

Corporate Governance

The CTC Group believes that to improve the transparency and fairness of its management under the new philosophy, strengthening corporate governance is an important management issue. We therefore established a Board of Directors and a Board of Corporate Auditors, and also adopted a system of executive officers to fulfill our social responsibility.

Our Stance on Corporate Governance

The CTC Group believes that with truthfulness at the center, we need to strengthen corporate governance in order to improve the transparency and fairness of our management and concretize the CTC Philosophy (refer to page 7). Therefore all executives and employees work to thoroughly implement compliance on the basis of our corporate ethics and law-abiding spirit, and we built a governance system including monitoring and supervising functions in order to secure their adequate and efficient execution of duties.

Corporate Governance System

The Board of Directors makes decisions on important management-related issues and supervises the execution of duties by directors. The Board of Directors consists of 15 members including 3 outside directors, some of whom have long experience in the IT industry. On the other hand, we adopted a system of executive officers to strengthen the decision-making and supervisory functions of the Board of Directors as well as the efficiency of their execution of duties, ensuring that they perform their work in the respective business fields quickly

and with authority and responsibility.

All of four corporate auditors are outside auditors who conduct audits to monitor the appropriateness of directors' performance of their duties.

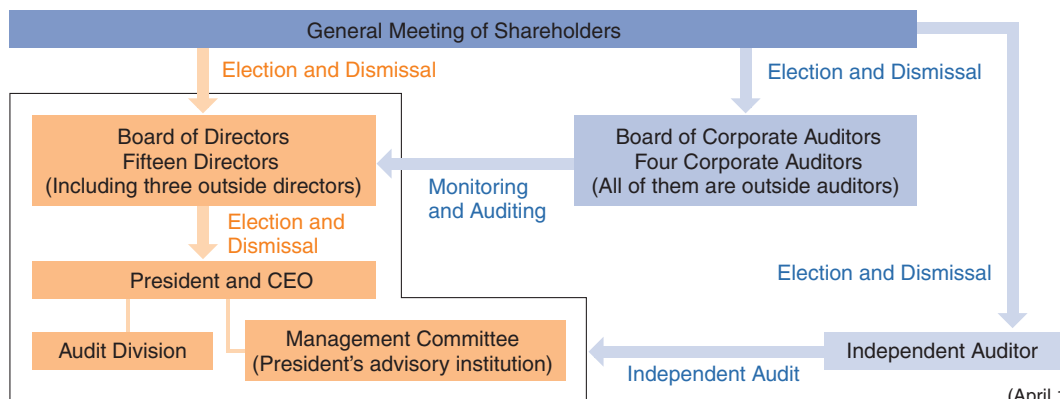
Our Stance on Internal Control

Internal control is indispensable for the survival and continuous development of a company, and we believe that it should be integrated into our daily work. On the basis of this perception, we established a "Basic Policy on the Internal Control System" in 2006, and we will seek to build an even more adequate and efficient system through constant reviews and continuous improvement.

Risk Management

The CTC Group provides total support throughout the IT lifecycle of its customers. The development risks, product risks and other potential risks in this process are managed by each unit. We are strengthening our system also with respect to the Business Continuity Plans (BCP) in the data centers that host the servers of our customers through the establishment of concrete action plans and other measures.

Corporate Governance System



(April 1, 2007)

Compliance

We believe that should the actions of every single employee be in accordance with not only laws and regulations but also social norms and ethics, this will enable us to gain the trust of society and be regarded as a sound company with fairness and high transparency. To ensure that this thought is absorbed by all employees, we established a compliance promotion system.

Our Stance on Compliance

The CTC Group perceives compliance not only in the narrow sense of observing laws and regulations. We believe that compliance also includes observing internal regulations and rules, observing social norms and ethics and acting according to the management vision, and we thoroughly practice compliance throughout the Group.

Compliance System

Our compliance system includes the “CSR and Compliance Committee”, an advisory institution to the President (Management Committee) that plans, implements and makes judgments on compliance, and the CSR and Compliance Team as a unit for supervision. The chairperson of the committee is the Chief Compliance Officer, and one committee member is selected from each business group, administration unit and group company. Committee meeting is held five times a year and irregular meeting is also held as necessary. The decisions made by the Committee are reported to the Management Committee once every half term.

For each business group, administration unit and group company, we assigned an “Ethics and Compliance leader” who communicates, implements and educates on compliance-related matters and also monitors the compliance status at his or her unit or company.

Compliance Education

For penetration of compliance into our employees, we conduct compliance education as part of our employee training and also refer to it in our personnel evaluation. On the basis of this education, we require each employee of the CTC Group including temporary employees and contracted employees to submit an affidavit concerning ethics and compliance and information security. For the

future, we are considering continued training and a survey on the level of penetration of compliance with our employees.

System to Report Internal Information (Help Line)

We established a system to report internal information (Help Line) where employees can report or seek advice concerning compliance violation. The routes for the reporting include reporting to the superior, directly reporting to the general manager of the CSR and Compliance Team or the Legal Department, and reporting to the corporate lawyer. To the informants, we guarantee that they will suffer no disadvantages due to their reporting. For sexual harassment, power harassment and other personnel-related issues, we have a separate consultation contact for our employees in the Human Resources Management Department. In fiscal 2006, the Help Line received three reports.

System and Efforts for Information Security and Personal Information Protection

For the CTC Group, the appropriate handling and safe management of information is an important social responsibility. To fulfill this responsibility, we established the “CTC Group Basic Policy on Information Security”, and our employees make every effort for the appropriate handling, management, protection and maintenance of information according to this policy.

To enhance the effectiveness of these efforts, we set up an Information Management Committee to establish basic policies and check their implementation status. In each business group and group company, the general managers of the departments take responsibility as information management officers, and information management leaders promote information security as subordinates to these officers.