TECHMATRIX CORPORATION

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UD FONT

INTEGRATED REPORT 2024

Creating Customer Value in the New Era

TECHMATRIX CORPORATION

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 ▶

TALK ABOUT Corporate Philosophy for Us

"The IT professional group who creates a better future" precisely describes our stance of seeking to solve social issues through our business. How do the members of the TechMatrix Group understand this Corporate Philosophy and incorporate it in their work?

In my day-to-day work of designing apps, I consider what functions are truly user-friendly **from the end user's perspective.**

CRM Solutions Division
Years of service: 5 to less than 10 years

Through repeated interviews, **I think about what the essence of the customer's problem is.**

Software Engineering Division
Years of service: Less than 3 years

By **always striving to gain a clearer picture** of the client's issues, I am conscious of providing **the solutions that they truly need.**

Business Solutions Division
Years of service: Less than 3 years

Q. How do you understand the Mission Statement and how do you approach it?

As an IT professional, **I keep an eye on trends in society** as I think of ways to solve various issues, and I strive to acquire skills that will be useful for that purpose.

Network Security Division
Years of service: 15 to less than 20 years

With an awareness of myself as a **professional, I continue to study,** both to improve the quality of my work and to enhance my knowledge and skills.

Corporate Headquarters
Years of service: 5 to less than 10 years

Recognizing that our customers' future depends on the services that we provide, I work to **gather information and make continuous improvements** to help make those services even better.

EdTech Division
Years of service: Less than 3 years

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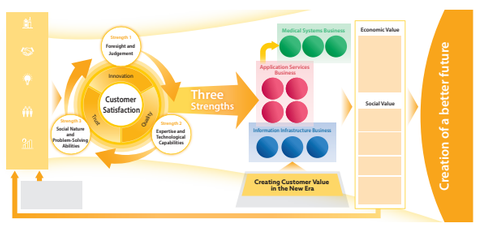

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Editorial policy

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, 2024 (April 1, 2023 to March 31, 2024)
Some parts of the report may include information on activities outside the above period.

Notes on forward-looking statements

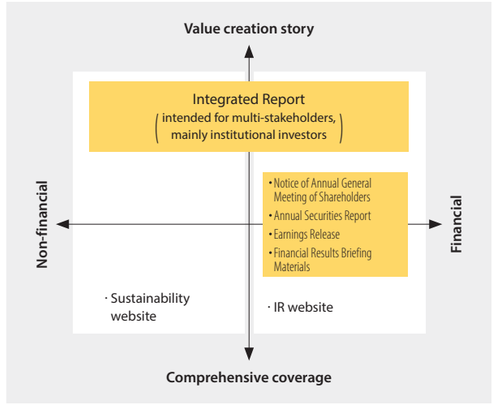
Forecasts, plans, and outlooks concerning future performance presented in this report are considered reasonable by the Company's management based on currently available information. Actual results may be substantially different from these forecasts, plans, and outlooks due to changes in various factors.

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



About the cover

The cover image represents a "matrix of technologies and vertical markets," from which the company name TechMatrix originated, while the wavy lines express the connections in the network and the flow of information.

Highlights in Integrated Report 2024

In the Integrated Report 2024, we have included examples of our strengths along with customer satisfaction to clarify the logic of value creation and to bring them together as a single story. In addition, this report contains real voices of employees from the internal survey, which we conducted to permeate the Corporate Philosophy since the Company was facing a major turning point, with the change of President and the start of a new Medium-Term Management Plan. With both financial and non-financial information, we explain how we can sustainably improve corporate value through our strategies and responses to materiality.

Top highlights

Corporate Philosophy for Us ▶ P.2
For a better understanding of our Corporate Philosophy to improve corporate value, we convey how the Corporate Philosophy is being internalized through the real voices of employees.

Message from Top Management ▶ P.11-16
President and CEO talks about his role, mission, and the key aspects of the new Medium-Term Management Plan on assuming the position. He also mentions efforts to achieve goals and demonstration of leadership.

Strengths and Case Studies ▶ P.19-22
This section explains how the strengths of TechMatrix are utilized in the value creation process with specific examples.

New Medium-Term Management Plan ▶ P.27-38
This section explains the risks and opportunities identified in light of the external environment, as well as the specific strategies, issues, and measures in the new Medium-Term Management Plan. It also covers our approach to the cost of capital and cash allocation in the financial strategy.

Dialogue of Outside Directors ▶ P.49-52
Outside Directors who are members of the Personnel Committee discuss the succession planning process, their own roles, the effectiveness of the Board of Directors, and the medium- to long-term issues and expectations of TechMatrix.

Highlights in Integrated Report 2023

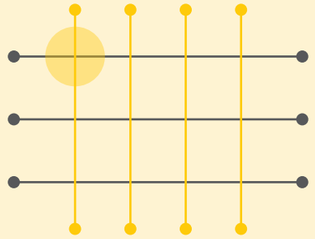
In the Integrated Report 2023, the first edition of our integrated report, we organized financial and non-financial information based on international guidelines and frameworks to create a model for value creation through integrated thinking. By integrating the opinions of management and Outside Directors, we represented the Group's unique story for amplifying value.

About TechMatrix

Origin of the Company Name, TechMatrix

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 industryspecific 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)

- Medical
- Call center
- Education
- Finance
- Automobile
- ⋮

Technologies (horizontal axis)

- Application

Software for efficient and effective functioning of business processes

Scope of provision: business support software, testing tools, BI, AI

- Middleware

Software used in common for application development and execution

Scope of provision: databases, APIs, operating systems, virtual networks

- Infrastructure

Hardware and equipment to operate software

Scope of provision: servers, storage, network devices, security measures

Revenue and Composition Ratio by Business Unit

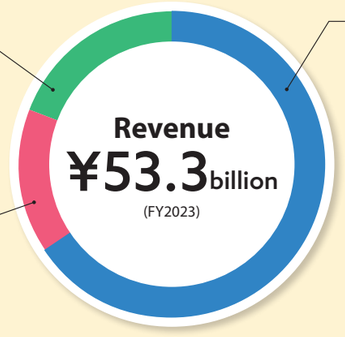
Six solutions TechMatrix not only provides applications and technologies for business use but listens to clients' challenges, finds the best solution for them, provides new technologies, and takes charge of the implementation and maintenance of those technologies.

Medical Systems Business

¥10.1 billion [18.9%]

Medical

- Provide medical imaging system (PACS)
- Provide PHR services
- Provide AI medical diagnosis support services
- Provide remote image reading platforms



Information Infrastructure Business

¥35.0 billion [65.7%]

Network security

- Provide cutting-edge network and cybersecurity solutions
- Build safe information infrastructure
- Provide around-the-clock operation monitoring services

Application Services Business

¥8.2 billion [15.4%]

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

Consolidated 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.

For details of Group companies ▶

	Group companies	Percentage of the stake	Corporate profile
Information Infrastructure Business	**CROSS HEAD**	100.0%	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
	OCH Co., Ltd.	Wholly owned subsidiary of CROSS HEAD	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
Application Services Business	**CASAREAL, Inc.**	100.0%	System development using open source software, education of IT technicians
	ARECCIA Fintech Corp.	100.0%	Strength in system planning and design in the area where financial engineering and information technology overlap (Provision of series of ARECCIA is main business.)
	TechMatrix Asia Co., Ltd.	50.1 percent subsidiary of TechMatrix Asia Holdings	Sales, marketing and technical support for FastSeries, a contact center CRM system/FAQ knowledge system, in the ASEAN region, mainly in Thailand
Medical Systems Business	**PSP Corporation**	50.02%	Provision of On-Premise image management system "EV Insite", cloud service for healthcare information "NOBORI" and PHR service for the individual (Patient).
	Ichigo LLC	95.0% subsidiary of PSP	Provision of IT infrastructure to support teleradiology and telepathology in the healthcare field
	A-Line Co. Ltd.	84.1% subsidiary of PSP	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

Value Provided by TechMatrix

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.

At a glance

Financial Data (FY2023)

Profitability

Revenue

Revenue increased for the 22st consecutive year

¥53.3 billion

(FY2022: ¥45.9 billion)

Operating profit

Profit increased for the 10st consecutive year

¥5.85 billion

(FY2022: ¥5.09 billion)

Operating profit margin

11.0%

(FY2022: 11.1 %)

Non-financial Data

Diversity (FY2023)

Number of group employees

1,502

(FY2022: 1,439)

Ratio of women employees (Non-consolidated)

25.8%

(FY2022: 25.3 %)

Ratio of women in management positions (Non-consolidated)

5.3%

(FY2022: 5.6 %)

Percentage of childcare leave taken (Non-consolidated)

Men 72.2% (FY2022:59.1%)

Women 100% (FY2022:100%)

Ratio of employees with disabilities (Non-consolidated)

2.72%

(FY2022: 3.07 %)

Percentage of annual leave taken (Non-consolidated)

62.9%

(FY2022: 60.3 %)

Information Security

ISO/IEC 27001 (international standards)
JIS Q 27001 (Japanese standards)

Training and Upskilling (FY2023)

Total training hours (Non-consolidated)*

20,386 hours

(FY2022: 14,397 hours)

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

Climate Change (FY2023)

CO_2 emissions reduction rate (Non-consolidated)

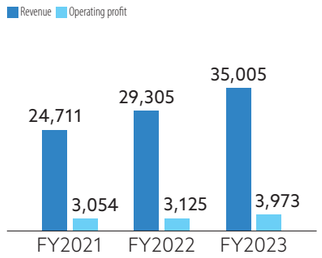
60.9%

(FY2022: 19.7 %)

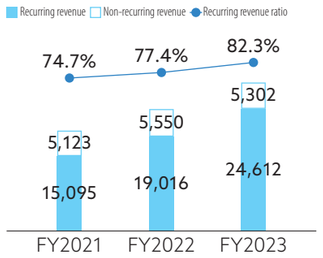
Data by Business Unit

Information Infrastructure Business

Revenue and operating profit (Million yen)



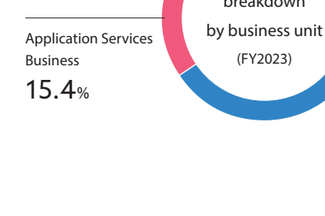
Recurring revenue ratio (Million yen)



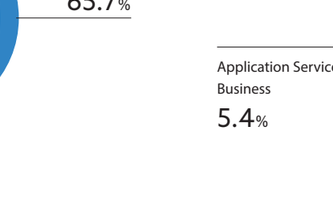
Providing secure information infrastructure, cybersecurity solutions and services as social infrastructure to ensure safety and security in today's digital society.

Application Services Business

Revenue and operating profit (Million yen)



Recurring revenue ratio (Million yen)

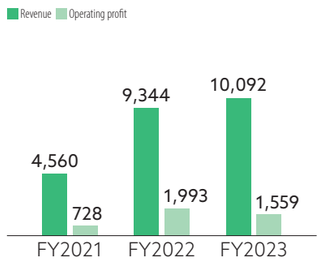


Providing cloud-based business applications with a sophisticated user experience (UX) that is easy for anyone to use and various software development tools and platforms for customers to accelerate in-house development of software.

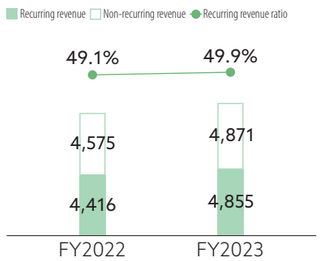
* FY2021 results for Application Services Business include results for medical field. Medical System Business was spun off from the Application Services Business in FY2022.

Medical Systems Business

Revenue and operating profit (Million yen)



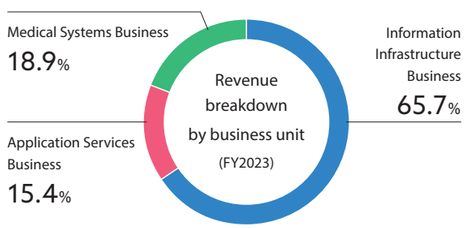
Recurring revenue ratio (Million yen)



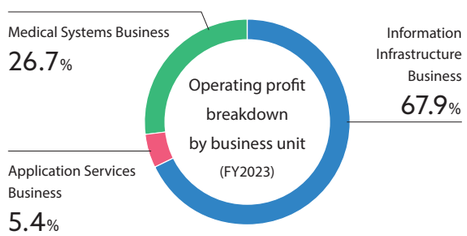
Providing applications and services that aim to build a medical information infrastructure that supports the rest of life of each and every customer.

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

Revenue breakdown by business unit (FY2023)



Operating profit breakdown by business unit (FY2023)



Journey of TechMatrix's Growth

Highlights

1985
Founded as a strategic subsidiary of the Sales division of Nichimen Corporation (currently Sojitz Corporation)

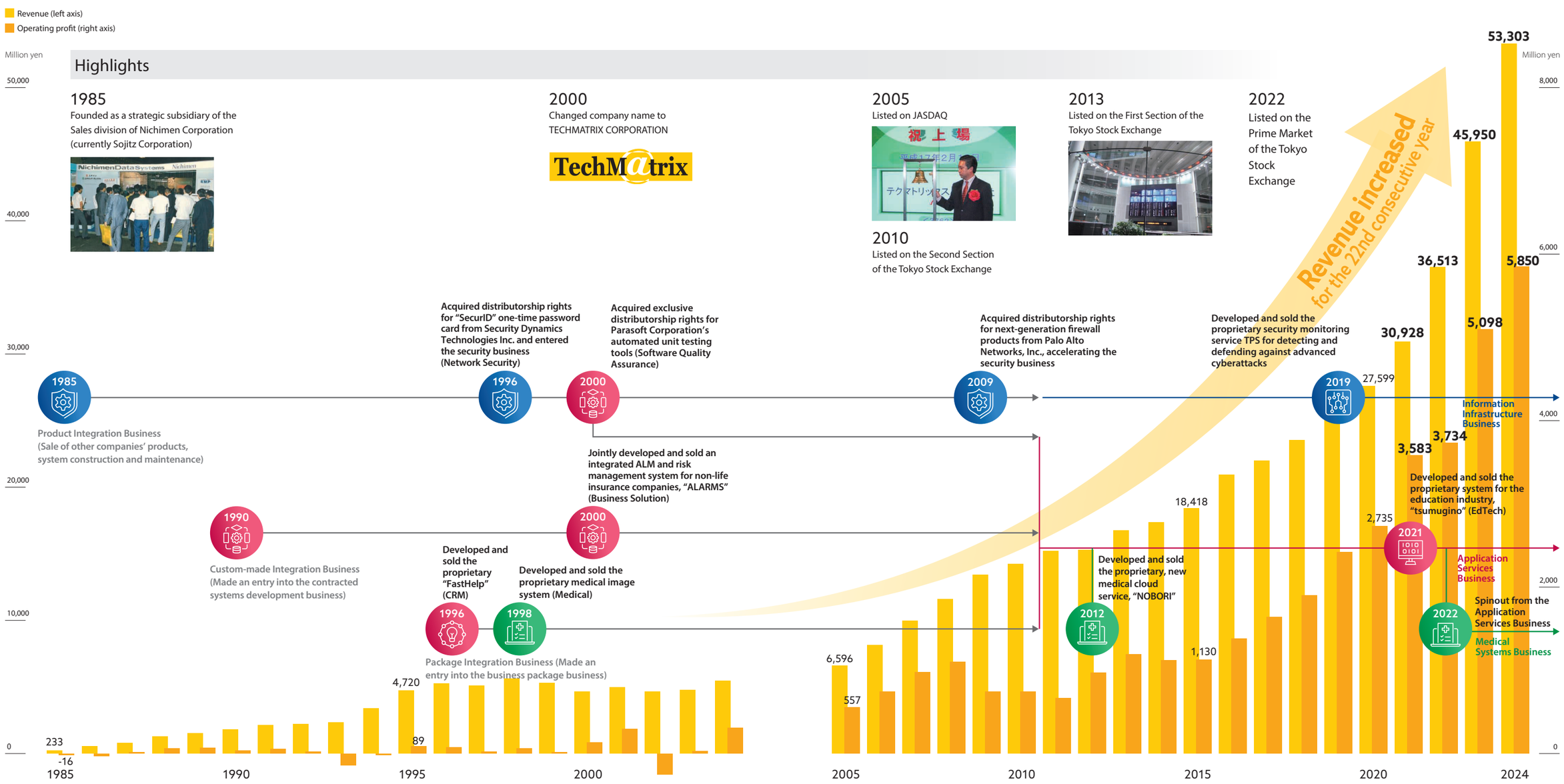
2000
Changed company name to TECHMATRIX CORPORATION

2005
Listed on JASDAQ

2010
Listed on the Second Section of the Tokyo Stock Exchange

2013
Listed on the First Section of the Tokyo Stock Exchange

2022
Listed on the Prime Market of the Tokyo Stock Exchange



Changes in information technology ▶▶▶ 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 ntech 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 nance business

Through active investment for growth, we will create new corporate value and realize returns to our stakeholders

Takaharu Yai
President and CEO

On My Appointment as President

Starting a new presidency, carrying on the Company's achievements and creating new value

My name is Takaharu Yai, and I was appointed President of TechMatrix on April 1, 2024. While I was certainly not without concern about the prospect of taking over from the former President, Takashi Yuri, who had served in that position for 24 years, as I reassessed the value of the Company's existence, where its strengths lay, and what kind of challenges it faced, and the answers to those questions became clear, my determination to carry on the Company's achievements to date and demonstrate my own unique qualities to create new value became even stronger.

To give you a brief outline of my own career to date, after graduating from university in 1988, I joined Nichimen Corporation (currently Sojitz Corporation), from which TechMatrix would later be born, where I began my career working in accounting for the sales division. In 1993, I was seconded to Nichimen Data Systems (later renamed TechMatrix Corporation), where my career included working in what is now the Application Services Business and a posting to the United States to search for new products. I then spent many years working in the area of cybersecurity. Looking back, I do feel that there is great significance in the wide range of experiences I was able to gain.

At TechMatrix, the Personnel Committee, which has a majority of Outside Directors, draws up proposals for officer appointments, which it recommends to the Board of Directors. I understand that the reasons for my appointment as President were my roles in discovering new technology, such as Palo Alto[*1] products, and launching new businesses as the officer responsible for the Information Infrastructure Business, and in stabilizing and increasing revenue through the promotion of subscription services and other initiatives. While some products were failures, I thrived even on those experiences. The way in which I constantly placed myself at the cutting edge to cultivate the "Foresight" that is one of TechMatrix's strengths is one of my valuable assets. I also believe that my focus on increasing the numbers was another reason for my favorable evaluation. For example, I pride myself on possessing twice the skills and mindset for working out schemes and conditions to increase revenue, including complex problems such as exchange rates and finance, when deciding on transactions. Going forward, I will continue to focus on embracing new challenges and generating profits. The generation of profit will enable us to deliver returns to our stakeholders, as well as make investments for our next growth. I believe that it is my role, as the top executive, to keep that ecosystem revolving to further enhance corporate growth.

※1 Palo Alto Networks

Foresight x Business know-how

Making use of our strengths in pursuit of high customer satisfaction

TechMatrix's strengths can be summarized by the two expressions, "Foresight" and "Business know-how." This is a recognition that has been shared within the Company since the time of my predecessor. "Foresight" includes both the ability to bring in new technologies and the ability to discover social issues. Then, we leverage our "Business know-how" to solve those issues. That know-how is something that we have accumulated with a focus on particular industries, namely CRM (call centers), medicine, and education. For example, in the medical field, we currently do business with over 6,000 medical institutions. Consequently, as well as being highly knowledgeable about the business, we also understand well where issues are to be found, so instead of listening to customers' requests and solving them by contracted development on each separate occasion, we deliver the functions they need as a package of applications. In doing so, we are able to offer customers value that exceeds their expectations. I believe that the fact that we possess both an information infrastructure and applications is another of our strengths. Whenever we have sought to start a new business, because we already possess the basic skills and knowledge, such as what kind of infrastructure is needed, what security measures to take, and what to use as development tools, all that remains is to concentrate on the areas that specialize in services that go beyond those basics, and we can build a solution from there. This represents a significant strength. Further, in both the medical and educational fields, we have succeeded in rolling out cloud-based subscription services, so we can leverage that success when starting up new businesses. The speed that this gives us in launching new businesses is another strength.

Looking Back on the Previous Medium-Term Management Plan

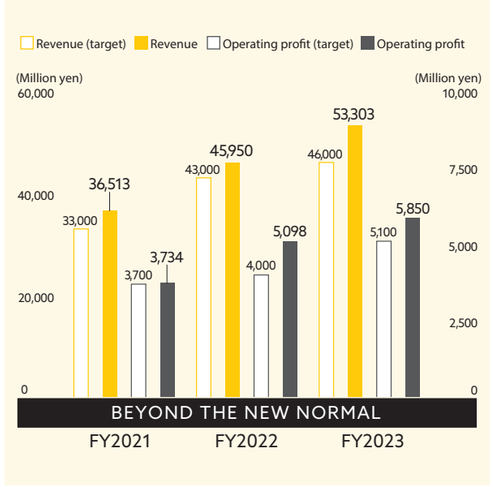
Breaking new records for business performance and accelerating the challenges we undertake into the future

In the previous Medium-Term Management Plan "BEYOND THE NEW NORMAL" that ended in the fiscal year ended March 31, 2024, I was in a position to oversee the entire plan, both as the person responsible for the Information Infrastructure Business and as a member of the Board of Directors. If we look back at the past three years, while we encountered a variety of external changes, including the impact of the COVID-19 pandemic, my recognition is that, overall, we were able to expand our business smoothly. In the fiscal year ended March 31, 2024, the final year of the plan, both revenue and profit reached record high levels for the second year running, greatly exceeding the plan's initial targets. Advances in DX and increased awareness of cybersecurity have quite clearly been boons for TechMatrix, and it was our ability to capture that demand firmly that boosted our business performance. In addition, we achieved a steady increase in our recurring revenue ratio (TechMatrix + PSP Corporation), which we place particular importance on, to 73.0% (up 4.4 pts from the previous fiscal year) as a result of promoting the shift to cloud services. In particular, the recurring revenue ratio of the Information Infrastructure Business rose to 82.3%, exceeding the initial plan. This was due to the growing demand for cloud-based security products.

On the strategy front as well, in addition to structural reforms such as "expanding our portfolio of products and services," "accelerated servicization," and "use of data (including use of AI)," we also engaged in business expansion through "alliances/M&As" and "strengthening of overseas business." I believe that these efforts have produced results that will lead us into our next achievements. In "alliances/M&As" in particular, the merger with the former PSP in the Medical System Business (undertaken in 2023) provided a major impetus for expanding our market share in our core market of medical imaging systems (PACS), as well as for the acceleration of PHR[*2] services and AI business, which will be our growth drivers in the years ahead. We are making careful, gradual progress with PMI since the merger, and the systems are now in place for strategic investments and business expansion under the new Medium-Term Management Plan. We have secured a number of strategic alliances in our individual businesses, most of which are aimed at the utilization of AI. We have positioned AI as the central axis of future technologies, not only for the improvement of productivity and efficiency, which is a challenge faced by all manner of industries, but also for the creation of new value.

On the other hand, one issue that can be mentioned in terms of the plan's results is that we did not make as much progress as expected in the "strengthening of overseas business." Our plan is to focus that expansion on the ASEAN region, and we have pursued this mainly through capital alliances with local companies. However, we have realized that this will not be enough to build an adequate promotion structure, and for this reason, we will take firm measures to address this issue in the new Medium-Term Management Plan. In addition, with regard to the Information Infrastructure Business, I have a sense that we are still not providing sufficient value on our own part, such as with security-related operation and monitoring services (TPS), for example. In the EdTech Business as well, while we have built up a track record with communications platforms and the like, at this point in time, our business is concentrated on progressive private schools, and we have yet to approach the public school sector, which has an overwhelmingly larger number of schools.

Achievements of the Previous Medium-Term Management Plan



*Plans for FY2022 and FY2023 were adjusted in FY2022

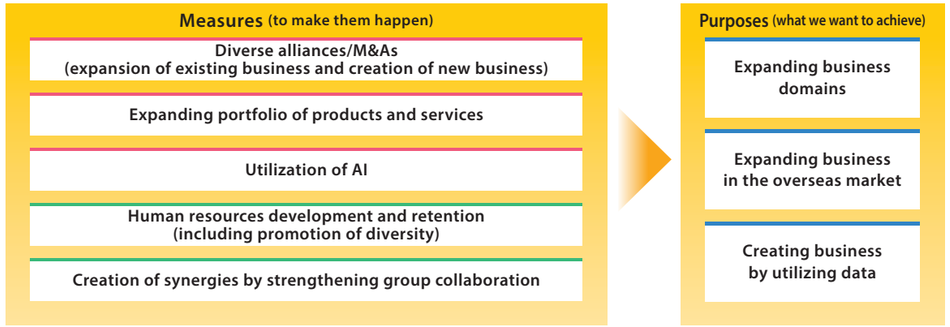
Direction of New Medium-Term Management Plan

We will promote the utilization of AI and overseas expansion, with customer satisfaction at the core

With "Creating Customer Value in the New Era" as the slogan for the new Medium-Term Management Plan, our basic strategies will be "expanding business domains," "expanding business in the overseas market," and "creating business by utilizing data." Our policy under these strategies will be to realize sustainable growth in each business and to build the foundations for the future. The "Customer Value" in the slogan refers to value as it is sensed by our customers. We believe it to be the value sensed by customers not only from our provision of the latest technologies and solutions, but from all contact points with our customers, such as when customers actually use those technologies and solutions to solve their issues and when they experience outcomes that exceed their expectations. In that respect, our generous support of our customers lies at the heart of customer value, and it is an element that has long been appreciated as one of TechMatrix's virtues. For this reason, to ensure that we do not forget those beginnings even as we enter a new era, we have incorporated that determination into the plan's slogan.

In terms of how the new Medium-Term Management Plan differs from the previous one, there are no major changes in the direction we are headed. In light of the various issues and areas that we should strengthen further to expand our business over the medium to long term, we intend to focus our efforts on the utilization of AI and overseas expansion in particular. Regarding the utilization of AI, we will go beyond solutions to issues and connect it to the creation of customer value in the area of operations beyond that. TechMatrix has "Business know-how" in our focus markets, and we know where we should put AI to use and what to automate and streamline. For example, when operators at a call center receive and respond to inquiries, both the inquiries and the responses are accumulated as data. Therefore, if we utilize AI in that area, the next time an inquiry is received, it will be possible to generate a response automatically. Also, in medical imaging systems (PACS), because we hold enormous volumes of medical image data, the utilization of AI will be of immense benefit in for example, discovering diseases or reducing oversights at medical institutions.

Basic Strategies of New Medium-Term Management Plan



※2 Personal Health Record

Meanwhile, in light of the maturing of the Japanese market, we will engage in overseas expansion in earnest, with a focus on the ASEAN region, which is exhibiting conspicuous economic growth. During the period of the previous Medium-Term Management Plan, we established a local subsidiary in Thailand, TechMatrix Asia, so we will pursue further business expansion that is firmly rooted in the region with our local staff. We have started with the CRM field, but we are also planning to expand our Medical System Business with PACS, as well as PHR services, the adoption of which is actually ahead of Japan.

Financial Policy

Making strategic investments while maintaining financial soundness

We will actively invest in the Medical System Business and EdTech sector, which are still in the investment phase, as well as in the strengthening of support frameworks for the CRM and Information Infrastructure businesses. Regarding the Medical System Business, we have positioned the first two years as the investment phase, and in addition to staff increases for systems integration with the former PSP Corporation, the shift to the cloud for PACS, and business expansion, we will make strategic investments in areas such as pathology, radiation dose management, utilization of AI, and overseas expansion, which will lead to the acceleration of growth in the final year of the plan and beyond. In the EdTech area, we have plans for the strengthening of functions. Investment in the CRM and Information Infrastructure businesses will include the utilization of AI. Also, in terms of buying time, we are considering M&As as a growth strategy option, primarily in the overseas business.

Regarding the size and allocation of investments, while maintaining a certain level of financial discipline, such as equity ratio at least, our policy will be to make priority investments in areas that have major potential for future business expansion. While we envisage a temporary impact on earnings depending on the timing of such investments, basically, as our recurring revenue ratio increases, profit margins will also improve, so we will enhance corporate value while keeping an eye on recurring revenue ratio, operating profit margin, and ROE levels. In terms of shareholder returns, we have promised a payout ratio of 30% or above, and we hope to realize an increase in dividends as a result of profit growth.

Sustainability Initiatives

Focus on strengthening of human capital for sustainable growth

The very root of TechMatrix's business lies in identifying social issues and providing solutions. As our materiality, which includes TechMatrix's own sustainability, we have identified four material issues, namely "information security," "diversity and equal opportunity," "training and education," and "climate change," and we are proceeding with various initiatives. In particular, "diversity and equal opportunity" and "training and education" are key themes in terms of the human capital that will support TechMatrix's own sustainability. When we consider the utilization of data, including AI, and overseas expansion that we will embark on in the years ahead, competition for talent is intense, and we understand that we are not in a position to secure ample human resources. In our corporate culture, a willingness to learn is valued, and I believe we offer rich opportunities for self-improvement. Accordingly, in addition to our various training programs, including approaches to career and fostering of engagement, we hope to develop people who will be able to contribute to the Company and, by extension, to society.

Regarding governance, I have been involved in this area as a member of the Board of Directors. With respect to the effectiveness of the Board of Directors, in addition to the depth of the members' abilities and the breadth of their knowledge, the greatest feature of the Board is that it is well-balanced as a whole. We have specialists in a range of fields, including legal, finance, business development, D&I, and internationalism, so we receive valuable opinions from a variety of perspectives. In addition to the Board of Directors, we have also established forums for discussion of specific medium- to long-term topics, where lively debate takes place.

Regarding climate change initiatives as well, in May 2024, we conducted a scenario analysis of the climate change-related risks and opportunities that would affect our business and calculated their financial impact. Based on the analysis and calculations, we formulated and disclosed company-wide and business-specific strategies. In addition, to achieve our target of switching to electric power generated from renewable energy for 50% of our power consumption by FY2030, we have formulated specific action plans for each year and disclosed them on our website and in our integrated report. We have positioned response to climate change as one of our key management issues, and as such, we will move steadily forward according to those action plans.

To Our Stakeholders

"Think of ways that it can be done" Practicing forward-looking management

As I mentioned at the beginning, I believe that my role is to keep the ecosystem revolving through proactive investment to realize sustainable growth, returns to our stakeholders, and, further, contributions to society, all at the same time. I am resolved to make that cycle larger as a way of enhancing corporate value. I value the concept of "instead of looking for reasons why something can't be done, think of ways that it can be done." So that, in years to come, when people look back on my tenure as president, they will rate it as a period that provided a trigger for both the Company and each of its employees to grow. I hope that I will achieve my own personal growth, and I hope I may rely on your continued support.

TOP Message POINT

- Takaharu Yai, who was previously in charge of the Information Infrastructure Business, was appointed President in April 2024.
- The previous Medium-Term Management Plan achieved record-high business performance.
- In the new Medium-Term Management Plan, we will promote utilization of AI and overseas expansion and conduct strategic investments while maintaining financial soundness.
- Strengthening of human capital and climate change response will be the focus of sustainability initiatives.
- Emphasis on "thinking of ways it can be done" to realize returns to stakeholders and social contribution.

PROFILE

Yai spent his university years on study and many different casual jobs, during which he discovered joy in the manifestation of effort and outcome in numbers. Leveraging that experience, he joined Nichimen Corporation (currently Sojitz Corporation) with the aim of working in sales. Although he was unexpectedly assigned to an accounting-related department, what he learned there would later become an invaluable asset. He was seconded to Nichimen Data Systems (now TechMatrix) and later experienced an 18-month overseas posting in the United States. This presented an opportunity to broaden his horizons and led to his active involvement in the security business on his return to Japan. After leading TechMatrix's information infrastructure division for many years, he was appointed President in April 2024.

Value Creation Process

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 P.01

The IT professional group who create a better future

Management Capital

Business Capital
High market share and extensive track record in specific markets

Social Capital
Collaboration with partners in a wide range of fields

Intellectual Capital
Business know-how of various industries, nurtured in our 40-year history

Human Capital
Educational system to maintain and improve diverse human resources and technical capabilities

Financial Capital
Revenue increased for the 22nd consecutive year
Robust financial base

Driving Power of Value Creation P.19

Early entry into fields that require safety and security
Discovery of social issues and cutting-edge technology

Strength 1
Foresight and Judgement

Strength 3
Social Nature and Problem-Solving Abilities

Place greater importance on public and social nature
Provide solutions to social issues

Strength 2
Expertise and Technological Capabilities

In-depth business knowledge in specific industries and business operations as well as accumulated expertise and technological capabilities

Innovation
Quality
Trust
Customer Satisfaction

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

Value Creation and Business Activities P.29

Medical Systems Business
Spinout in 2022
- PACS
- PHR services
- Digital pathology

Application Services Business
- CRM
- Software quality assurance
- Business solutions
- EdTech

Information Infrastructure Business
- Security technology
- Cloud security
- Managed security services

Medium-Term Management Plan (2024–2026) P.27
Creating Customer Value in the New Era

Strengthening of Management Foundations
Corporate Governance P.49

Value Created

Economic Value
(FY2023)

Revenue
¥53.3 billion

Operating profit
¥5.85 billion

Operating profit margin
11.0%

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

Risks and Opportunities/ Materiality
(Information security, climate change, training and education, diversity and equal opportunity, etc.)
P.25

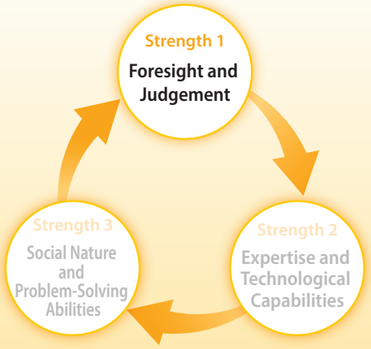
Amplify the strengths

*Evergreen means a situation where there is constant demand

Strengths and Case Studies of TechMatrix

Strength.01
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.



CASE STUDY Beginning of the Palo Alto Business

Expanding the security business with a deep partnership

In October 2009, TechMatrix concluded a distributor agreement with a next-generation firewall* vendor, Palo Alto Networks, Inc. ("Palo Alto"), and began a business as a distributor (primary distributor). As there had been no significant technological advances since the late 1980s in terms of allowing and blocking network traffic, conventional firewalls presented a large security loophole. Palo Alto's next-generation firewall realized "next-generation" security measures that enable control for each user and each application, which is completely different from anything that has gone before.

The founder and CTO of Palo Alto has experience in developing key technologies for conventional firewalls, as well as being the founder and CTO of a company that released a hardware product that protects against hacking, something that firewalls could not do, ahead of its competitors. I first came across Palo Alto at an Interop exhibition in the United States, and I was also introduced to the company by a Japanese venture capital firm. I was deeply impressed by the facts that Palo Alto had a completely new concept and that its technology had been created specifically for that purpose (instead of patching something onto existing technology).

Palo Alto already had two distributors in Japan, and its Japanese subsidiary was cautious about selecting a third distributor. Amid that caution, when the management team from Palo Alto's head office visited Japan, we kept negotiating with them, explaining our view of the market and our business plan over and over. That persistence paid off, and we were able to become their distributor.

We faced many difficulties during the launch phase in particular. While the term "next-generation firewall" is widely known today, back then, it was relatively unknown, as was Palo Alto Networks, which has since become the world's largest manufacturer specializing in cybersecurity. For this reason, together with Palo Alto's people and forward-thinking resellers, TechMatrix steadily preached this new concept and the value of the products, overturning the conventional Japanese firewall market and opening up new markets.

In the course of Palo Alto's rapid growth, it has undergone many changes, including the addition of new features and the release of products and services due to corporate acquisitions. TechMatrix's pursuit of the business with a sense of speed and flexibility to keep pace with Palo Alto has earned us high commendation from Palo Alto as their top distributor in the last fiscal year, not only in Japan, but also in APAC (Asia-Pacific region).

Due to the impact of the pandemic in 2020 and increasingly sophisticated attacks, there has been a dramatic expansion in the need for the cloud-based security service, SASE (Secure Access service Edge), in addition to hardware next-generation firewalls, which had been our main business. As we anticipate demand for integration of security measures and services that automate operations with AI, our aim is to catch up quickly and contribute to the safety and security of our Japanese customers.

Makoto Nihashi
General Manager of Sales Department 2, Network Security Division

Since joining the Company as a new graduate in 2002, Nihashi has been involved in technology and sales of multiple network security products.
After working in sales since the start-up phase of the Palo Alto business in 2009, he is now the General Manager of the Sales Department that handles Palo Alto, F5, Dell Technologies, and other products. He is in charge of the development of TechMatrix's proprietary services and the launch of new products.

*A product that protects against security threats that cannot be protected with conventional firewalls.

Strength.02
Expertise and Technological Capabilities

Moving away from a labor-intensive business model unique to Japan's information service industry, we polish Business 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.

CASE STUDY Achieving Robust Security

Security monitoring service to protect customer environments from sophisticated cyberattacks

TechMatrix Premium Support (TPS) is a security monitoring service that was launched in 2019. Security monitoring services constantly monitor the alerts of intrusion detection systems (IDS), which are security products that detect attacks on public systems by crackers (attackers). These services first appeared on the Japanese market in around 2000. TechMatrix has also provided a similar service under the name of TRINITY since 2013. To address new security threats, we have since launched a new service with greatly enhanced functions.

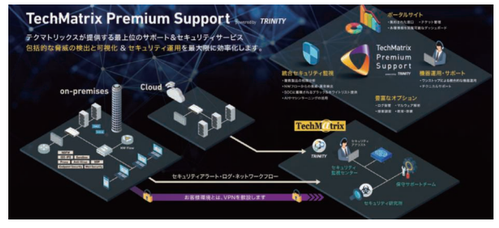
Security monitoring services have mainly covered "public systems" such as web servers. However, targeted attacks involving the theft of sensitive data by breaking into company intranets started to become prevalent around 2011, and ransomware attacks, in which the attackers encrypt the accessed data after infiltration and demand ransom, are now rampant. To counter these new threats, TPS features correlation analysis and detailed endpoint investigation functions.

Correlation analysis is the analysis of the correlation between the alerts of multiple security products, making it possible to detect attacks that could not be detected in an individual event. The TPS correlation analysis engine, independently developed and operated by TechMatrix, automatically analyzes multiple alerts, enabling the wide-ranging, rapid detection of incidents. The correlation analysis engine is also updated as necessary based on the analysis to respond to new attacks.

Detailed endpoint investigation is usually conducted with products known as Endpoint Detection and Response (EDR). As EDR detects and protects against characteristic attacker behavior, advanced skills are required to use it effectively. Here at TechMatrix, specialist engineers, who have advanced technical skills in conducting digital forensic analysis (detailed endpoint analysis), provide MDR* services, involving detailed endpoint investigation with EDR. This makes it possible to detect and respond rapidly to risks in the customer's environment.

TPS is an enhanced security monitoring service for detecting and protecting against sophisticated cyber attacks. As I explained earlier, TPS has the distinctive features of correlation analysis and detailed endpoint investigation, but its real strength lies in the advanced technological skills of our security engineers who provide the service.

Cyberattacks are evolving day by day, but our engineers are also constantly improving their skills and devoting their efforts to the protection of our customers' environments.



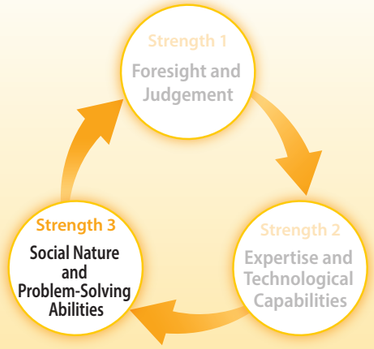
Takashi Sayama
General Manager, Security Laboratory

Sayama began his career in security as a SOC analyst in 2003, and he has worked as a security engineer and consultant for security companies and antivirus vendors. At TechMatrix, he is involved in a wide range of activities, including the launch and operation of the monitoring service, TPS, as well as individually engaging in the development of security AI and research of cyber security threats.

*MDR (Managed Detection and Response): Service that provides real-time analysis of detection alerts of EDR products and remote detailed analysis.

Strength.03
Social Nature and Problem-Solving Abilities

We find potential social issues in the cybersecurity field, which can be described 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.



CASE STUDY Solving the DX Issues of the Education Industry

Offering unprecedented services to education settings nationwide

The EdTech Division provides "Tsumugino," a school communication platform and school affairs support system, as a cloud service. School affairs include teachers' duties, such as, at junior and senior high schools, entering the results of midterm and final exams and preparing report cards, management of attendance information, and management of basic information such as students' names and addresses. Communication refers primarily to interactions between schools and guardians/students. It includes teachers' receipt of students' absence notices from guardians and guardians' receipt of announcements from the school, and the achievement of two-way communication through a separate chat function.

Hiroshima Gakuin Junior & Senior High School adopted "Tsumugino" in August 2022 based on comparisons with existing systems and with other competing companies. The school had been attempting to improve its operational efficiency by integrating school affairs, health, communication and other functions for about 15 years, but had been unsuccessful due to a lack of vendors capable of providing such a service to the educational ICT market. At that time, the school encountered "Tsumugino," which made it possible to integrate student attendance, grades information, timetables, facility reservation status, sick-bay information, and communication functions.

As one example of the operational efficiency improvement it has achieved, because student attendance information is automatically registered on the school affairs system, the school has been able to reduce the workload of clerical staff, who would, under a conventional system, need to enter the information into the system after receiving a telephone call from the student's guardian. This function also assists with coordinating information within the school and mitigates the need to count students' present and absent days manually using a paper-based attendance ledger. In addition, report cards, which were previously sent to each family in paper form, are now distributed digitally on "Tsumugino," allowing students and guardians to review them whenever necessary. In this regard as well, whereas previously, it took time for teachers to print the report cards, place them in envelopes, seal them and send them, since the adoption of "Tsumugino," these kinds of clerical tasks every term have been reduced and operations have improved significantly.

In addition, as "Tsumugino" is available as a cloud service, there is no need for schools to set up servers and other equipment or to assign an operations manager. Because TechMatrix is responsible for system maintenance and operation, schools that have difficulty appointing their own in-school information systems manager can rely on us for system operation, which will contribute greatly to reducing the burden on teachers in actual education settings.

Unlike regular companies, the difficulty faced by schools in appointing dedicated personnel in charge of system operation has meant a lack of progress in the establishment of information systems in schools. In this regard, "Tsumugino" supports education settings as an all-in-one system.

Hiroshima Gakuin Junior & Senior High School

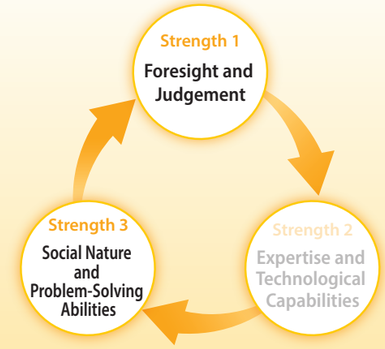
学びを 未来へ 紡ぐ
ツムギノ
tsumugino

Naoya Shibayama
Manager,
Tsumugino Solutions Sales Section,
Tsumugino Solutions Sales Department,
EdTech Division

After joining TechMatrix in 2013, Shibayama worked in sales in the CRM Solutions Division for eight years. He made proposals tailored to specific industry issues for call center customers in various industries, including automotive, electronics, finance, food, pharmaceuticals, media, and transportation. In 2021, he joined the EdTech Division (known then as the New Business Development Unit), where he now works on solving issues specific to the education industry with "Tsumugino."

Strength.01 × Strength.03
Foresight and Judgement × Social Nature and Problem-Solving Abilities

By combining "Foresight and Judgement," for reading and understanding changes in societal needs and advances in technology, with "Social Nature and Problem-Solving Abilities," for solving issues by emphasizing the public and social good, we enter markets that have growth potential and high social impact at an early stage and solve various issues in the relevant fields, thereby creating social and economic value.



CASE STUDY Contributing to the Creation of Information Infrastructure

Okayama University Hospital's initiative for use of medical information with PHR services

With the intention of making medical information accessible to everyone, TechMatrix launched its smartphone app-based PHR*1 service, "NOBORI," in 2020.

Just as we were considering our theory that university hospitals had particularly strong needs for sharing medical information with patients, given that many of their patients are suffering from difficult diseases and they cooperate with many other healthcare institutions, we received an opportunity to be introduced to Okayama University Hospital. In the course of our many meetings with Dr. Maeda, the Director of Okayama University Hospital, we learned about the challenges the hospital faced, namely (1) the need for healthcare coordination and cooperation within the region, and (2) the high barriers to the use of medical information for necessary research. Through those discussions, we obtained hints that PHR could provide a solution to these challenges. We immediately pursued a proposal for the use of medical information by building a mechanism for using PHR to approach patients directly.

After launching PHR at Okayama University Hospital in May 2022, our first task was to promote the use of PHR as infrastructure for coordinating medical information within Okayama Prefecture. In addition to the conventional coordination of medical records between medical facilities, our aim is for healthcare coordination and cooperation based on patient participation, in which patients themselves would share their medical information with the healthcare institutions that they attend.

We also had the opportunity to speak to Ms. Iwatani, Vice Director of Okayama University Hospital and Director of the hospital's Department of Nursing. She told us that, while hospitals in many Western countries have access to case data after discharge in the order of several thousands of cases about the functional prognosis of ICU patients, hospitals in Japan are having extreme difficulty collecting similar case data.

We proposed that, if PHR could be used to obtain post-discharge data directly from patients, it may be possible to gather a comparable amount of data in Japan as well. This led to the start of discussions to consider the use of the PHR app as the infrastructure for ePRO*2. This initiative involves making clever use of PHR in areas where hospitals have, until now, faced difficulties in ascertaining the status of patients admitted to the ICU after they have been discharged, such as obtaining post-discharge prognosis information and information about medication side-effects.

By examining the issues from the same viewpoint as end-user healthcare institutions and addressing realistic challenges, we hope to extend our "NOBORI" smartphone app into a new means for regional cooperation and coordination and for communication between healthcare institutions and patients, and further, into an infrastructure for the support of medical research. In doing so, we hope to continue our efforts to solve the issues of healthcare settings.

Okayama University Hospital

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

Tomomi Tanaka
Director and Division Director,
New Business Development Division,
PSP Corporation

Tanaka believes that listening to the people on the ground is the top priority for launching this new PHR business, and holds regular discussions with Dr. Maeda and Ms. Iwatani as she advances this project. The fact that it is such a complex subject, namely the disclosure of medical information, gives her a great sense of reward, and she visits healthcare institutions all over the country on a daily basis.

*1 Abbreviation of Personal Health Record.
*2 Abbreviation of electronic Patient Reported Outcome.

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 targets)	Solution	CASE	Value provided
Industry, Innovation and Infrastructure		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		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		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		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		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		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		プラチナくるみん 子育てサポートしています	TechMatrix's • Human resources development • Career development support • Support for acquiring qualifications • Promotion of women's success in the workplace • Creation of an organizational climate • Employee engagement Materiality: Training and Education P.45 Materiality: Diversity and Equal Opportunity P.47	**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. Relevant initiatives are constantly in place, such as the Career Challenge System. In addition, we received "Platinum Kurumin" certification in recognition of our efforts to promote women's success in the workplace.

Risks and Opportunities

We have identified the risks and opportunities that could affect our medium- to long-term value creation, taking into account the ever-changing external environment. We will continue to improve value creation by appropriately responding to risks and taking advantage of opportunities to address social issues for a better future and a sustainable society.

Changes in the external environment	Risks	Opportunities and countermeasures	Related initiatives
	* These risks do not necessarily cover all of the risks that the Group is aware of.		
Economy/ Corporate management • Political trends and trade restrictions in the global economy • Fluctuations in exchange rates	• Possibility of difficulty in procuring products and services if an overseas supplier is acquired or goes bankrupt, or if a Japanese subsidiary is established and its sales network is revised • Possibility that our business performance and financial position could be affected by rapid fluctuations in exchange rates	• Strengthen relationships with suppliers and develop new suppliers • Hedge currency risks through forward exchange contracts/Price negotiations with buyers	• Message from Top Management P.11 • Strengths and Case Studies: Beginning of the Palo Alto Business P.19
Technological innovation/ Market competition • Intensifying competition in the IT industry, where technological innovation is rapid (emergence of new services in fields such as generative AI) • Acceleration of digital transformation	• Decrease in competitiveness due to the Group's or suppliers' delay in responding to technological innovation • Decline in competitiveness due to the entry of major companies and the rise of start-up companies • Impact on our financial position due to intensifying price competition with other companies	• Improve the business structure so that it is less affected by the decline in competitiveness of suppliers (strengthen high-value-added solutions and services) • Promote in-house research and development / Promote M&As, capital and business alliances with companies that can complement the business areas of the Group or competitors in the same industry • Secure differentiation and added value in specific business fields	• Strengths and Case Studies: Solving the DX Issues of the Education Industry P.21 • Strengths and Case Studies: Contributing to the Creation of Information Infrastructure P.22 • Medium-Term Management Plan P.27 • Strategies by Business Segment P.29
M&As/Capital and business alliances • Relative expansion of overseas markets • Growth limits of the profit model of existing business domains	• Impact of the discovery of significant unconfirmed matters that were not anticipated after the investment • Possibility that the synergy expected after the investment is not created, or that dis-synergy occurs • Impact on financial position due to a significant decline in the fair value of the shares held as a result of the investment	• Conduct detailed due diligence on matters such as finance, tax, legal affairs, and business • Regularly evaluate our investments at fair value and also conduct qualitative evaluations in light of the original investment objectives	• Medium-Term Management Plan P.27 • Financial Strategy P.37
Information Security • Sophistication and diversification of cyberattacks • Increase in security issues associated with remote work	• Claims for damages from client companies and loss of trust in the Group due to information leaks or tampering caused by viruses or unauthorized access • Adverse impact on our credibility and brand image in the event of a serious system failure	• Acquire and maintain ISO/IEC 27001 and JISQ27001 certification • Hold meetings of the Information Security Committee headed by the management team • Evaluate operational status through internal and external audits • Establish a CSIRT and strengthen incident response • Conduct security training programs for all employees	• Strengths and Case Studies: Achieving Robust Security P.20 • Materiality: Information Security P.39 • Information Security Committee P.40
Diversification of human resources and work styles • Worsening labor shortage • Promotion and establishment of new ways of working • Expansion of diversity and inclusion	• Intensifying competition for IT talents • Failure to achieve business plans due to the outflow of talented personnel and delays in training • Decline in organizational performance due to a decrease in job satisfaction and ease of work	• Strengthen recruitment of new graduates with high potential and mid-career professionals who can be immediately effective • Expand training and educational support • Design various systems that aim to balance life events • Planning and implement measures to improve employee engagement	• Materiality: Training and Education P.45 • Materiality: Diversity and Equal Opportunity P.47 • Employee engagement P.48
Natural disasters, pandemics, etc. • Uncertainty about global environmental issues • Disruption of the global situation due to climate change	• Impact on business continuity due to natural disasters and pandemics • Impact on investment trends for the products, maintenance and various IT services provided by the Group due to disruptions in the supply chain and confusion in economic activity	• Formulate a business continuity plan (BCP) for each business and conduct regular reviews at least once a year • Increased demand for products and services (cloud services, etc.) that contribute to decarbonization • Formulate and implement climate strategies and action plans	• Materiality: Climate Change P.42
Legal Regulations/Compliance • Tightening regulations in the digital field • Strengthening of risk management functions • Increase in corporate scandals and management risks	• Impact on business performance and creditworthiness due to violations of domestic and international laws and regulations • Increase in regulatory compliance costs due to trends in the enactment and amendment of related laws and regulations, as well as administrative responses, etc.	• Strengthen corporate internal controls and risk management • Collect information on regulations in each country and take actions • Develop and disseminate rules to ensure compliance, and hold regular education and training • Respond in a timely and appropriate manner through the whistleblowing system	• Dialogue of Outside Directors P.49 • Internal Control Committee P.56 • Corporate Governance Whistleblowing System P.59
Human rights compliance • Respect for the individual • Widespread adoption of fair labor practices • Changes in the environment surrounding companies and human resources	• Lawsuits and administrative penalties for not paying attention to issues related to human rights, and deterioration of reputation • Economic losses and a decline in social trust if appropriate corporate action is not taken	• Improve loyalty among a diverse workforce • Establish the "Basic Human Rights Policy" and "Guidelines for Business Partners" • Understand and evaluate risks through human rights due diligence • Address various human rights issues appropriately to increase corporate value	• Basic Human Rights Policy Human Rights Due Diligence P.60

Medium-Term Management Plan

New Medium-Term Management Plan (2024–2026)

Creating Customer Value in the New Era

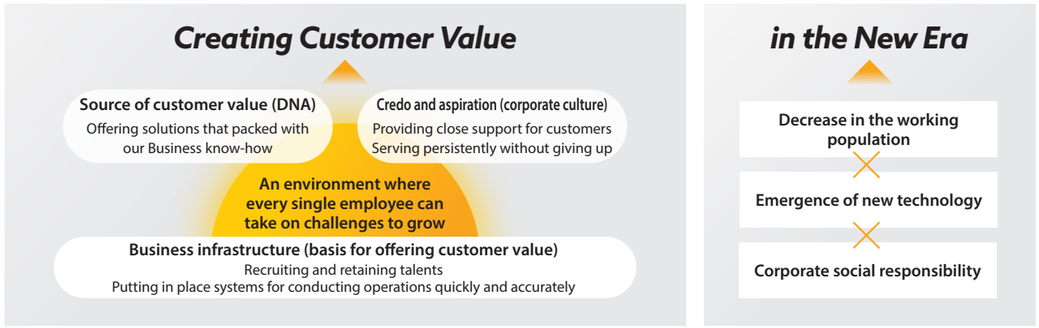
In the new era, the TechMatrix Group will continue to be a company that creates a better future by solving social issues with solutions that incorporate our "Foresight" and "Business know-how" and will provide more customer value.

Thoughts on the New Medium-Term Management Plan

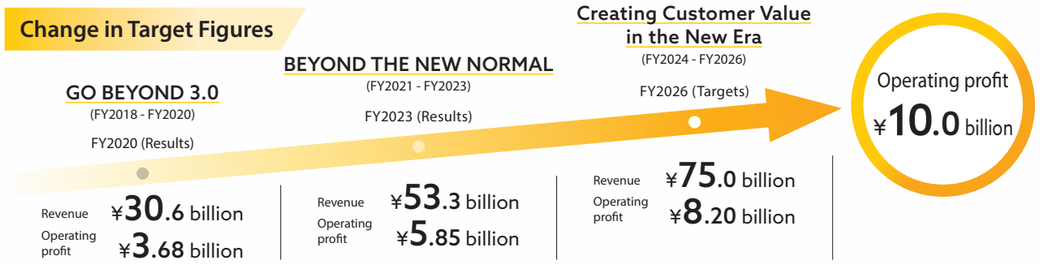
The emergence of new technologies such as AI, which continues to evolve on a daily basis, the decline in the domestic workforce due to the falling birthrate and aging population, and changes in the social responsibilities that companies must assume, are all contributing to the emergence of a new era. In this new era, the TechMatrix Group will continue to be a company that creates a better future by solving social issues with solutions that incorporate our "Foresight" and "Business know-how". The new Medium-Term Management Plan (Creating Customer Value in the New Era) has been formulated with the aim of continuing to improve "customer value."

"Foresight" means discovering cutting-edge technologies and social issues that need to be solved, and then solving the discovered social issues with our "Business know-how." For specific industries and operations that require expertise, the TechMatrix Group recognizes that its strength lies in its deep business knowledge as a result of the hundreds and thousands of customers it has served. "Customer value" refers not only to the solutions and services we provide, but also to the value our customers perceive in the branding image of our company that provides them, the way our employees treat our customers, and the procedures and interactions in their dealings with us.

Creating Customer Value in the New Era

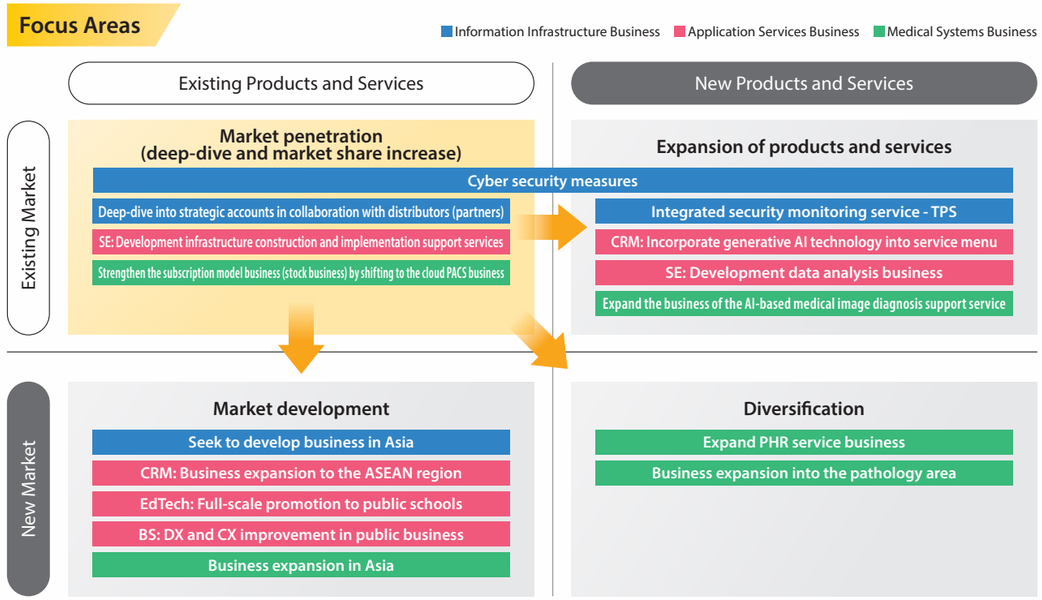


Change in Target Figures



Key Strategies

Focus Areas



SE: Software Quality Assurance field, BS: Business Solution field

Data utilization

Support of automation and labor saving through data utilization for customers of our solutions

Business Strategies by Segment

Information Infrastructure Business Unit

Strengthening human capital and organizational capabilities to seek to expand the portfolio and bring about the success of customers

Takeya Shiga

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

New Appointment Greeting

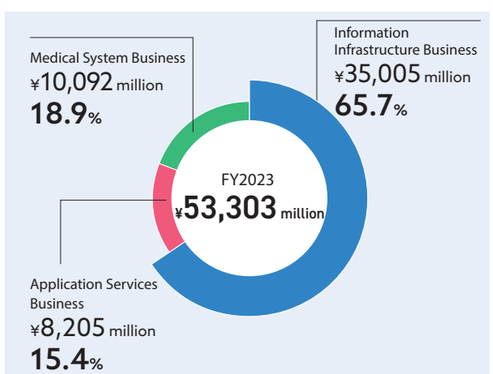
Intention to raise corporate value under a new system

I'm Takeya Shiga and I took the baton from newly named President Yai and was appointed Head of Information Infrastructure Business Unit. Since joining the Company in 2000, for the past 24 years I have been involved in jobs related to network security. The actions surrounding network security move at a dizzying pace, so even today I engage in my work with a keen sense for the importance of continuing to study.

While continuing to support the new management structure, I intend to further contribute to raising corporate value.

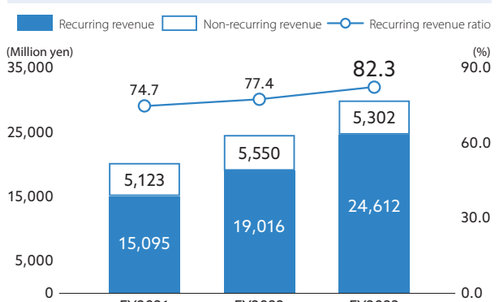
The Information Infrastructure Business has been the Company's main business since its founding and accounts for around 60% of company-wide revenue. Of this, around 80% is subscription-based revenue, an area of focus these past few years, and this revenue is not only growing, it is contributing to our stability. The origin of the Company's name is to create business with technology on the horizonal axis and the market matrix on the vertical axis. I handle the technology on the horizontal axis and provide network security that is needed in various businesses from CRM to medicine and education.

Revenue Breakdown by Business Unit



Recurring Revenue Ratio in Information Infrastructure Business

Recurring transactions, centering on subscription-based contracts, account for 82.3% of revenue



Strengths of the Information Infrastructure Business

Leading the market with advanced technology and total support

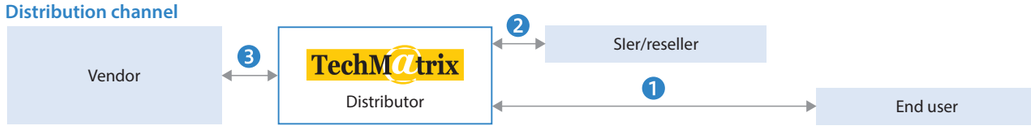
Looking at the Information Infrastructure Business Unit alone, we conduct business in the position of a distributor connecting vendors (manufacturers) who develop network security-related products and Slers (resellers) who systemize these products and provide them to end users. From vendor to distributor to Sler to end user, we have played an important role within this business flow. Slers handle the work of building company systems, but in the domestic market in particular there is a tendency to rely heavily on Slers who have many engineers. But Slers have to keep up with numerous technologies and there is a limit to their ability to find the optimal one for the user's needs from all the technologies available. This is why they need the support of distributors like us. In addition, for the vendors upstream, we are indispensable to delivering to users their products efficiently and appropriately.

Distributors are constantly looking ahead to find new technologies and must have the technological capabilities to accommodate them. This is especially true in the world of cyber security, where a cat-and-mouse game with hackers continues. The Company's Foresight is truly a strength. We look ahead at issues and backcast from there to introduce new technologies ahead of other companies. In addition, committing to one vendor in each area, we have established dedicated teams in sales and technology, and through this search for product knowledge, build trust with vendors and successfully provide added value to users. Moreover, we don't just sell products, we provide total support for maintenance and operations. And, when there is trouble, we provide robust support in which we face the problem directly and continue to respond sincerely. This is a point we have been commended for. By combining these elements, our several security products have earned track records of No. 1 in domestic sales, and as a security solutions distributor, I am proud that we play a prominent role.

Position as a Distributor

As a distributor we provide value to vendors, Slers, resellers, and end users.

Distribution channel



1 For the end user

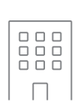
Speedy and accurate response to maintenance issues

- For primary maintenance in Japan, can provide support in Japanese
- Started a knowledge site operated by TechMatrix for support in solving one's own problems at any time

2 For Slers/resellers

Transfer of technical skills related to products and support for technology

- TechMatrix dedicated engineers provide building services and support
- Technical training by TechMatrix dedicated engineers for the system engineers at Slers



3 For vendors

Accurately convey domestic needs and contribute to increased sales

- Understand vendor sales strategies and contribute to expanded sales in Japan
- Possess products and specialized knowledge equivalent to vendors, and support solution proposals for security issues

Market Environment and Issue Recognition

Strengthen responsiveness to evolving technologies

At the same time, there are issues. With a variety of environmental changes anticipated, including rapidly evolving technologies and new activity in the industry, securing human resources and strengthening systems to accommodate these changes is a major initiative. One change is the platformization of security. For security vendors to respond to more complex, advanced threats and lower their operating load, they are promoting platformization in the areas of application security, cloud security, and the upgrading of security surveillance centers. Platformization makes it possible to apply an integrated security policy, rapidly detect and respond to threats, and strengthen and raise the efficiency of risk management. At the same time, engineers require a broad range of knowledge and skills spanning multiple technical areas, including security, networks, and clouds. However, there are a limited number of engineers with this combination of skills, and education and training are an important issue. Platformization does have issues, such as the scarcity of engineers, but it brings about opportunities for cross-selling and upselling, and it constitutes a major business chance, so the Company will continue to make investments to strengthen its engineers. In the area of network security, which has high growth potential, many distributors are entering the market, so to win out with greater competition, investment has become more and more important.

In addition, there is also the matter of responding to cloud natives. In the realm of cloud natives, networks have also been converted to software, so different technologies and skillsets than in the past have come to be necessary. Group company CASAREAL has a training program for cloud natives, so our engineers are also participating and learning coding and other technologies.

Looking back at the previous Medium-Term Management Plan, we were able to achieve our results targets thanks largely to cloud security products, where demand is increasing, but we recognize there are still issues. The added value we ourselves provide is not enough. In particular, we see that advancing security-related operation and monitoring service (TPS) and the expanding of their sale as important factors for continuing to be selected as a distributor, and in the new Medium-Term Management Plan, we will seek further evolution, including through the use of AI.

Direction of New Medium-Term Management Plan

Focused on expanding the portfolio by making "Foresight" an organizational quality

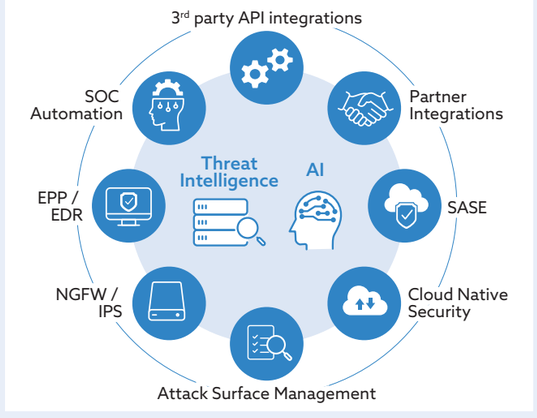
In the new Medium-Term Management Plan, "Creating Customer Value in the New Era," which recently started, there is no change to the assumption that cloud security products will continue to drive growth and results. The revenue model is based on accumulation through subscriptions, so cloud security products are expected to increase product sales and steadily increase the level of earnings. At the same time, we've set a conservative target for the operating profit margin. This is because we plan to invest in bolstering support systems and strengthening engineers, and, further, in testing facilities in response to new technologies. Support quality and proposal capability (technical capability) are key points when customers and partner companies select a distributor. I say accumulation of revenue through subscriptions, but there is no guarantee that transactions will continue. We plan to invest in securing and training personnel so that our support system remains robust even as we grow in scale and also invest in AI utilization to increase the efficiency of that support.

At the same time, our strategic initiatives are to respond to the issues I've just raised and also to expand our portfolio and bring about success for our customers. We also have our sights set on overseas expansion. We see portfolio expansion as a medium- to long-term theme indispensable to our sustained growth, and we launched a dedicated organization this year to this end, the Solution Development Section. I don't deny that "Foresight" is an individual attribute, but, going forward, in order to further develop our business, we need to make "Foresight" an organizational quality and must discover new technologies in order to win the competition with other distributors. Customer success is tied to "Customer Value" in the title of our new Medium-Term Management Plan, and for the success of our customers we will provide support so that our solutions are utilized to the maximum extent. As a part of this, we created partner account engineering teams. We help provide value to the end user by assigning a dedicated system engineer to each partner, which not only helps continue the transaction but also leads to upselling and cross-selling.

Regarding overseas expansion as well, we are considering expanding into the ASEAN region, which is experiencing remarkable economic growth, and over the next three years we intend to reveal a concrete direction.

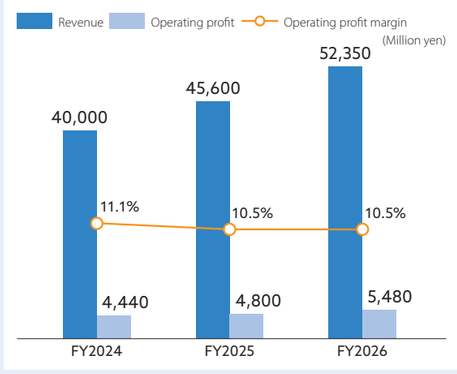
Security Platformization

The current mainstream in security measures is defense in depth, but there are major issues in coordinating, managing and operating between products. Security platformization utilizes cloud-based threat intelligence and AI to make comprehensive risks visible and allow them to be evaluated. This makes it possible to quickly respond to attacks. This also raises the efficiency of operations, and the security team can utilize resources more effectively.



New Medium-Term Management Plan Targets

- Planning active investment to strengthen support systems
- Considers exchange rates, whose outlook is unclear



POINT

The strengths of the Information Infrastructure Business are responsiveness to technology as a distributor and across-the-board support.

The main issues are human resources development and improving skills as technology evolves.

The new Medium-Term Management Plan aims for growth of cloud security products, portfolio expansion, strengthening customer success, and overseas development.

Application Services Business Unit

Strength in Business know-how specialized in specific markets
Will aim for sustained growth through business expansion in the ASEAN region and development in the education sector.

Takeshi Suzuki

Director, Senior Operating Officer,
Head of Application Services Business Unit and Manager of CRM Solutions Division

Strengths of the Application Services Business

Providing best practices in specific markets

The Application Services Business Unit conducts the CRM business, which supports improvements to productivity and customer experience at contact centers, the software quality assurance business (SE business), which supports software development, the business solutions business (BS business), which assists risk management operations at financial institutions and supports DX at companies and government agencies, and the EdTech business, which supports the revitalization of communication and learning with new quality in school education. We solve issues faced by customers, such as raising productivity and improving processes. The Medical System Business was spun off from the Application Services Business Unit in the fiscal year ended March 31, 2022 and made a new independent segment.

Our strength lies in having accumulated Business know-how in specific markets and implementing it as application functions. For example, the contact center system we developed ahead of other companies has a top-class record of installations. Through these numerous installation examples, we identify common issues and repeatedly improve functions by incorporating their solutions into products, which are provided as best practices. In addition, customer satisfaction is high and the services are deeply embedded in day-to-day operations, so cancellation rates are extremely low. I think this is a major characteristic of our business.

Looking Back on the Previous Medium-Term Management Plan

Established revenue foundation via a shift to subscription-based model and strengthened strategic coordination

In the previous Medium-Term Management Plan, we made a major change by switching to a subscription-based business model, which temporarily delaying the timing of revenue recognition, and we started in the initial year with a loss. However, recurring revenue steadily accumulated and in the final year we were in the black. Also, in terms of strategy, we were able to produce results for the future, including a business alliance in the AI sector. We formed an alliance with Mobilus, which is particularly strong in non-voice (chat, LINE, bots, etc.) and the generative AI field. The alliance accommodates the rising need for switching to non-voice and process automation at contact centers (CRM business), and will strengthen the Company's competitiveness. In the SE business, demand for test tools to assure software quality remains firm, and we are especially capturing demand for in-vehicle software related to the introduction of IT in automobiles. Furthermore, financial system-related projects in the BS business were integrated into Group company ARECCIA Fintech Corp. in July 2023, and a system was created to pursue synergies for financial DX support utilizing fintech solutions, for which demand is increasing.

At the same time, an issue is our relatively slow expansion of the CRM business into the ASEAN region compared to expectations. We are laying a foundation by equity investment in local companies and establishing local subsidiary, but these moves have yet to produce results. In addition, in the EdTech business, we have had some success with progressive private schools, but installation at public schools is still sometime in the future. Sales talks are increasing substantially, but it will still take some time before final decisions are made. Our biggest issue when it comes to future business expansion is securing human resources. This is particularly true for AI technology. AI has become an elemental technology that is essential to increasing business efficiency and raising added value, so along with utilizing outside resources, securing human resources with expertise in AI is a major issue.

TOPICS Capital and business alliance with Mobilus

Increase contact center productivity and raise customer satisfaction

TechMatrix

Top in Japan in CRM

Strength in multi-channel centering on voice (telephone)

Comple-mentary

MOBILUS

Top in Japan in chatbots for corporations

Strength in non-voice (chat/LINE/bots) and generative AI

● Synergies

Marketing coordination (mutual marketing)
The Company to sell Mobilus products on an OEM basis
Mobilus to sell the Company's products as a sales agent

Marketing
Joint implementation of advertising and sales promotions and cooperation in attracting customers

Product and service development
Coordination between Mobilus products and the Company's products
Joint research and new business development

Overseas business
Sales of Mobilus products in the ASEAN region

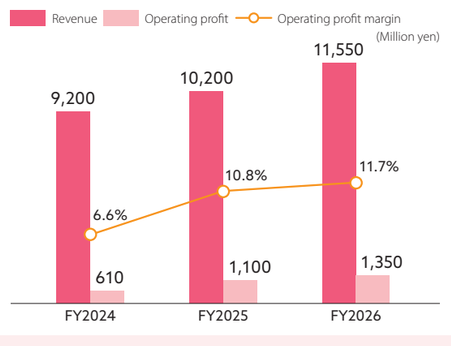
Direction of New Medium-Term Management Plan

Accelerating growth strategy by strengthening human resources

The new Medium-Term Management Plan, which started recently, will further promote the subscription model. Revenue is expected to grow by approximately 1.4 times over three years and segment profit to increase by approximately 4.2 times. Major improvement is also expected in the profit margin, from 3.9% the previous term to 11.7%. We will work to raise revenue in the CRM business and also the EdTech business, SE business, and BS business. In addition, with regard to human resources, we plan to hire around 100 people over three years in the Application Services Business Unit overall. The centerpiece of our strategy consists of increasing the efficiency of contact centers using generative AI, expanding business in the ASEAN region, and fully expanding the EdTech business into public schools. We have positioned the ASEAN region, where economic growth is particularly remarkable, as pivotal to our medium- to long-term growth strategy. Based on issues made clear through the previous Medium-Term Management Plan, we will strengthen sales capabilities centering on TechMatrix Asia, a local subsidiary established in Thailand. Just like business in Japan, major players will be strong competitors in the ASEAN region as well, but we hope to verify the hypothesis that being at the top of a niche will be effective in the ASEAN region, too. The Group is developing business overseas, centering on the ASEAN region and led by the CRM business. One of the basic strategies of the Medium-Term Management Plan is "Expanding business in the overseas market," and we will accelerate overseas development in other businesses as well. With the CRM business leading the way, we intend to establish a growth trajectory in the ASEAN region. In addition, in the EdTech business, which is in the investment phase, we will continue with upfront investment to expand functions, etc. and strive to boost revenue through full-fledged expansion into public schools.

■ New Medium-Term Management Plan Targets

- Promote shift to subscription-based business
- Smaller loss in the EdTech Business



Medical System Business Unit

Dominant share of cloud-based medical imaging systems
Developing a business to make the large amount of data we've been entrusted with beneficial to people's health and medical development

Yoshihisa Yoda

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

Strengths of the Medical System Business

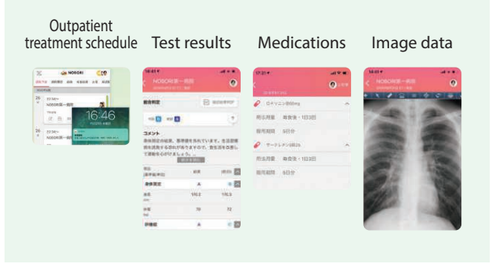
Providing high value-added services through the shift to the cloud ahead of competitors

The Medical System Business provides medical-related services, including a medical imaging system (PACS) that allows medical information such as CT scans and MRIs to be managed and used. It became possible for private-sector companies to be entrusted with medical information in 2010, and in 2012, saving data from multiple facilities in virtual storage was permitted, as the cloud market for medical information was inaugurated. The Company's cloud service for medical information, NOBORI, was started in 2012 and cloud-based PACS has grown to make us a leading company with a market share of over 70% on the basis of the number of contracted facilities.

Our strength is having promoted the shift to the cloud ahead of other companies. Thanks to this approach, medical institutions are able to keep upfront costs for system installation down compared to the conventional on-premises model, and there are also merits in bringing about high added-value by adding on various functions and services. Also, in promoting the shift to the cloud, we utilize technologies in the Information Infrastructure Business, and providing a high level of security is a factor differentiating ourselves from other companies.

In 2022, through a merger with PSP Corporation, which sells an on-premises PACS, we became the No. 2 company in the industry in the PACS market with a market share of 22%. Currently there are approximately 8,000 medical institutions in Japan, but that number is dwindling due to population declines. For this reason, our near-term target is to drive the shift to the cloud of the industry through business integration and further expand our market share. We are also focused on developing a personal health record (PHR) service targeting general consumers. 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. Through PACS the Company is entrusted with the data of around 53.00 million people (as of the end of June 2024), and we want to enable each person to use their data for their own health management when the data is returned to them and create a mechanism to help medical settings increase their efficiency.

■ Personal Health Record (PHR) Service
Targeting Individuals (patients)



Looking Back on the Previous Medium-Term Management Plan

New launch with the business integration and producing results for the future

Under the previous Medium-Term Management Plan, the period was impacted by special factors arising from the merger with the former PSP Corporation, and this had an effect on profits. But revenue grew steadily and we were able to exceed our final targets for revenue and operating profit. In addition, on the strategy side, we focused on post-merger integration (PMI) with the former PSP Corporation and launching PHR services, a new business. We believe we have produced a certain amount of results for the future. With regard to PMI in particular, we shared a common purpose while integrating development lines and repositioning personnel for the future. In addition, there are now around 250,000 users for PHR services thanks to coordination with Mynaportal administered by the government. PHR services have yet to reach the stage of profitability, but we are currently steadily spreading the service while closely examining the extent of their societal merits.

We began participating in digital pathology through a capital and business alliance with Medmain Inc. and established a joint venture with M3, Inc. to promote businesses using AI technology. We will focus on the results of these ventures for the future. Pathologic examinations involve using a microscope to examine tissues and cells extracted from the patient in order to diagnose cancer and other diseases. Thus far the main methods used though have not been digital. However, introducing AI technology has raised the efficiency of pathologic examinations, and the trend toward digitization is beginning.

Direction of New Medium-Term Management Plan

We will engage in the pathologic field and look to expand overseas, pivoting on the shift to clouds and PHR promotion.

Under the new Medium-Term Management Plan, we will complete PMI with the former PSP Corporation, which has been carried out in stages, and further accelerate the shift to clouds in the mainstay PACS business. Additionally, we will promote PHR services, which are expected to be a future pillar, participate in the pathology field, and, further, invest in overseas expansion. Over the three years of the plan, we will move forward until the form these businesses will take comes into view. For this reason, the three years under the Medium-Term Management Plan are positioned as an important investment phase. A temporary decline in revenue associated with the shift to clouds and upfront investment in PHR services is expected to reduce profit for two consecutive years, but starting in the third year, recurring revenue will accumulate and under this scenario revenue and profit will both turn around and increase. The current ratio of recurring revenue is around 50%. Under the plan, we intend to raise it to 65% in three years and to around 80% in five years. Through this strategy, we will achieve further stable revenue growth.

A stable revenue foundation through the PACS business and the enormous amount of medical image data entrusted to the Company are important information resources. How can this data be used to enhance people's health and further develop medicine? We are thinking about business development from a long-term span of five to ten years from now. We aim to create social and economic value that only we can create and develop business that helps raise the quality of people's lives.

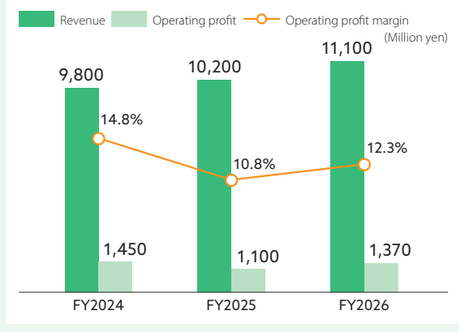
TOPICS Beginning to provide medical image data based on the Next Generation Medical Infrastructure Act, a first for Japan

Coordinating with the Life Data Initiative (LDI) and NTT Data Japan Corporation, PSP Corporation will begin providing medical image data in October 2024 as anonymously processed medical information based on the Next Generation Medical Infrastructure Act. Until now, LDI and NTT Data have provided electronic health records and insurance claim data, etc., but cooperating with PSP, a major player in cloud-based medical imaging systems, they will add medical image data to what they provide.
This initiative is a first for Japan.

See here for the press release ▶

■ New Medium-Term Management Plan Targets

・Investment phase from FY2024 to FY2025 for increased revenue and profit in FY2026 and beyond



Financial Strategy

Yoko Nakamura
Executive Officer and Head of Corporate Headquarters, General Manager of Finance and Accounting Department, and Manager of D&I Promotion Office

Supporting sustainable growth through active and steady financial and capital strategies to achieve the Medium-Term Management Plan

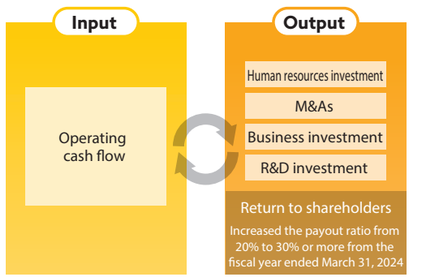
The TechMatrix Group (the "Group") entered the final year of its three-year Medium-Term Management Plan "BEYOND THE NEW NORMAL" in the fiscal year ended March 31, 2024. Among the seven key strategies of the plan, we were particularly successful in promoting the expansion of existing business and the creation of new businesses through "Diverse alliances/M&As." In addition, the effects of the promotion of recurring revenue businesses that we have been pursuing also contributed to steady growth in our business performance, achieving record-high results of ¥53.3 billion in revenue and ¥5.8 billion in operating profit.

In the new Medium-Term Management Plan "Creating Customer Value in the New Era" that started in May 2024, the quantitative targets for the fiscal year ending March 31, 2027 are revenue of ¥75.0 billion, operating profit of ¥8.2 billion, and operating profit margin of 10.9%. The Group has achieved high profitability, with ROE (return on equity) of 17.4% for the fiscal year ended March 31, 2024, including 10th consecutive years of record profits. With the Mission Statement of "the IT professional group who create a better future," we will accelerate the expansion of business areas that are essential for the arrival of a new era, and provide more customer value with solutions to solve social issues. We will continue to actively invest in order to remain a company that creates a better future. At the same time, we will promote management with an awareness of the cost of capital, aiming to maintain a return on invested capital (ROIC) that exceeds the weighted average cost of capital (WACC), so that we can continue to gain recognition from the stock market for medium- to long-term earnings stability and growth potential. In order to meet the expectations of our stakeholders, we will work together to achieve the goals of our new Medium-Term Management Plan through proactive and steady financial and capital strategies based on disciplined management, and will strive to maximize our corporate value.

Cash Allocation

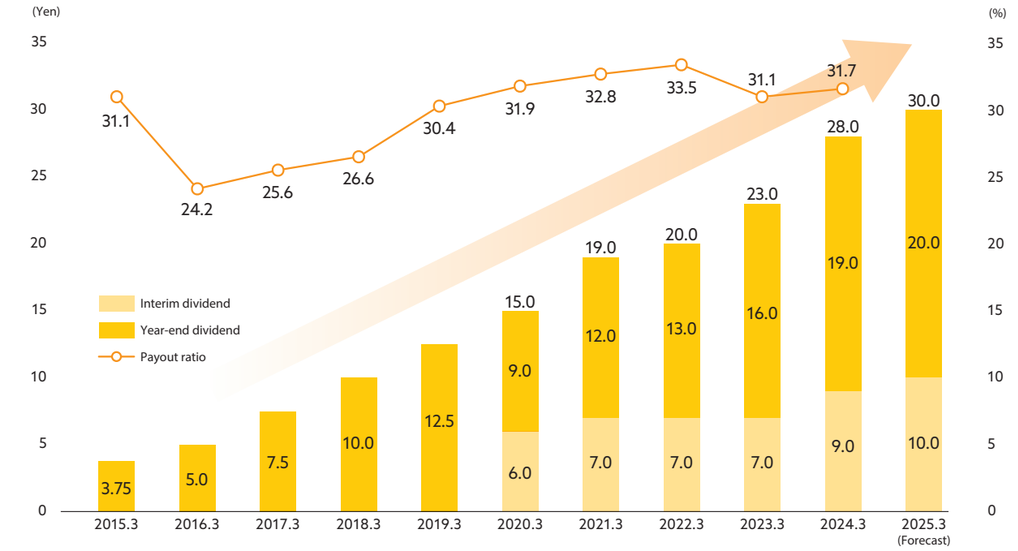
To promote management with an awareness of the cost of capital, the Group will effectively allocate funds while maintaining a balance with financial soundness. Among our investments, we place a high priority on investing in human resources. We will actively work to develop and retain highly skilled IT personnel as our investments in people who are the source of the Group's customer value and our strengths in foresight, technological capabilities, and ability to solve social issues. In addition, we will invest in a variety of ways to achieve growth. This includes investments to expand the products we handle, launch new services, and utilize AI, as well as investments in overseas business expansion, alliances, and M&As. Finally, we consider returning profits to shareholders to be an important issue as part of our efforts to increase shareholder value. The Company's basic policy on profit distribution is determined by comprehensively considering the balance between returning profits to shareholders and enhancing internal reserves. Our basic dividend policy was to maintain a payout ratio of 20% or more on a consolidated basis at the end of the fiscal year. From the fiscal year ended March 31, 2024, we have changed the basic policy to pay a payout ratio of 30% or more to further return profits to shareholders. The forecast dividend for the fiscal year ending March 31, 2025 is an annual ordinary dividend of 30 yen per share (interim dividend of 10 yen, year-end dividend of 20 yen), an increase of 2 yen per share. The Company plans to increase the dividend for the 10th consecutive year.

Achieving a cycle of sustainable corporate value improvement



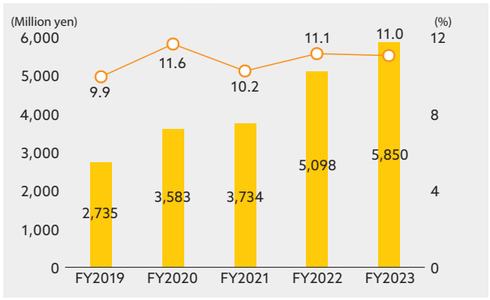
■ Dividends and payout ratios

The annual dividend increased for the ninth consecutive year in the fiscal year ended March 31, 2024
Aiming to increase the annual dividend to 30 yen per share in the fiscal year ending March 31, 2025 to achieve the 10th consecutive years of dividend increases in line with its shareholder return policy

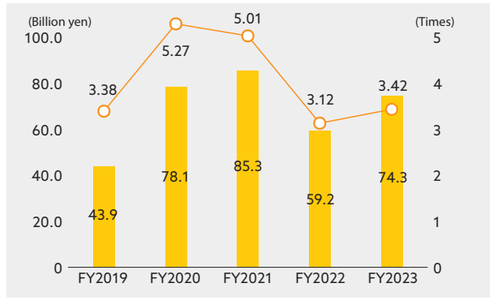


*As of March 1, 2017 and July 1, 2020, we conducted a 2-for-1 stock split. The actual dividend amounts for previous years are displayed based on the assumption that the stock split was conducted.

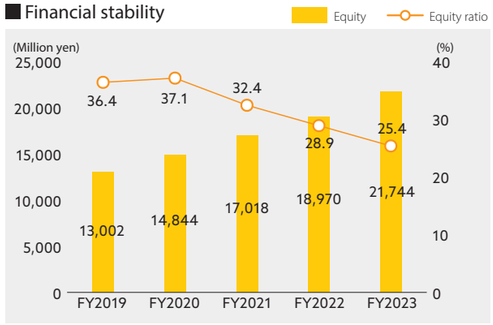
■ Profitability



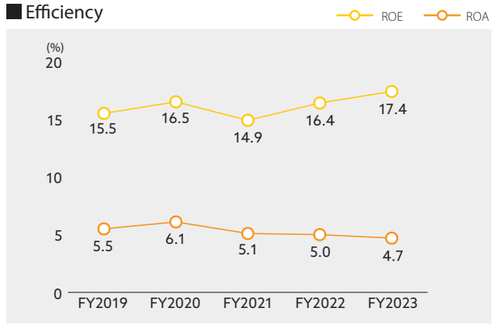
■ Market assessment



■ Financial stability



■ Efficiency



Materiality

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 the external and business environment P.25

Process of identifying materiality

Step 1 Identification of social requests and expectations as well as issues	Step 2 Assessment of materiality	Step 3 Identification of materiality	Step 4 Progress and reporting on materiality
We identified our current issues by referring to frameworks supporting the preparation of integrated reports, such as the GRI Guidelines and International Integrated Reporting Framework.	We assessed our materiality based on the perspectives of the management team given our current situation and management strategies, as well as the perspectives of stakeholders such as employees, customers, and investors.	Following discussions with the management team and management deliberations, we identified our materiality based on our management strategies and society's requests and expectations.	The Sustainability Committee manages progress on a quarterly basis. The progress is reported and discussed at least once a year at a meeting of the Board of Directors to incorporate materiality into management strategies and improve consistency.

Materiality

Information Security	Climate Change	Training and Education	Diversity and Equal Opportunity
• Continue to acquire ISMS certification • Build a high-level security system based on our business	• Disclose information based on the TCFD recommendations • Develop strategies, scenario analysis, and action plans	• Create and increase training opportunities to improve employee skills • Increase training programs for awareness of social issues and compliance	• Implement initiatives to promote women's success in the workplace • Set further quantitative targets

Materiality 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.

Information Security Basic Policy

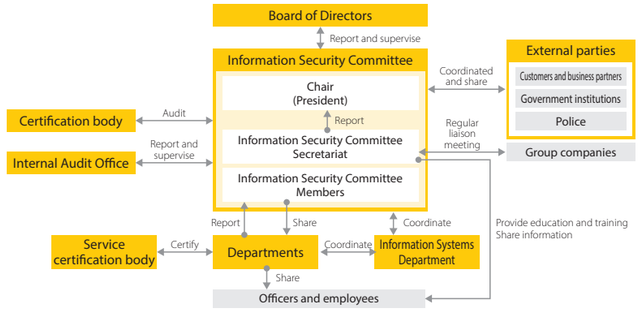
In addition to complying with laws and regulations, TechMatrix has established systems to continuously implement and improve its activities, based on the Information Security Basic Policy through the introduction of Information Security Management Systems (ISMS). For details, please refer to our corporate website.

Personal Information Protection Basic Policy

In addition to complying with the Act on the Protection of Personal Information, guidelines such as the Guidelines for Protection of Personal Information, and other relevant laws and regulations governing the protection of personal information, TechMatrix has established a Personal Information Protection Policy and published it on our corporate website. We develop and maintain systems based on this policy as well as strive to continuously improve them.

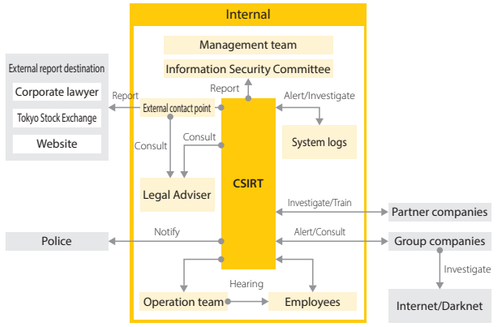
Information security governance

In line with its basic approach to corporate governance regarding the improvement of transparency and efficiency in management, the Company has established an information security governance structure in which the executive functions headed by the President and the supervisory functions of the Board of Directors are clearly separated.



Prevention and detection of and responses to security incidents

The Company newly established a Computer Security Incident Response Team (CSIRT) within its IT Promotion Department for the prevention of incidents from occurring through regular activities and the early detection of incidents and implementation of emergency responses. By enhancing predictions and monitoring from logs, developing response procedures for each incident level, and conducting training, the CSIRT has become an organization that is capable of responses, from detection to recovery, in a swift and accurate manner. Going forward, it will strengthen cooperation with related internal and external organizations.



Protection

- Take a panoramic view of company-wide security measures and constantly evaluate whether the Company has been able to respond to the latest attacks
- Obtain the latest security information, strengthen firewalls and add monitoring functions
- Implement combined preventive measures against increasingly sophisticated cyberattacks, such as on-site targeted attack drills, penetration testing and company-wide education
- Develop response procedures for each incident level and conduct training to prepare for emergencies
- Strengthen coordination with relevant internal and external organizations

Detection

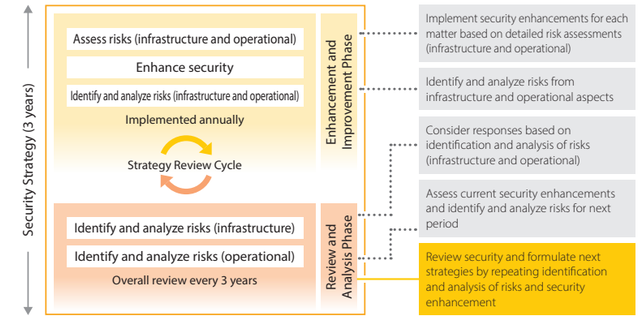
- Enhance predictive incident detection and monitoring functions through appropriate log management

Response

- Distribute monthly monitoring and analysis evaluation results company-wide as a part of awareness-raising activities
- Update the security map based on training, test results, and education contents and continuously implement enhancement measures by evaluating and identifying vulnerabilities with external vendors

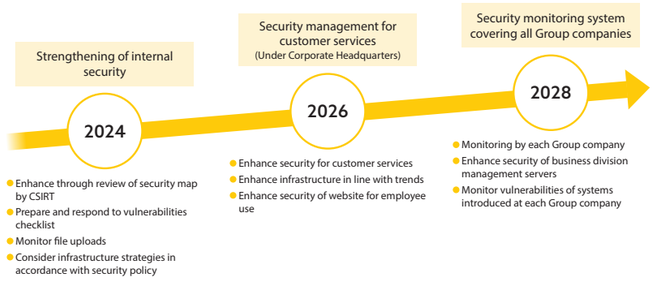
Cycle of strengthening security for incident responses

Based on responses by CSIRT, the Company rotates the PDCA cycle by understanding the current status through periodical risk assessment and taking actions, in its efforts to improve ISMS operation and strengthen incident response capability. Specifically, the Company continuously strengthens security by implementing security enhancements for each matter based on detailed risk assessments conducted once a year and identifying and analyzing risks from infrastructure and operational aspects. In this way, it reviews its next security strategies.



Medium-to long-term security enhancement plan

With the promotion of CSIRT activities and the establishment of rules that are conscious of international standards such as ISO and NIST, the Company plans to achieve the strengthening of internal security by 2024, the strengthening of security for customers by 2026, and the establishment of a security monitoring system that covers all Group companies by 2028.



Initiatives for the strengthening of information security

In an IT society where new technologies are being created and adopted every day, extremely wide-ranging and rapid responses to change are also required in terms of security measures. As a business operator that receives important personal information from stakeholders, the Group implements ongoing initiatives for the strengthening of system security, such as technical measures based on the latest information, including the strengthening of system operation and monitoring.

Physical measures: Support for actualization of rules from physical aspects

- Management of information equipment transfer
- Restrictions on access to facilities and management of entry and exit to rooms (buildings)
- Secure management of highly important information with locks etc.

Technical measures: Support for actualization of rules from technical aspects

- Antivirus measures for information devices, hard disk encryption, and instalment of EDR tools
- Verification of vulnerabilities in public servers and strengthening of protection measures
- Monitoring and control of unauthorized access from outside and information leakage etc.

Education and awareness-raising of information security

The Group believes that, for information security responses and information asset protection, it must heighten awareness of information security among all officers and employees and ensure thorough compliance with various policies.

With this belief, the Company and its Group companies conduct education and awareness-raising activities regarding information security at each company. The Company supports the activities of individual Group companies through measures such as provision of information for educational content. The Company continuously provides all officers and employees with training on targeted email attacks to encourage them new awareness as well as to clearly define the channels for reporting such attacks, in its efforts to raise the level of security literacy of individual employees.

Compliance training › P.60

Initiatives for suppliers

With the growing incidence of cyberattacks targeting supply chains in Japan and overseas in recent years, companies are being called on to strengthen their security measures in consideration of the impact not only on their own companies but on their affiliated companies. Against this background, the Company has launched initiatives regarding security measures that consider the entire supply chain, including subcontractors and suppliers.

Monitoring and review of services provided by suppliers

The Company identifies the security status of supplier companies at least once a year. When deemed necessary, the Company also conducts security surveys and audits through questionnaire surveys (*) of individual companies.

The survey for the year ended March 31, 2023 received responses from all surveyed companies. As a result of the questionnaire survey, companies found not to have taken the necessary measures or not to have applicable situations, were asked to submit reports explaining their current circumstances, reasons, and action plans.

Identify security status once a year

↓

When deemed necessary, conduct security surveys and audits through questionnaire surveys (*) of individual companies

↓

Check results of questionnaire surveys, and seek explanations from companies that have not taken the necessary measures or that do not have applicable situations about their current circumstances, reasons, and plans for actions

* Survey of companies on external certifications obtained related to their protection of personal information and information security and on the status of their management of the protection of personal information (Questionnaire on Protection of Personal Information)

Materiality

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.

Information Disclosure Based on the TCFD Recommendations

1. Governance

Board of Directors' Oversight System

The Company recognizes that its response to sustainability issues, including climate change, is an important management issue, and it has established a system that enables the Board of Directors to exercise more appropriate supervision.

The Sustainability Committee, which reports to the Executive Committee, the body responsible for overall business execution, manages progress on the response to climate change. 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.

Sustainability Committee › P.48

2. Strategy

TechMatrix's Climate Strategy

We have identified the risks and opportunities related to climate change and prepared climate strategies and action plans for risks and opportunities that have a particularly critical impact on our business. We have also conducted scenario analyses of those risks and opportunities whose impacts are thought to be relatively large, using the 1.5℃ and 4℃ scenarios and other parameters.

Category	Risk/opportunity	Time horizon	Impact (response scenario)	Company-wide strategy	Business strategy Information Infrastructure Business	Business strategy Application Services Business
Physical risks (Acute)	(1) Hindrance of procurement by natural disasters, etc.	Short to Long	Estimate loss of net sales expected in the event of delays in supply of our hardware due to impact of floods caused by climate change	・Review BCP	—	—
	(2) Losses in the event of major system failure at a data center due to abnormal weather		No scenario analysis performed, due to low probability of occurrence, even though the impact would be major if it were to occur	・Formulate BCPs for data centers	—	—
Transition risks (Technology)	(3) Loss of growth opportunities and reduced net sales due to delays in responding to demand for decarbonization products and services	Medium to Long	No scenario analysis performed, due to assessment that financial impact would be small	・Participate in climate change-related initiatives ・Promote green procurement ・Products and services that contribute to reduction of GHG emissions	・Promote green procurement ・Products and services that contribute to reduction of GHG emissions	—
Transition risks (Policy)	(4) Increase in procurement costs due to climate change-related initiatives	Long	No scenario analysis performed, due to assessment that financial impact would be small	・Participate in climate change-related initiatives ・Promote green procurement ・Promote energy-saving activities and achieve 100% use of renewable energy	・Promote green procurement	—
Opportunities (products/ services)	Reduction of energy consumption by transitioning to cloud services provided by the Company	Long	・Estimate increase in net sales from impact of climate change ・Estimate CO_2 emission curbing effect of transition to the Company's cloud services	・Visualize volume of GHG emissions reductions from the Company's products and services ・Achieve 100% use of renewable energy	—	・Visualize volume of GHG emissions reductions from the Company's products and services
Other	GHG reduction measures by the Company	Short to Long	—	・Reduce energy used in business activities ・Initiatives for GHG emissions reductions across entire supply chain	—	—

Scenario Analysis

Risks Case **Procurement hindered by natural disasters, etc.**

In light of the possibility of delays in supply of products carried by the Group due to the impact of floods or other events caused by climate change, we estimated the amount of loss of net sales based on the IPCC AR6 and on the probability of floods occurring at our suppliers and customers.

For more information ▶

● Amount of loss of net sales due to natural disasters

Scenario	2030	2050
1.5°C (Million yen)	3.9	4.3
4.0°C (Million yen)	5.4	9.2

Company-wide strategy **Review BCP**

The Company has set up structures to enable a response to various threats, including a large-scale earthquake or pandemic, across the entire Group, and we have strengthened our countermeasures, including the ability to continue business in western Japan in the event that the greater Tokyo area is struck by such a disaster. In addition, to respond to changes in the management environment surrounding the Company, such as the manifestation of risks in the supply chain due to such factors as natural disasters caused by climate change, we have established separate BCPs for each business division and operation.

Opportunity Case **Reduction of energy consumption by transitioning to cloud services provided by the Company**

Envisaging progress in the transition away from on-premise systems to the Company's cloud services with customers' growing needs for climate change countermeasures (CO_2 reductions) and operational efficiency improvements, we estimated the increase in sales due to the impact of climate change.

We also envisaged the future CO_2 emissions coefficient of grid power in Japan, based on the Energy Basic Plan, and estimated the CO_2 emissions reduction effect of the transition to the Company's cloud services.

● Potential CO_2 emissions reduction effect of cloud services provided by the Company

Item	2030	2050
Sales opportunities for cloud services related to climate change (Million yen)	38,633	224,804
Cumulative CO_2 emissions reduction effect of cloud services (t-CO_2)	279	717

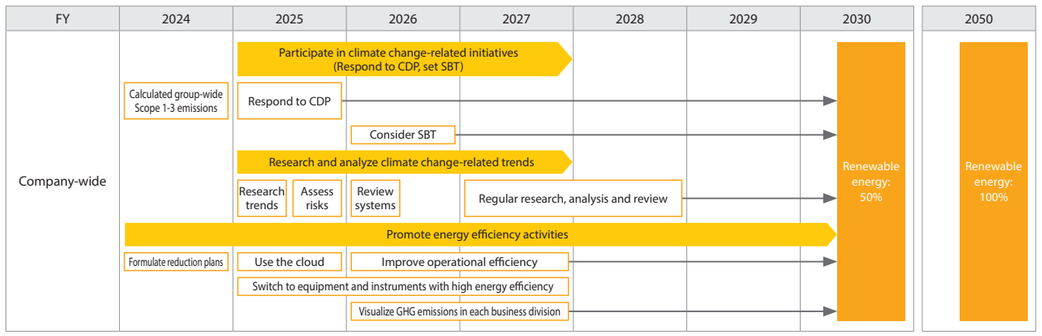
Company-wide strategy **Visualize volume of GHG emissions reductions from the Company's products and services**

Because the Company's products and services will remove the need for customers to own and manage server equipment and facilities, they can expect reductions in their power consumption. The spread of the Company's cloud services that contribute to the reduction of GHG emissions will contribute to the reduction of GHG emissions across society as a whole. The Group will make the amount of these products' contributions to our customers' GHG emissions reductions transparent through such means as regularly requesting and grasping information disclosures about our suppliers' carbon neutrality initiatives and contributions, and work to increase our business opportunities through these efforts.

Company-wide strategy **Achieve 100% use of renewable energy**

In addition to transitioning to carbon-free in Scope 2 by introducing renewable energy and promoting energy efficiency activities, the Company will contribute to the reduction of Scope 3 emissions by our customers.

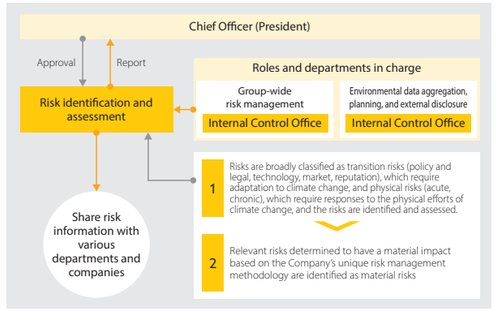
Future activity plans



3. Risk Management

Identification and Assessment Processes for Climate-Related Risks

The Group conducts identification and assessment of climate-related risks that have a crucial impact on financial performance and strategy under the leadership of the Internal Control Office, which leads the Company's risk management, and the Corporate Planning Dept., which conducts environmental data aggregation, planning, and external disclosure. Following approval by the Group's Chief Officer (President and CEO), this risk information is shared with various departments and companies.

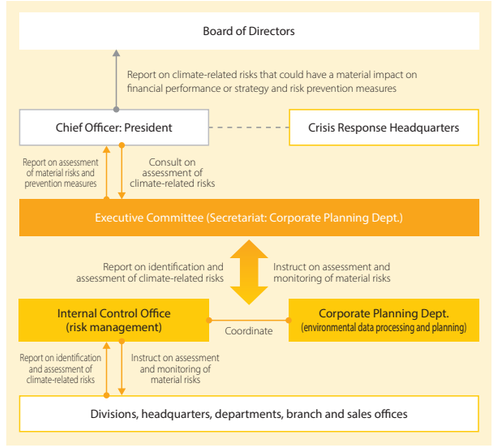


Risk Management Process

The Chief Officer consults with the Executive Committee (consisting of Executive Officers and Division Managers) on the assessment of climate risks, and the Executive Committee reports its assessment of material risks and risk prevention measures.

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.

The Executive Committee shares the identified risks with various departments and companies, and each department and company considers specific individual response measures. The Executive Committee collects and monitors data on progress with these specific measures and, after verification (at least once a year), reflects progress in risk management activities for the following fiscal year.



4. Metrics and Targets

Targets used to manage climate-related risks and opportunities are as follows.

Please see here for the changes in metrics ▶ Changes in metrics P.64

Greenhouse Gas Emissions Target

Targets

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

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

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

Net Zero Target

Targets

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

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

Materiality

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 knowhow, 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.

Human Resources Strategy to Achieve Management Strategies

Basic policy

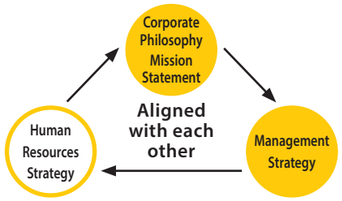
TechMatrix maximizes organizational capabilities while helping employees take on challenges and grow and achieving a rewarding organizational climate.

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



Human Resources Strategy to Achieve Management Strategy

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

Advanced IT Human Resources

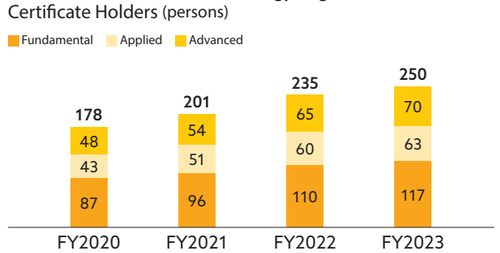
Based on the belief that the use of advanced and cutting-edge IT technology is the source of our business, we invest in our IT technicians to acquire advanced and cutting-edge skills and to accelerate the realization of our business strategy. In the engineer training, new graduates learn basic knowledge 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 cuttingedge 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.

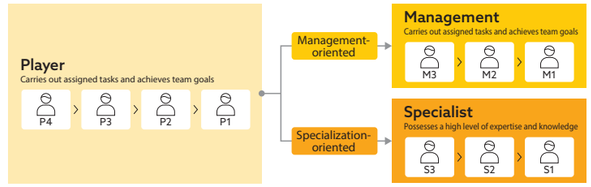
Number of Information Technology Engineer Examination Certificate Holders (persons)



Education and Training System of TechMatrix

Career steps

We have three major job classifications: "Player," "Management," and "Specialist." After gaining experience in the Player position first, the employee decides whether to become a Management or Specialist, depending on his or her own characteristics.



Training system

We provide training to acquire the qualities required for each role at each layer, as well as training to acquire specialized skills, and support for certification acquisition by offering incentives and covering the cost of exam fees. Other follow-up programs include "follow-up training" for new employees, a "trainer system" and "on-boarding interviews.

New employee training

Career development support training

Career development support

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.

In FY2023, we held career development support training and career consulting interviews to provide examples of career growth in the form of "career exploration and self establishment" mainly for a generation that is concerned about balancing work and childcare. We also conducted career interview support training for supervisors. Through these programs, we 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.

Message from General Manager of Human Resources Department

The utilization of advanced, cutting-edge IT technology is the source of our business. To continue providing value to our customers and contributing to the world, we are making various investments to improve our expertise. On the other hand, we believe that "being capable and resourceful" is essential for making good use of technology. Every employee works lively and fully demonstrates their abilities to make contribution. To achieve this cycle, it is essential to have leaders who support growth, draw out strengths, and lead the organization to success. For this reason, we are also strengthening our efforts to continuously nurture the next generation of leaders.

— The IT professional group who create a better future —

We consider human resource development to be a very important theme for realizing our mission statement through the fusion of IT technology and human power.

Masahiro Sawaguchi
General Manager of
Human Resources Department,
Corporate Headquarters

Materiality

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.

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.

Continuing to Evolve Diversity and Inclusion

The D&I Promotion Office, established in 2022, is accelerating its efforts to raise awareness of diversity and inclusion and implement various initiatives every day under the slogan "Recognizing Differences, Driving Individuality," which was chosen through an internal competition.

FY2023	・Implemented career development support training ・Conducted career interview support training for supervisors ・Renewed the recruitment website ・Developed our organizational climate (Developed a guidebook)
FY2022	・Established the D&I Promotion Office ・Conducted D&I awareness surveys ・Conducted workshops
FY2021	・Launched the Women's Empowerment Project ・Conducted unconscious bias questionnaires and interviews for women

Initiatives to Promote Women's Success in the Workplace

We regard diversity and equal opportunity as one of our materiality (key issues) and are actively working to promote diversity, for example, the creation of a comfortable working environment and a rewarding organization. Specifically, we have been promoting diverse work styles, such as flexible working hours and working from home, creating an environment that facilitates balancing work and childcare, and providing training to support autonomous career development. For these efforts, we have been recognized as a "Platinum Kurumin" company.

*There are 635 companies certified as "Platinum Kurumin" companies in Japan (as of May 31, 2024).

Platinum Kurumin: Certification mark for companies that provide childcare support

Tomonin: Certification mark for companies that provide nursing care support

Percentage of childcare leave taken

*Percentage of employees who took childcare leave among those who had children born during the year.

Gender	FY2020	FY2021	FY2022	FY2023
Men	27.3%	45.8%	59.1%	72.2%
Women	100%	100%	100%	100%
Total	72.7%	58.1%	73.9%	79.2%

Ratio of women in management positions and women employees

Metrics	FY2023	Target (FY2030)
Ratio of women in management positions	5.3%	20%
Ratio of women employees	25.8%	30%

Creation of an Organizational Climate

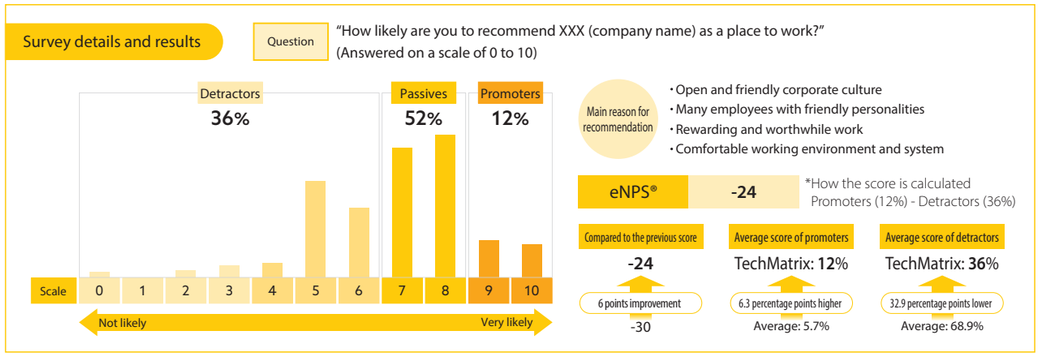
Development of guidebooks and distribution of newsletters

We have developed a guidebook for fostering an organizational climate that includes specific actions and advice to help all employees have a common understanding of diversity and inclusion and build better communication. In addition, we regularly publish a newsletter that provides information on diversity and inclusion to report on the activities of the D&I Promotion Office.

Employee engagement survey (eNPS®)

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. For two consecutive years (FY2022 and FY2023), we have achieved a score that exceeds the industry average. We will continue to maintain scores exceeding the industry average and to continuously improve employee engagement.

*Net Promotor Score® and its abbreviation NPS are registered trademarks of Bain & Company, Inc., Fred Reichheld, and NICE Systems, Inc.



Sustainability Committee

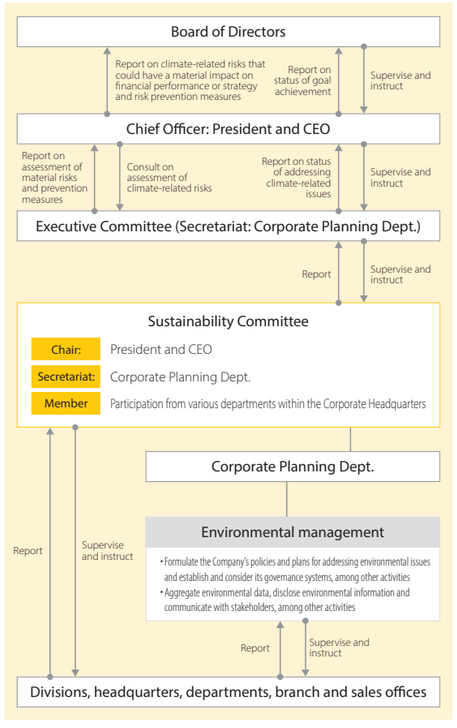
Excerpts from the FY2023 Sustainability Committee discussions (held four times)

July 7, 2023
- Positioning of the Sustainability Committee and frequency of meetings
- Future activity schedule (Climate Change)

September 29, 2023
- Establishment of a system for collecting information within the Group companies and the Company
- Reporting of the results of calculating and analyzing Scope 1 to 3 (TechMatrix Corporation on a standalone basis) CO_2 emissions and calculating CO_2 emissions at Group companies (Climate Change)
- Disclosure policy for the ratio of women employees and women in management positions, etc. (Diversity and Equal Opportunity)

December 25, 2023
- Policy for formulating strategies for information security (Information Security)
- Report on activities to support career development for increasing the ratio of women employees and women in management positions (Diversity and Equal Opportunity)
- Measures to improve the accuracy of the aggregation of hours of training attendance (Training and Education)

March 27, 2024
- Proposal for expanding disclosure (Information Security)
- Report on completion of measures to improve the accuracy of the aggregation of hours of training attendance (Training and Education)
- Report on the results of analysis after implementing career development support to improve the ratio of women employees and women in management positions, report on the renewal of the recruitment website, report on the creation of a guidebook for fostering an organizational climate (Diversity and Equal Opportunity)
- Progress of formulating strategies and action plan and scenario analysis (Climate Change)



Dialogue with Outside Directors

I expect that under the new management structure the new Medium-Term Management Plan will be promoted while utilizing "Foresight."

Takaharu Yai was appointed as the new President on April 1, 2024, and the Company started its new Medium-Term Management Plan, "Creating Customer Value in the New Era," whose first year is FY2024. For the Company, it is a major transition period, and we invited our two Outside Directors, who are also members of the Personnel Committee, to engage in a dialogue. In the dialogue they discuss the roles of an Outside Director, diversity on the Board of Directors, and the process of changing presidents. They also talk about their expectations for the new management structure, issues at the Company from the medium to long term, and the Company's potential for growth.

Important Roles of Outside Directors

Takayama I have served as an Outside Director of the Company since 2015. When I was first appointed as Corporate Auditor even before then the Company still wasn't listed. At the time, I warmly supported former President Yuri as the Company dealt with getting its businesses on a growth trajectory and increasing earnings, but the Company became a listed company and then switched to the Prime market. While engaging in governance reforms, I have seen awareness of my role gradually change. For example, there is more awareness of social responsibilities and the interests of various stakeholders. And, as business expands and items on the agenda become more difficult to decide on, it is easy to fall into debate on these subjects, so I always try to return to fundamentals, why are we doing this, and speak not just on investment risk but on the risk of not doing something. I try to view things from a different angle and viewpoint.

Miura Like Mr. Takayama, I have been an Outside Director since 2015. The Board of Directors has members specialized in finance, law, and technology and some have conducted business overseas. Each member has a different background and plays a role that utilizes that background. What I am most aware of is whether the company is aware or not when its conventional wisdom is not the conventional wisdom in the wider world. I think I play an important role in pointing this sort of thing out from an outside perspective. Also, when taking on risk, whether or not the frame is solid and whether or not the brakes work well are important. This is precisely why frontline employees are able to put a foot on the accelerator with confidence, so I always have this point in mind as my role.

Takayama I feel the same. We have to take a step back and make clear-headed decisions. In the Company's case in particular, it is at the stage of aggressively expanding its business, so when an appealing investment target presents itself the atmosphere is inevitably filled with adrenaline. But what is crucial is whether or not that level of energy can be maintained even after the investment. In general, I hear many cases of companies losing interest after an acquisition is made and the subsequent PMI not going well. We constantly emphasize this tendency so that it doesn't occur. I understand that the Company has not made a major mistake so far, but one cannot deny the view that if a more demanding perspective had been taken, even bigger results could have been obtained.

Lively Board of Directors Generates Diversity

Takayama In a word, this Board of Directors is a very serious one. Of course there are presentations on business progress, but there are also robust debates on management issues, and the things that we Outside Directors want to debate are also presented as themes. I do have a request. Inevitably Board of Directors meetings center on a give-and-take between outside and inside, so I want to know the discussions that take place internally on the process for putting something forth before board. There are though meetings to discuss medium- to long-term issues several times a year and these meetings try to fill the information gap between us and the internal officers. How to promote a generational changing of the guard is also an issue going forward and it includes us Outside Directors.

Miura Just has been said a moment ago, the makeup of the board is very diverse, including gender, and there is lively debate from various perspectives. How the agenda is set has changed significantly as well. Before, individual matters were primary, but recently, what can be left up to people are left up to them, and, rather, we've come to debate things, like the direction of business strategy, from a broad perspective. I think the distance between the Board of Directors and the management team has an effect. In this phase when business

Process of Selecting a Successor

Takayama The Personnel Committee, made up of former President Yuri, me and Mr. Miura (an advisory body to the Board of Directors with four members as of June 2024), held discussions on changing presidents for several years. Actually, former President Yuri came to us to consult on considering a successor, and from there concrete preparations were made. Former President Yuri had a presence that was close to that of a founder-president, so he did not remain as Chairman; he completely removed himself. This way of doing things may leave a somewhat radical impression, but because of this, we who remain feel we must robustly support President Yai, or I feel that we have a commitment to the successor of former President Yuri. That may be one way succession can be handled.

Miura Of course, we had not decided on President Yai from the beginning. Looking back on the process leading to the decision, we started with confirming the procedures by which the decision would be made, then we narrowed down the candidate list and looked into the candidates' respective performance, leadership type, areas of proficiency and areas in need of improvement. Finally, based on the current situation of the Company and changes in the management environment surrounding the Company, we debated the qualities that should be emphasized in choosing the next President and decided on President Yai.

Takayama The candidates all had stellar records of achievement. The deciding factor was the results President Yai produced in the Company's original value creation areas, including the results of the division he was in charge of. All of us were in agreement about his commitment to numbers and his capacity to create a team that produces good results. He also exhibited his presence on the Board of Directors. He would actively exert influence on other divisions, not just the one he was in charge of, and speak on issues affecting the entire Company.

Miura Yes, that's true. "Foresight" is a word that occurs the Medium-Term Management Plan that began recently. Truly President Yai exercised discernment in predicting the future and growing the Information Infrastructure Business. Going forward, I expect he will lead the Group as a whole with good foresight in a rapidly changing environment.

Pickup Process For Selecting a Successor

TechMatrix has made a change in its president for the first time since the appointment of former President Yuri in 2004. Former President Yuri was similar to a founder-president in light of his achievements in developing TechMatrix and supporting the Company over the long term. For this reason, in selecting a successor, we preceded cautiously, holding detailed dialogues and discussions with Outside Directors.

4-5 years ago	January 2024	April 2024
● Selecting a successor proceeded organizationally in a planned manner, and through the Personnel Committee, it was carried out via a transparent process ● Not only was the Personnel Committee's process impartial, but the candidates were assessed as good choices for the Company Personnel Committee makeup at the time: Takashi Yuri, Ken Takayama, and Ryota Miura **PROCESS** (1) Create list with multiple candidates (2) Consider the candidates while emphasizing various factors, including commitment to results and ability to form and encourage teams (3) Provide further support and preparatory resources for people selected as final candidates	● Decision by the Board of Directors to appoint new President, President Yai ● Plan and execute appropriate announcement internally and externally	● Appoint Takaharu Yai as the new President

The Company's process for selecting a successor did not simply involve choosing qualified candidates but rather looked at the future of the Company from a long-term perspective. Through this process, we aimed to secure leadership that would faithfully achieve sustainable growth and realize the Company's future vision.

Medium- to Long-term Issues and Growth Potential

Takayama The Company's business is rooted in identifying issues and providing solutions. Digitalization has progressed and various social issues can now be solved, but, at the same time, new social issues have arisen with digitalization. For example, in the fields of medicine and education, two focuses of the Company, digitalization has the potential to bring about major progress, but cybersecurity threats are increasing. At any rate, it is clear that this environment is acting as tailwind for the Company. So, it could be said that how to expand the business domain and how to contribute to society with limited management resources—people, goods, and money—is a major issue. Accordingly, the Company must effectively utilize limited resources and must bolster those resources. However, by steadily taking one step at a time, the possibilities both in Japan and overseas are substantial, so I feel that it will be important to continue to have a broad vison and long-term perspective.

Miura I have high expectations for the Company's sizable potential. In particular, under the new Yai regime, I will focus on the progress of the new Medium-Term Management Plan. As the Company maintains momentum from steady growth, I thought that its intention to engage in non-continuous growth delivered a strong message. Accordingly, I think there will be an increase in investment deals compared to the past, so firmly following the post-investment process will be all the more necessary. They will not necessarily all be successes, but it will be important to carry out firm management, make failures clear, and then consider how to utilize such failures the next time.

Management Members

1 Takaharu Yai

President, Chief Executive Officer
Current position since April 2024
● 13/13 (Number of Board of Directors meetings attended)

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

2 Yoshihisa Yoda

Director, Senior Executive Operating Officer
Head of Medical System Business Unit
Current position since June 2022
● 12/13

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

3 Takeshi Suzuki

Director, Senior Operating Officer
Head of Application Services Business Unit and Manager of CRM Solutions Division
Current position since June 2022
● 13/13

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

4 Takeya Shiga

Director, Senior Operating Officer
Head of Information Infrastructure Business Unit, Manager of Network Security Division, and Head of Network Security Sales Division
Current position since June 2024
● —/—

5 Hiroaki Yasutake

Outside Director
Independent Officer

Outside Director/Independent Officer
Current position since June 2013
● 13/13

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

6 Michi Kaifu

Outside Director
Independent Officer

Outside Director/Independent Officer
Current position since June 2020
● 13/13

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

7 Ari Horie

Outside Director
Independent Officer

Outside Director/Independent Officer
Current position since June 2020
● 12/13

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

8 Hideyuki Sasaki

Outside Director
Independent Officer

Outside Director/Independent Officer
(Audit & Supervisory Committee Member)
Current position since June 2017
● 13/13

9 Ken Takayama

Outside Director
Independent Officer

Outside Director/Independent Officer
(Audit & Supervisory Committee Member)
Current position since June 2015
● 10/13

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

10 Ryota Miura

Outside Director
Independent Officer

Outside Director/Independent Officer
(Audit & Supervisory Committee Member)
Current position since June 2015
● 10/13

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

11 Akio Sugihara

Outside Director
Independent Officer

Outside Director/Independent Officer
(Audit & Supervisory Committee Member)
Current position since June 2015
● 13/13

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

For more information ▶
NOTICE OF THE 40th ANNUAL GENERAL MEETING OF SHAREHOLDERS

Management Members' Skills Matrix Judgment criteria (3 years or more)

Names	Gender	Corporate management	Finance/ Accounting	Legal/Risk management	Sales/Marketing	Industry knowledge/ Technology	Internationalism	Human resources development/Diversity
		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
Takaharu Yai	♂	●			●	●	●	
Yoshihisa Yoda	♂	●			●	●	●	
Takeshi Suzuki	♂	●			●	●	●	
Takeya Shiga	♂				●	●	●	
Hiroaki Yasutake	♂	●			●	●	●	●
Michi Kaifu	♀	●			●	●	●	●
Ari Horie	♀	●			●	●	●	●
Hideyuki Sasaki	♂	●	●	●	●		●	
Ken Takayama	♂	●	●	●		●	●	
Ryota Miura	♂	●		●				
Akio Sugihara	♂	●			●	●	●	●

Evolving governance

2024
- Appointed an Outside Director (Audit & Supervisory Committee Member) as the Chair of the Personnel Committee
- Conducted human rights due diligence

2023
- Established the Sustainability Committee
- Established the TechMatrix Group Management Meetings
- Formulated the Basic Human Rights Policy

2022
- Transitioned to the Prime Market of the Tokyo Stock Exchange
- Disclosed skills matrix
- Implemented the performance-linked remuneration system for Officers

2020
- Appointed two female Directors
- Formulated internal rule regarding whistleblowing

2015
- Transitioned to a Company with an Audit & Supervisory Committee

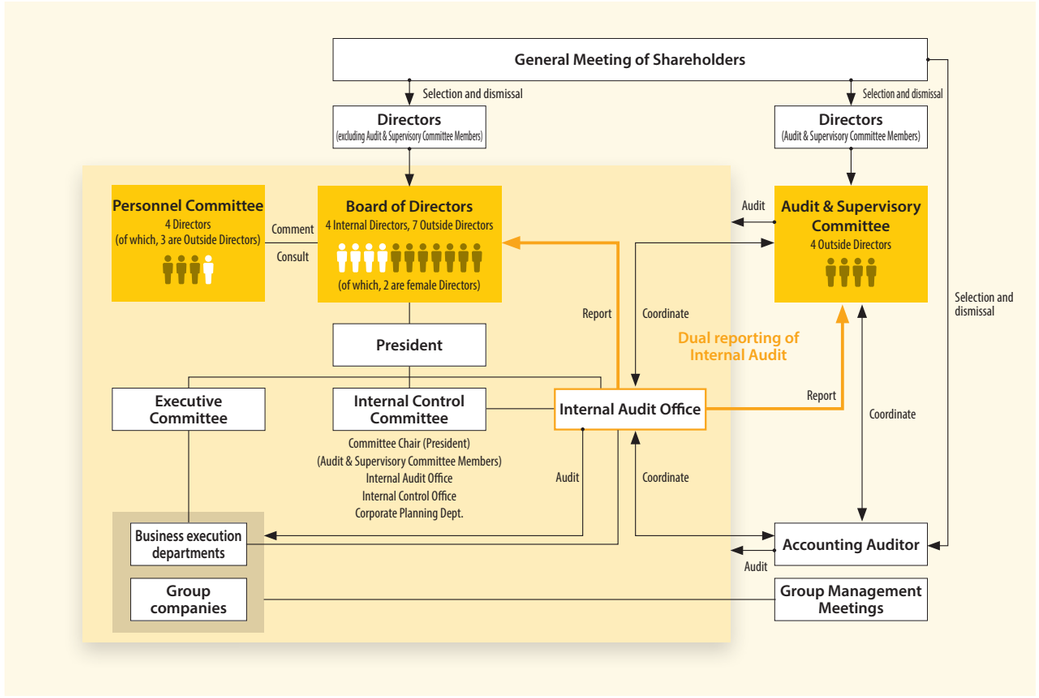
2013
- Listed on the First Section of the Tokyo Stock Exchange

Corporate Governance

Please also refer to the corporate governance section on our corporate website.

Establishment of a management structure that emphasizes transparency and efficiency

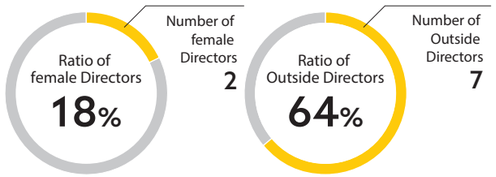
Corporate Governance System (As of June 30, 2024)

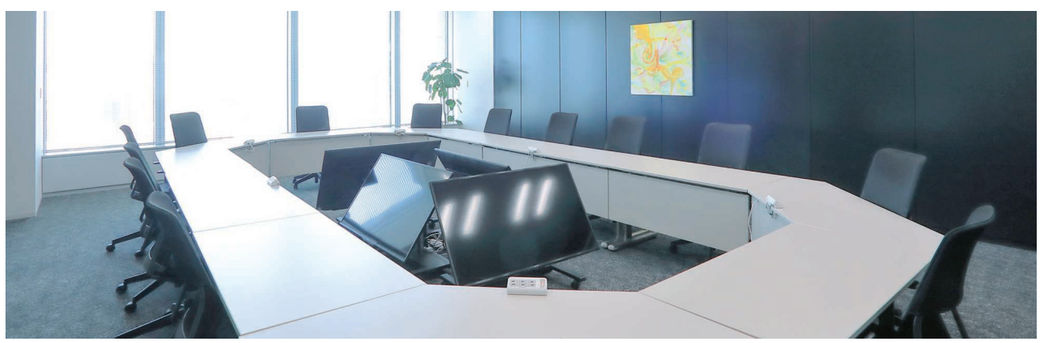


Board of Directors

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 M&As and business alliance • Issues related to new business • Issues related to overseas expansion • Issues related to audit and internal control • Issues related to sustainability, etc.





Audit & Supervisory Committee (meets 13 times a year)

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	Physical inventory taking, 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 based on the audit results and others

Personnel Committee (meets 4 times a year)

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 Directors selected by a 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.

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, 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

Members
Akio Sugihara (Chair) Ken Takayama Ryota Miura Takaharu Yai

Executive Committee (meets 13 times a year)

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.

Internal Control Committee (meets 24 times a year)

The Internal Control Committee, chaired by the President, is held twice a month on a regular basis. The Company has established a basic policy on the development of its internal control system based on a resolution by the Board of Directors meeting. We are promoting proper operation in line with this basic policy.

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 (meets 4 times a year)

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.

Activities of other committees

Name	Number of meetings held	Roles
Sustainability Committee P.48	4 times a year	The Sustainability Committee manages the progress of the response to sustainability issues such as environment, social, and governance. The Committee works closely with the Corporate Planning Dept. to supervise measures and related planning at each division, headquarters, department, branch, and sales office.
Information Security Committee P.40	4 times a year	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 P.59	Twice a year	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. It also holds extraordinary meetings as necessary.

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 a questionnaire survey and evaluates the effectiveness of the Board of Directors as a whole. Effectiveness evaluation shown below was carried out under advice and confirmation of external attorneys.

Target Directors	All of the Directors that held office during FY2023 (11 Directors)
Evaluation process	• Step 1: Develop questions to ask • Step 2: Conduct the survey to the target Directors • Step 3: Report the results of the effectiveness evaluation to the Board of Directors for review • Step 4: Discuss possible initiatives for matters identified for improvement
Main questionnaire items	• Issues related to the composition of the Board of Directors • 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 support for Directors, etc. • Issues related to the operation of the Board of Directors • Issues related to the Advisory Committee • Issues related to other key themes

Please also refer to the corporate governance section on our corporate website.

https://www.techmatrix.co.jp/en/ir/esg/esg_06.html

Evaluation in FY2023	Approach in FY2024
Composition of the Board of Directors (Promoting Women's Success in the Workplace and Developing Next-Generation Leaders)	
• It was pointed out that it is necessary to increase female Directors (including the appointment of female Full-time Directors) going forward and to promote women's success in the workplace in a planned and continuous manner.	• With the Personnel Committee taking the lead, prepare a long list needed in selecting candidates for successors and carry out discussions aimed at creating a candidate pipeline. • With the D&I Promotion Office taking the lead, work on creation of a workplace where women can play an active role and promotion of a new mindset among female employees.
• It was pointed out that it is necessary to elect and develop the next-generation leaders in a systematic manner.	• Define the competence and experience required of the next-generation leaders and then clarify their roles and responsibilities.
Operation of the Board of Directors	
• It was pointed out that it is necessary to distribute materials for the meeting of the Board of Directors well in advance of the day of the meeting to ensure sufficient time to understand and consider the agenda items.	• Improve the operation further by preparing materials that are straightforward and focused on the points of discussion and by strictly adhering to the due date for materials.
• It was pointed out that it is necessary to examine ways to operate the Board of Directors meetings so that sufficient time is ensured to carry out active discussions.	• Prioritize, set time schedules, and set agendas properly to ensure sufficient time to deliberate important matters.

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 Postdelivery 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 performancelinked 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.

Initiatives for Compliance

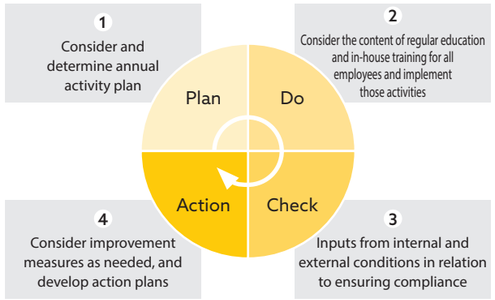
In accordance with the principles set forth in the Corporate Ethics Guidelines, TechMatrix defines compliance as the observance of laws, regulations, rules and various policies as well as maintaining high ethics as it conducts corporate business activities.

Compliance System

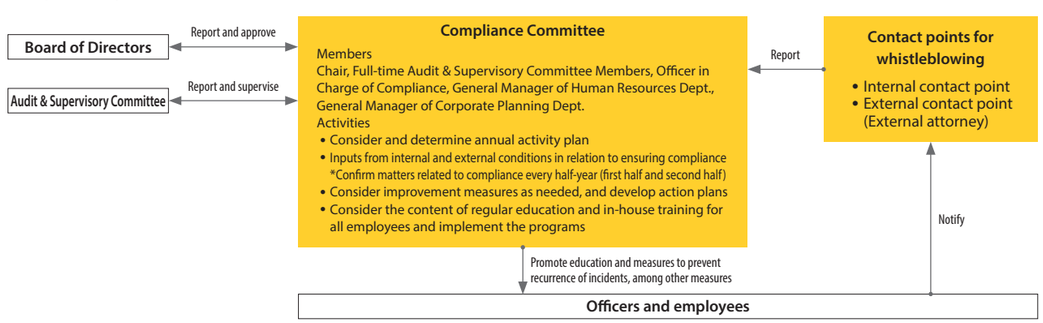
The Compliance Committee consists of the Chair, Full-time Audit & Supervisory Committee Members, the Officer in Charge of Compliance, the General Manager of the Human Resources Dept., and the General Manager of the Corporate Planning Dept. The President, who is the general supervisor of the compliance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



Compliance System



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. However, taking into consideration cases where it may not be easy to report through the worksite communication channel for some reason, we have established a whistleblowing system that allows person who became aware of an issue to report directly to the contact points (internally or to external attorney).

Prohibition of Bribery

The Group stipulates prohibition of bribery and other corrupt practices in the Compliance Standards of Conduct and fully communicates this to officers and employees, inside and outside of Japan. Specifically, officers and employees are, in principle, prohibited from engaging in any act that constitutes or is suspected of constituting bribery, as well as giving gifts to or entertaining civil servants.

Furthermore, the Compliance Committee implements internal education on a regular basis to prevent violation. It also develops whistleblowing system for violation to facilitate early detection of and corrective actions against corruption, bribery, and other deviation from compliance. In addition, the Committee monitors activities periodically to strengthen the monitoring system against corruption and bribery in the Group.

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.

Compliance Training details	Eligible staff	Ratio of Participation
Insider training	All officers and employees	100%
Harassment prevention	All officers and employees	100%
Diversity/Human rights	All officers and employees	100%
ISMS (information security management)	All officers and employees	100%
Environmental management education	New employees	100%

Ratio of Compliance Training Participation

Initiatives to 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**

Guidelines for Business Partners

The TechMatrix Group promotes respect for human rights throughout the entire value chain and strives to conduct responsible procurement activities. The companies with which the Group does business (“Business Partners”) are required to comply with these Guidelines. These Guidelines have been formulated based on the UN Guiding Principles on Business and Human Rights, the International Bill of Human Rights, the ILO Core Labour Standards and other international standards, as well as the TechMatrix Group Basic Policy on Human Rights.

▶ **TechMatrix Group Guidelines for Business Partners (Human Rights and Labor)**
https://www.techmatrix.co.jp/en/ir/upload_file/m008-m008_03/techmatrix_group_guidelines_for_business_partners.pdf

Human Rights Due Diligence

In line with the guidelines set forth by the TechMatrix Group for its Business Partners, we conduct periodic surveys on human rights and labor issues at our overseas (Thailand, China, Vietnam) offshore Business Partners after organizing requirements for Business Partners.

Process for Conducting the Human Rights Due Diligence

Organize requirements for Business Partners in line with the TechMatrix Group Guidelines for Business Partners
▶
Conduct periodic surveys on human rights and labor issues at our overseas (Thailand, China, Vietnam) offshore Business Partners
▶
Gain understanding of the current situation based on responses from each company and analyze issues and matters for improvement
▶
Make approaches to Business Partners to promote respect for human rights, by considering measures, making requests, and providing guidance as necessary

Research Themes
- Prohibition of forced labor, prohibition of child labor and protection of young workers, appropriate working hours, appropriate wages and benefits, and prohibition of inhumane treatment
- Respect for diversity and prohibition of discrimination and harassment, respect for freedom of association and the right to collective bargaining, ensuring occupational health and safety, dissemination of information to employees, and establishment of systems

In addition, we also examine country risk in the countries surveyed.

External Recognition and Inclusion in Indices

Evaluation and Certification in Management and Business

Platinum Kurumin

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. In June 2024, we were awarded Platinum Kurumin, recognized as a company engaging in a higher standard of initiatives.

Tomonin

We establish a work system that allows employees to balance work and nursing care, so that we can tailor to each employee's situation and prevent them from leaving their jobs due to nursing care. We acquired Tomonin in FY2023.

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.

DX認定

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.

0254-2109

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.

K000768-0001 K000768-0002 K000768-0003 K000768-0004

Inclusion in Investment Indices

FTSE Blossom Japan Sector Relative Index

S&P/JPX Carbon Efficient 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

FY2023

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 2023."

Recognition from Our Partners

Palo Alto Networks
JAPAC Distribution Partner of the Year (2023)
JAPAN Distribution Partner of the Year (2018, 2019, 2020, 2021, 2022, 2023)
Excellence in support of the year (2018, 2019)

Proofpoint, Inc.
DMARC Trailblazer Award (2024)
Reseller and Integrator of the Year–Email Security (2024)
Partner of the year (2021, 2022, 2023, 2024)
Deal Registration of the year (2022, 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, 2021, 2023, 2024)

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

Food waste reduction activities and eco-friendly activities with emergency stockpile

In accordance with the local ordinance, we store three days' worth of emergency stockpile per each employee. These emergency supplies stored at companies expire at certain years such as three, five, and seven years. As a part of our social contribution and an eco-friendly activity, we coordinated with the supplier of emergency stockpile to give foods that are three months before their expiration date to food banks, and donated 3,600 batches of hardtack crackers to children's cafeterias.

We will continue such food waste reduction activities and eco-friendly activities by sending food to such organizations.

Second League Kanagawa Nonprofit Organization

Second League Kanagawa is a nonprofit organization established in 2012 by a Consumers' Co-operative, Palsystem Kanagawa. In addition to creating communities and supporting child rearing within Kanagawa Prefecture, it has registered with the Ministry of Agriculture, Forestry and Fisheries as a food bank in 2021 and has been supporting activities as an intermediary to provide food to food banks in Kanagawa Prefecture. Since 2022, it has been acting as a nationwide coordinator of emergency stockpile. The organization is working on a project to establish K-Model, which aims to end poverty by using food to link food and community, thereby solving social issues such as child support, supporting the people in need, and food waste.

Recycling clothes and supporting developing countries by sending clothing and food

We have set target themes based on the basic policy set forth in the Environmental Policy and participated in activities to recycle clothes and support developing countries by sending unused clothing and food stuff through the World Gift Nonprofit Organization. We collect unused clothing items (which are new, washed, un-damaged and stain-free) and food stuff (which are unopened and at least 90 days before expiration) from our employees. In FY2022, we provided about 50 items of clothing to help support the developing countries.

We will continue to recycle clothes and practice food waste reduction and eco-friendly activities by sending unused clothing and food stuff to such organizations.

WORLD GIFT
NPO法人 ワールドギフト

World Gift Nonprofit Organization

World Gift is a nonprofit organization that started its NGO activities in 2013 at World Gift (an association to promote support for international society) and began its activities as World Gift Nonprofit Organization in 2021. It mainly engages in support activities in four areas: donation and reusing of goods, medical care and vaccinations, meals and food, and safe water. The organization has provided support in 92 countries to date.

Consolidated Financial Summary

International Financial Reporting Standards (IFRS)

(Million yen)

Item	2020.3 (FY2019)	2021.3 (FY2020)	2022.3 (FY2021)	2023.3 (FY2022)	**2024.3 (FY2023)**
Consolidated Statements of Profit or Loss					
Revenue	27,599	30,928	36,513	45,950	**53,303**
Gross profit	10,131	11,217	12,456	16,369	**18,202**
Selling, general and administrative expenses	7,431	7,639	8,269	11,173	**12,309**
Operating profit	2,735	3,583	3,734	5,098	**5,850**
Profit before tax	2,728	3,406	3,718	5,066	**5,854**
Profit attributable to owners of parent	1,831	2,301	2,371	2,950	**3,540**
Consolidated Statements of Financial Position					
Current assets	26,743	31,169	42,267	51,770	**70,462**
Non-current assets	9,000	8,826	10,236	13,920	**15,294**
Total assets	35,744	39,996	52,503	65,691	**85,756**
Current liabilities	16,028	18,902	27,989	36,044	**51,648**
Non-current liabilities	5,282	4,739	4,311	5,729	**7,064**
Total liabilities	21,311	23,641	32,301	41,773	**58,712**
Total equity	14,433	16,354	20,202	23,917	**27,043**
Total liabilities and equity	35,744	39,996	52,503	65,691	**85,756**
Consolidated Statements of Cash Flows					
Net cash provided by (used in) operating activities	3,001	3,516	5,283	6,348	**8,982**
Net cash provided by (used in) investing activities	△540	△841	195	△3,131	**△1,938**
Net cash provided by (used in) financing activities	△569	△1,790	△1,959	△1,299	**147**
Cash and cash equivalents at end of period	13,747	14,634	18,155	20,071	**27,265**
Per Share Indicators (yen)					
Basic earnings per share	46.24	57.92	59.65	73.91	**88.35**
Equity per share attributable to owners of parent	327.18	373.53	426.40	475.24	**541.87**
Annual dividends per share*2	30.0	19.0	20.0	23.0	**28.0**
Financial Indicators					
Equity ratio (%)*3	36.4	37.1	32.4	28.9	**25.4**
ROE (%)*4	15.5	16.5	14.9	16.4	**17.4**
Total asset turnover (times)	0.8	0.8	0.8	0.8	**0.7**
Financial leverage (times)	2.7	2.7	3.1	3.5	**3.9**
ROA (%)	5.5	6.1	5.1	5.0	**4.7**
Operating profit margin (%)	9.9	11.6	10.2	11.1	**11.0**
Profit margin (%)	6.6	7.4	6.5	6.4	**6.6**
Payout ratio (%)	31.9	32.8	33.5	31.1	**31.7**

*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)	**2024.3 (FY2023)**
Data on employees				
Number of employees (persons)*2	1,088	1,404	1,439	**1,502**
Number of employees (persons)*3	486	526	561	**574**
Male employees (persons)	372	397	419	**427**
Female employees (persons)	114	129	142	**147**
Average years of service (year)	8.2	8.3	8.3	**8.3**
Male employees (year)	8.6	8.8	8.8	**8.7**
Female employees (year)	7.1	7.2	7.2	**7.3**
Average age	37.7	37.8	37.8	**38.0**
Male employees	37.9	38.3	38.3	**38.6**
Female employees	36.5	36.3	36.6	**36.3**
Wage gap between men and women (%)	79.8	81.1	81.1	**80.0**
Of which, full-time workers (%)	80.5	81.8	81.9	**80.6**
Of which, part-time and fixed-term workers (%)	67.5	70.7	54.0	**67.9**
Number of new graduates hired (persons)	18	18	21	**18**
Male employees (persons)	16	13	16	**10**
Female employees (persons)	2	5	5	**8**
Number of career hires (persons)	50	40	42	**53**
Male employees (persons)	37	27	26	**39**
Female employees (persons)	13	13	16	**14**
Job turnover rate*4	4.2	4.2	4.7	**5.7**
Ratio of women in management positions (%)	6.0	5.9	5.6	**5.3**
Ratio of employees with disabilities (%)	2.07	3.26	3.07	**2.72**
Percentage of annual leave taken (%)	45.1	55.3	60.3	**62.9**
Percentage of childcare leave taken (%)	72.7	58.1	73.9	**79.2**
Men (%)*5	27.3	45.8	59.1	**72.2**
Women (%)*5	100	100	100	**100**
Employee engagement eNPS (score)*6	—	—	△30	**△24**
Total training hours (hours)	—	—	14,397	**20,386**
Number of Information Technology Engineer Examination Certificate holders (persons)	178	201	235	**250**
Ratio of compliance training participation (%)	100	100	100	**100**
Ratio of harassment training participation (%)	100	100	100	**100**
Environmental data				
CO_2 emissions (SCOPE 1 + 2) (t-CO_2)	608	608	488	**191**
CO_2 emissions (SCOPE 3) (t-CO_2)	35,608	34,592	49,178	**46,754**
Total CO_2 emissions (SCOPE 1 + 2 + 3) (t-CO_2)	36,216	35,200	49,666	**46,945**
Total energy usage (GJ)	3,572	3,525	3,339	**2,720**
CO_2 emissions per unit of energy consumption (SCOPE 1 + 2) (t-CO_2/GJ)	0.17	0.17	0.15	**0.07**
CO_2 emissions per net sales of one million yen (t-CO_2/million yen) *7	0.026	0.023	0.016	**0.005**

*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.

Corporate Profile

Corporate Information

Company Name	TECHMATRIX CORPORATION
Date of establishment	August 30, 1984
Listed exchange	rime Section of the Tokyo Stock Exchange
Stock code	3762
Paid-in capital	¥1,298.12 million
Number of employees	1,502 [135] (consolidated; as of March 31, 2024) * 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 23F, 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 Nagoya CrossCourt Tower 8F, 4-40-10 Meieki, Nakamura-ku, Nagoya, Aichi Prefecture 450-0002 Telephone: +81-52-462-8373 Fax: +81-52-462-8374 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

CASAREAL, Inc.
SHINAGAWA SEASON TERRACE 24F 2-70, Konan 1-chome, Minato-ku, Tokyo, 108-0075
Telephone: +81-3-4405-7865

ARECCIA Fintech Corp.
SHINAGAWA SEASON TERRACE 24F 2-70, Konan 1-chome, Minato-ku, Tokyo, 108-0075
Telephone: +81-3-6453-7211

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
Telephone: +81-3-4346-3180

Ichigo LLC
SHINAGAWA SEASON TERRACE 25F 2-70, Konan 1-chome, Minato-ku, Tokyo, 108-0075
Telephone: +81-3-4405-7862

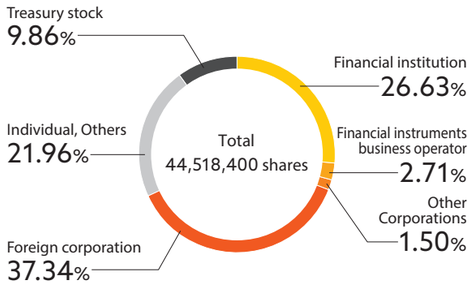
A-Line Co. Ltd.
Nakanoshima Central Tower 23F, 2-7 Nakano-shima 2-chome, Kita-ku, Osaka 530-0005
Telephone: +81-6-6195-3266

Stock Information (as of March 31, 2024)

Stock Information

Total number of shares authorized	165,888,000 shares
Total number of shares outstanding	44,518,400 shares
The number of shareholders	5,824 people

Breakdown by Type of Shareholder



Major Shareholders

Name of shareholder	Number of shares	Ratio (%)
The Master Trust Bank of Japan, Ltd. (account in trust)	5,766,600	14.37
Custody Bank of Japan, Ltd. (account in trust)	4,966,200	12.37
STATE STREET BANK AND TRUST COMPANY 505025	3,505,400	8.73
GOVERNMENT OF NORWAY	1,516,600	3.78
Individual	1,325,000	3.30
NORTHERN TRUST CO. (AVFC) RE 009-016064-326 CLT	1,253,600	3.12
THE BANK OF NEW YORK MELLON 140042	1,005,600	2.50
TECHMATRIX's Employee Shareholding Association	677,700	1.68
KIA FUND 136	591,700	1.47
CACEIS BANK／QUINTET LUXEMBOURG SUB AC ／UCITS CUSTOMERS ACCOUNT	520,800	1.29

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 40th Annual General Meeting of Shareholders

Financial Results Briefing

Investor Briefing for individual

Main Activities

To	Main IR activities conducted during 2024/3	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	5 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	189 times	Individual meetings with institutional investors to ensure highly transparent IR activities
	Issuance of Integrated Report	1 times	Issue Integrated Report (issued in September)
	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 2024. This is the second year for preparing the Integrated Report. This year's report provides comprehensive explanation of our responses to the issues acknowledged through daily dialogue and our medium- to long-term management direction. We will continue to strive to engage in active dialogue with you as well as information disclosure in a timely and appropriate manner, and commit to our IR activities to further enhance our corporate value.