Social Nature and Problem-Solving Abilities

Place greater importance on public and social nature, and contribute to society while demonstrating the significance of our existence

Strength 2
Expertise and Technological Capabilities

Accumulate expertise and technological capabilities while responding to customers' business issues

Three Strengths

Roll out business in evergreen* fields by taking advantage of the three strengths

Management Capital ► P.17

Business Activities
► P.21

Spinout

Medical Systems Business

Application Services Business

- CRM
- Software quality assurance
- Business solutions
- EdTech

Information Infrastructure Business

- Security technology
- Cloud security
- Managed security services

Medium-Term Management Plan (2021–2023) ► P.29
BEYOND THE NEW NORMAL

Strengthening of Management Foundations
Corporate Governance ► P.43
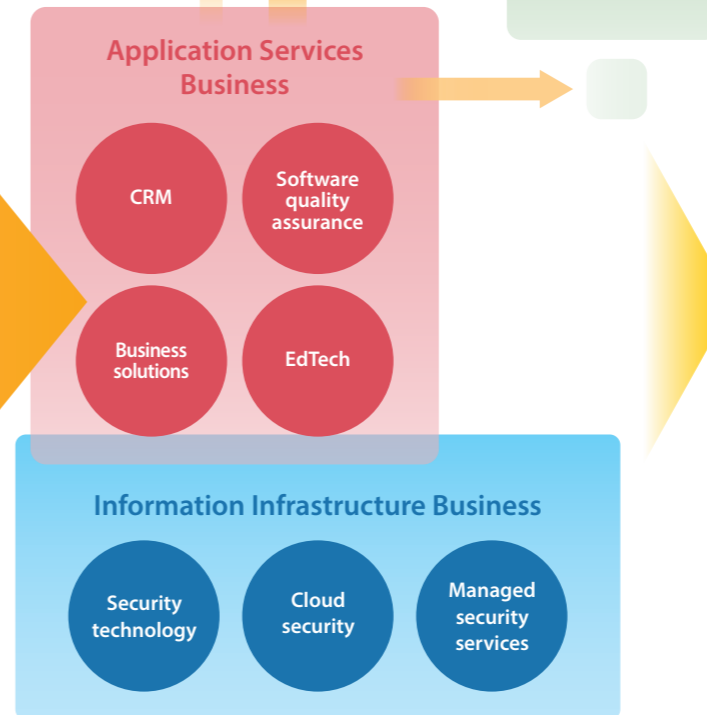
Amplify the strengths

Value Created

Economic Value
(FY2022)

Revenue
¥**45.9** billion

Operating profit
¥**5.09** billion

Operating profit margin
11.1%

Social Value

Customers
Solve issues by using IT
Provide optimal solutions and services

Shareholders and investors
Constantly improve corporate value and shareholder value
Disclose information in a transparent manner

Community and society
Support the expansion of IT use
Contribute to the SDGs

Employees
Provide training and education opportunities
Promote diversity
Create a workplace where employees can grow and feel rewarded

Mission

Creation of a better future

*Evergreen means a situation where there is constant demand

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Information Infrastructure Business Unit

We will take on the role of building necessary infrastructure in all our businesses and promote the shift to the cloud and creation of added value

Takaharu Yai
Director, Senior Executive Operating Officer
Head of Information Infrastructure Business Unit and Manager of Network Security Division

Value Creation in the Information Infrastructure Business

Strengths

With a structure in which we commit to a single manufacturer in each domain and assign specialist sales and engineering teams to each manufacturer, we deliver best practice with our insights into the products we handle and our understanding of users' operations.

Business Activities and Value Creation

To take maximum advantage of our strength of the possession of businesses, technology, and expertise, we undertake inter-business collaborations, inter-group collaborations and synergies.
➡ TechMatrix NEO

Economic Value (FY2022)

Revenue	¥**29,305**million
Operating profit	¥**3,125**million
Recurring revenue ratio	**77.4**%

Social Value

- Solve companies' issues with cloud security solutions
- Solve social issues with the provision of sustainable infrastructure

Strengths of the Information Infrastructure Business

Building relationships of trust with stakeholders with discernment and deep product knowledge

In the IT distribution channel, which consists of manufacturers ➡ distributors ➡ resellers ➡ end users, the Information Infrastructure Business Unit conducts its business primarily in the position of distributor.

Our strength lies in the fact that, whereas other companies in the same business trade with many manufacturers and stock products from multiple manufacturers in the same category, we use our discernment to identify products (manufacturers) that are highly competitive and that have an advanced level of technology, and we have developed a structure in which we commit to a single manufacturer in each domain and assign specialist sales and engineering teams to each of those manufacturers. In addition to committing to the manufacturers, with our deep insights into the products we handle, we are able to offer added value to users, and I believe that this fact also gives us a competitive advantage in the market. Not content with merely selling products, we provide comprehensive, one-stop services for the products we handle, from sales to maintenance to operation. The fact that we have been able to confront problems sincerely and respond to them in good faith has led to the building of strong relationships of trust with our partners, the resellers and end users.

Value Creation that Takes Advantage of Our Strengths

Delivering best practice as an IT professional group

One structural difference in the IT market between Japan and the United States is that, whereas in the United States, 70% of IT human resources work for end users, in Japan, 70% are concentrated in the supply side, and there is a shortage of IT personnel on the user side. Due to this imbalance in human resources, in contrast with the United States, where the introduction of IT is led by users, many user companies in Japan lack internal IT personnel and literacy, which has forced them to rely to a certain extent on external contractors, namely the IT companies. It could be said that resellers in Japan have a different function from their counterparts in the American market, in that they offer optimal solutions to users after gaining a deep understanding of the users' operations and they also handle a wide range of technologies to best suit end users' requirements. However, it is extremely difficult for resellers to keep up with the dozens of technologies available, and for this reason, TechMatrix provides support for those resellers in our role as distributor. In light of these expectations and needs in the Japanese market, we will continue to offer best practice, always from the user's perspective, as an IT professional group.

The TechMatrix Group operates the Information Infrastructure Business, Application Services Business, and

Medical Systems Business. These three businesses have always pursued inter-business collaboration, such as the Information Infrastructure Business assisting the Application Services Business and Medical Systems Business with responses to incidents in their cloud services and solutions and with their security tests. With the progress in the shift to the cloud, the barrier separating infrastructure and applications has become lower and lower. In future, as well as taking maximum advantage of the Group's strengths in possessing both of these businesses, it will become necessary to strengthen wider Group collaborations. I believe that the Information Infrastructure Business has an important role to play in the Group in working across all of the Group's businesses.

As part of the Group's initiatives, we have combined the Company's security and software development insights with the cloud-native and educational insights of the Group company, CASAREAL, Inc., to develop the cloud-native solution, TechMatrix NEO. We will continue to take maximum advantage of the Group's comprehensive strengths to generate synergies in our aim to be a company that is needed by society.
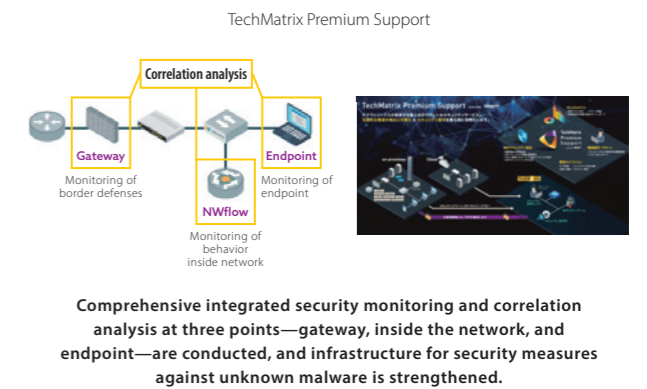
TechMatrix NEO
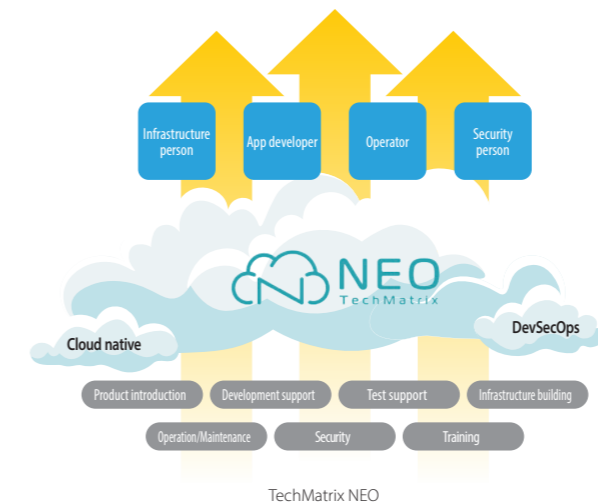
Security engineers will also need new skill sets

As the security-related market continues to grow, we believe that the Information Infrastructure Business still has tremendous capacity to grow. On the other hand, with the shift to the cloud, it is a certainty that previous revenue sources, such as on-site maintenance, will shrink, so for us to grow sustainably, it is important that we transition to business models that accommodate new changes in the business environment.

Also, with the blurring of the boundaries between infrastructure and applications, security engineers will also need to acquire new and different skill sets. The importance of product knowledge will not change, but beyond that, they will

need to have deep knowledge of security overall, including users' security operations, and offer services that make use of that understanding. As part of our human resources development to understand the application side, we are conducting cloud-native training in the business division in collaboration with CASAREAL, Inc. I believe that the fact that our security engineers themselves are responsible for operating the integrated security monitoring services (TPS) that the Information Infrastructure Business develops and delivers is proving beneficial in the acquisition of new skills.

TechMatrix Premium Support

Comprehensive integrated security monitoring and correlation analysis at three points—gateway, inside the network, and endpoint—are conducted, and infrastructure for security measures against unknown malware is strengthened.

Directions for Medium- to Long-term Growth — After "BEYOND THE NEW NORMAL"

Accelerate transition to services and develop structures for responding to environmental changes

We have entered the final year of the Medium-Term Management Plan "BEYOND THE NEW NORMAL," and the formulation of a new plan is now on the horizon.
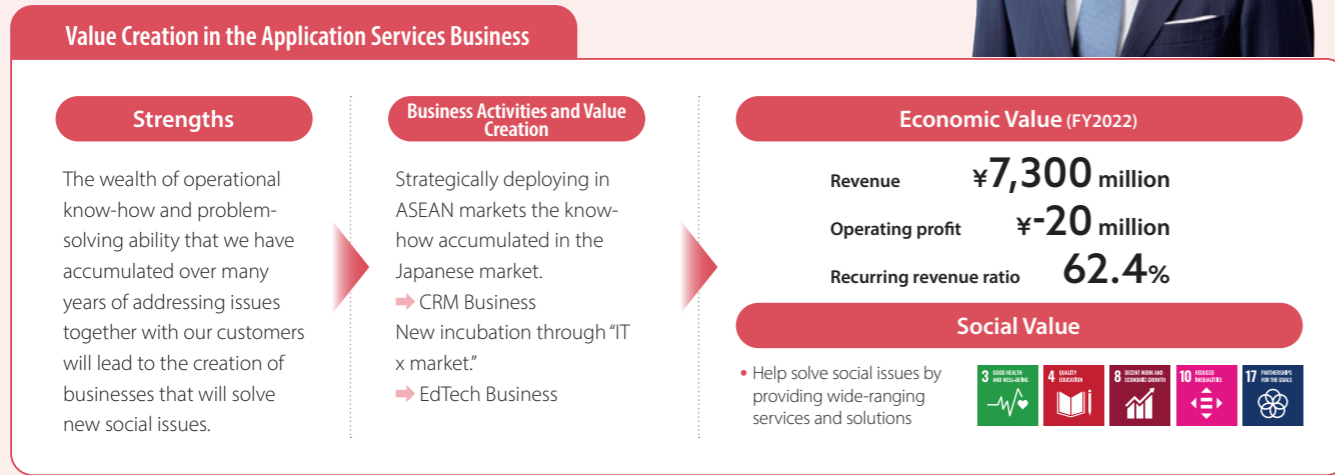
For the Information Infrastructure Business's part, there will be no change in our approach of accelerating the transition to services, including the continued enhancement of TPS and expansion of sales. We are also proceeding with the development of new organizations and structures for swiftly responding to the rapid changes in the market. In addition to unearthing strategic accounts alongside the resellers (partners), we have set up a new account organization to join our existing product organization. By assigning dedicated representatives to users and partners with which we have dealings for multiple products and comprehensively introducing the product lineup to them, we will be able to make compound proposals, making it easier to convey an image of operations. If this new organization works well, we can expect even further expansion. There will be difficulties, but by deepening the collaboration between the product organization and the account organization and accurately grasping the market's and our customers' needs, we will contribute to the creation of a better society and a better future.

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Application Services Business Unit

We will accelerate business creation through the delivery of best practice that solves social issues to realize a sustainable society.

Takeshi Suzuki
Director, Senior Operating Officer
Head of Application Services Business Unit and Manager of CRM Solution Division

Value Creation in the Application Services Business

Strengths

The wealth of operational know-how and problem-solving ability that we have accumulated over many years of addressing issues together with our customers will lead to the creation of businesses that will solve new social issues.

Business Activities and Value Creation

Strategically deploying in ASEAN markets the know-how accumulated in the Japanese market.
➡ CRM Business
New incubation through "IT x market."
➡ EdTech Business

Economic Value (FY2022)

Revenue	¥**7,300** million
Operating profit	¥**-20** million
Recurring revenue ratio	**62.4**%

Social Value

- Help solve social issues by providing wide-ranging services and solutions

Strengths of the Application Services Business

Accumulating operational know-how to deliver best practice

The Application Services Business Unit conducts multiple businesses, including the CRM business, which supports improvements to productivity and customer experience in contact centers, the software quality assurance business, which supports software development, the business solutions business, which assists risk management operations at financial institutions, and the EdTech business (see Page 27), which supports the revitalization of communication and learning with new quality in school education. What all our businesses have in common is that they offer applications and software that simultaneously and significantly improve the productivity and quality of the targeted operations (e.g., contact center operations, software development, etc.)

TechMatrix was one of the first to enter these markets and, over a long period of time, we have worked to solve the problems of the targeted operations together with our huge number of customers. This has allowed us to build up know-how in the targeted operations that is even deeper and broader than our customers. The Application Services Business Unit generalizes that operational know-how and installs it in applications and software for delivery as best practice. This extensive operational know-how that we have built up through our experiences in solving actual issues is the very source of the Application Services Business Unit's strength. I believe that the depth and breadth of that know-how is what sets us overwhelmingly apart from our competitors.

Value Creation that Takes Advantage of Our Strengths

New business creation always starts with the discovery of social issues

Our common recognition of value creation at TechMatrix is using IT to enter domains with high social impact and create new businesses. The origin of business creation is the discovery of social issues. Once discovered, as I noted above, we continuously and meticulously respond to customers' needs, which leads to the development of best practices. By delivering the best practices, we solve issues and new business is created. This kind of approach is what led to the creation of our new businesses such as CRM, medical, and EdTech (education). There are very many social issues in this world that can be solved with IT. The existence of these social issues could be described as a latent opportunity for the creation of new business.

—Strengthening of Human Capital—

Sharing of corporate culture will be the driver of future growth

While I firmly believe that TechMatrix's intellectual capital, including our software, is competitive at the current time, there is always a possibility that such competitiveness could be lost if we are unable to secure and develop the human resources that we need. It could be said that human resources will be our challenge for the maintenance and strengthening of our competitive advantage going forward.

In human resources development, the first thing we emphasize is the penetration of the corporate culture. Since its foundation, TechMatrix has created its businesses, including CRM, medical, and EdTech (education), from the ground up. Our approach to and expertise in business creation has taken firm root within the Company, and I believe that such a corporate culture has the potential to become the driver of the Group's future growth.

For this reason, as part of our efforts to share and pass on our corporate culture, we have changed the wording of our Corporate Philosophy to suit the times and made other partial revisions to convey our vision for the Company more precisely. Also, the Application Services Business Unit has formulated mission statements to suit the operations of each of its business divisions, departments, and sections in the form of carrying on the Corporate Philosophy. Specifically, a clear statement of our purpose, that is, what we are doing this business for, will bring forth a true sense that our technologies and insights are contributing to society, and, I hope, give everyone a sense of reward in their work.

Directions for Medium- to Long-term Growth — After "BEYOND THE NEW NORMAL"

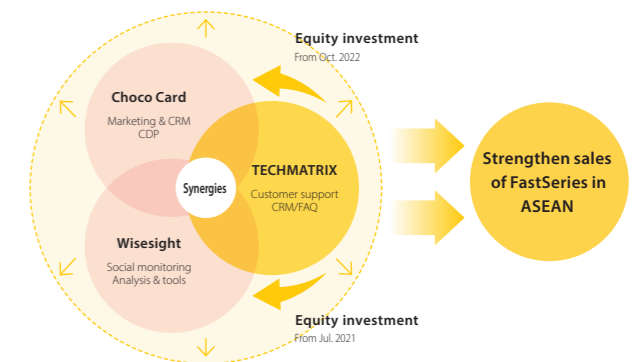### Promotion of recurring revenue businesses

The recurring revenue ratio in the Application Services Business Unit is steadily growing with the promotion of recurring revenue businesses such as cloud services. By continuing to increase our recurring revenue ratio, we hope to contribute to the stability of Group earnings. A distinctive feature of applications and software based on best practice is that it is easy for the customers using them to produce tangible effects such as productivity and quality improvements, which leads to high rates of use and retention. Other major advantages are the high rate of customer retention (i.e. low rate of contract termination) for cloud services and the ease of promoting expanded use (i.e. additional purchases, upselling, and cross-selling). By pursuing the acquisition of new customers while maintaining high retention rates of existing customers, we will be able to build up recurring revenue at an accelerated pace.

Simultaneously with the promotion of recurring revenue businesses, we hope to find opportunities for new business creation. The momentum for the promotion of digital transformation is growing in all corners of society, and opportunities to find solutions to social issues with IT are on the rise. What kinds of social issues should TechMatrix solve?

We will constantly keep our eyes on society to seek out the buds of social issues, and we hope to connect those buds to new business creation using the methods we have accumulated to date.

Leveraging the management resources and strategies we have built up in Japan to move into ASEAN markets

As the Japanese market matures, as one strategy for medium-to long-term growth, we are considering the roll-out of our business into overseas markets as our next focus domain. The markets we will target are the ASEAN countries, which continue to grow. Among those, the country we are most focusing our efforts is Thailand. In terms of businesses, we are first pursuing the roll-out of our CRM business in ASEAN markets. We started by concluding a capital and business alliance formed with WISESIGHT, the largest company in Thailand engaged in social data analysis cloud services, in July 2021. Since then, we have been proceeding with the expansion of our sales network and technical support structures that will form the foundations of our business expansion. This includes a capital and business alliance formed with Choco Card, Thailand's largest company involved in customer data platform (CDP) and marketing CRM, in October 2022 and the establishment of a local subsidiary in Thailand called TechMatrix Asia in April 2023. Leveraging the management resources and strategies we have built up in Japan, we aim to establish a growth trajectory and become profitable at an early stage in ASEAN markets.

Choco Card — Marketing & CRM CDP
Equity investment From Oct. 2022
TECHMATRIX — Customer support CRM/FAQ
Synergies
Strengthen sales of FastSeries in ASEAN
Wisesight — Social monitoring Analysis & tools
Equity investment From Jul. 2021

Jul. 2021	Formed capital and business alliance with WISESIGHT, major Thai company engaged in social data analysis cloud services
Oct. 2022	Formed capital and business alliance with Choco Card, a major Thai company involved in CDP
Nov. 2022	Developed CRM Next, a customer analysis and leveraging service for the Taiwanese market, jointly with Bellsystem24, Inc. and Intumit Inc.
Apr. 2023	Established Thailand subsidiary, TechMatrix Asia Co., Ltd. (newly consolidated as overseas subsidiary) • Expansion of CRM business in ASEAN • Establishment of distribution channels with acceleration of direct sales and direct local contracts • Realization of robust collaboration with investee companies

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Medical System Business Unit

We will support the advancement of better medical services with the use of digital technologies

Yoshihisa Yoda
Director, Senior Executive Operating Officer
Head of Medical System Business Unit

Value Creation in the Medical Systems Business

Strengths	Business Activities and Value Creation	Economic Value (FY2022)
We conquered the market by promoting the transition to the cloud ahead of the rest of the industry and by building highly reliable systems. Leveraging that advantage as an industry pioneer, with the promotion of the AI platform business as an example, we are incorporating various functions and services into PACS and refining our business to generate higher added value.	By capturing 22% or more of market share with the new PSP, we will improve the efficiency of systems development and make it possible to divert management resources to AI-related development for the new market of PHR and the strengthening of added value.	Revenue ¥9,344 million Operating profit ¥1,993 million Recurring revenue ratio 49.1%

Social Value

- Leverage digital technologies to contribute to the advancement of medical services
- Deliver PHR services targeting individuals (general consumers)

3 GOOD HEALTH AND WELL-BEING   17 PARTNERSHIPS FOR THE GOALS

Strengths of the Medical Systems Business

First to realize cloud-based PACS and promoted the shift to the cloud in the medical sector

In the medical world, it became possible for private-sector companies to take receipt of medical information in 2010, and in 2012, saving data from multiple facilities in virtual storage was permitted. These developments gave birth to the cloud-based market for medical information services. In 2012, simultaneously with the changes in this regulatory system, TechMatrix began offering a cloud-based PACS called "NOBORI" that we developed in-house. Since then, NOBORI has grown as a service that matches the needs of hospitals, and NOBORI, Ltd., the consolidated subsidiary that was spun off from TechMatrix in 2018 (became PSP Corporation in 2022), has become a leader in cloud-based PACS, boasting over 70% market share.

The reasons that NOBORI took the lead in cloud-based services with such overwhelming force include (1) the fact that it had pioneered the shift to the cloud ahead of the rest of the industry, (2) the fact that initial costs could be kept down compared with conventional on-premises services, (3) the fact that it is a service that delivers high value-added services to hospitals, and (4) that fact it leverages the network and security insights accumulated by the Group to realize a high level of security.

From our advantage as a pioneer, we have expanded collaborations and cooperation with external partner companies, such as a business alliance with CANON MEDICAL SYSTEMS CORPORATION and the joint operation of an AI platform business with M3, Inc. Cloud-based PACS are able to incorporate a variety of functions and services to deliver new value to users, which has added even further value to the service.

Value Creation that Takes Advantage of Our Strengths

Contributing to the advancement of medical services with an IT × medical market matrix

The word matrix also has the meaning of "placenta." In that respect, as a company, TechMatrix could be described as a placenta that gives birth to businesses in the area where information technology (IT) and markets intersect. Our aim is to create businesses that offer a clear vision with an "IT+1" approach, in which broad, universal information technologies are applied to specific markets.

TechMatrix first entered the medical market in 1998 with the in-house development of a medical imaging system, with the aim of using IT to support medical settings. Today, we deliver a wide range of services to medical institutions through multiple subsidiaries, including cloud-based PACS (medical imaging

system), remote diagnostic imaging support services, and cloud-based medical radiation dose management systems. We are also engaged in new businesses targeting general consumers, including personal health record (PHR) services. In these ways, we aim to solve the various issues faced by medical settings.

—Expanding Market Share—

Becoming second largest in the industry through a merger with a competitor selling on-premises PACS

Japan has some 8,000 hospitals, but as the population decline progresses, the size of the market is approaching its peak. Under such circumstances, in 2022, NOBORI Ltd. merged with PSP Corporation, a distributor of on-premises PACS, and made a fresh start as the new PSP Corporation ("PSP"). This merger resulted in the acquisition of some 2,200 customers, making it the second largest in the industry with a market share of over 22%. This fact could be described as hugely significant for further growth going forward.

In addition to the expansion of market share, the integration and aggregation of the two companies' products and services has prompted the improvement of efficiency in systems development, making it possible to divert considerable management resources to the development of new services such as PHR and AI-related businesses. I believe that this also is a tremendous benefit.

PACS market (on-premises + cloud)

No. 2 share
22%
(n = 10,929 facilities)
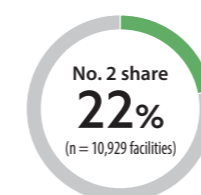
2nd largest share of PACS market
based on number of operating facilities

PACS market (cloud)

No. 1 share
79%
(n = 1,458 facilities)
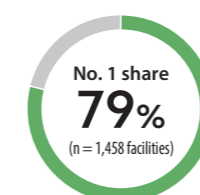
Largest share of cloud-based PACS market
based on number of contracting facilities

* Calculated by the Company based on Medical Imaging Systems and PACS Markets 2022 – Related Equipment Market Outlook and Strategies, Yano Research Institute Ltd.

—Services for Individuals—

New services that use PHR to further connect medical institutions and general consumers

PSP began offering PHR services targeting individuals (general consumers) in 2020. PHR is a service that allows patients themselves to manage and refer to their own medical information, such as CT scans, MRIs, and other medical images, charts, and prescriptions stored by medical institutions, using a smartphone or other device. Patients can retain this information throughout their lives, share it with family, and

also use it to communicate with their doctors. In 2022, through a collaboration with the government-run Mynaportal, the first such collaboration by a private-sector company, it also became possible to check and store, in an integrated manner, medical information managed by government institutions, such as vaccinations and health examinations.

At this stage, PHR is a new business targeting consumers that has only just begun, but through synergies with services targeting medical institutions that we have built up over more than 20 years, we will further increase the information value accumulated in the NOBORI platform with the aim of passing that value onto medical settings. Our plan is to leverage the post-merger customer base to accelerate the roll-out of PHR.

Personal health record (PHR) service targeting individuals (patients)

Outpatient treatment schedule | Test results | Image data | Medications
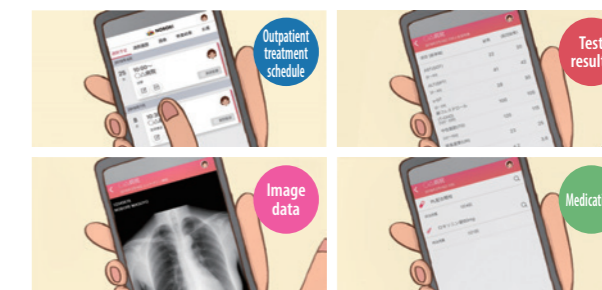
Directions for Medium- to Long-term Growth — After "BEYOND THE NEW NORMAL"

Contribute to the beneficial use of medical information and the creation of sustainable information infrastructure for that purpose

For the Medical Systems Business's part, we will promote the continued shift to the cloud while delivering higher value-added services. Further, regarding the roll-out of PHR, by expanding the service and increasing the number of medical institutions that use it, we will contribute to the creation of a society in which more individuals manage their own medical information and take ownership of their medical care. With the theme of "delivering medical information to everyone's hands and to the future," we aim to contribute to a large information cycle in which the multifaceted medical and health information accumulated in the cloud can be put to use, in accordance with individuals' wishes, for medical research, drug discovery support, development of new medical devices, and other purposes, and to the realization of information infrastructure that will support that cycle.

Introduction

Message from Top Management

Value Creation of TechMatrix Group

Strategies

Governance

Data

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.
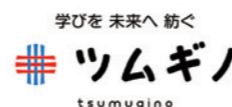
After Kazakoshi School opened, we started work on the commercialization of cloud services based on the "typhoon" system, and a year later, in 2021, we launched "tsumugino," a school communication platform and cloud-based school affairs support system. As a strategic business of the TechMatrix Group, 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."
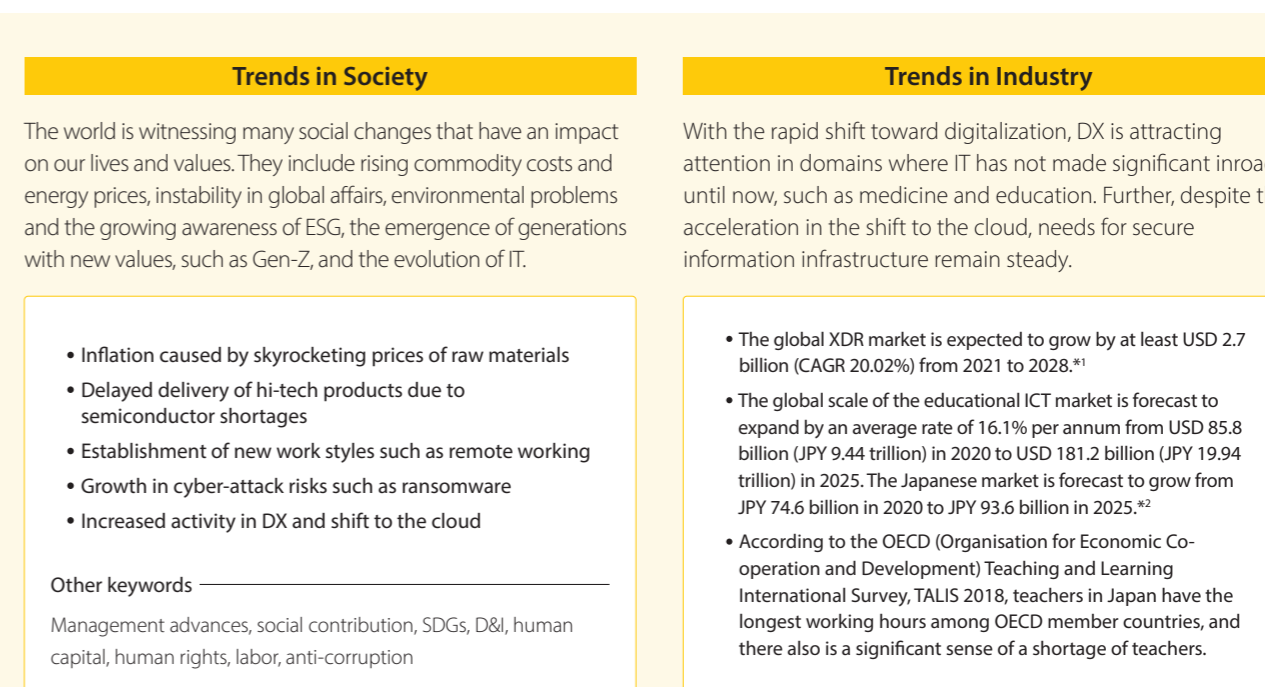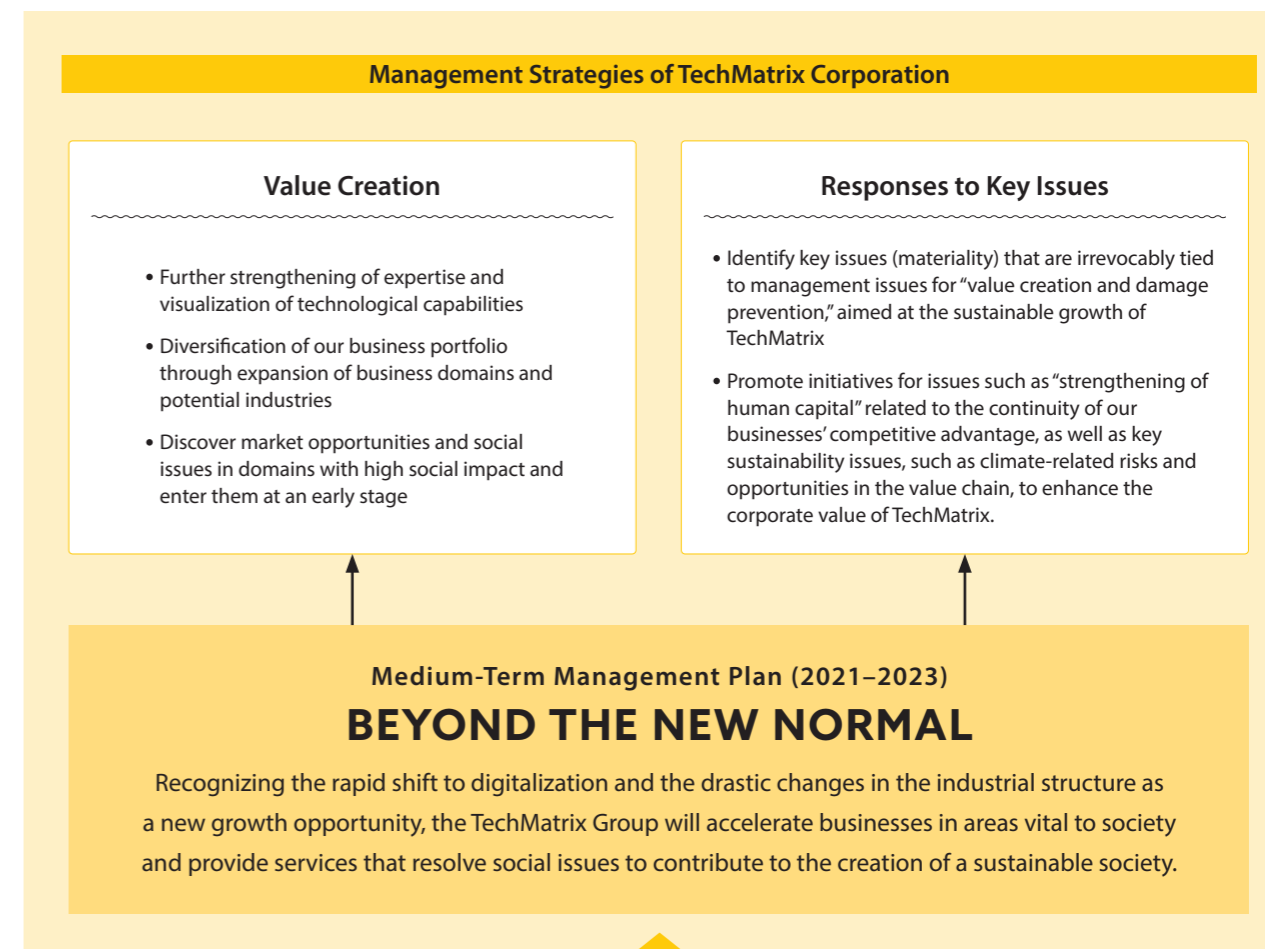
In future, we will use the learning histories of the many and varied children accumulated in "tsumugino" to research and develop functions that will assist in making proposals for optimal learning styles for increasingly diverse individual children, the enhancement and expansion of educational contents, 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.
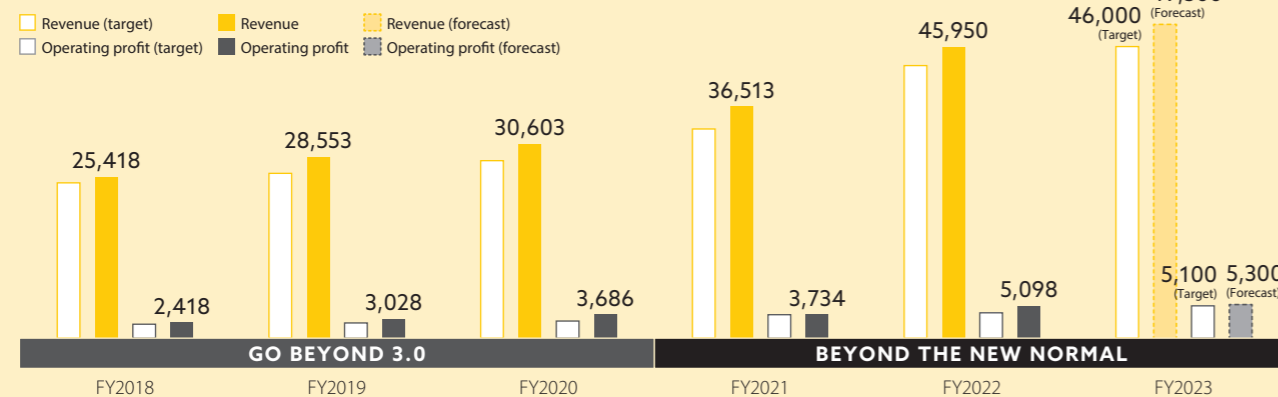
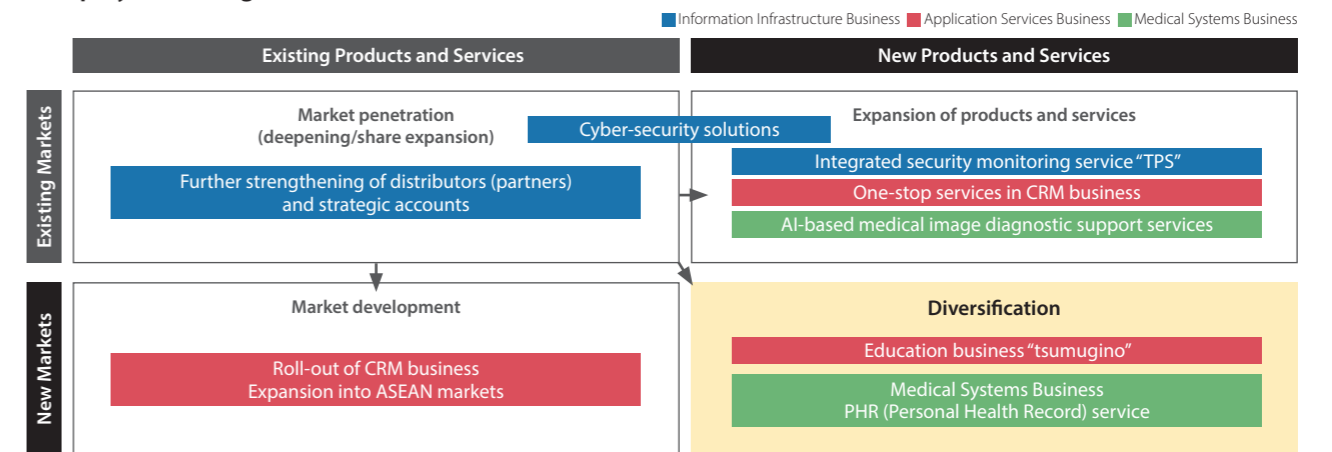#### Medium-Term Management Plan (2021–2023)
BEYOND THE NEW NORMAL

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.

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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
	¥**30.6** billion	¥**3.68** billion	Information Infrastructure Business **64.0%** / Application Services Business **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
Target	¥**46.0** billion	¥**5.10** billion	Information Infrastructure Business Target **70.0%** / Application Services Business Target **65.0%**
Forecast	¥**49.5** billion	¥**5.30** billion	

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

Legend: Revenue (target) / Revenue / Revenue (forecast) / Operating profit (target) / Operating profit / Operating profit (forecast)

GO BEYOND 3.0
- FY2018: 25,418 (Revenue), 2,418 (Operating profit)
- FY2019: 28,553 (Revenue), 3,028 (Operating profit)
- FY2020: 30,603 (Revenue), 3,686 (Operating profit)

BEYOND THE NEW NORMAL
- FY2021: 36,513 (Revenue), 3,734 (Operating profit)
- FY2022: 45,950 (Revenue), 5,098 (Operating profit)
- FY2023: 46,000 (Target) / 49,500 (Forecast) Revenue; 5,100 (Target) / 5,300 (Forecast) Operating profit

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Deployment Image and Focus Areas

Legend: ■ 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.
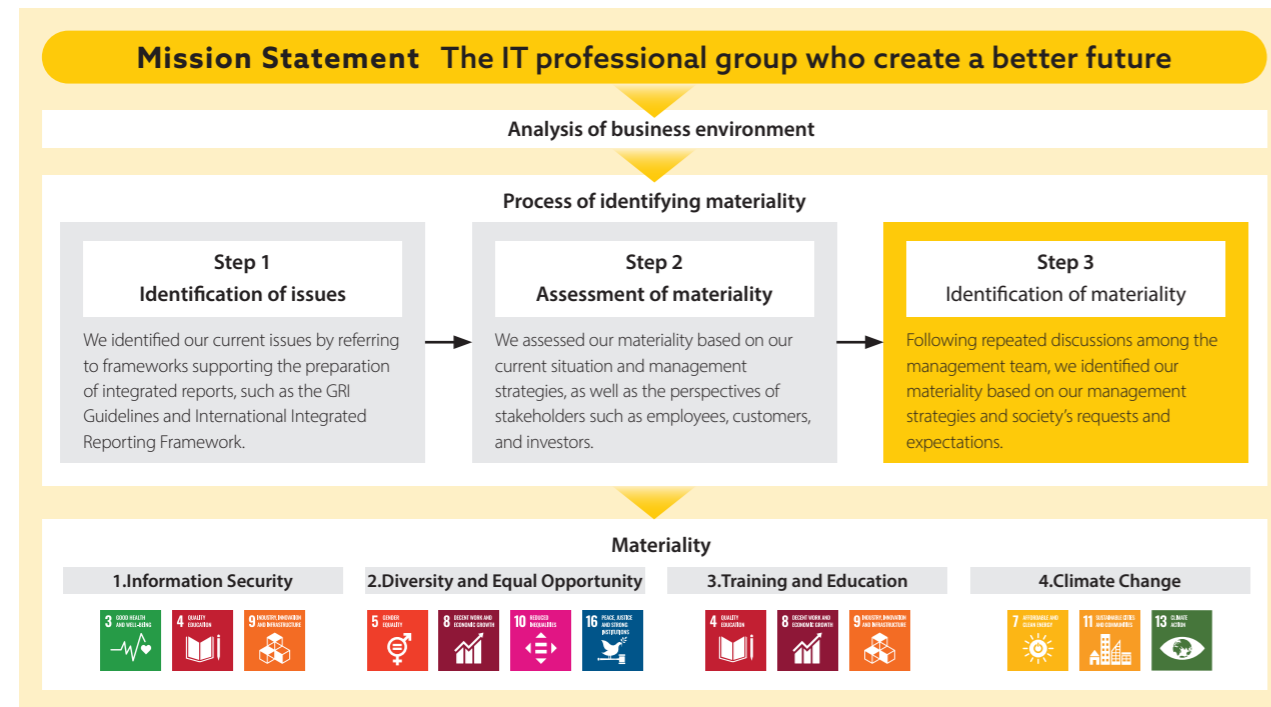
SUSTAINABLE DEVELOPMENT GOALS

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.

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
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.

Step 2
Assessment of materiality
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.

Step 3
Identification of materiality
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

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.)
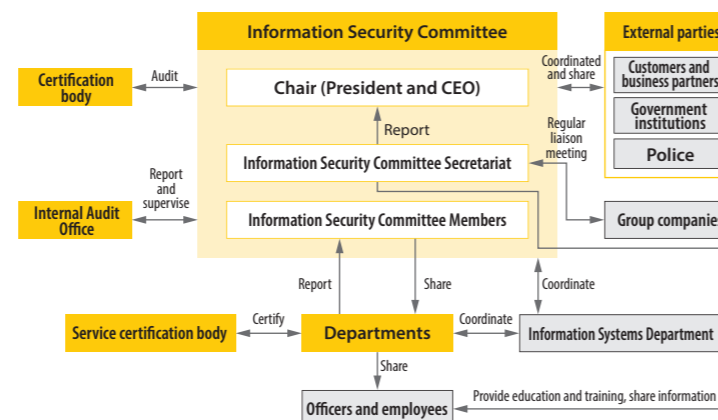
■ **Acquisition of external certification for services provided**

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
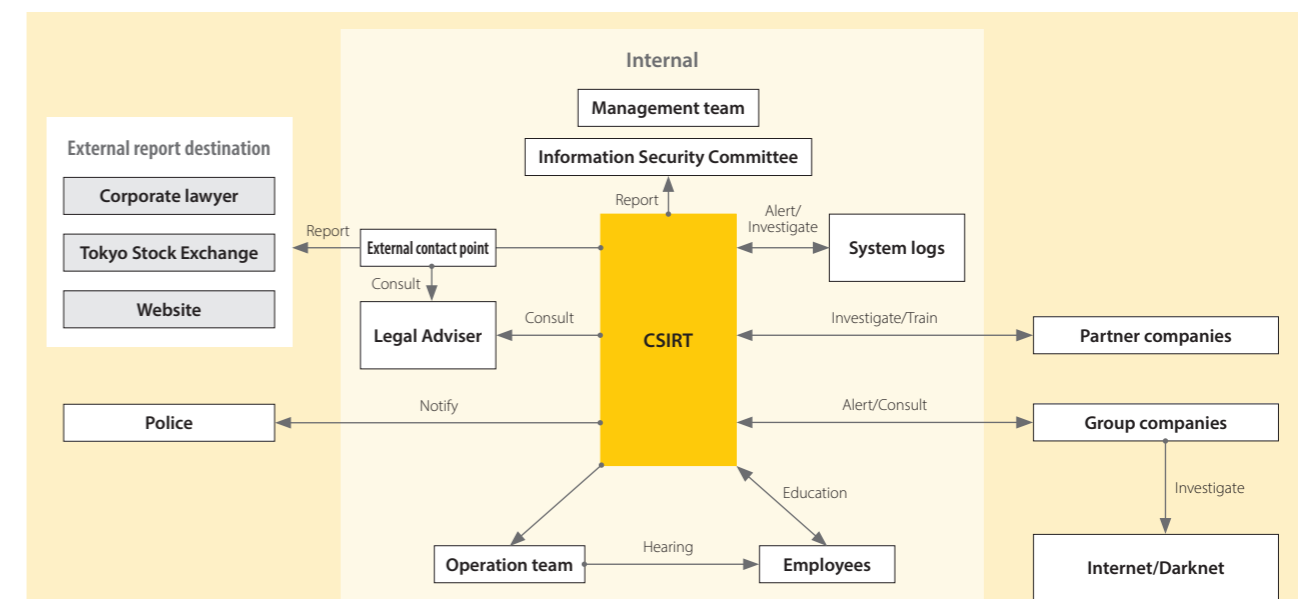
Main activities
- Review company-wide security measures from a bird's-eye point of view, and constantly assess whether they can address the latest type of attacks
- Instead of just collecting logs, compile them, detect predictive signs, and enhance monitoring
- Gain the latest security information, and 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
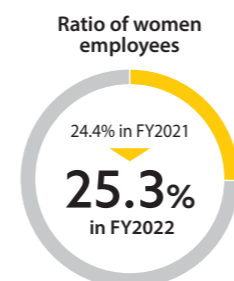
■ Initiatives to promote women's success in the workplace

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.

2019年認定 くるみん 子育てでサポートしています

Percentage of childcare leave taken （FY2022 Results）

Men
59.1%
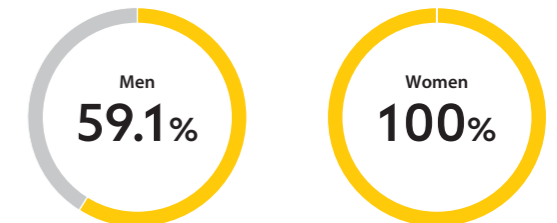
Women
100%

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.

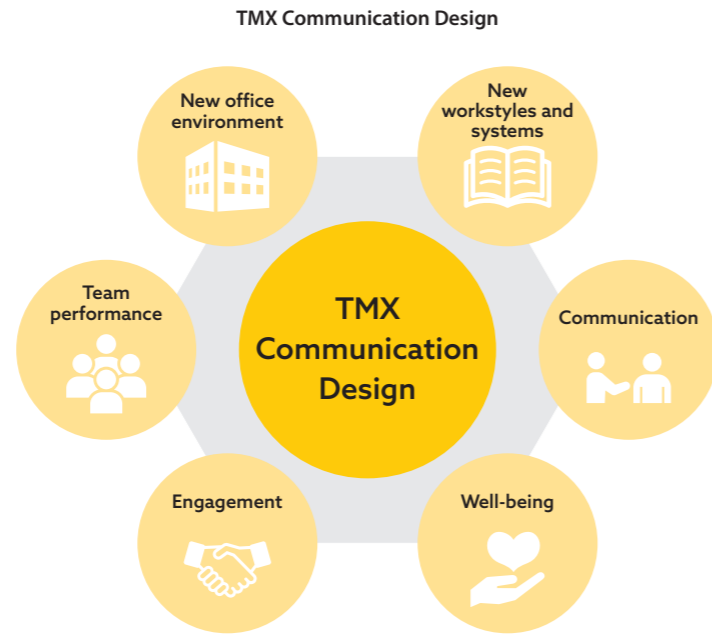Cafe area where employees can relax

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.

Detractors | Passives | Promoters
0 1 2 3 4 5 6 | 7 8 | 9 10
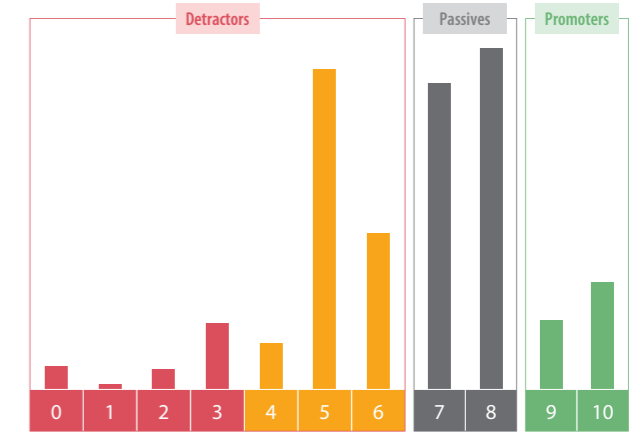
Promoting the understanding of psychological safety

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.

For more information ►

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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
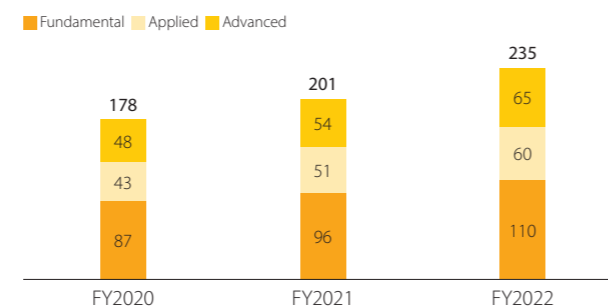
■ Career Support System

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.
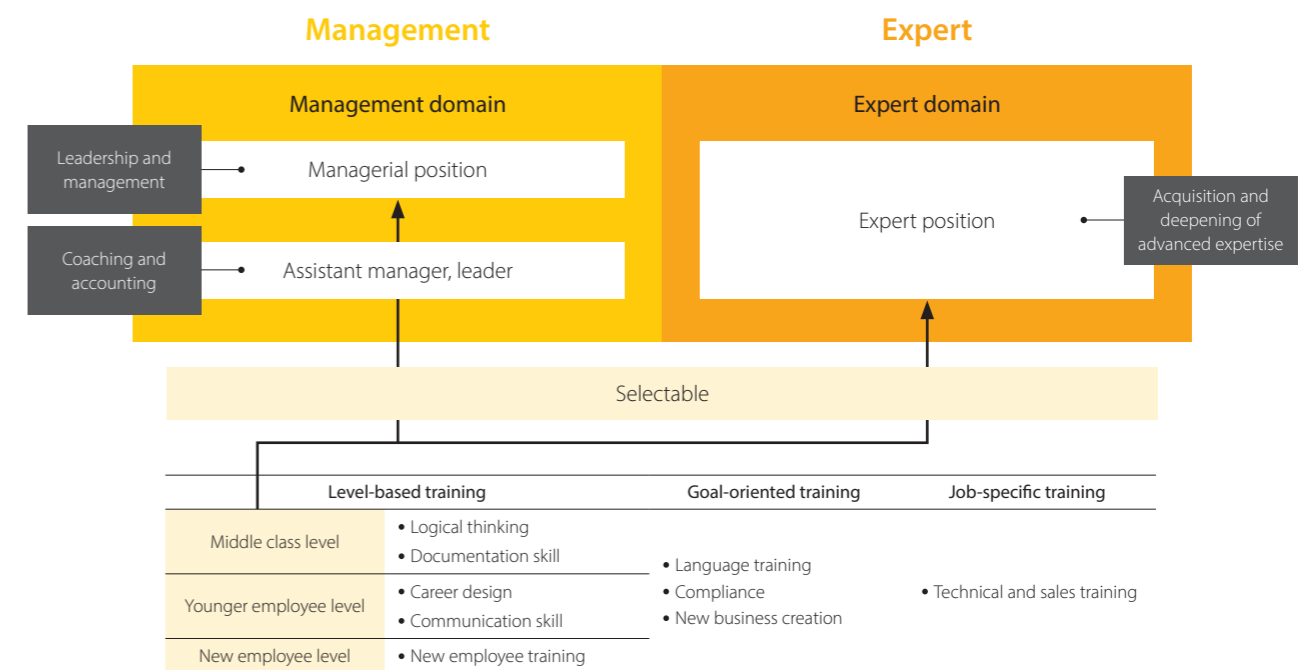
■ Realization of a Human Resources Development System Linked to a New Personnel Evaluation and Remuneration System

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	• Language training • Compliance • New business creation	• Technical and sales training
Younger employee level	• Career design • Communication skill		
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℃) :** -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℃) :** -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)

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In an Era Demanding Swift and Precise Management Decisions by Discerning Rapidly Evolving Technological Trends and Structural Changes

Michi Kaifu Outside Director

Taking advantage of my knowledge of technology and consulting to energize discussions from unique perspectives

What do you see as your role as an Outside Director?

After working for a major automotive company and a major telecommunications company, I relocated to the Silicon Valley, where I spent around 30 years providing consulting services for Japanese companies that needed information on the latest technologies and connections with Silicon Valley. While I understand that the obvious role expected of me as an Outside Director is to provide a governance function over management in general from an objective standpoint, in my case in particular, I recognize that there are great expectations that I will use the knowledge and networks that I have built up over the years to communicate the trends and outlooks regarding rapidly evolving technologies and, specifically, to provide advice and progress management regarding technology strategies. Unlike the position of a consultant, who provides information within a requested scope, I see my role as sharing technological information with the rest of the Board from broader, more general perspectives in light of TechMatrix's management strategies and assumed risks. I also take part in discussions about company-wide policy decisions, based on my wide-ranging experience of seeing many examples of failure and success. Another of my roles, from my standpoint as a woman, is to express opinions about diversity, particularly initiatives to promote women's active participation in the workplace. Amid many Outside Directors of relatively long service, I am proud to say that my presence, as someone who is less inclined to simply "read the room" and who is not bound by conventional thinking, is probably helping to energize the debate. Topics such as strategies and the state of the organization are important in the Board of Directors, and when my own proposals are referred to in discussions about long-term strategic directions, I do feel that I am making some kind of contribution.

Improving the effectiveness of the Board of Directors through exchanges of opinion among the Outside Directors

What is your assessment of the atmosphere in the Board of Directors and its effectiveness? Could you also tell us about any issues?

The atmosphere in the monthly Board of Directors meetings is conducive to good communication, and there are no problems in terms of administrative responses, such as the distribution of reference materials in advance and the introduction of electronic signatures, so I have not felt any particular inconvenience. What I am most grateful for is the "Medium- to Long-Term Issues Discussion Meetings." These meetings are held three times a year for the Outside Directors to exchange opinions with each other. On the days of the full Board of Directors meetings, there are many matters to cover, which makes in-depth debate impossible. However, the Medium- to Long-Term Issues Discussion Meetings allow me to sort the issues out in my own head and arrange my thinking before attending the Board of Directors meetings. In that respect, these meetings are highly significant. Regarding the composition of the Board of Directors, seven of the 11 directors are Outside Directors, and there is a good balance of specializations and skills, which I feel adequately ensures effectiveness from the perspective of independence and knowledge. A couple of things that I would point out are the fact that there are only two women, including myself, and the fact that there is nobody who specializes in areas such as the environment and social contribution, which have taken on added importance in recent times. We might see these matters as issues for the Board going forward. Regarding the latter issue in particular, the Company

has already held repeated discussions in terms of both risks and opportunities and identified its materiality, and it is now implementing a variety of initiatives. I do think that, if experts in these areas were to join the Board, we could expect to see added breadth in our discussions.

Strong sales capabilities that support value creation Communicating long-term strategies and strengthening human capital will be issues going forward

From your position, where do you believe that TechMatrix's strengths and issues lie?

When you boil it down, my sense is that TechMatrix's strength lies in its strong sales capabilities. The way in which, through their relationships with customers, the company's salespeople pick up on customers' needs and mold them into services is TechMatrix's true worth. I have seen many IT companies that have been unable to achieve that, even though they possessed the technological capabilities and the ideas. I believe that the source of value creation lies in combining customer needs and structural trends in society to come up with new services. The same goes for relationships with the various business partners, in that the operational expertise and knowledge that both sides have built up over many years are an asset, and sharing that across the organization makes it possible to expand the range of the company's business. This business model could also be described as a major strength. Also, in terms of TechMatrix's characteristics, given its origins as a trading firm, my impression is that it is close to being an incubator. As well as seeking out outstanding technologies, TechMatrix engages strategically in new business creation and M&As, and I see the value of its many experiences in this regard as a major advantage.

On the other hand, in terms of issues, and this is something that could be said about other companies in general, Techmatrix's long-term strategies have not been sufficiently verbalized. While everyone may have an image of those strategies in their head, they remain extremely vague. In TechMatrix's case as well, I think that it is important to put its long-term strategies into words that are easy to understand, to communicate, both internally and externally what it wants to be, what kinds of things it will change, and what kinds of differences it will project within the industry. Also, the strengthening of human capital is a matter of urgency in terms of overseas expansion and the creation of new businesses. In particular, a lack of experience with global talent is undeniable, and I feel that the Company needs to build a database of the kinds of skills that

are needed to make up for that deficiency. Although the entire organization is engaging in the issue of empowering women in the workplace, unfortunately, it is not only Japan that there are few women in the IT industry. Not limited to IT personnel, of course, but I do believe that increasing options for life design and career planning will ultimately lead to women's empowerment, and I hope to lend my support to those kinds of efforts. Group synergies are also a key theme. Complete integration has its advantages and disadvantages, and I am particularly concerned that it could lead to the opinions of individuals being buried. For this reason, my view is that we should distinguish between things that can be shared in groups, such as R&D, for examples, and other things that cannot, and pursue synergies on that basis. For initiatives such as environmental measures, TechMatrix does not have a particularly large environmental footprint in the first place. As the expression "Eating your own dog food" suggests, I believe that TechMatrix can contribute by first testing products in-house, before commercializing what works and passing them onto society.

Need to identify structural changes and make swift and precise management decisions

Finally, what are your resolutions as Outside Director?

In terms of immediate business performance, with the expansion of demand, TechMatrix has captured the needs for cyber-security measures, and its core businesses are doing well. Meanwhile, it is also working to create new businesses in areas of high social impact, such as medicine and education. The way that it is gradually establishing a well-balanced portfolio is commendable. In the end, it is crucial that it makes a move toward its next stage while its profits are still growing. It may not be a company that can be expected to show explosive growth, but as DX and the use of data technologies advance across society as a whole, security measure needs are evergreen (in that demand for them will never cease), and it is clear that, by building up various applications, huge opportunities will stretch out for TechMatrix. However, while attention is focusing on new technologies such as generative AI, there are some chaotic elements to the future of technology, including the question of how to make money from those new technologies. TechMatrix will need to identify structural changes properly to discern what directions to head in and to make swifter and more precise decisions than ever before. In my position as an Outside Director, I also hope to support the future enhancement of corporate value.

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Management Members

Techmatrix's Management Team

Takashi Yuri, Yoshihisa Yoda, Takaharu Yai, Takeshi Suzuki, Hiroaki Yasutake, Michi Kaifu, Ari Horie, Hideyuki Sasaki, Ken Takayama, Ryota Miura, Akio Sugihara

Takashi Yuri

President, Chief Executive Officer
Current position since July 2004

Yoshihisa Yoda

Director, Senior Executive Operating Officer
Head of Medical System Business Unit
Current position since June 2022

Significant concurrent positions
Chief Executive Officer, PSP Corporation
CEO and Executive member, Ichigo LLC

Takaharu Yai

Director, Senior Executive Operating Officer
Head of Information Infrastructure Business Unit
and Manager of Network Security Division
Current position since June 2022

Significant concurrent positions
Vice President, CROSS HEAD
Director, OCH Co., Ltd.

Takeshi Suzuki

Director, Senior Operating Officer
Head of Application Services Business Unit and
Manager of CRM Solution Division
Current position since June 2022

Significant concurrent positions
Director, CASAREAL, Inc.
Director, WISESIGHT (THAILAND) Co., Ltd.
Director, Choco Card Enterprise Co., Ltd.

Hiroaki Yasutake

Outside Director/Independent Officer
Current position since June 2013

Significant concurrent positions
Representative employee, Cardinal LLC
CEO, Junify Corporation
Outside Director, Money Forward, Inc.
Outside Director, Novarca Inc.

Michi Kaifu

Outside Director/Independent Officer
Current position since June 2020

Significant concurrent positions
Chief Executive Officer, Started ENOTECH
Consulting, LLC.
Visiting Professor, Seikei University

Ari Horie

Outside Director/Independent Officer
Current position since June 2020

Significant concurrent positions
Founder and Chief Executive Officer,
Women's Startup Lab, Inc.
Director, Japan Innovation Network

Hideyuki Sasaki

Outside Director/Independent Officer
(Audit & Supervisory Committee Member)
Current position since June 2017

Ken Takayama

Outside Director/Independent Officer
(Audit & Supervisory Committee Member)
Current position since June 2015

Significant concurrent positions
Executive Director and Secretary General,
All Japan Judo Federation
Outside Director, RENOVA, Inc.

Ryota Miura

Outside Director/Independent Officer
(Audit & Supervisory Committee Member)
Current position since June 2015

Significant concurrent positions
Partner, Miura & Partners
Outside Auditor, Tokyo Electron Ltd.
Outside Director, Eisai Co., Ltd.

Akio Sugihara

Outside Director/Independent Officer
(Audit & Supervisory Committee Member)
Current position since June 2015

Significant concurrent position
President and Representative Director,
Gurunavi, Inc.

For more information: ▶
**NOTICE OF THE 39th ANNUAL
GENERAL MEETING OF
SHAREHOLDERS**

Management Members' Skills Matrix

	Corporate management	Finance/ Accounting	Legal/Risk management	Sales/Marketing	Industry knowledge/ Technology	Internationalism	Human resources development/ Diversity
Judgment criteria (3 years or more)	Management experience or experience as a full-time director	Finance/ accounting knowledge and experience	Legal, risk management, internal control, and audit experience	Sales or marketing experience	Experience working in the Company's business markets or related markets	Experience in transactions with foreign countries or experience as an officer in an overseas company	Experience in human resources development and training or promoting diversity
Takashi Yuri	●			●	●	●	
Yoshihisa Yoda	●			●	●	●	
Takaharu Yai	●			●	●	●	
Takeshi Suzuki	●			●	●	●	
Hiroaki Yasutake	●			●	●	●	●
Michi Kaifu	●			●	●	●	●
Ari Horie	●			●	●	●	●
Hideyuki Sasaki	●	●	●	●		●	
Ken Takayama	●	●	●		●	●	
Ryota Miura	●		●				
Akio Sugihara	●			●	●	●	●

Corporate Governance

Basic Policy

The Company views increasing its corporate value as a top priority, and strives to maintain and enhance its competitiveness, as well as maximize the added value it can provide to customers. To this end, the Company believes that enhancing management transparency and improving management efficiency to enable strategic and speedy management decision-making are the foundations of corporate governance. Based on this basic policy, the Company is working to realize a highly transparent management structure through the participation of Outside Directors and to conduct management decision-making and rapid and appropriate business execution through the separation of management decision-making and the supervision of business execution from the business execution system. The Company is also striving to realize adequate supervision and auditing of management and business execution. Moreover, the Company also believes that measures to strengthen compliance are an important priority for fulfilling its responsibilities as a corporate citizen.

Corporate Governance System

Form of Organization	Company with an Audit & Supervisory Committee
Number of Directors Stipulated in Articles of Incorporation	13
Term of Office for Directors Stipulated in Articles of Incorporation	1 year
Chairman of the Board of Directors	President
Number of Directors	11
Appointment of Outside Directors	Appointed
Number of Outside Directors	7
Number of Outside Directors Designated as Independent Director	7

■ Status of Compliance with the Corporate Governance Code

The Company implements all principles set forth in the Corporate Governance Code. Disclosure based on the principles of the Corporate Governance Code is described in the Corporate Governance Report.

Corporate Governance Report ▶

Corporate Governance System

Corporate Governance System organizational chart:
- General Meeting of Shareholders
- Selection and dismissal
- Directors (excluding Audit & Supervisory Committee Members)
- Directors (Audit & Supervisory Committee Members)
- Personnel Committee — Report / Consult
- Board of Directors
- Audit & Supervisory Committee
- President
- Accounting Auditor — Coordinate
- Executive Committee
- Internal Control Committee
- Business execution departments
- Internal Audit Office
- Group companies
- Group Management Meetings
- Dual reporting of Internal Audit
- Committee Char (President) (Audit & Supervisory Committee Members) Internal Audit Office Internal Control Office Corporate Planning Dept.

■ Board of Directors

Outside Directors have been invited to join the Board of Directors in order to strengthen its supervisory functions. It consists of 11 members, including 7 Outside Directors. The Board of Directors holds regular meetings once a month and extraordinary meetings as necessary.

Number of Board of Directors meetings	13
Main deliberations at the Board of Directors	• Issues related to Medium- to Long-Term Management Strategy • Issues related to investment and business alliance • Issues related to new business • Issues related to overseas expansion • Issues related to climate change • Issues related to sustainability

Ratio of female Directors **18%** — Number of female Directors **2**

Ratio of Outside Directors **64%** — Number of Outside Directors **7**
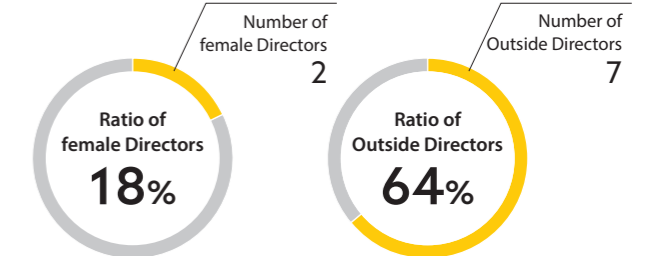
Evaluation of the Effectiveness of the Board of Directors

To ensure the effectiveness of the Board of Directors and improve how it functions, each year the Company conducts an evaluation of the effectiveness of the Board of Directors as a whole.

Analysis and evaluation process

Conduct a questionnaire survey to each Director (including Audit & Supervisory Committee Members) → Based on an analysis of the results of the questionnaire survey, an evaluation of the effectiveness of the Board of Directors is conducted → Initiatives to improve the function of the Board of Directors are implemented based on the evaluation
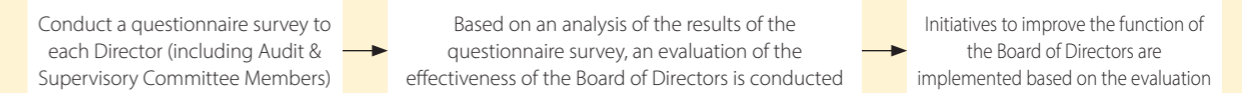
Main questionnaire items
- Issues related to the execution of duties by Directors
- Issues related to the effectiveness of the Board of Directors as a whole
- Issues related to the composition of the Board of Directors
- Issues related to support for Directors, etc.

Summary of evaluation results
A summary of the evaluation results is as follows:
- The Company's Board of Directors has largely achieved diversity and has secured effective and appropriate management supervisory functions.
- The Board of Directors conducts active and constructive discussions, making the most of the knowledge, experience, and other qualities of each member.
- It was pointed out that opportunities for Directors to acquire the knowledge necessary to fulfill the roles and responsibilities expected of them as Directors need to increase.

Initiatives based on the evaluation
Recognizing that providing Directors with opportunities for ongoing training is a challenge, the following was implemented.
- Dialogue between Outside Directors and institutional investors (engagement)
- Governance training for Directors by outside attorneys

Training Policy for Directors

We provide Directors and Executive Officers with training as appropriate for acquiring new knowledge relevant to their duties in charge. Specifically, we encourage them to participate in outside seminars, participate in industry groups, and actively participate in training sessions and exchange sessions held by various organizations at our expense to create an environment in which they can acquire new knowledge and develop their own self-development. Furthermore, we provide them with opportunities to receive explanations on the latest trends in the Companies Act and the Corporate Governance Code, etc. from lawyers specializing in corporate law.

For more information: ▶

■ Executive Committee

The Executive Committee has been established as a forum for discussing issues related to business execution. It comprises Full-time Directors (including Directors who are Full-time Audit & Supervisory Committee Members), Executive Officers, business department managers and certain other personnel. In addition, the Executive Committee evaluates key agenda issues that should be brought before the Board of Directors and reports to the Board of Directors and the President and CEO. The Executive Committee meets once a month on a regular basis and convenes extraordinary meetings as necessary.

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■ Audit & Supervisory Committee

The Audit & Supervisory Committee comprises one Full-time Audit & Supervisory Committee Member and three Part-time Audit & Supervisory Committee Members. (All four members are Outside Directors.) Regular Audit & Supervisory Committee meetings are held once a month and extraordinary Audit & Supervisory Committee meetings are held as necessary.

Activities	Specific details
Audit & Supervisory Committee	Meetings held 13 times a year (issues related to the execution of duties by Directors, audit of conflicts of interest, and other items)
Three types of audits	Conducted quarterly by Audit & Supervisory Committee Members, Accounting Auditor, and Internal Audit Office
Communication with the Accounting Auditor	Exchange opinions extensively on the audit plans, details of audit, KAMs, audit results, and other matters
Liaison Meeting for Corporate Auditors	Reporting and information exchange on the status of internal controls by Corporate Auditors of the Group's subsidiaries (held quarterly) Interviews with Presidents of subsidiaries in advance on a quarterly basis (Corporate Auditors and TechMatrix Audit & Supervisory Committee Members)
On-site audits and interviews	On-site inventory, joint audit with internal audit, and interviews with all officers and employees
Exchange opinions with the President	Invite the President to the Audit & Supervisory Committee and exchange opinions, also based on the audit results

Members

Hideyuki Sasaki Ken Takayama

Ryota Miura Akio Sugihara

Ratio of Outside Directors

100%

Number of Outside Director

4
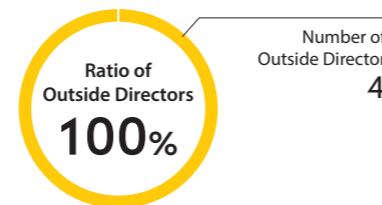
■ Internal Audit Office

The Internal Audit Office has been established as an organization under the direct control of the President, and systematically conducts internal control audits (Companies Act and Financial Instruments and Exchange Act), Information Security Management System (ISMS) internal audits, and theme audits as needed, for all departments. In addition, it directly reports to the Board of Directors and the Audit & Supervisory Committee at least once a year as dual reporting.

■ Internal Control Office

The Internal Control Office has been established within the Corporate Headquarters. It conducts activities to promote internal control, including the establishment of internal rules on-site and the promotion of appropriate use of various IT systems on-site.

■ Group Management Meetings

The Group Management Meetings have been established by the Company to share management-related information, discuss related issues, and strengthen collaboration across the Company and its subsidiaries. The meetings comprise Group Executive Officers (Full- time Directors, Executive Officers, Presidents of subsidiaries) and the Director who is a Full-time Audit & Supervisory Committee Member. The Group Management Meetings conduct regular quarterly meetings.

■ Personnel Committee

The Personnel Committee has been established as an advisory body to the Board of Directors in order to enhance corporate governance by bolstering the fairness, transparency and objectivity of processes related to nomination and remuneration, etc. for Directors. The Personnel Committee comprises three or more Directors selected by resolution of the Board of Directors, with Outside Directors selected to form a majority of the members. In addition, the Committee Chair is elected by a mutual vote of the Committee Members.

Members

Takashi Yuri

Ken Takayama

Ryota Miura

Ratio of Outside Directors

67%

Number of Outside Directors

2
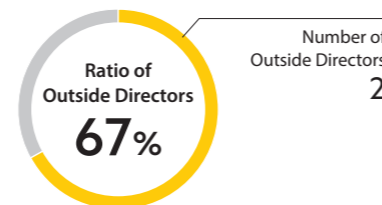
Agenda	Specific details
Selection and dismissal of candidates for Directors	Formulate a proposal for the candidates for Directors, and based on the proposal, report to the Board of Directors as a proposal to be brought before the General Meeting of Shareholders
Remuneration for Officers	Verify the Officers' remuneration level, and verify and deliberate the amount of remuneration for each individual Director according to the standard amount and the rate of target achievement determined in advance by the Board of Directors Report to the President and CEO, who is entrusted with the specific details of Officers' remuneration, for approval by the Board of Directors
Succession planning	Examine skills and quality requirements for successor (CEO) Select candidates (both external and internal) and consider necessary training plans

■ Other Committees

Name	Roles
Sustainability Committee	The Sustainability Committee manages progress on the response to sustainability issues including climate change. The 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.
Information Security Committee	To carry out information security management more effectively, the Committee maintains and improves the information security management system by responding to audits by the certification bodies, reporting to and sharing information with the Internal Audit Office and other relevant internal departments, and serving as the secretariat for regular liaison meetings with Group companies.
Compliance Committee	The Compliance Committee will specifically clarify as much as possible any matters that may pose a risk of violating laws, regulations, and corporate ethics during the course of corporate activities. The Committee will conduct education and awareness-raising activities for Officers and employees, as well as strive to rigorously ensure compliance with laws, regulations and corporate ethics, and make improvements as needed.
Internal Control Committee	Based on reports from the Internal Audit Office and the Internal Control Office, the Internal Control Committee reports annually to the Board of Directors on its assessment of the establishment and operation of the internal control system under the Companies Act, and updates the content of resolutions on internal control system as necessary. The Committee meets regularly twice a month.

Remuneration for Officers

■ Overview of Remuneration System for Officers (Directors and Audit & Supervisory Committee Members)
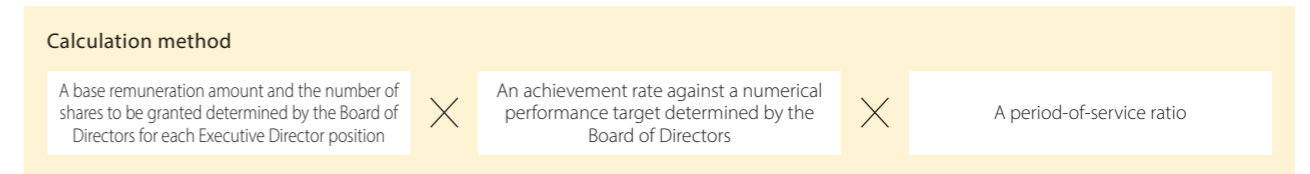
The Company's basic policy is to adopt a remuneration structure linked to shareholder interests so that the remuneration of each Director provides adequate incentive for them to achieve sustained increases in corporate value. The basic policy also calls for setting the remuneration of each individual Director at an appropriate level based on each Director's individual job responsibilities when determining such remuneration. Specifically, the remuneration of Executive Directors comprises base remuneration as fixed remuneration, as well as performance-linked monetary remuneration, post- delivery type performance-linked share remuneration and stock option remuneration as performance-linked remuneration. Outside Directors, who assume a supervisory role, are paid only base remuneration in light of their duties.

① Base remuneration

Base remuneration is provided as monthly fixed remuneration. It is determined by taking into account a comprehensive range of factors in accordance with position, job responsibilities, and years of service, while considering other companies' remuneration levels, the Company's business results, the level of employee wages, and remuneration from subsidiaries and other entities where important positions are concurrently held.

② Performance-linked remuneration

Performance-linked Monetary Remuneration and Post- delivery Type Performance-Linked Share Remuneration

Under this remuneration plan, the Company's Board of Directors establishes numerical targets in advance for a certain period it defines, and remuneration varies with the achievement rate against those numerical targets, among other criteria. A three-year restricted transfer period is established for performance-linked share remuneration

Calculation method

A base remuneration amount and the number of shares to be granted determined by the Board of Directors for each Executive Director position	×	An achievement rate against a numerical performance target determined by the Board of Directors	×	A period-of-service ratio

* The Board of Directors will determine the specifics of the remuneration, including details and the time period during which remuneration is provided.

■ Stock Compensation

The Company has introduced stock option remuneration to create a remuneration structure that is aligned with shareholder interests to ensure that the structure functions adequately as incentive for efforts to achieve sustained improvement in corporate value and shares the benefits and the risks of movements in the Company's stock price with shareholders.

* The Board of Directors will determine the specifics of the remuneration, including details and the time period during which remuneration is provided. However, these specifics are determined based on reports from the Personnel Committee.

Officer category	Base remuneration	Performance-linked monetary remuneration	Non-monetary remuneration	
			Performance-linked share remuneration	Stock Compensation
Director (excluding Audit & Supervisory Committee Members)	○	○	○	○
Outside Director	○			

■ Allocation Ratio by Type and Determination Procedure for Officers' Remuneration and Related Items

The allocation ratio of Executive Directors' remuneration by type is determined based on remuneration standards that reflect as benchmarks the remuneration standards of companies with a comparable business size to the Company as well as companies affiliated with relevant industries and business formats. The amount of performance-linked remuneration and stock options (remuneration for which the value of remuneration received is linked to performance, stock price and other factors) is estimated to be between 30% and 40% of base remuneration. However, this principle shall not apply in circumstances where, for example, the Company's base remuneration is not paid because an Officer receives remuneration for holding an important concurrent position at a subsidiary or other such entity. The total amount of remuneration is determined based on reports received from the Personnel Committee (made up of a majority of Outside Directors who are Independent Officers), which is a voluntary nomination and remuneration committee, with such remuneration set to correspond to each Director's responsibilities.

In addition, the President and CEO is entrusted with the specific details of individual remuneration for Directors based on a resolution by the Board of Directors. The scope of authority of the President and CEO covers the amount of base remuneration of each Director and the number of stock options allotted to each individual Director. The performance-linked remuneration of each individual Director is paid in accordance with a standard amount and target achievement rate established in advance by the Board of Directors.

Basic Policy on Compliance

In accordance with the principles set forth in the Corporate Ethics Guidelines, TechMatrix defines compliance as the observance of laws, regulations, rules and various policies as well as maintaining high ethics as it conducts corporate business activities.

We believe that by continuing to conduct sound corporate business activities based on compliance with rules and ethics, we can earn the trust of many stakeholders, including shareholders, customers, business partners, and local communities, paving the way for increased corporate value.
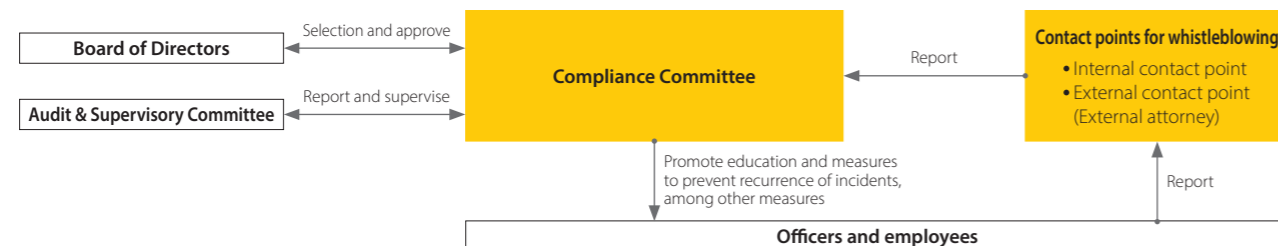
Based on this thinking, TechMatrix has established the Compliance Standards of Conduct. We have set up various systems under the leadership of the Compliance Committee, which is chaired by top management.
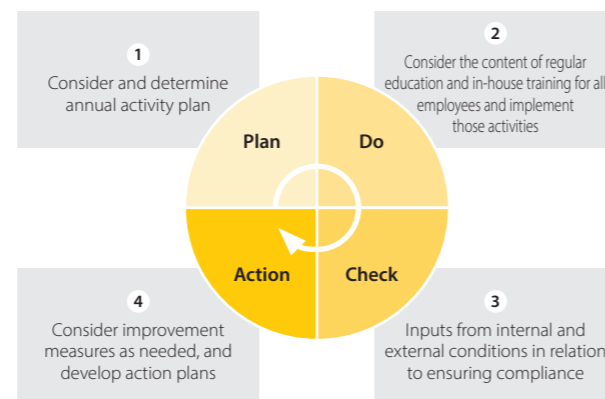
Compliance System

The Compliance Committee consists of the Chair, Full-time Audit & Supervisory Committee Members, the Officer in Charge of Compliance, the General Manager of the Human Resources Dept., and the General Manager of the Corporate Planning Dept. The President, who is the general supervisor of the compliance system, has been appointed as the Chair of the Compliance Committee.

The Committee will specifically clarify as much as possible any matters that may pose a risk of violating laws, regulations, and corporate ethics during the course of corporate activities. It will conduct education and awareness-raising activities for officers and employees, as well as strive to rigorously ensure compliance with laws, regulations and corporate ethics, and make improvements as needed. In addition to regular meetings held twice a year, the Committee will hold extraordinary meetings as necessary.

■ PDCA Cycle for Compliance

1 Consider and determine annual activity plan

2 Consider the content of regular education and in-house training for all employees and implement those activities

3 Inputs from internal and external conditions in relation to ensuring compliance

4 Consider improvement measures as needed, and develop action plans

Plan / Do / Check / Action

■ Compliance System

Board of Directors — Selection and approve

Audit & Supervisory Committee — Report and supervise

Compliance Committee

Contact points for whistleblowing
• Internal contact point
• External contact point (External attorney)

Report

Promote education and measures to prevent recurrence of incidents, among other measures

Report

Officers and employees

■ Whistleblowing System

At TechMatrix, in cases where a problem has occurred, is occurring, or may occur from a compliance perspective, the problem is normally reported through worksite communication channels. In addition, the Company has set internal rules on whistleblowing. The Company has built a system for protecting informants and for other related purposes by establishing different reporting lines for whistleblowing than those used in the workplace. This reporting structure helps to ensure that those who provide reports or seek consultations will not be subject to disadvantageous treatment on the grounds that they provided such reports or sought consultations. As part of its framework for whistleblowing, the Company has established an internal contact point and an external contact point (lawyer at an external law office) as contact points for whistleblowing.

These internal rules are being extended to the Group's subsidiaries, and the Company is making progress on developing a Group-wide whistleblowing system. Furthermore, the Company established the Group Harassment Consulting Desk in March 2023 by capitalizing on the opportunity presented by the integration of offices of various Group companies in December 2022.

Compliance Training

We believe that compliance at companies is implemented effectively when their officers and employees have a firm grasp of the significance of compliance, and act in line with it not only in corporate business activities but also in their daily lives in society. Based on this belief, we provide a variety of compliance training options.

Employees who were not affiliated with the Company at the time various training programs were offered due to the timing of when they joined the Company will receive training as needed when they join the Company. In addition to other measures, training materials are distributed to these employees.

Training details	Eligible staff
Insider training	All officers and employees
Harassment prevention	All officers and employees
Diversity/Human rights	All officers and employees
ISMS (information security management)	All officers and employees
New employee training	New employees

Ratio of Compliance Training Participation

Results for FY2022
100%

Respect for Human Rights

Based on our management philosophy, TechMatrix Group has established the Basic Human Rights Policy to fulfill our responsibility to respect human rights as a company, and has declared that we will strive to manage our business in harmony with the international community. This Policy was discussed and resolved by the Board of Directors, in the belief that the attitude of top management is important.

Basic Human Rights Policy

TechMatrix Group shall 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, gender, 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. We are prohibited from engaging others with fear and uncomfortable thoughts through discriminatory words and actions, aversion, libel or slander, threats or violent acts, or other prejudicial actions as our officers and employees. In addition, we shall not engage in any form of child labor and forced labor in all countries and regions. We shall also work to prevent adverse impacts on human rights that are directly related to our business activities, products or services through business relationships, even if we do not encourage adverse impacts on human rights throughout the supply chain.

We have formulated this policy in accordance with the concept of the Universal Declaration of Human Rights as a guideline for promoting initiatives for respecting human rights and fulfilling our responsibilities.

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External Recognition and Inclusion in Indices

● Evaluation and Certification in Management and Business

● **Kurumin (two stars)**

Certification mark awarded to companies that have formulated a General Employer Action Plan in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children, achieved the goals set forth in the Plan, and met certain criteria. We acquired Kurumin (two stars) in FY2019.

● **ISMS Certification**

We acquired the international standard ISO/IEC 27001 and domestic standard JIS Q 27001, which are the third party certification criteria in the ISMS (Information Security Management System) conformity scheme, in 2006.

● **DX Certification**

The national certification initiative that certifies companies that meet the basic requirements specified in the Digital Governance Code 2.0 set forth by the Ministry of Economy, Trade and Industry. We are certified by the Minister of Economy, Trade and Industry as a company ready to promote DX.

● We received **Best Business Application Award** and **Best and Certified Acquisition Award** from Japan Cloud Industry Association (ASPIC).

Our service was certified by ASPIC as a service that appropriately implements and operates information disclosure regarding safety and reliability under the ASP-SaaS Information Disclosure Certification System.

● **GoogleCloud Partner**

As a Google for Education Build Partner, we will promote the development of collaboration that is highly convenient for users. We will also promote the development of services.

● **The Association for Promotion of Public Local Information and Communication (APPLIC)**

Tsumugino conforms to the educational information application unit school business basic information data linkage of the Association for Promotion of Public Local Information and Communication (APPLIC), and has been registered as compliant and interconnection verified product.

● Inclusion in Investment Indices

● **S&P/JPX Carbon Efficient Index**

● **Morningstar Japan ex-REIT Gender Diversity Tilt Index**

● **Russell/Nomura Prime**

● **"JPX-Nikkei Mid and Small Cap Index"**

We have been selected as one of issues with mid and small cap equities in an index comprised of "highly attractive listed companies" that focus on capital efficiency and investor-oriented management

● IR-Related

● **FY2022**

Our corporate website was selected as **"A Website" in All Japanese Listed Companies' Website Ranking** conducted by Nikko Investor Relations Co., Ltd.

● Our corporate website was selected as an excellent company (bronze award) in the **"Gomez IR Website Ranking 2022."**

Recognition from Our Partners

● **Palo Alto Networks**
Excellence in support of the year (2018 and 2019)
JAPAN Distribution Partner of the Year
(2018, 2019, 2020, 2021, and 2022)

● **Proofpoint, Inc.**
Partner of the year (2021, 2022, and 2023)
Deal Registration of the year (2022 and 2023)

● **Tanium Inc.**
MVP Partner of the Year (2021)
Most Dedicated Partner of the Year (2022)

● **DELL technologies. Inc.**
Channel Services Delivery Excellence Award (2019, 2020, and 2021)

● **Cohesity Japan**
APJ Marketing Partner of the Year (2022)

Social Contribution Activities

The Company participates in a variety of activities to create a fulfilling society through donations. Furthermore, we have made it possible to donate certain shareholder benefits (to Ashinaga Foundation or Japan Committee for UNICEF). By these donations, we hope to convey the generosity of our shareholders to those in need.

● **Accept International**

Somalia DRR Project*

● **Ashinaga Foundation** Eligible for shareholder benefit donations

Offer support for children who have lost one or both parents, as well as children who have a parent suffering from a serious post-event disability that prevents them from working

● **Criacao Shinjuku**

Realization of "Enrich the world" as a business-creation-type sports club

● **People's Hope Japan**
Support the maternal and child healthcare education of mothers and children in Asia

● **Piccolare**
Support for isolation and concerns related to pregnancy

● **Malaria No More Japan**
Realize a world free of malaria

* Accept international conducts a social re-integration program focused on the DRR (De-radicalize, Re-insertion, Re-integration) framework for extremists in Somalia. The goal is to contribute to peace in Somalia and the achievement of the SDGs as a whole.

FOCUS

— Partnership with Criacao Shinjuku

In April 2023, the Company concluded a partnership with Criacao Shinjuku, a member of Japan Football League (JFL) (hereinafter "Criacao Shinjuku") as a Vision Partner (gold) + Regional Partner. Criacao Shinjuku, which aims to connect various worlds through the value of sports to realize a world where everyone can embody affluence, and the Company, which aims to be an IT professional group who creates a better future, agreed on our respective visions and concluded the partnership.

Criacao Shinjuku operates a wide range of businesses as a business-creation-type sports club that offers the value of sports and athletes to a variety of customers. Its businesses include "club business" such as soccer club management and community activities, and "career business" such as career support for athletic students and study sessions for young persons, in addition to its "athlete business" such as blind soccer training for companies and sports classes for younger children.

We will support Criacao Shinjuku to help them realize "Enrich the world" by supporting its various activities.

Criacao Shinjuku
Criacao Shinjuku (management company: Criacao Corporation; representative: Kazutomo Maruyama) is a soccer club, with Shinjuku-ku, Tokyo as its hometown, which is the first city soccer club that acquired the J-League Club License under the accreditation system. Under its mission of "Be an entity that continues to create the real affluence through the value of sports," it also works to solve a variety of community and corporate issues, aiming to enrich the world.

— Shinagawa Konan Area Pika Pika Project (known as Shinapika Project)

The Group, whose Head Office is located in Shinagawa Season Terrace, has participated in the Shinagawa Konan Area Pika Pika Project, a cleanup activity in the Shinagawa Konan area, as a first step to "make Shinagawa, the city where we work, more exciting, fun, and comfortable, starting with making Shinagawa cleaner."

Once a month, from 7:50 to 8:40 a.m., we clean up the Shinagawa Station area and the Shinagawa Konan restaurant district in a group, with gloves, fire scissors, and garbage bags. Many employees do the cleanup work positively, saying that they feel refreshed in the morning, cleanup activity is a little exercise for them, and that they want to help the town they work in some small way. We hope that this activity will help raise environmental awareness among employees.

Participants in the activity include business people working in Shinagawa as well as parents and children during the summer vacation period. This activity offers us a valuable opportunity to interact with other companies operating in Shinagawa and local residents living in Shinagawa. We will contribute to the realization of a sustainable and affluent society step by step, starting with what we can do.

Shinapika Project
Under the motto "Creating a new Shinagawa style full of originality together with companies and local residents active in the Shinagawa Station area!," we are promoting a participatory community beautification program led by the Area Management Secretariat within NTT Urban Development Corporation that conduct comprehensive management of Shinagawa Season Terrace.

Consolidated Financial Summary

International Financial Reporting Standards (IFRS) (Million yen)

Item	2020/3 (FY2019)	2021/3 (FY2020)	2022/3 (FY2021)	2023/3 (FY2022)
Consolidated Statements of Profit or Loss				
Revenue	27,599	30,928	36,513	**45,950**
Gross profit	10,131	11,217	12,456	**16,369**
Selling, general and administrative expenses	7,431	7,639	8,269	**11,173**
Operating profit	2,735	3,583	3,734	**5,098**
Profit before tax	2,728	3,406	3,718	**5,066**
Profit attributable to owners of parent	1,831	2,301	2,371	**2,950**
Consolidated Statements of Financial Position				
Current assets	26,743	31,169	42,267	**51,770**
Non-current assets	9,000	8,826	10,236	**13,920**
Total assets	35,744	39,996	52,503	**65,691**
Current liabilities	16,028	18,902	27,989	**36,044**
Non-current liabilities	5,282	4,739	4,311	**5,729**
Total liabilities	21,311	23,641	32,301	**41,773**
Total equity	14,433	16,354	20,202	**23,917**
Total liabilities and equity	35,744	39,996	52,503	**65,691**
Consolidated Statements of Cash Flows				
Net cash provided by (used in) operating activities	3,001	3,516	5,283	**6,348**
Net cash provided by (used in) investing activities	(540)	(841)	195	**(3,131)**
Net cash provided by (used in) financing activities	(569)	(1,790)	(1,959)	**(1,299)**
Cash and cash equivalents at end of period	13,747	14,634	18,155	**20,071**
Per Share Indicators (yen)				
Basic earnings per share	46.24	57.92	59.65	**73.91**
Equity per share attributable to owners of parent	327.18	373.53	426.40	**475.24**
Annual dividends per share[2]	30.0	19.0	20.0	**23.0**
Financial Indicators				
Equity ratio (%)[3]	36.4	37.1	32.4	**28.9**
ROE (%)[4]	15.5	16.5	14.9	**16.4**
Total asset turnover (times)	0.8	0.8	0.8	**0.8**
Financial leverage (times)	2.7	2.7	3.1	**3.5**
ROA (%)	5.5	6.1	5.1	**5.0**
Operating profit margin (%)	9.9	11.6	10.2	**11.1**
Profit margin (%)	6.6	7.4	6.5	**6.4**
Payout ratio (%)	31.9	32.8	33.5	**31.1**

Japanese GAAP (Million yen)

Item	2020/3 (FY2019)
Consolidated Statement of Income	
Net sales	28,553
Gross profit	10,264
Selling, general and administrative expenses	7,235
Operating income	3,028
Ordinary income	3,018
Profit before income taxes	2,914
Profit attributable to owners of parent	1,863
Consolidated Balance Sheet	
Current assets	24,367
Non-current assets	5,256
Total assets	29,623
Current liabilities	11,908
Non-current liabilities	2,709
Total liabilities	14,618
Total net assets	15,005
Total liabilities and net assets	29,623
Consolidated Statement of Cash Flows	
Net cash provided by (used in) operating activities	2,469
Net cash provided by (used in) investing activities	(999)
Net cash provided by (used in) financing activities	123
Cash and cash equivalents at end of period	13,396
Per Share Indicators (yen)	
Basic earnings per share	47.05
Net assets per share	343.67
Annual dividends per share	30.0
Financial Indicators	
Equity ratio (%)	46.4
ROE (%)	15.0
Total asset turnover (times)	1.0
Financial leverage (times)	2.2
ROA (%)	6.7
Operating income margin (%)	10.6
Profit margin (%)	6.5
Payout ratio (%)	31.9

*1 The Company has applied the International Financial Reporting Standards (IFRS) for its annual securities report from the fiscal year ended March 31, 2021, with the date of transition to IFRS being April 1, 2019.
*2 The Company conducted a 2-for-1 share split of its common stock on July 1, 2020.
*3 Presented as ratio of equity attributable to owners of parent to total assets
*4 Presented as rate of return on equity attributable to owners of parent

Non-Financial Summary

Item	2021/3 (FY2020)	2022/3 (FY2021)	2023/3 (FY2022)
Data on employees			
Number of employees (persons)[2]	1,088	1,404	**1,439**
Number of employees (persons)[3]	482	526	**561**
Male employees (persons)	372	397	**419**
Female employees (persons)	114	129	**142**
Average years of service (year)	8.2	8.3	**8.3**
Male employees (year)	8.6	8.8	**8.8**
Female employees (year)	7.1	7.2	**7.2**
Average age	37.7	37.8	**37.8**
Male employees	37.9	38.3	**38.3**
Female employees	36.5	36.3	**36.6**
Wage gap between men and women (%)	79.8	81.1	**81.1**
Of which, full-time workers (%)	80.5	81.8	**81.9**
Of which, part-time and fixed-term workers (%)	67.5	70.7	**54.0**
Number of new graduates hired (persons)	18	18	**21**
Male employees (persons)	16	13	**16**
Female employees (persons)	2	5	**5**
Number of career hires (persons)	50	40	**42**
Male employees (persons)	37	27	**26**
Female employees (persons)	13	13	**16**
Job turnover rate[4]	4.2	4.2	**4.7**
Ratio of women in management positions (%)	6.0	5.9	**5.6**
Ratio of employees with disabilities (%)	2.07	3.26	**3.07**
Percentage of annual leave taken (%)	45.1	55.3	**60.3**
Percentage of childcare leave taken (%)	72.7	58.1	**73.9**
Men (%)[5]	27.3	45.8	**59.1**
Women (%)[5]	100	100	**100**
Employee engagement eNPS (score)[6]	—	—	**(30)**
Number of Information Technology Engineer Examination Certificate holders (persons)	178	201	**235**
Ratio of compliance training participation (%)	100	100	**100**
Ratio of harassment training participation (%)	100	100	**100**
Environmental data			
CO_2 emissions (SCOPE 1 + 2) (t-CO_2)	608	608	**488**
CO_2 emissions (SCOPE 3) (t-CO_2)	35,608	34,592	**49,178**
Total CO_2 emissions (SCOPE 1 + 2 + 3) (t-CO_2)	36,216	35,200	**49,666**
Total energy usage (GJ)	3,572	3,525	**3,339**
CO_2 emissions per unit of energy consumption (SCOPE 1 + 2) (t-CO_2/GJ)	0.17	0.17	**0.15**
CO_2 emissions per net sales of one million yen (t-CO_2/million yen) [7]	0.026	0.023	**0.016**

*1 Scope of calculation: TECHMATRIX CORPORATION (on a standalone basis).
*2 Consolidated.
*3 On a standalone basis. Workers directly employed for a fixed term of one month or more.
*4 Voluntary retirement of full-time employees (except for retirement or transfer).
*5 Percentage of employees who took childcare leave among those who had children born during the year.
*6 Net Promotor Score® and its abbreviation NPS are registered trademarks of Bain & Company, Inc., Fred Reichheld, and NICE Systems, Inc.
*7 Scope of calculation: TECHMATRIX CORPORATION on a standalone basis.

[Environmental data]
* SCOPE 2 emissions are calculated based on office activities.
* For SCOPE 3 accounting methodologies, the Company has referred to the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain.
* Some date items for which data collection is difficult are estimated based on prior performance and other criteria. For this reason, future calculations may be revised, including changes to previously aggregated results.
* Currently, data items for which a reasonable computation method cannot be defined are excluded from calculations.
* The Company will continually review how to appropriately manage and disclose emissions in each category, taking into account factors such as international discussions.

Introduction

Message from Top Management

Value Creation of TechMatrix Group

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Corporate Profile

● Corporate Information

Company Name	TECHMATRIX CORPORATION
Date of establishment	August 30, 1984
Listed exchange	Prime Section of the Tokyo Stock Exchange
Stock code	3762
Paid-in capital	¥1,298.12 million
Number of employees	1,439 [138] (consolidated; as of March 31, 2023) * The number of employees is the number of full-time employees. * The figure in parentheses in the "Number of employees" column indicate the average number of temporary employees (including dispatched and contract employees).
Business year	From April 1 to March 31
Annual general meeting of shareholders	Every year June
Administrator of shareholders' registry	Mitsubishi UFJ Trust and Banking Corporation
Location	Head Office location

Tokyo Head Office SHINAGAWA SEASON TERRACE 24F 2-70 Konan 1-chome, Minato-ku, Tokyo, 108-8588
Telephone: +81-3-4405-7800 (Main) Fax: +81-3-6712-3161

Domestic Offices

West Japan Branch Nakanoshima Central Tower, 2-7 Nakano-shima 2-chome, Kita-ku, Osaka 530-0005
Telephone: +81-6-6484-7486 (Main) Fax: +81-6-6208-2730

Nagoya Sales Office NORE Fushimi, 16-7 Nishiki 1-chome, Naka-ku, Nagoya, Aichi Prefecture 460-0003
Telephone: +81-52-209-5106 (Main) Fax: +81-52-221-5769

Kyushu Sales Office Chuo Hakataeki Mae Building 3F, 3-30-26, Hakataeki Mae, Hakata-ku, Fukuoka 812-0011
Telephone: +81-92-402-2537 FAX: +81-92-402-2557
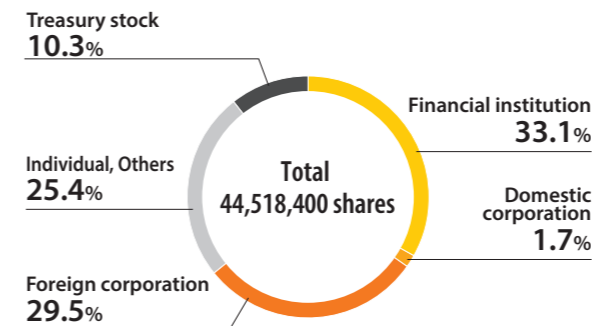
● Main consolidated subsidiaries

CROSS HEAD
SHINAGAWA SEASON TERRACE 24F 2-70, Konan 1-chome, Minato-ku, Tokyo, 108-0075
Telephone: +81-3-5793-3366 (Main)

OCH Co., Ltd.
Kafuna Asahibashi B Building level 3, 1-9 Asahimachi, Naha, Okinawa, 900-0029
Telephone: +81-98-860-0203

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SHINAGAWA SEASON TERRACE 24F 2-70, Konan 1-chome, Minato-ku, Tokyo, 108-0075
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ARECCIA Fintech Corp.
SHINAGAWA SEASON TERRACE 24F 2-70, Konan 1-chome, Minato-ku, Tokyo, 108-0075
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TechMatrix Asia Co., Ltd.
20th Floor (IWOffice), UBC II Building,
591 Sukhumvit Road, North Klongton, Wattana,
Bangkok, 10110 Thailand

PSP Corporation
SHINAGAWA SEASON TERRACE 25F 2-70, Konan 1-chome, Minato-ku, Tokyo, 108-0075
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Ichigo LLC
SHINAGAWA SEASON TERRACE 25F 2-70, Konan 1-chome, Minato-ku, Tokyo, 108-0075
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A-Line Co. Ltd.
Nakanoshima Central Tower 23F, 2-7 Nakano-shima 2-chome, Kita-ku, Osaka 530-0005
Telephone: +81-6-6195-3266

Stock Information (as of March 31, 2023)

● Stock Information

Total number of shares authorized	165,888,000 shares
Total number of shares outstanding	44,518,400 shares
The number of shareholders	8,374 people

● Breakdown by Type of Shareholder

Treasury stock 10.3%
Individual, Others 25.4%
Foreign corporation 29.5%
Total 44,518,400 shares
Financial institution 33.1%
Domestic corporation 1.7%

● Major Shareholders

Name of shareholder	Number of shares	Ratio (%)
Custody Bank of Japan, Ltd. (account in trust)	6,599,700	14.82
The Master Trust Bank of Japan, Ltd. (account in trust)	6,195,800	13.91
TECHMATRIX CORPORATION	4,599,264	10.33
STATE STREET BANK AND TRUST COMPANY 505025	3,286,500	7.38
Kyosuke Tokuyama	1,426,000	3.20
GOVERNMENT OF NORWAY	1,359,500	3.05
NORTHERN TRUST CO. (AVFC) RE 009-016064-326 CLT	1,077,300	2.41
TECHMATRIX's Employee Shareholding Association	813,000	1.82
KIA FUND 136	589,800	1.32
THE BANK OF NEW YORK MELLON 140042	581,800	1.30

IR Activities

The Company explains our management policy, business results, and latest initiatives in dialogue with analysts, institutional investors, individual investors, and other stakeholders, as well as proactively feed back valuable opinions we receive to management, thereby striving to engage in constructive dialogue with our shareholders and other stakeholders.

The 39th Annual General Meeting of Shareholders

Financial Results Briefing

● Main Activities

To	Main IR activities conducted during 2023/3	Frequency	Details
Shareholders and investors	Annual general meeting of shareholders	1 time	Conducted at the venue of the Meeting and via live streaming (in June)
	Investor briefing for individual	3 times	Investor briefing for individual by the President
	Financial results briefing for analysts and institutional investors	2 times	Financial results briefing by the President (in May and November)
	Individual meetings for institutional investors	163 times	Individual meetings with institutional investors to ensure highly transparent IR activities
	Engagement with institutional investors and Outside Directors	1 time	Engagement with institutional investors and all Outside Directors (in March)
	Issuance of Shareholders' Report	2 times	Issue IR magazine "TECHMATISM" (issued in June and December)
	Enhancement of IR website and sustainability information	—	Timely disclosure of earning-related materials (earnings release and financial results briefing materials) Enhancement of disclosure of Securities Reports and non-financial information (on the IR website)

* Conducted in an online format, with a few exceptions

Investor Relations

For details, please refer to the IR information on our corporate website

https://www.techmatrix.co.jp/en/ir/index.html

Production Team

We appreciate you taking the time to read our Integrated Report 2023. We have presented our efforts to sustainably enhance our corporate value and contribute to society through our business. We hope that this Integrated Report will help to deepen your understanding of and trust in the Company. We will continue to strive to engage in active dialogue with you as well as information disclosure in a timely and appropriate manner, and work on our IR activities to further enhance our corporate value.

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