



Editorial Policy

CTC's corporate mission is "leveraging IT's potential to change future for the Global Good." In Integrated Report 2020, we explain how our value creation process provides the path toward sustainable growth that will enable us to fulfill this mission.

Based on a corporate culture cultivated through many years of business activities, we are leveraging our expanding resources of management capital to reinforce businesses that will help enhance corporate value for our customers and resolve social issues. Through an overview of the Company's corporate activities, this report provides general financial and non-financial information selected in view of its importance.

Scope of Report

This report covers ITOCHU Techno-Solutions Corporation (CTC) and its consolidated subsidiaries and includes information about non-consolidated subsidiaries and affiliates.

Notes on Financial Amounts

Figures less than one unit have been rounded down, based on IFRS.

Forward-Looking Statements

Statements made in this report with respect to CTC's plans, strategies, and beliefs, and other statements that are not historical facts, are forward-looking statements about the future performance of CTC based on management's assumptions and beliefs in light of information available at the time of publication and involve certain risks and uncertainties. CTC assumes no obligation to publicly update these forward-looking statements to reflect events, changes in the operating environment, or unforeseen developments that occur after the date of publication.

Website Information

This report is designed to provide in-depth information about CTC's management strategy, messages to stakeholders, and other topics. For the latest financial data and news about our business initiatives and projects, please visit the following links.



▶ IR Information

www.ctc-g.co.jp/rose/en/index.htm

IR documents such as financial results and securities filings, as well as the latest IR news



▶ CSR

www.ctc-g.co.jp/en/corporate/csr/

Detailed information about the Group's relationships with clients, business partners, employees, and communities, as well as corporate governance and environmental initiatives



▶ Corporate Governance Report (Japanese only)

www.ctc-g.co.jp/rose/profile/pdf/cor_gov.pdf



▶ Project Reports (Japanese only)

www.ctc-g.co.jp/report/index.html

Project case studies, event reports, and articles



▶ Best Engine

http://www.ctc-g.co.jp/en/corporate/pr/

This publication describes the Company's initiatives related to the most recent IT trends and technologies.



04 Message from the President

The CTC Group's Value Creation Story

- 11 Swiftly Addressing Changes to Deliver Continuous Growth
- 13 Cultivated Business Model
- 15 Using Our Strengths to Earn the Trust of Customers
- 17 The CTC Group's Value Creation Process
- 19 Providing Value to Society

The CTC Group's Universal Value Creation Mechanisms

- 21 Relationship between Management Capital and Business Strengths
- 23 Human and Intellectual Capital
- 27 Social Capital (Ecosystems)
- 29 Manufacturing Capital

The CTC Group's Growth Strategies

- 33 Fiscal 2018–2020 Medium-Term Management Plan: Opening New Horizons
 - ▶ 33 Plan Overview and Progress / Market Trends / Market Analysis
 - ▶ 35 Plan Progress and Final Year Outlook
- 37 Case Studies for the Medium-Term Management Plan
 - ▶ 37 Horizon 1 Go Upwards!: Challenge Business Transformation
 - ▶ 40 Horizon 2 Go Forwards!: Sharpen Our Advantages
 - ▶ 41 Horizon 3 Go Outwards!: New Coverage, New Region in Globe
 - ▶ 44 Horizon 4 Consolidate Footholds!: Stabilize Management Infrastructure
- 45 Main Business Strategies
 - ▶ 45 Business Segments at a Glance
 - ▶ 46 Enterprise Group
 - ▶ 47 Distribution Group
 - ▶ 48 Telecommunication Group
 - ▶ 49 Regional & Social Infrastructure Group
 - ▶ 50 Financial Services Group
 - ▶ 51 IT Services Group
 - ▶ 52 Service Design Group
 - ▶ 53 Global Business Group
 - ▶ 54 Major Group Companies in Japan
- 55 Message from the CFO

Systems and Initiatives to Support Our Business Model

57 Systems and Initiatives to Support Our Business Model

58 Strengthening Our Business Model

- ▶ 58 A Human Resource Strategy to Foster the "Motivation to Work" and "Professionals Who Relentlessly Seize Challenges"
- ▶ 63 Earn Confidence and Trust through the Pursuit of Quality

64 Supporting Sustainable Growth

- ▶ 64 Environmental Management
- ▶ 68

Special Column: CTC Technologies to Benefit Social Transformation Due to COVID-19

- ▶ 69 Corporate Governance
- ▶ 83 Risk Management

86 Glossary

Corporate and Other Information

87 Financial Highlights

89 Non-Financial Highlights

91 Management Team

92 Organization Chart

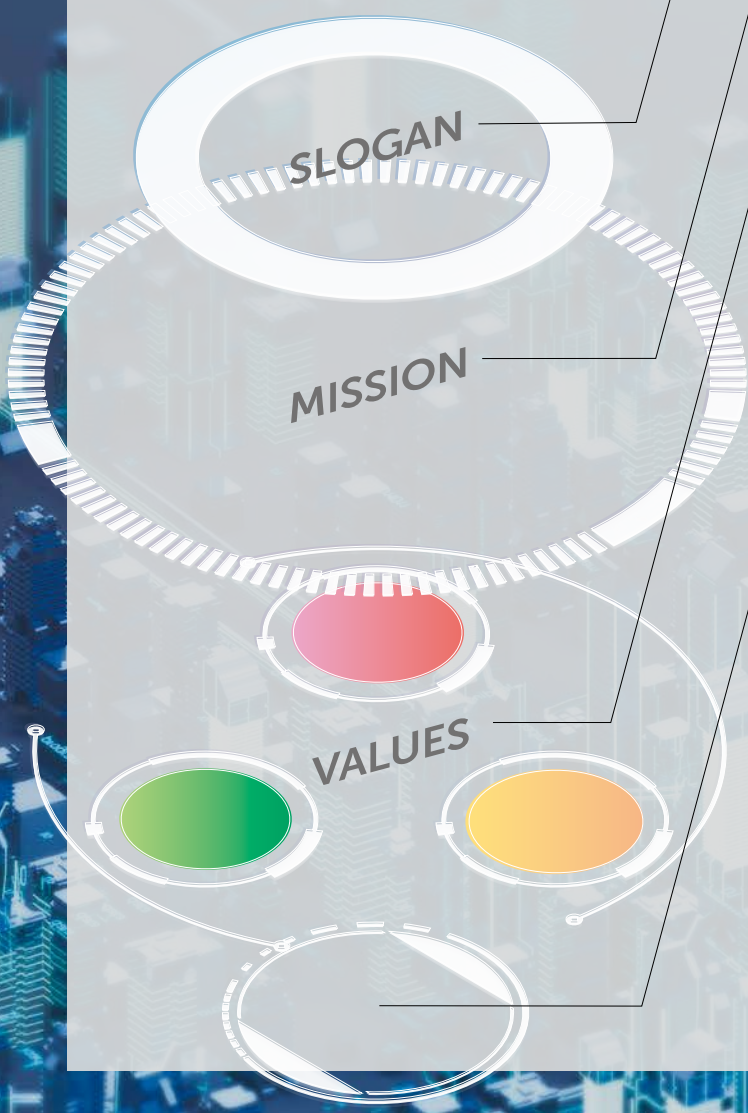
93 External Recognition

94 Corporate Data / Stock Information

VISION
Our Vision
for CTC

**CTC Group
Philosophy**

Take responsibility for the evolution
of the IT industry, as the industry's
leading company



▶ **Slogan**

**Challenging
Tomorrow's
Changes**

▶ **Mission**

**Leveraging IT's potential
to change future for the
Global Good**

▶ **Values—Action Guidelines**

- **Challenge the Change**
Are you determined? Are you constantly trying new things without ever giving up?
- **Challenge the Value**
Are you creative? Do you create value that exceeds customers' expectations?
- **Challenge the Future**
Are you free thinking? Do you strive to map out a brighter future?

▶ **CTC Group Code of Conduct**

We at CTC will endeavor to fulfill our corporate social responsibility in accordance with the CTC Group Philosophy, and always conduct ourselves with a strong sense of ethics and responsibility based on an understanding of the code set forth below:

1. **Full Commitment to Compliance**
2. **Offering Services and Products Useful to the World**
3. **Fair Trade and Prevention of Corruption**
4. **Strict Management of Information**
5. **Creation of a Work Environment with Respect for Human Rights**
6. **Consideration for a Sustainable Environment**
7. **Contribution to Society**
8. **Standing against Antisocial Forces and Organizations**
9. **Reporting and Preventing the Recurrence of Violations**
10. **Taking the Initiative and Setting Good Examples**

Message from the President

I aim to continuously increase corporate value by thoroughly emphasizing the keywords “on-site, reality, and actual conditions” as we harness the true value of the CTC Group’s strengths.



Ichiro Tsuge

President & CEO

I am Ichiro Tsuge, and I assumed the post of president & CEO in June 2020. Taking over this role from Chairman Kikuchi, I have been entrusted with fulfilling the mission of the CTC Group, of “leveraging IT’s potential to change future for the Global Good.” As such, I will strive to promote the sustainable development of society and CTC. I would like to take this opportunity to introduce myself to our customers, shareholders, investors, and all the other stakeholders who support our company.

My heart goes out to the families of all who have perished during the new coronavirus disease (COVID-19) pandemic, and I wish all the best to those who are struggling with the illness. I would also like to express my gratitude to the government officials and local authorities who are working at the front lines to support our lifestyles, as well as the medical personnel who are diagnosing and providing care to the afflicted and the people who are conducting R&D on therapeutic medications and vaccines.

The Creed I Wish to Uphold

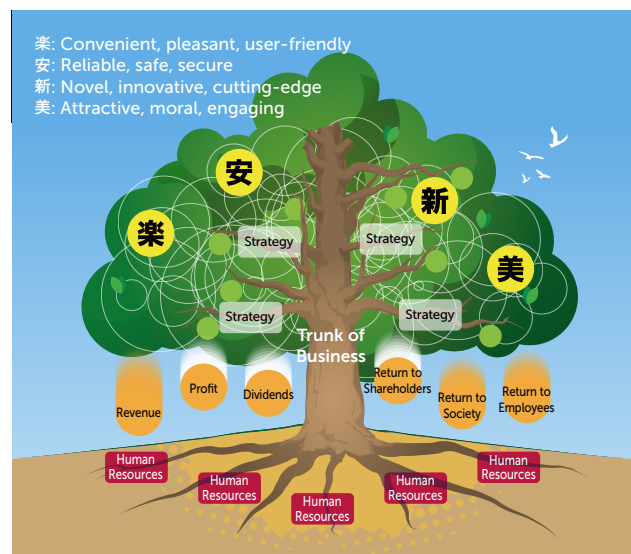
▶ I will buttress CTC’s strong ability to propel itself forward through “management that reverse-calculates to on-site capabilities.”

After joining ITOCHU Corporation in 1980, I worked in a division that handled paper and pulp materials, and I was stationed overseas for part of that time. That experience affected my management perspective considerably. Around 2000, when I was in charge of management planning for the Forest Products & General Merchandise Division, including paper and pulp, ITOCHU was processing the under-performing and inefficient assets that had accumulated during the economic bubble period. While we were busily working with investees to turn their business management around—a process that I was personally involved in—I began to understand that managing businesses required an approach akin to nurturing trees rather than using money to buy profits. Cultivating businesses (trunks and branches) via robust strategies leads to results (flowers opening), and the fruits of these efforts can be shared with shareholders, employees, and society. The leaves that fall from the trees provide nourishment for the branches in the soil, helping trees to grow even stronger (cultivating human resources). This is why my management perspective is one of “nurturing trees.”

In 2015, I was transferred as president of Bellsystem24 Holdings, Inc., whose shares had just been transferred to ITOCHU Corporation from a private equity fund. Above all, the contact center business is underpinned by the people working on-site. There, I turned my management philosophy of nurturing trees into a diagram that I used when explaining the concept to officers and employees, putting it into practice.

Like the maxim “think globally, act locally” suggests, in my efforts to respond to long-term and broad-ranging changes in society, I have done my best to take on-site opinions and issues into consideration (like cultivating trees rooted in the earth), adopting a style of “management that reverse-calculates to on-site capabilities.” I believe the role of management is to understand what is actually happening on-site and to repeat process of trial and error in a reasonable manner. As a result, my current management creed is “on-site, reality, and actual conditions.”

I sense that CTC values people highly and cultivates a corporate culture that allows them to make the most of their capabilities. Having come to CTC from outside the Company, I have a fresh perspective that I plan to leverage along with a thorough focus on “on-site, reality, and actual conditions.” I will focus on creating an environment where employees can make even greater use of their capabilities. In this sense, I see it as my role to support CTC’s strong ability to propel itself forward.



Schematic Showing President Tsuge’s Vision of Management



Managing businesses required an approach akin to nurturing trees rather than using money to buy profits.

Technology and CTC's Direction of Travel

► We will pursue technology applications that have UI and UX as their starting point.

More than 20 years ago, I recall a newspaper article heralding "The Coming Age of the Internet." Narrow-band communications were the norm at that time, and I suspect few people were taking that article seriously. Still, the rapid pace of technological advancement over that 20-year period is evident to everyone. Over the next 20 years, the world will surely change in ways that we cannot currently imagine.

Going forward, leading-edge technologies will be used not just in the business community, but also in people's everyday lives. The key for these technologies lies in how convenient they are for the user, making the user interface (UI) essential. Here, the focus will be on technologies that can make everyday life more fulfilling through stress-free operation, even by seniors and children. With COVID-19 currently affecting people's values

and lifestyles in major ways, I am convinced that by adopting this perspective CTC can play a role across a wide range of domains.

The same is true about CTC's approach to its client companies. Going forward, our main role will be to integrate and interrelate DC5 (DX, cloud, and 5G) into businesses for client companies, helping to address a broad range of issues being faced by customers and society at large. Different from conventional outsourced system development, meeting the requirements of corporate information system departments will no longer be sufficient. For companies, DX means using technology as a management strategy. In addition, technologies will have no value unless they are easy for people working on-site to use. We need the skills to convert specialized IT terminology into common management parlance and provide DX designs that build on the UI and user experience (UX) of the people who use them.

For the first thing, I intend to cultivate this mindset throughout the Company. Once CTC is recognized for its results, it must grow into the sort of company society needs. I believe CTC has the strength to accomplish this.

The Strengths CTC Has Nurtured

▶ **We have numerous strengths that enable us to support customers' DX.**

CTC has advanced through the business of importing new and excellent products and services from overseas, combining them in optimal ways, and providing them to customers. We now have relationships in place with numerous vendors in Japan and overseas and handle a wide range of products. This form of business is referred to as "multi-vendor." I believe we are unique in having honed the business through a consistent customer-focused perspective. In addition to having a wide range of choices rather than being limited to specific vendors, we can develop technologies ourselves if we are unable to find ones that meet the necessary requirements. We also propose ways in which vendors can improve their

products and services in order to provide solutions that meet customers' needs. I think this business model is the "secret sauce" that CTC has inherited—its unseen competitive advantage.

Another of the Company's strengths is the relationships it has built up over many years with customers across a wide range of industries. We have customers in a host of sectors, including telecommunications, finance, and the public sector. In addition to the experience we have gained in such areas as configuring backbone systems, we have extensive technological expertise earned over many years in configuring networks for Japan's major telecommunications carriers. We can leverage this expertise in a virtuous cycle for new projects as business involving next-generation mobile telecommunications systems (5G) begins in earnest.

DX has different objectives, which vary depending on a customer's type of business and strategies. One shared point, however, is that in the era of DX it will become increasingly important to the formulation of new ideas that are unbound by conventional frameworks and collaboration that extends beyond industry borders. In addition, DX will require systems that are flexible, swift, and scalable to suit an operating environment that is changing moment by moment and meet society's needs. Cloud-native and other new technologies will play an important role. CTC has been proactively introducing key technologies for DX since around 2015. With DX forecast to accelerate in various industries, CTC should be able to leverage its relationships with client companies across a broad range of industries and its "secret sauce" for responding to leading-edge technologies. CTC's unique ability to support DX in partnership with customers will be a major strength.

With the aim of augmenting these strengths while reinventing ourselves by taking up challenges in new business domains, we formulated our medium-term management plan, "Opening New Horizons: To See a New Landscape." In fiscal 2019, the plan's second year, we made significant progress toward achieving the plan's objectives.



CTC should be able to leverage its relationships with client companies across a broad range of industries and its “secret sauce” for responding to leading-edge technologies.



The Medium-Term Management Plan, “Opening New Horizons: To See a New Landscape”

▶ In the second year, we recorded the best results since our merger.

Our medium-term management plan, “Opening New Horizons: To See a New Landscape,” defines the directions for broadening our horizons as “Go Upwards!: Challenge Business Transformation,” “Go Forwards!: Sharpen Our Advantages,” and “Go Outwards!: New Coverage, New Region in Globe.” In “Consolidate Footholds!: Stabilize Management Infrastructure,” the plan also outlines our focus on building the foundations to support new challenges that will lead to increased corporate value. The plan sets numerical goals for fiscal 2020: ¥30.0 billion in net profit attributable to CTC’s shareholders, ¥60.0 billion in revenue from each of our core businesses (the recurring business and the global business), and an increase in capital efficiency to ROE of 12% or more.

In fiscal 2019, we recorded the best results since our management integration with CRC Solutions Corporation in 2006 in terms of revenue, every income category, orders received, and the order backlog. At 12.6%, ROE also reached the highest level since the management integration. Revenue from the recurring business was ¥69.5 billion, meeting the plan’s target level.

We also made steady progress on initiatives along each “horizon.”

Under “Go Upwards!: Challenge Business Transformation,” in fiscal 2019 we began providing the “CTC DX Solution for Retail” in collaboration with ITOCHU.

This solution provides comprehensive support for the realization of smart stores using AI, IoT, and other new technologies. In addition to promoting DX with major clients in this way, we undertook initiatives to promote cloud-native technologies. In fiscal 2020, we plan to expand the DX business and work aggressively to develop applications using new technologies and techniques.

In “Go Forwards!: Sharpen Our Advantages,” we received multiple orders from leading carriers for 5G network configuration projects. We also worked to expand our recurring business. In fiscal 2020, we will focus on further expanding 5G-related business. We will also concentrate on “lifting” customers’ existing systems into the cloud and “shifting” them to cloud-native systems to take advantage of the benefits the cloud offers.

Under the horizon of “Go Outwards!: New Coverage, New Region in Globe,” we acquired two IT companies in Indonesia to further augment our business in the ASEAN region and entered a capital agreement to promote DX. In fiscal 2020, we will reinforce our overseas business systems and actively promote business through open innovation. To achieve this, we will collaborate with startup companies and utilize corporate venture capital.

In the category of “Consolidate Footholds!: Stabilize Management Infrastructure,” we established the ITOCHU Techno-Solutions Future Foundation to nurture next-generation IT talent. We also raised our dividend amount for the 11th consecutive fiscal year. To address global warming and help achieve the SDGs, we formulated the 2050 CTC Environmental Declaration, which sets a target of zero CO₂ emissions by 2050. In fiscal 2020, we will move forward with ongoing initiatives to enhance Group management and governance. We also aim to further increase shareholder returns.

The entire Company will pull together, looking optimistically beyond present circumstances toward the future as we leverage technology to achieve a “new normal” and the “Global Good.”



Management Based on an Integrated Understanding

▶ **The fruit we bear will be offerings that are “convenient, reliable, novel, and attractive.”**

During my time at ITOCHU, I once visited Brazil’s hinterlands when purchasing paper and pulp resources. At first glance, the communities and people there seemed impoverished, but I was impressed with the energy of the families and how their faces shone as they alighted their horses. This experience showed me how true bounty is not measured only by economic indicators. That sensibility may have been at the start of my management philosophy that coalesced as “nurturing trees.”

At my previous workplace, the section in charge of sustainability was located within the management planning division. The objective was to integrate business planning and ESG. Likewise at CTC, I believe ESG is an important element of our management story, and I aim to achieve sustainable increases in corporate value based on an integrated understanding. CTC’s corporate mission is “leveraging IT’s potential to change future for the Global Good.” I believe companies should exist as places for people who share the same mission to gather and divide their roles to achieve the corporate purpose.

To realize our mission, CTC (the trunk of the tree) leverages technology to provide fruit, which I would describe as offerings that are “convenient, reliable, novel, and attractive.”

In the first category, “楽,” we aim to provide convenience to customers, enable people to live convenient everyday lives, and encourage employees to work enthusiastically. Earlier, I touched on the idea that technology could help alleviate unnecessary stress and damage and noted our aim of contributing to the creation of services that seniors and children would encounter. Taking into consideration such factors as Japan’s shrinking workforce and the proliferation of teleworking to prevent COVID-19 infections from spreading, we will continue to focus on diverse and efficient working styles and working environments that are free from specific constraints on time and location.

By “安,” I mean ensuring security and people using our offerings with safety and peace of mind. Naturally, the systems CTC provides must operate reliably. In addition, we will combine leading-edge security equipment and services from Japan and overseas in an optimal manner. In this area, CTC plays a role in building robust social infrastructure.

“新” refers to new technologies and fresh ideas, as well as generating new value by taking on new challenges. As 5G spreads, new applications will be developed that use



this infrastructure across a wide range of industry sectors. In addition to remote medicine, autonomous vehicles, and smart factories that utilize local 5G networks, IoT and cloud technologies can be combined with AI and other technologies to optimize electricity supply and demand, helping to address environmental issues. In these ways, we will develop businesses that fall outside the boundaries of a traditional system integrator.

“美” includes the connotations of cleanliness, correctness, and beauty. We will continue to shore up our corporate governance and compliance, protect the value we create and share it with our stakeholders as we work toward sustainable growth.

Challenging Tomorrow's Changes

▶ **CTC will take this approach to carve out a new future.**

The COVID-19 pandemic is having a profound effect on people's values, lifestyles, and working styles. While a paradigm shift is certainly occurring, this is no call for pessimism. Rather, the entire Company will pull together, looking optimistically beyond present circumstances

toward the future as we leverage technology to achieve a “new normal” and the “Global Good.”

To date, the United States has taken the lead in technological advancement, but nowadays many innovations are coming from China. By leveraging our position in Japan and CTC's unique approaches, we will continue to seek out IT's potential to address society's issues and needs. As the message embodied in our corporate name indicates, we will continue “Challenging Tomorrow's Changes.” I am convinced that our corporate culture of boldly taking on challenges involving new technologies and domains will turn these challenges into reality.

I would like to ask our customers, shareholders, investors, and all other stakeholders for your ongoing support of CTC as we continue to take on challenges and strive to continuously increase corporate value.

President & CEO

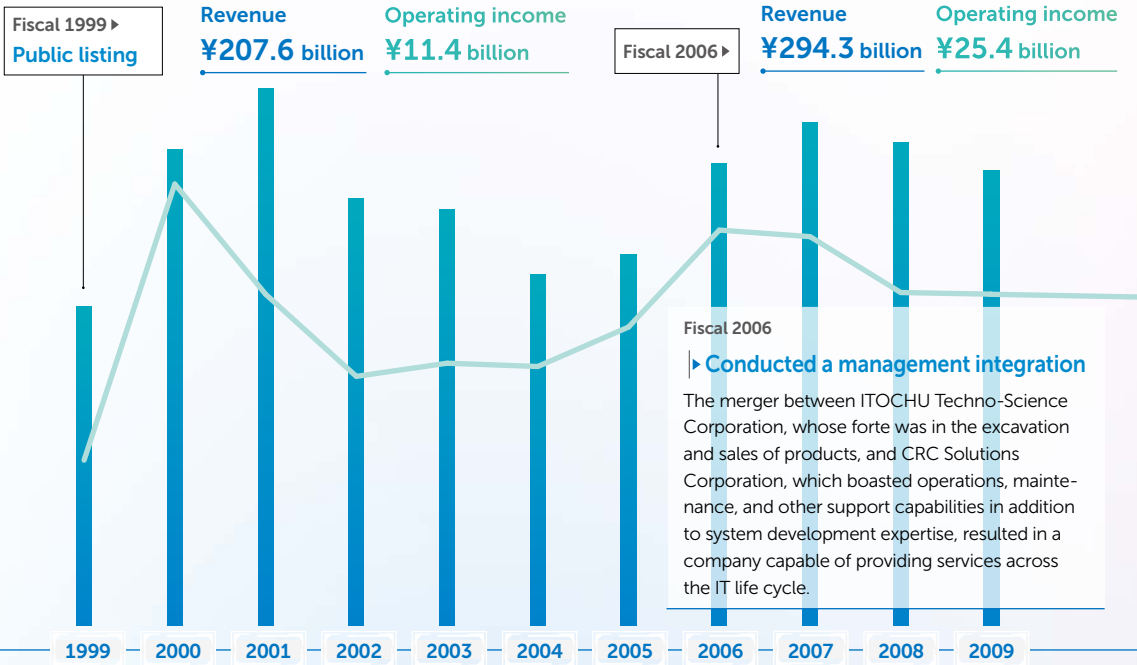
History

Swiftly Addressing Changes to Deliver Continuous Growth

1972

Established as a business operator within the ITOCHU Group

CTC's predecessor, C. ITOH Data Systems Co., Ltd., was established. As a subsidiary of a trading company, the new company's business revolved around customizing and selling the best products from around the world to Japanese clients. CTC's business model, which emphasizes the building of infrastructure, continues to this day.



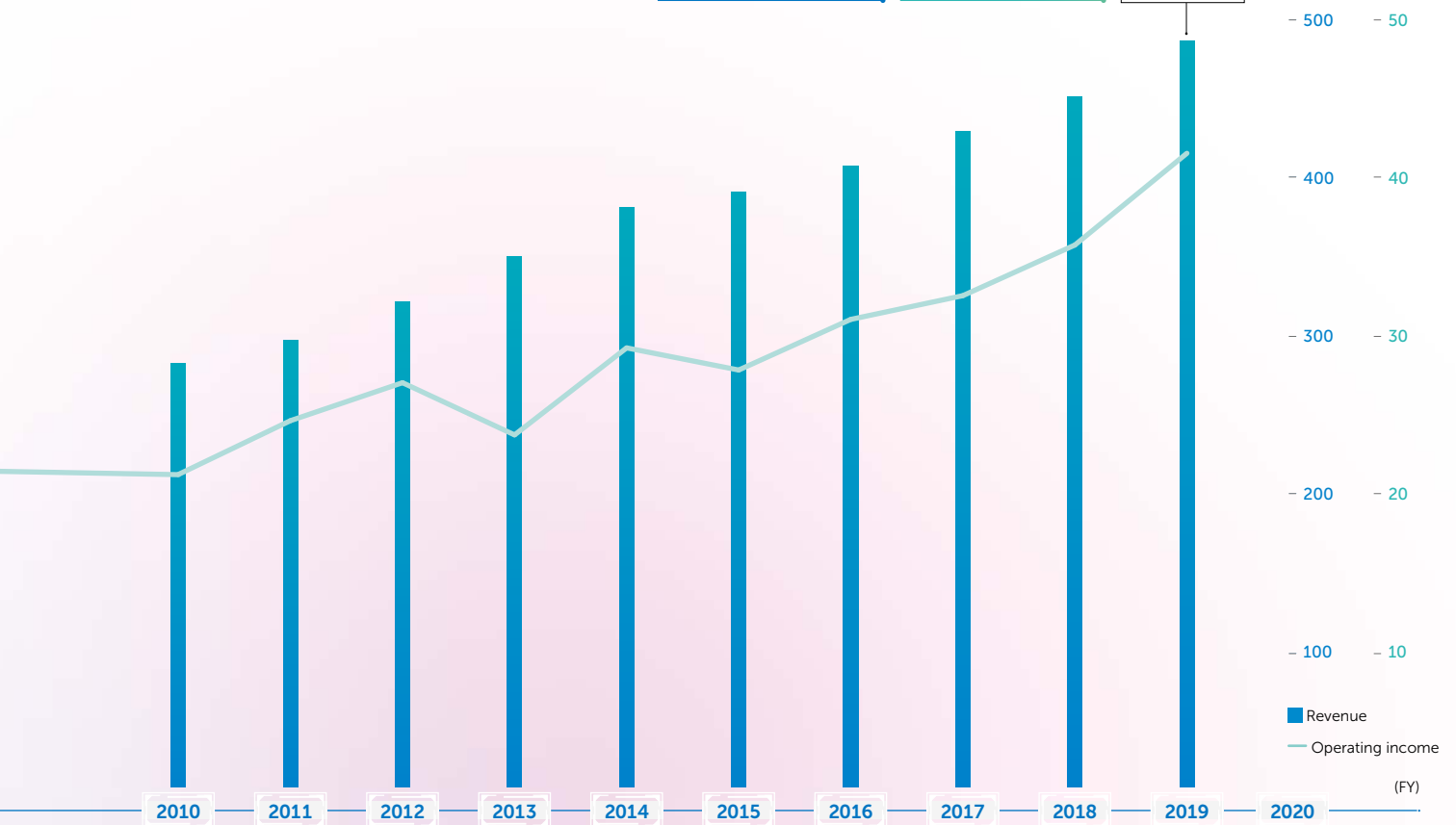
1970- 1980- 1990- 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009



Revenue **¥487.0 billion** Operating income **¥41.6 billion**

◀ Fiscal 2019

(¥ billion)



Cloud

DX

4G

Video Gaming IoT

5G

Enhanced Mobile Broadband (eMBB), Ultra-Reliable and Low Latency Communications (URLLC), and massive Machine Type Communication (mMTC)

2013 | Acquired two companies in the ASEAN region, and began globalizing

To provide our clients with global support and expand our business on a global scale, we acquired CSC Automated and CSC ESI*, which have extensive client bases in Singapore and Malaysia. This move launches us into the ASEAN market, which is expected to grow at one of the fastest rates within the IT industry, and spearheads CTC's efforts to develop its global business.

* Renamed CTC GLOBAL PTE. LTD. and CTC GLOBAL SDN. BHD.

2018 | Opened a space dedicated to agile development

As one of our initiatives in the area of agile development, which aims to enhance development speed and respond flexibly to change, we set aside dedicated locations in Tokyo and Aichi Prefecture. Agile development is a new methodology aimed at responding to client needs in a timely manner by developing applications capable of responding to an ever-changing operating environment. CTC's ability to respond to this methodology for making development faster and more efficient sets the Company apart in the development and system integration (SI) domains.

2019 | Foundation established to develop next-generation human resources

We are committed to fostering next-generation human resources that support IT while contributing to society through our business. Reflecting this commitment, we established the ITOCHU Techno-Solutions Future Foundation, which will engage in unique activities centered on IT-related scholarships and education-related businesses. Through educational projects, such as scholarships and workshops, the foundation has started support activities for children, adolescents, and youths with disabilities who aspire to pursue careers in IT.

2017 | Established Institute of Open Innovation Research "MIRAI"

We established the Institute of Open Innovation Research "MIRAI" with an organizational mission to cultivate and develop leading-edge technologies and create a new business model. In October, we opened DEJIMA, a dedicated space for open innovation, to facilitate the creation of new businesses among clients and startup companies.



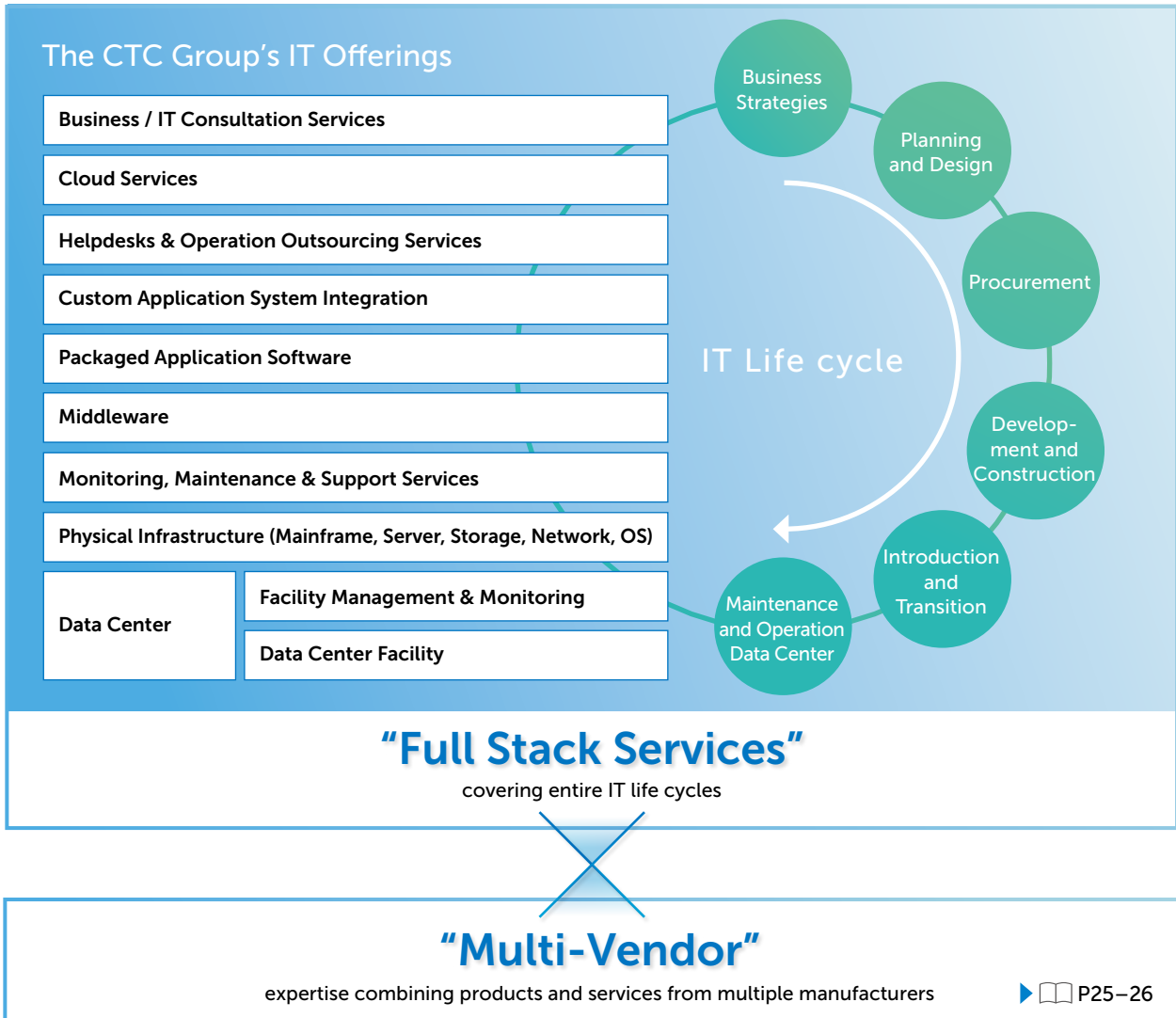
2019 | Acquired of two Indonesian IT companies

CTC acquired two local IT companies in Indonesia: PT. Nusantara Compnet Integrator, which has strengths in system construction, and PT. Pro Sistimatika Automasi, whose core business is application development. Through these acquisitions, we will establish a system covering all of the ASEAN region to further expand our global business.

Business Model

Cultivated Business Model

Identify excellent products from around the world and connect them to customers



"Full Stack Service + Multi-Vendor": Resolving Customer Issues with Innumerable Combinations

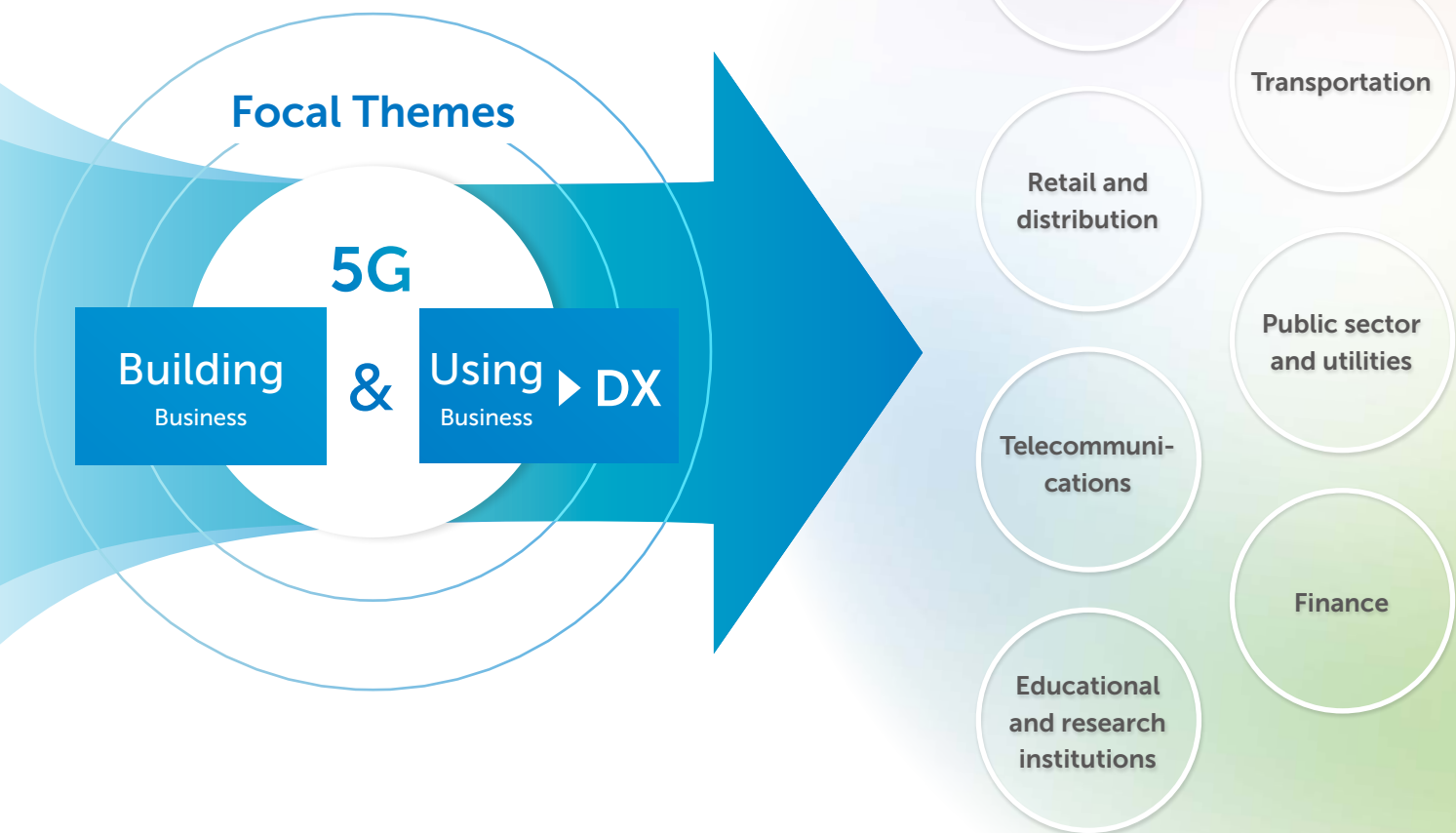
Since its foundation, CTC has adopted a customer-focused business model that entails identifying excellent products and services around the world and connecting them to provide optimal solutions. The collection of technologies and know-how accumulated in this process is reflected in the "Full Stack Services + Multi-Vendor" approach that symbolizes our business model.

Our "Full Stack Services" covers all processes in the IT life cycle, from business strategy formulation to operation and maintenance, as well as all the IT technologies needed to support these processes. As such, we are a "Multi-Vendor" that is independent of the products and services of a particular manufacturer. By making connections and combinations from the innumerable options available, we can develop the best and most innovative solutions for our customers. Our client

companies operate in a wide range of industries and have diverse challenges and needs. To meet their requirements, we propose improvements to products and services offered by manufacturers and compensate for any technological deficiencies through our own in-house development. In these ways, we continue to search for optimal solutions.

As digital transformation (DX) gathers pace, technology will become more deeply rooted in not only corporate management strategies but also society itself. Moreover, it will be deployed by people in all age groups, from children to the elderly. We will continue making maximum use of our "Full Stack Services + Multi-Vendor" model to address business environments that require scalability, flexibility, and speed.

Products and services around the them to provide optimal solutions



Creating and Deploying 5G Technologies through DX to Accelerate the Creation of a Prosperous Society

At CTC, our future focuses will be on DX and its premise: 5G next-generation mobile communications systems. In the 5G world, characterized by Enhanced Mobile Broadband (eMBB), Ultra-Reliable and Low Latency Communications (URLLC), and massive Machine Type Communication (mMTC), CTC will take on challenges in business that both “build” and “use” networks.

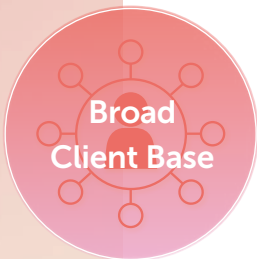
Leveraging our track record and knowledge in building networks for major telecommunications providers over many years, we will address the more advanced and sophisticated technical requirements of customers and demonstrate our presence in the domain of businesses that “build.” Moreover, businesses that

“use” 5G will use it to connect all kinds of “things” to networks, creating a world in which information is sent and received in real time and fueling the emergence of numerous new industries. In addition to its business know-how in “building” 5G, CTC has a track record of using technologies in a wide range of industries to help resolve its customers’ operational issues. Accordingly, we will become a strong partner for companies that seek to promote DX. In businesses that “build” and “use” 5G, we will leverage our “Full Stack Service + Multi-Vendor” approach to seize more and more business opportunities.

Strengths Using Our Strengths to Earn the Trust of Customers

The Ability to Create New Businesses with Clients

With IT slated to play an indispensable role in society as a whole, DX is expected to gather more and more momentum. This is because DX will utilize IT in spaces where new, unprecedented business will be created. System integrators are called on to help clients realize these aims by connecting their growth strategies with leading-edge technologies. The CTC Group, which has attracted clients and amassed operational know-how across a host of industry sectors, collaborates with myriad partners to foster its innovative capabilities and help create new businesses to support society.



Client base:
Approx.
10,000
companies

▶ Clients and Operational Know-How Spanning a Host of Sectors

CTC's clients span a broad range of industries—including telecommunications, finance, manufacturing, and public-sector entities with large-scale systems—that rely on 24/7 uptime. The sophisticated operational expertise and specialized knowledge we have amassed through our business in these areas over the years is the wellspring of our ability to respond to new client issues and a source of strength.



Number of events of the DEJIMA open innovation space (Fiscal 2019):
132
Investments by CTC Innovation Partners:
6 projects

▶ Future-Oriented Service Focused on Creation in Collaboration with Clients

CTC works with clients to create new businesses and expand their lines of business by leveraging the relationships with a wide range of partners and the leading-edge technologies we have cultivated in Japan and overseas.

To further prepare the groundwork for innovation, in 2017 we established the Institute of Open Innovation Research "MIRAI," developed an open innovation space called "DEJIMA", and established CTC Innovation Partners as a corporate venture capital (CVC) firm. ▶ □□ P29



Subsidiaries and affiliates in Japan and overseas:
27
Development partners:
Approx.
1,000
companies

▶ Strong Relationships with Partners in Japan and Overseas

In addition to joint ventures with vendors, system integration (SI) partners, and customers, we have formed capital alliances through investments in startups and built robust relationships with ITOCHU Group members and others. We also collaborate with universities to engage in human resource development and conduct research that leverages our mutual strengths. Such collaboration enables us to proactively create a framework that embraces change with new businesses, one that we would be unable to develop solely with our own resources.

▶ □□ P27-28

The Ability to Build New Businesses by Harnessing IT

The CTC Group has built relationships with leading domestic and international vendors over many years. The leading-edge products and technological information that we obtain from them has helped us to hone the technological skills required in system development. While systems are expected to become more sophisticated and advanced in the years ahead, we will demonstrate our presence by utilizing our “keen eye” to identify the latest technologies and our “technological capabilities” to connect them.



Silicon Valley relationships:

30 years

Vendor partners:

More than 300 companies

▶ A Keen Eye for the Latest Technologies and an Unrivaled Choice of IT Products

We maintain a vigilant lookout for superior vendors in Japan and overseas in our effort to deploy numerous products and technologies, as well as cloud and other services. We have created a niche as a system integrator with multi-vendor and full stack technologies—able to propose optimal solutions across the entire IT life cycle by connecting multiple products and services. We have one of the strongest track records with leading vendors of any company in Japan, which also leads to solid advantages on the pricing front. ▶ [P25–P26](#)



Engineers:

14,582

People with vendor certifications:

9,586

▶ Teams of Engineers That Can Integrate the Latest Technologies

CTC has built up its technological capabilities by embracing the challenges posed by new technologies and pursuing measures to resolve the true issues that clients face. This approach has earned us trust from our clients and led to the accumulation of expertise. CTC applied its ability to build IT infrastructure in a multi-vendor environment, cultivated over many years, to the carrier-oriented business it launched in the 1990s. We harness these skills to develop services and applications that bolster our clients' competitive advantages. ▶ [P23–26, 61–62](#)



Nationwide maintenance and support network

Overseas support structure:

881 people
in **5** countries

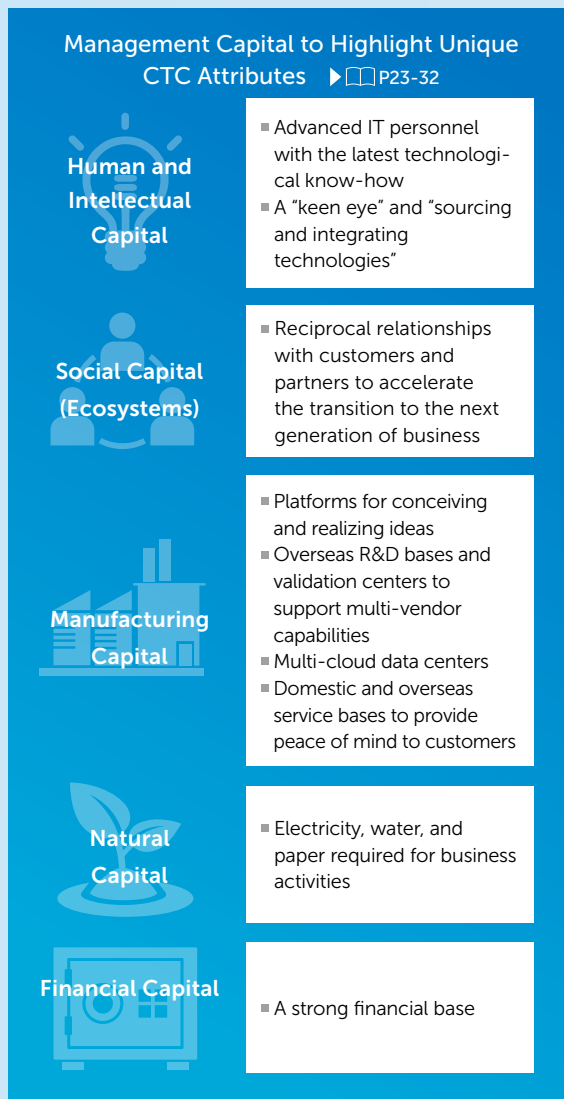
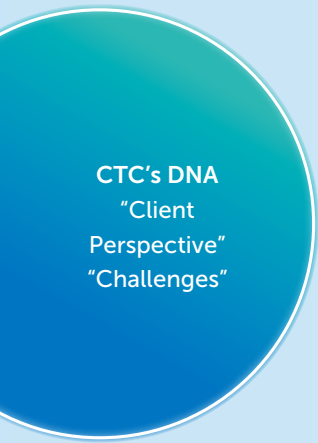
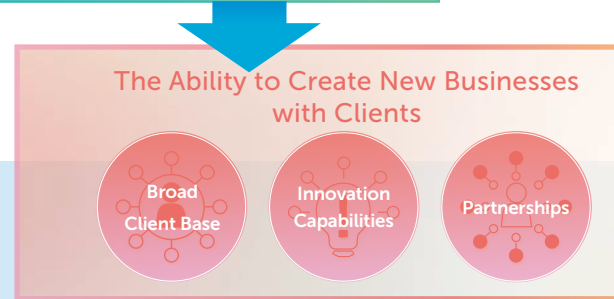
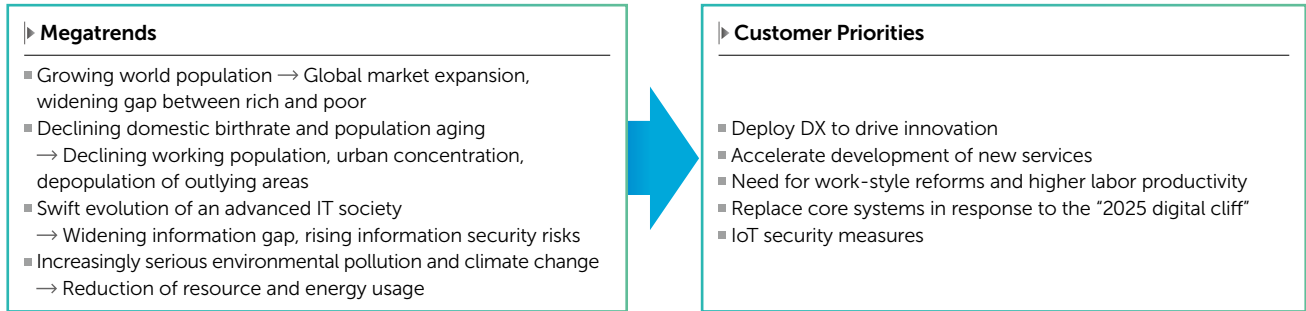
▶ Support Framework Linked with New Business

As a multi-vendor, the CTC Group goes beyond just procuring products and building infrastructure. We also provide post-installation operational and maintenance support, which requires us to understand the features of deploying products from multiple vendors across complex system environments. The support capabilities of the CTC engineers who facilitate the stable operation and maintenance of extremely complex systems earn a high degree of trust and provide an important reference point for new business. ▶ [P31–32](#)

Value Creation Model

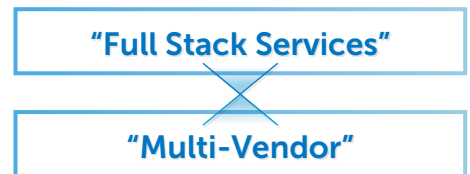
The CTC Group's Value Creation Process

The CTC Group's corporate mission is "leveraging IT's potential to change future for the Global Good." To this end, we will mobilize our unique strengths to address the issues and needs of customers and society through our business. With "Client Perspective" and "Challenges" inherent in our DNA, we are enhancing our management capital, which is the wellspring of value, in an ongoing effort to reinforce our business model.

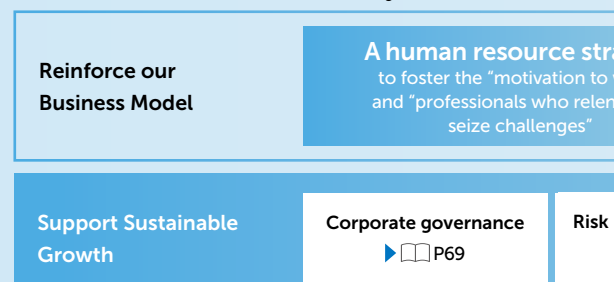


Business Model ▶ P13-14

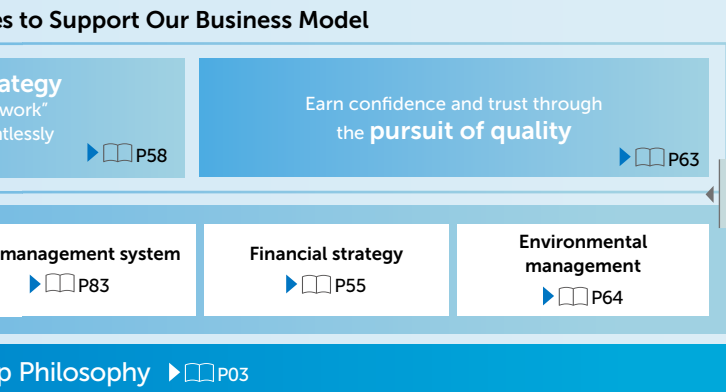
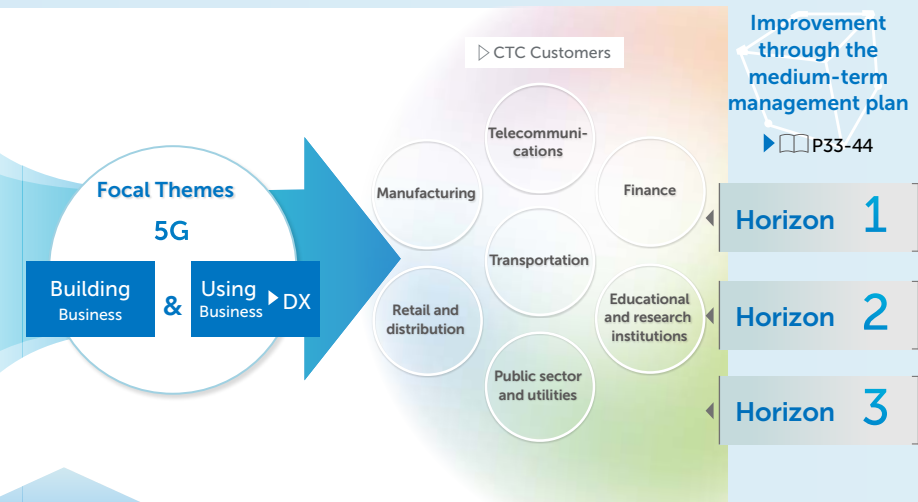
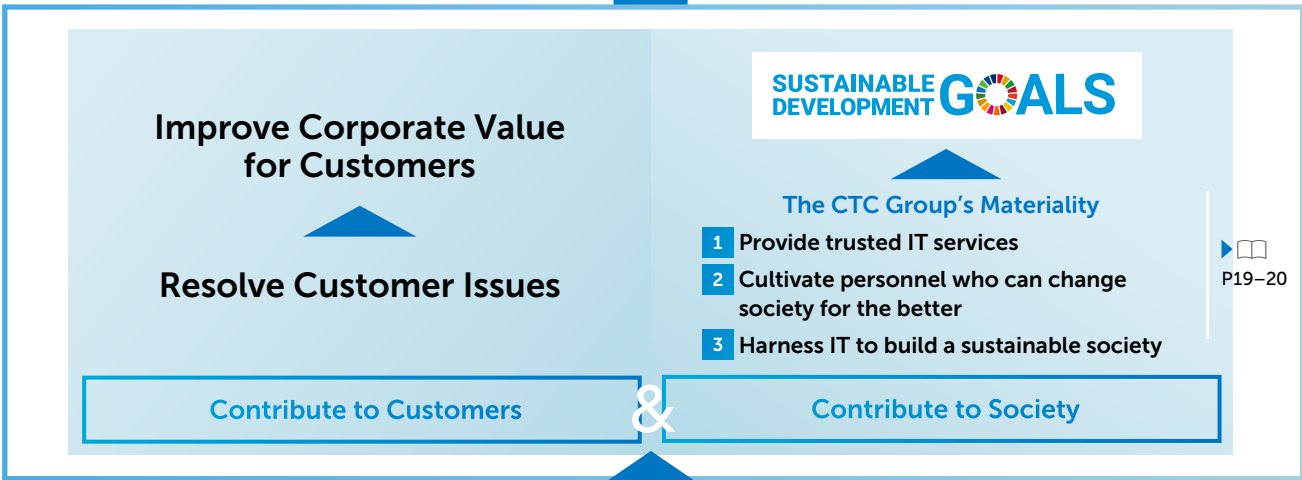
Identify excellent products and services around the world and connect them to provide optimal solutions



Systems and Initiatives



MISSION
Leveraging IT's potential to change future for the Global Good



Materiality

Providing Value to Society

▶ The CTC Group's Approach to Materiality

Based on the two axes of management and impact on stakeholders, the CTC Group has identified material topics (materiality) and is working to address them. Needless to say, the main focus of business is to help improve corporate value by resolving the problems of client companies. However, we also want to be an entity that provides value to society. We do this by pinpointing social issues from the perspective of client companies and delivering optimal solutions to address them.

▶ Identifying Material Topics

In March 2016, we identified material topics (materiality) that the CTC Group should focus on. This followed a process of obtaining feedback from stakeholders based on the social issues highlighted by CSR evaluation organizations, including international guidelines on sustainability. We then set specific materiality targets and key performance indicators (KPIs) and are using the plan-do-check-action (PDCA) cycle to evaluate each initiative.

■ Participation in United Nations Global Compact

On July 20, 2015, the CTC Group signed up to the United Nations Global Compact (UNGC), an initiative to achieve sustainable growth in the international community.

We support the UNGC's 10 principles in four key areas: human rights, labor, the environment, and anti-corruption.



▶ Material Topic Assessment Process



Add

1 Provide trusted IT services



1-1 Ensure rigorous information security

See also ▶ □□ P84

- Number of serious accidents Target: **0** ▶ **Achieved**
- Training attendance rate Target: **100%** ▶ **Achieved**

1-2 Improve quality

See also ▶ □□ P63

- Number of serious system failures Target: **10% year-on-year decrease** ▶ **Not achieved (10% increase)**
- Customer evaluation of system quality* Target: **85%** ▶ **Achieved (89%)**

* Percentage of respondents who answered "Similar to competitors" or higher in the system quality evaluation section of our customer satisfaction survey

1-3 Compliance

See also ▶ □□ P85

- Number of serious compliance violations Target: **0** ▶ **Achieved**
- Training attendance rate Target: **100%** ▶ **Achieved**

We compiled a list of 27 candidates for material topics based on a wide-ranging review of our corporate philosophy, the Generation 4 Global Reporting Initiative Guidelines (G4 Guidelines), the United Nation's Sustainable Development Goals (SDGs) and disclosure requirements set out by institutions that use socially responsible investing (SRI) strategies.

We carried out a survey of our stakeholders, asking them to evaluate the importance of each of the 27 material topic candidates.

Based on the results of the stakeholder survey, we carried out a dialogue with experts to narrow down the material topics the CTC Group should tackle. We then evaluated and organized their proposals and suggestions from both a qualitative and quantitative perspective.

Based on the survey results, we created a Materiality Map visualizing the impact of each of the 27 material topic candidates on our business and stakeholders using concrete figures. As the final step in the verification process, we asked CTC's management executives to review the material topics.

We extracted materiality, the areas that the CTC Group should address as a matter of priority in terms of the impact on its business and stakeholders, and then reflected our corporate philosophy in more straightforward terms.

Comments from Expert

Yoshinao Kozuma
Professor, Sophia University, Faculty of Economics

Businesses should be beneficial to both society and company. Especially in the IT sector, the amount of electricity consumed by data centers increases in proportion to business scale. While measures are required to address energy consumption, CTC can also use its IT service capabilities to conceive ideas that convert risks into business opportunities.

Mariko Kawaguchi
Chief Researcher, Daiwa Institute of Research

Rather than focusing only on how much profit can be produced, CTC needs to consider strategies and policies based on how it can provide benefits to the society as a whole.

Hitoshi Mitomo
President, Japan Society of Information and Communication Research
Professor, Graduate School of Asia-Pacific Studies, Waseda University

Companies need to create businesses that dovetail with a sustainable society. If IT services are accepted by society as a tool for solving problems, CTC can help to build a sustainable society through its business activities.

Note: Data, organization names, and job titles in the above are valid as of October 2016.

Addressing the CTC Group's Material Topics

Fiscal 2019: KPI Review

2 Cultivate personnel who can change society for the better

2-1 Conduct personnel development and training

See also ▶ P23–25, 61–62

■ Career follow-up interview rate

Target: **100%** ▶ **Achieved**

2-2 Promote diversity and change work styles

See also ▶ P44, 59–60

■ Enhancing diversity and work-style reform measures

▶ **Promoted lesbian, gay, bisexual, and transgender (LGBT) initiatives and sexual orientation and gender identity (SOGI) initiatives and implemented work-style reform measures**

■ Paid leave uptake rate

Target: **70%** or higher ▶ **Achieved** (72.6%)

Employees who took fewer than

five days of paid leave Target: **0** ▶ **Achieved**

2-3 Help cultivate people who can be a bridge to the next generation

See also ▶ P44, 61–62

■ Contributing to an increase in advanced IT human resources

▶ **Held a symposium on "fostering data scientists to drive the AI era"**

▶ **Established the ITOCHU Techno-Solutions Future Foundation**

■ Held "future realization IT classes"

Target: **12** times ▶ **Achieved** (14 times)

3 Harness IT to build a sustainable society

3-1 Address issues related to an aging society

■ IT solutions that help to address the declining birthrate and population aging

▶ **Provided IT solutions to address labor shortages and long-term care needs**

3-2 Reduce environmental impact

See also ▶ P64–67

■ IT solutions that help to reduce environmental impacts

▶ **Provided IT solutions for effective use of resources**

■ Reduce CO₂ emissions from our businesses

Target: 30% reduction from the fiscal 2015 level by 2030

▶ **19.7% reduction**

■ Number of serious environmental law violations

Target: **0** ▶ **Achieved**

3-3 Contribute to regional economies

■ IT solutions that contribute to local economies

▶ **Stepped up introduction of IT solutions in rural areas**











▶ For more information on the results of our KPI review, please visit our corporate website. <http://www.ctc-g.co.jp/en/corporate/csr/policy/materiality.html>

Relationship between Management Capital and Business Strengths

Reflecting our business platform as a system integrator and our business model based on a "client perspective," we have invested significant management capital in our business activities. Within management capital, we regard "human and intellectual capital," "social capital (ecosystem)," and "manufacturing capital" as particularly important. This means the willingness and motivation to learn broadly and deeply and to persevere in identifying solutions, as well as the technical power to uncover, understand, and connect excellent products and services in Japan and overseas and the ability to form relationships with internal and external partners. By combining these elements of management capital, we have cultivated unique strengths that other companies cannot easily imitate. We are focusing on efforts to further refine our strengths and continuously expand the value of each management capital element.

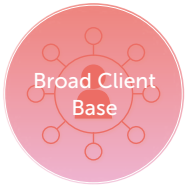
Management Capital to Highlight Unique CTC Attributes

Details

	Management Capital to Highlight Unique CTC Attributes	Details
 <p>Human and Intellectual Capital</p>	<p>Advanced IT personnel with the latest technological know-how</p> <p>▶  P23–25, 58–62</p>	<p>Technology Strategy / Human Resources Strategy</p>
	<p>A "keen eye" and "sourcing and integrating technologies"</p> <p>▶  P25–26, 58–62</p>	<p>Technology Strategy / Human Resources Strategy Vendor Certifications / Awards Received</p>
 <p>Social Capital (Ecosystems)</p>	<p>Reciprocal relationships with customers and partners to accelerate next generation businesses</p> <p>▶  P27–28</p>	Customer base
		SI partners
		Vendor relations
		ITOCHU Group companies
		Capital alliance partners
 <p>Manufacturing Capital</p>	<p>Platform for creating and realizing ideas</p> <p>▶  P29–30</p>	DEJIMA / CTC Innovation Partners / Innobee Challenge / Agile Offices
	<p>Overseas R&D bases and validation centers to support multi-vendor capabilities</p> <p>▶  P31</p>	CTC America / TSC
	<p>Multi-cloud data centers</p> <p>▶  P31</p>	Data centers
	<p>Domestic and overseas service bases to provide peace of mind to customers</p> <p>▶  P32</p>	Global bases / Domestic service bases

The Ability to Create New Businesses with Clients

The Ability to Build New Businesses by Harnessing IT



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Capital Utilization

Human and Intellectual Capital

Reasons for Emphasis

Modifying sophisticated social systems using IT requires not only technology but also humans who can master that technology. Because systems are used by humans, it is essential that engineers have in-depth knowledge in specialized fields, as well as wide-ranging knowledge about the latest technologies and the ability to apply and combine them more effectively. CTC considers that "people" (human capital) and the "know-how" (intellectual capital) that people can acquire are the two types of capital that should receive the most attention for refinement.

▶ Advanced IT Personnel with the Latest Technological Know-How

Building on Our "Full Stack" Strengths to Open a New Era

Tadataka Okubo

Director & Senior Managing Executive Officer
Assistant to the President
(Special appointment for Advanced IT Strategy)
CTO



Changing Spotlight of DX

Since around the fall of 2019, I have sensed a shift in the way people perceive digital transformation (DX). This is not simply due to the emergence of highly innovative new businesses that deploy existing digital technology to achieve "creative destruction." It is also the result of DX being used to provide higher added value by extending its reach in conventional areas. These include digitization of existing businesses to achieve organizational management and work-style reforms.

Changes in people's lifestyles associated with the spread of COVID-19 have accelerated this trend. Corporations are also starting to direct their investments to new areas. These include construction of stronger management foundations that are prepared for large-scale disasters and the spread of infectious diseases, as well as the transition to cashless payments and e-commerce so that people can coexist with pandemics and live safely. DX is gathering pace in a wider range of fields than ever before, and advanced technologies are expected to help create a new society. In this context, DX will be used to develop human-friendly solutions that anyone can use regardless of age, as well as

services that focus on user convenience and safety, in addition to the traditional purpose of IT in delivering productivity and efficiency improvements. In other words, DX will also play a role in realizing a prosperous society.

Arrival of the “Cloud-native” Era

Future IT systems will need to be both friendly to users and offer scalability and safety for companies that develop them. However, many technical issues remain. As a typical example, full-scale commercialization has begun of the 5G next-generation mobile communication system, earmarked as a driving force for accelerating DX. The problem is that construction of most of the required IT infrastructure at user companies, public entities, and the like remains unfinished.

To overcome this, we need to provide IT infrastructure in multi-cloud environments containing collections of cloud-native microservices. In light of the exponentially increasing volume of information to be processed, we must also practice “edge computing” to handle some of the analysis and processing functions on both the cloud and user sides. There is also an urgent need to develop and evolve “edge devices,” which are terminals equipped with ICs that perform ultrahigh-speed parallel processing functions like AI.

We look forward to the progressive introduction of these cloud-native technologies, spearheaded mainly by companies looking to drive the next generation of business through DX. However, most Japanese companies and organizations are vertically integrated and must eliminate the technical shortfalls caused by their complicated black-box core systems (legacy systems). This is known as the “2025 digital cliff.” They need to update their legacy systems and mobilize DX to introduce cloud-native systems.

“Full Stack” System Integrator

Under these circumstances, system integrators need to have a collection of technologies, knowledge, and expertise to meet the complex requirements of client companies and deliver convenience to users in multiple ways. They must provide reliable, high-quality services by building multi-cloud and edge computing environments while developing high-quality applications and maintaining and operating systems based on those applications. This requires the services of a “full stack” system integrator with integrated technical knowledge across all layers, from infrastructure construction to products and applications.

The CTC Group is one of the few system integrators with engineers who are well-versed in the many technologies of a multi-vendor environment. These include technologies related to networks, IT infrastructure, the cloud, application development, and project management.

We have existing expertise in handling the entire IT life cycle, from business strategy to end-user contact, with services ranging from planning and design to procurement, development, deployment, migration, maintenance, and operation. We are also strong in 5G, WiFi6, and other network technologies, as well as cutting-edge technologies for building cloud-native environments, including agile development, DevOps, and microservices.

In addition to this “true full stack” system, we have accumulated business expertise in many fields, including information and communication, manufacturing, logistics, finance, and public services. Backed by such expertise, we approach companies in a wide range of industries seeking to use DX to leverage their growth strategies.

Capital Utilization
Human and Intellectual Capital

Human Resource Development Focusing on the "Bigger Picture" Rather than "Points"

To help realize DX and create new value for our client companies, we must develop skilled engineers who can deploy our "full stack" arsenal to maximum advantage. In addition to in-depth expertise in specified technical fields, our engineers need wide-ranging knowledge and creativity so that they can deliver solutions that take into account the kinds of environments IT users will access. In other words, they must serve as "IT producers" who can look at the "points" of customers' requests and grasp the "bigger picture" to pinpoint issues and requirements and thus extract the best solutions.










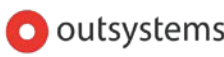


The increasing sophistication and advancement of IT has led to a division of labor among engineers, who now tend to target career paths in specific technical fields where they can acquire more in-depth specialized expertise. On the other hand, the number of engineers who can grasp the overall picture of a system while also enjoying the pursuit of the important dedicated technologies is increasing, especially among the younger generation, known as "digital natives."

At CTC, we focus on creating environments where human resources who are keen to acquire new technical knowledge can maximize their abilities. One example is our in-house community, "Dojo," which we opened in fiscal 2019. At Dojo, engineers share technical information and learn from each other, irrespective of age, experience, and job title. Backed by our "full stack" strength, we will continue improving this environment to develop human resources who will support our future growth.

▶ **A "Keen Eye" and "Sourcing and Integrating Technologies"**

Since its foundation, the CTC Group has continued to build solid relationships with superior IT vendors in Japan and overseas. We have moved swiftly to identify excellent services, software, products, and the like from all over the world, then connect and combine these products to provide cutting-edge, high-quality IT environments. Today, we deploy more than 300 IT-related services and supporting products and have a top-class performance record in Japan.

Now that the cloud has become commonplace, we have formed partnerships with major vendors that develop numerous application services, including SAP and Box, in addition to Amazon Web Services (AWS) and other hyper-scale cloud vendors. We meet on a regular basis with some of the world's foremost IT vendors, sharing clients' requests and comments from Group engineers to help them develop high-quality products and services.

 Premier Consulting Partner			Vendors for which CTC is the largest seller in Japan: 13 companies	Vendors that accord top partner ranking to CTC: 26 companies	
					
					

▶ Major Vendors and Awards

AWS	AWS Partner Network (APN) Premier Consulting Partner	NetApp	Star Partner NetApp Japan Partner Award 2019 • Support Partner of the Year
Cisco	Gold Partner FY19 Cisco Japan Award • Japan Partner of the Year	Oracle	Oracle Support Partner Day 2019 • Kudos for Oracle Support Partners SW_DB Oracle MySQL Partner Advisory Forum 2019 • MySQL Partner of the Year 2019
DELL EMC	Titanium Black Partner DELL Technologies World 2019 • Special Contribution-Japan APJ • Go Big-Win Big Services APJ	VMware	VMware 2020 Partner of the Year Award • Partner Social Impact Award APJ VMware 2019 Partner of the Year Award • APJ Partner of the Year • APJ Hyperconverged Infrastructure Solution
HPE	Platinum Partner		
juniper	Elite Partner		

▶ SAS Institute Japan: Two Partner Awards

In recognition of its significant investment in SAS technology in 2019, including nearly doubling the number of its SAS certified employees, CTC was named "Global Channel Partner of the Year" for the third consecutive year. We also received the "Best Channel Partner Award" and "Best Innovator Award" in Japan.

▶ OutSystems APAC InStep 2019: Three Awards

At OutSystems InStep APAC 2019, hosted by OutSystems (provider of low-code application development platforms), CTC received the following three awards for its performance in developing products for OutSystems and its participation in large-scale projects for the automotive sector.

- APAC Partner of the Year
- Outstanding Enterprise Deal APAC
- Northeast Asia / Japan Partner of the Year

▶ Citrix Systems: Strategic Solution Award— Workspace & SD-WAN

CTC received the "Strategic Solution Award—Workspace & SD-WAN" in the Strategic Solutions category. This award recognizes our "Citrix Cloud for Windows Virtual Desktop" solution, which links the "Citrix Cloud" service platform with virtual desktop environments.

▶ Tableau: Partner of the Year, Asia Pacific (sixth consecutive year)

At the 2019 APJ Partner Awards, hosted by Tableau Software (provider of data analysis platforms), CTC received a "Partner of the Year, Asia Pacific" award for the sixth consecutive year. This was in recognition of our track record of providing Tableau solutions to customers in Japan.

▶ Akamai Technologies: Zero Trust Partner of the Year 2019

CTC received a "Zero Trust Partner of the Year 2019" award for its achievements in building secure remote work environments that utilize Akamai's "Enterprise Application Access (EAA)," a cloud-based remote access solution for Zero Trust network security.

▶ A10 Networks: Best Performing Partner Award

CTC received the "Best Performing Partner Award" from A10 Networks for the sixth consecutive year. This was in recognition of our construction of large-scale systems using A10 products in the telecommunication field, as well as our development of solutions in the enterprise and financial fields.

Capital Utilization

Social Capital (Ecosystems)

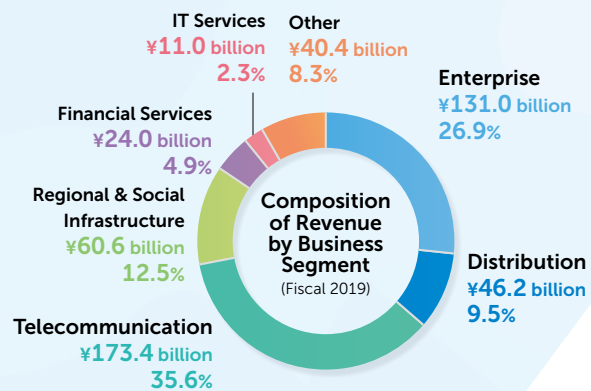
Reasons for Emphasis

New technologies and new business seeds are being born day and night around the world. In this fast-paced world, CTC seeks to quickly resolve customer issues and contribute to society by sharing all types of information and forming stronger co-creative relationships, while strengthening relationships with partners and moving forward together with them. We also build broad, deep, and long-term relationships with our customers to ensure that we understand their needs and come up with ideas for new systems. By maximizing our ability to "connect supply and demand" without an over-reliance on our own services, we will help to resolve the problems of our customers.

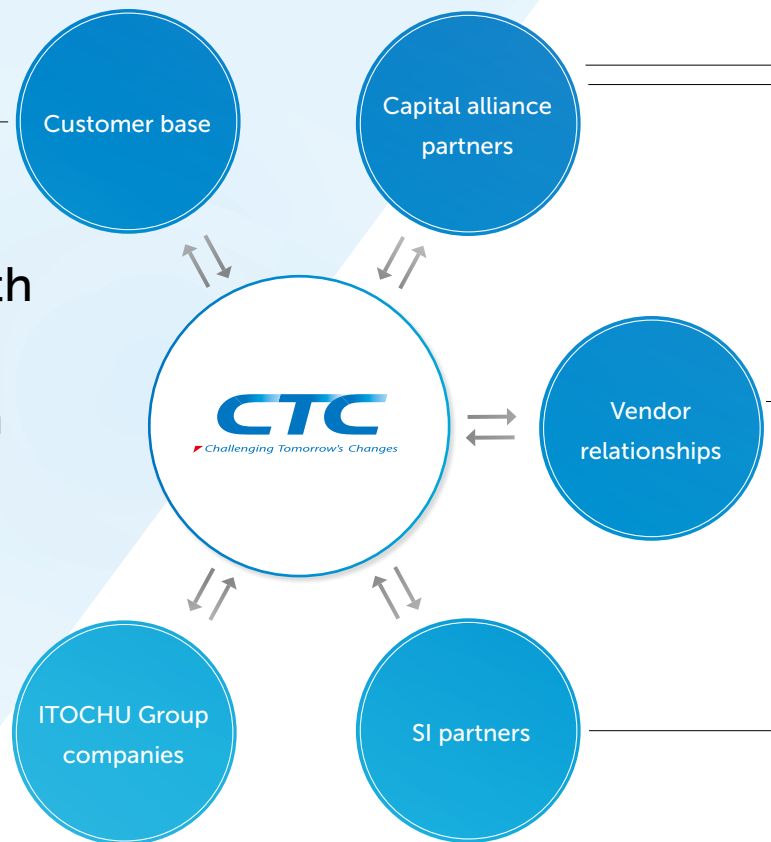
Wide and Deep Business Relationships

CTC conducts business with around 10,000 customers in diverse fields, including telecommunications, manufacturing, retail, trading, financial services, and public services. By using IT to solve customer issues, we improve corporate value and help to address issues facing society as a whole.

In addition to offering a wide range of products and services to customers as a system integrator, we are accumulating knowledge on industry issues and further deepening our relationships by engaging in numerous long-term collaborative projects through joint development and proof of concept (PoC) activities.



▶ Reciprocal Relationships with Customers and Partners to Accelerate Next-Generation Businesses

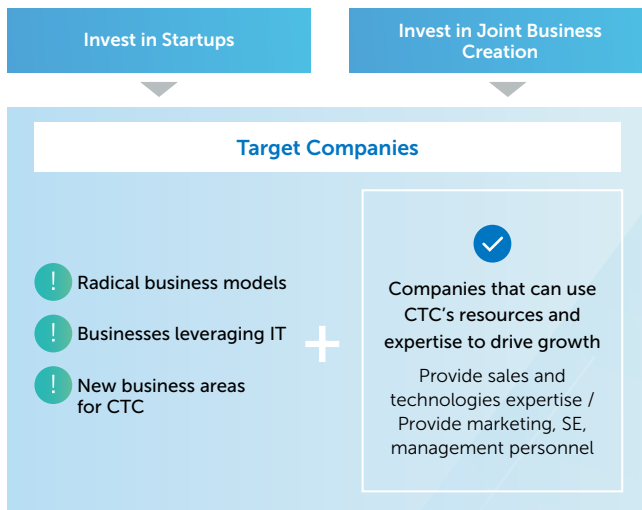


The ITOCHU Group Network

ITOCHU Corporation operates a wide range of businesses not only in Japan but also around the world, and we utilize its network to reinforce the structure of the CTC Group and create new businesses for our customers. Through an alliance with the ITOCHU Group's venture capital arm, moreover, we form collaborations with startup companies that provide cutting-edge technologies and services.

CTC Innovation Partners

To speed up the creation of new businesses through open innovation, in December 2017 we established CTC Innovation Partners as a corporate venture capital (CVC) firm. CTC Innovation Partners supports the growth of promising startup companies by providing capital and participating in their businesses. It also arranges joint ventures with customers to facilitate business expansion.



Investments to Date

- ▶ **Active SONAR**
Online distribution platform for reselling branded items
- ▶ **DeCurret**
Provision of digital currency transaction and settlement services
- ▶ **CoCooking**
Operation of TABETE, a food-sharing service
- ▶ **Cinnamon, Inc.**
Development of an AI-based engine for reading documents (AI, OCR)
- ▶ **Intumit Inc.**
Development of an AI chatbot engine
- ▶ **Volterra Inc.**
Provider of edge cloud services for processing data on the terminal side

Strategic Capital Alliance Partners

- ▶ **SYSCOM (USA) INC.**
Provider of comprehensive SI services, from consulting to operation and nationwide maintenance and support, also focusing on the cloud and ERP business solutions
- ▶ **WingArc1st Inc.**
Pioneer in the industry with the No. 1 domestic market share in form/document management tools and data aggregation, analysis, and visualization tools

See also ▶ P42

Strong Cooperative Relationships

CTC has dealt with many vendors and collaborated with many client companies over the years. In the process, we have built strong cooperative relationships that have enabled us to participate in a range of projects and learn about the latest technology trends around the world.

See also ▶ P25–26

Strengthening Product Development System and Quality

In the current situation, where there is a shortage of domestic IT human resources, it is essential to collaborate with domestic and overseas partners in order to meet the diversifying and sophisticated needs of customers. CTC maintains and strengthens its system development framework in collaboration with around 1,000 SI partners in Japan and overseas. One of the most important roles of IT systems, in addition to having high quality as a matter of course, is to protect information, which is the property of customers. When selecting partners, therefore, we place importance on the management foundation, technical capabilities, performance record, and information security maintenance and management systems. The excellent partners we choose are called CTC Alliance Partners, and we work to strengthen relationships with them by sharing information on cutting-edge technologies and quality-related initiatives and exchanging opinions on product development environments and quality standards.

Relationship with Local Communities and Society

As a member of the community, the CTC Group actively engages in social contribution and support activities in a wide range of fields, including environmental protection, welfare, fostering the next generation, international assistance, community contribution, and cultural activities. By utilizing our human resources, information technology, and other assets, we also aim to realize an affluent society.

CTC Corporate Website

"Relationship with Local Communities and Society"

<https://www.ctc-g.co.jp/en/corporate/csr/social/community.html>



Capital Utilization

Manufacturing Capital

Reasons for Emphasis

In order to provide high-quality services, tailored to industry-specific characteristics, to customers in a wide range of sectors, we need to have environments allowing us to build systems in a flexible manner. As the cloud becomes more pervasive, CTC provides systems that are “defensive” with respect to reliable maintenance and operation as a matter of course. We also provide upstream processes enabling customers to pursue “offensive” business endeavors. We have been discovering and developing cutting-edge technologies for many years, and customers recognize our true value. Based on this recognition, we are working to strengthen frameworks that enable us to forge ahead in unison with our customers.

▶ Platform for Creating and Realizing Ideas



DEJIMA: Innovation Space for Business Co-Creation



Collaborations with domestic and overseas venture companies and research institutes have led to an acceleration of open innovation. With this in mind, in 2017 we opened DEJIMA as a dedicated space where people can achieve co-creation by embracing the challenge of creating new businesses and innovations beyond corporate boundaries.

Although it is an invitation-only space, DEJIMA had received more than 2,500 visitors in total as of March 2020. Through hackathons, ideathons, and various workshops organized by CTC and partner companies, including venture companies, participants create ideas and realize collaboration that transcends industry lines. It is also interconnected with Open Innovation Lab, an open innovation



space of ITOCHU Techno-Solutions America, Inc., allowing participants to create innovation alongside U.S. companies with advanced technological capabilities.

CTC Innovation Partners

As CTC's corporate venture capital arm, CTC Innovation Partners invests in startup companies and co-creates business with customers. In addition to providing funds, we offer know-how and technological capabilities, working as a business partner to open new fields and create innovation.

See also ▶ P28

Innobee Challenge: In-House New Business Creation Program

In 2015, we started Innobee Challenge as an initiative to uncover and commercialize ideas of employees. Its aim is to launch new businesses that bring profits to the CTC Group and foster a challenge-oriented corporate culture. By providing training to improve our planning ability and a support system with outside experts, we promote the creation of new businesses.



Agile Offices: Faster and More Flexible Business Launches

As DX goes into full swing, application development will require greater speed and flexibility than ever before. Meanwhile, there is an increasing need for “agile development,” which allows businesses to quickly start up and pursue development while making continual adjustments in a flexible manner. The CTC Group has actively engaged in agile development since 2015, when it started handling products of OutSystems.

To achieve agile development, it is essential that customers and engineers build win-win relationships through direct dialogue. Seeking to establish environments in which customers and engineers can communicate closely to undertake development, we opened three “Agile Offices”—in Tokyo, Toyota, and Nagoya—in 2018. These are dedicated spaces where all relevant parties can assemble under one roof.

In addition to the OutSystems platform, we provide a range of communication services, such as chat and screen sharing, in these spaces. Each space also has a conference room and training room, where seminars and educational training for customers can be held at any time.

In September 2019, we formed a business alliance with FPT Japan Holdings Co., Ltd., a subsidiary of FPT Corporation, Vietnam’s largest ICT company. Since then, together we have built a platform that uses OutSystems to enable agile development in remote areas. We will continue working to leverage agile development to promote growth in rapid and flexible application development.



Capital Utilization
Manufacturing Capital

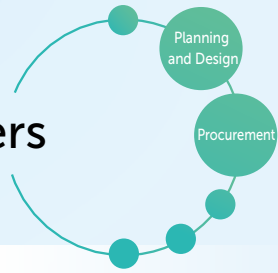
▶ **Overseas R&D Bases and Validation Centers to Support Multi-Vendor Capabilities**



ITOCHU Techno-Solutions America, Inc.

We established the U.S. subsidiary in 1990 to stay alert for the leading-edge technologies that tend to surface in the United States. In the nearly 30 years since, the company has expanded its operations to include bases on both the east and west coasts, facilitating one of the biggest lineups among Japanese system integrators.

Staff come from various industrial domains across CTC's business groups, looking for emerging technological information to connect to actual business. They gather information at trade shows, meet regularly with superior IT vendors, and conduct searches based on the needs of clients and CTC Group engineers. This resource provides CTC with access to breaking technology trends without needing to be physically present in the United States. Through this company, we are also strengthening our relationships with local companies.



Technical Solution Center (TSC)

TSC is one of Japan's largest multi-vendor comprehensive validation centers, equipped with a broad and balanced range of the latest equipment. The center also has purpose-built environments (LABs), such as the IoT Digital LAB and the Hybrid Cloud Validation LAB, which enable the testing of client IT systems under various conditions.

▶ **Multi-Cloud Data Centers**

CTC has one of Japan's largest data center networks, consisting of seven data centers in five locations, with a total area of around 84,000 m². Equipped with safe, reliable equipment that is ISMS-certified and FISC-compliant, our network has had a track record of uninterrupted, non-stop operation for more 30 years since our first data center was opened.



Data Centers

Yokohama Computer Center East Wing / West Wing (YCC)

Yokohama Computer Center North Wing (NYC)

Kobe Computer Center (KCC)

Otemachi Internet Data Center (OiDC)

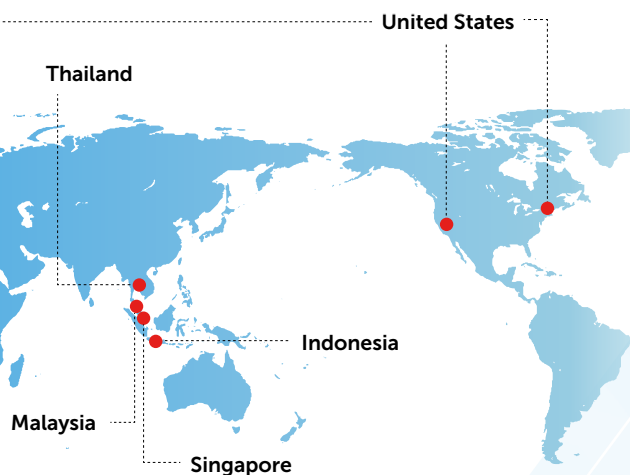
Shibuya Data Center (SDC)

Mejirozaka Data Center (MDC)

▶ Domestic and Overseas Service Bases to Provide Peace of Mind to Customers



Global Bases



Expanding our bases in the ASEAN region will be pivotal to our global business. This region is expected to continue experiencing high levels of economic growth. Also, personal consumption is robust, and the public sector, finance, distribution, and other growth industries are investing proactively in IT. However, as the IT industry is on its way to maturity, we believe we can capture business opportunities through horizontal expansion in our tried-and-true approach of utilizing leading-edge technologies from overseas to generate business in Japan. Furthermore, as globalization by Japanese companies accelerates we anticipate demand from local clients to construct and support IT infrastructure. Another reason for concentrating on this region is that we also expect demand for the creation of new businesses by making use of leading-edge technologies.

CTC began its full-fledged development of global business in 2013. Since then, we have opened offices in Singapore, Malaysia, Thailand, and Indonesia. Our primary approach going forward will be to enter into capital and business alliances with powerful local companies and expand our bases in these areas as we work to grow our global business.

Domestic Service Bases

▶ Sapporo Development Center

As a near-shore development facility, our Sapporo Development Center provides high-quality development services in a reliable security environment, drawing on the exceptional development capabilities of people in local cities. In addition to reducing development costs, it compensates for the shortage of engineers in Tokyo while helping address local issues, such as the need for regional revitalization.

▶ CTC Security Operations Center (CTC-SOC)

Our facility provides the CTC Managed Security Service (CTCMSS), which offers 24-hour, 365-day remote monitoring of clients' security devices and integrated emergency response, equipment settings changes, operation, and other tasks.



▶ Maintenance and Support Network

We have a nationwide maintenance and support network that provides multiple services, including equipment maintenance, operation services, monitoring services, and information security services—24 hours a day, 365 days a year.

▶ Remote Operation Center (ROC)

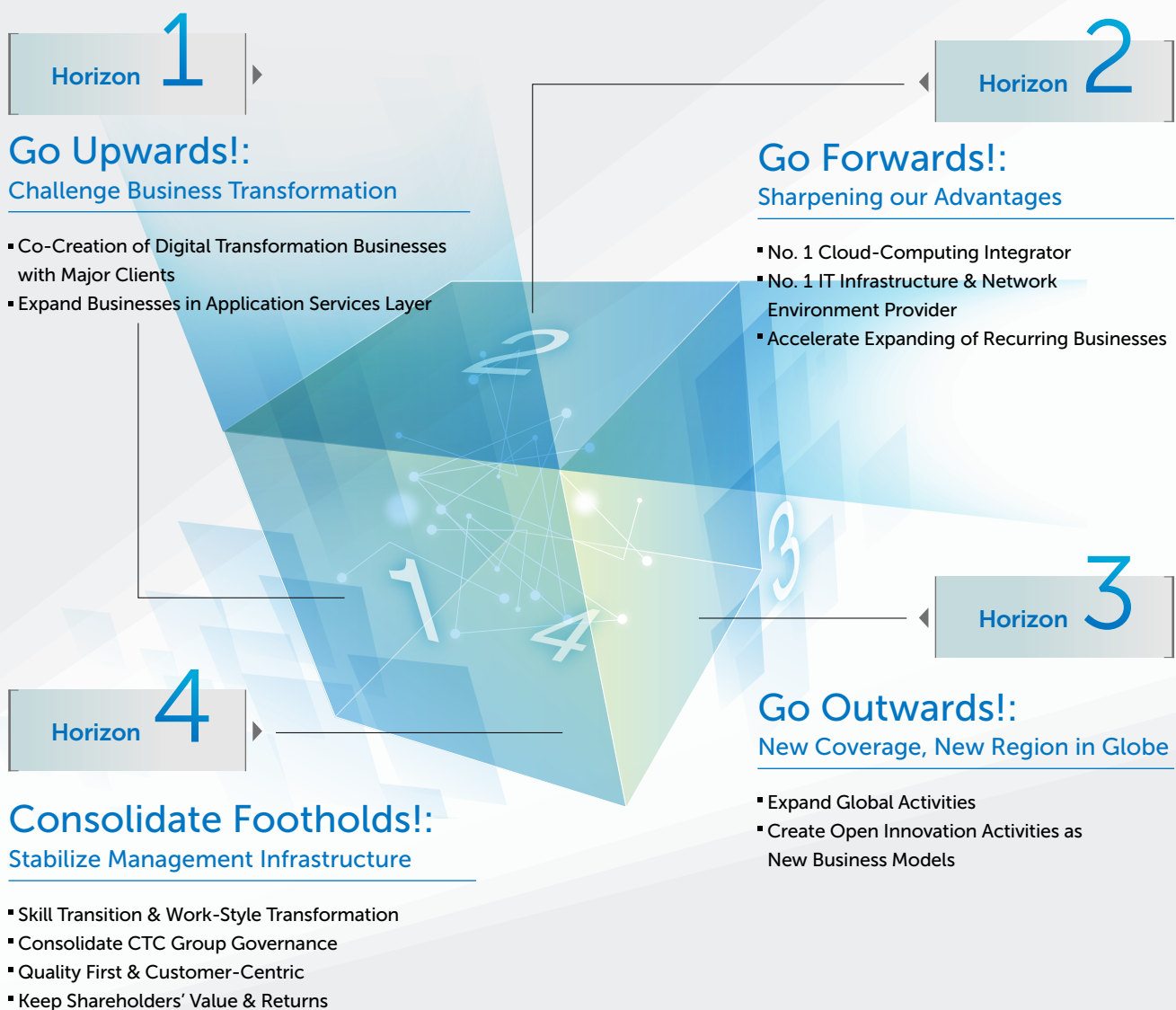
We provide remote system operation and monitoring services for client IT systems, 24/7 all year round (ROC monitoring services), which can also be linked to automated notification and system operation services.



Fiscal 2018–2020 Medium-Term Management Plan: Opening New Horizons

Plan Overview and Progress

Amid accelerating technological innovation and ongoing business digitalization, the CTC Group is working to capitalize on its strengths to ensure sustainable growth. At the same time, we recognize the need to transform in tandem with the operating environment and embrace change in new business fields. Against this backdrop, in April 2018 we formulated a medium-term management plan named "Opening New Horizons." During the plan's three-year period, from fiscal 2018 to fiscal 2020, we are undertaking activities in four areas we have defined as "horizons."



Numerical Targets

▶ Net Profit Attributable to CTC's Shareholders **¥30.0 billion**

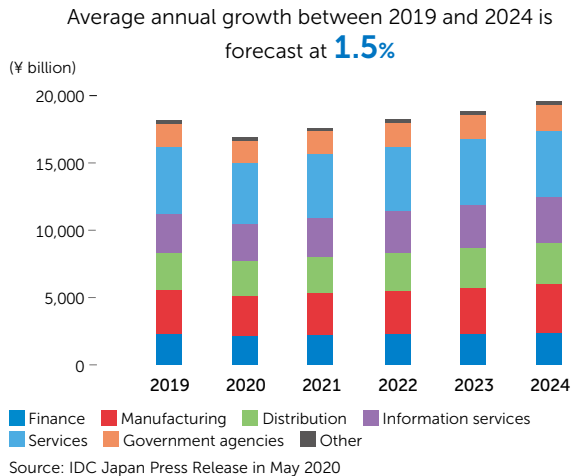
▶ Recurring Business **¥60.0 billion**

▶ ROE **12% or more**

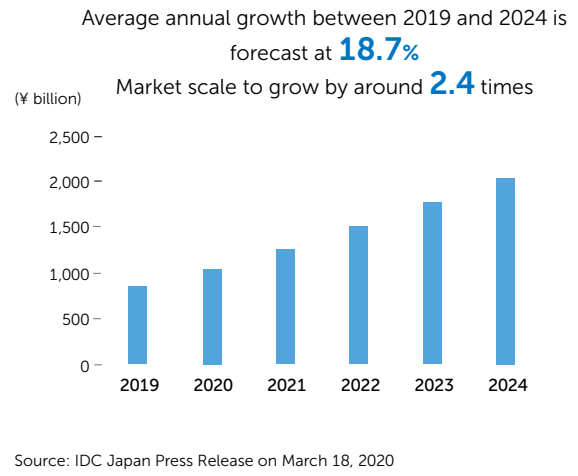
▶ Global Business **¥60.0 billion**

Market Trends

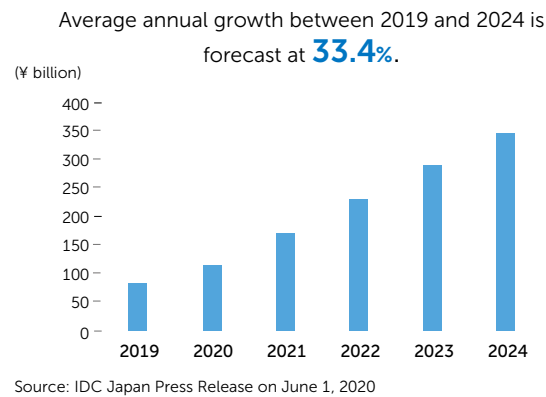
Expected Expenditures in the Japanese IT Market, by Industry (2019–2024)



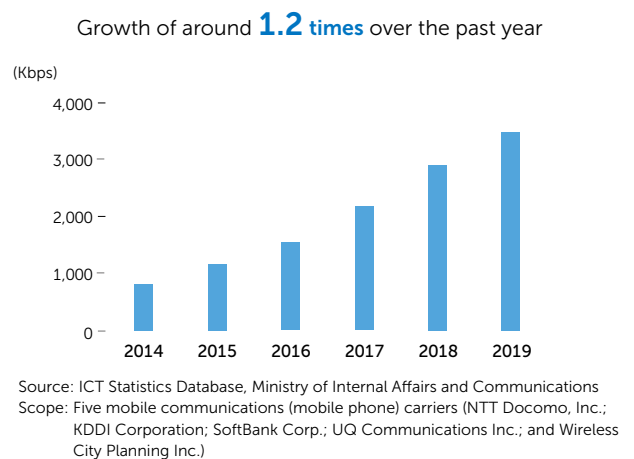
Forecast for the Japanese Public Cloud Services Market (2019–2024)



Forecast for Domestic AI System Market Expenditures (2019–2024)



Mobile Data Traffic Volumes (2014–2019)



Market Analysis

IT continues to accelerate the transformation of industries. In fiscal 2020, however, there will be a need for even more careful monitoring of trends in the operating environments of clients and the global economy due to the impacts of the global COVID-19 pandemic. When executing its strategies, the CTC Group mainly takes the following environmental changes into consideration.

PEST Analysis

	Opportunities	Factors Limiting Growth
P (Political)	<ul style="list-style-type: none"> ▶ Introduction of laws and regulations related to information security ▶ Establishment of finance-related laws and regulations and growth of cashless payments ▶ Demand for higher labor productivity in keeping with work-style reforms 	<ul style="list-style-type: none"> ▶ Restrictions on the use of specific products due to worsening relations between countries ▶ Restrictions in movements of people and commodities due to the impacts of the global COVID-19 pandemic
E (Economical)	<ul style="list-style-type: none"> ▶ Growth in emerging-market economies, centered on the ASEAN region ▶ Acceleration of DX 	<ul style="list-style-type: none"> ▶ Limited IT investment following the global economic slowdown ▶ Curtailment and delays in IT investment due to the impacts of the global COVID-19 pandemic
S (Social)	<ul style="list-style-type: none"> ▶ Need to respond to the "new normal" ▶ Demand for improved productivity stemming from the declining birthrate, population aging, and contraction in the workforce ▶ Demand for regional innovation and revitalization of local economies ▶ Globalization of business 	<ul style="list-style-type: none"> ▶ Decline in the workforce and engineer shortages
T (Technological)	<ul style="list-style-type: none"> ▶ Full-fledged commercialization of 5G ▶ Utilization of cloud-native technologies ▶ Response to the "2025 digital cliff" and reinvention of core systems 	<ul style="list-style-type: none"> ▶ Product commoditization ▶ Shortage of highly skilled IT personnel, rising human resource expenses

Plan Progress and Final Year Outlook



Summary

Review of Priority Measures for Fiscal 2018

In fiscal 2018, we made steady progress against our quantitative benchmarks for the recurring business and the global business, pursuing initiatives outlined in our medium-term management plan. As one aspect of our efforts to stabilize management infrastructure, we worked to curtail unprofitable development projects, ensuring a clear path from orders to higher profit levels.

- ▶ **Expanded the DX Businesses**
Advance of proof of concept projects to develop full-fledged digital transformation (DX) businesses together with clients; smooth acquisition of orders for IoT projects
- ▶ **Strengthened Agile Development Capability**
Acceleration of cultivation of engineers able to take part in swift, highly efficient, agile development projects

Review of Priority Measures for Fiscal 2019

In fiscal 2019, we were able to achieve the medium-term management plan target for recurring business ahead of schedule, as a result of growth in cloud businesses. Moreover, the foundations for further business expansion were laid through technological process. Steady growth was also seen in 5G- and DX-related projects with major clients. At the same time, we achieved high sales and profit through the acquisition of ASEAN companies, met our target for return on equity of 12%, and constructed the frameworks to promote global businesses.

- ▶ **Promoted DX with Major Clients**
Growth through development of service platforms for big data analysis for trading companies and manufacturers, new retail businesses, and carriers
- ▶ **Developed of Cloud-Native Technologies**
Smooth growth in application development projects through agile development and transformation of container, microservice, and other technologies into projects



- ▶ **Strengthened Next-Generation Network Technology**
Reinforcement of 5G technologies and growth in orders in preparation for commencement of commercial services
- ▶ **Expanded Recurring Businesses**
Growth in system and application maintenance and cloud service orders, contributing to management stability and expansion of cloud and IT outsourcing businesses

- ▶ **Acquired 5G Projects and Expansion in the Network Field**
Acquisition of orders for projects from carriers in preparation for commencement of commercial 5G services, and expansion of new network businesses to support full-fledged rollout of 5G services
- ▶ **Expanded Recurring Business**
Growth in cloud services continuing on from fiscal 2018 and increase in application maintenance and service contract businesses



- ▶ **Business Partnership in the U.S. and Europe**
Reinforcement of U.S. system integration (SI) business centered on Japanese companies through capital participation in U.S. company SYSCOM (USA) INC., and strengthening of enterprise resource planning (ERP) field operations through a capital and business alliance with London-based Newton Information Technology Ltd.
- ▶ **Invested in four Open Innovation Projects**
Investment by CTC Innovation Partners in preparation for expansion of operations pertaining to AI-optical character recognition (AI-OCR), sharing services, settlement services, and online distribution platforms

- ▶ **Acquired Indonesian SI Companies**
Acquisition of two Indonesian SI companies capable of providing comprehensive services through coordination, making for a system that covers four ASEAN countries and allows for flexible responses
- ▶ **DX-Oriented Capital Alliances**
Investment in form business intelligence company WingArc1st Inc., edge computing company Volterra Inc., and AI chatbot development platform supplier Intumit, Inc.



- ▶ **Controlled and Reduced Unprofitable Projects**
Reduction in the occurrence ratio of unprofitable projects from 2.8% in fiscal 2017 to 1.2% in fiscal 2018
- ▶ **Increased Dividends for 10 Consecutive Years**
Increase in dividend payments of ¥2 per share from the initially planned ¥48 per share, to ¥50 per share

- ▶ **ITOCHU Techno-Solutions Future Foundation**
Establishment of a general incorporated foundation to foster future IT personnel as a form of social contribution, with conversion to a public interest incorporated foundation under consideration
- ▶ **Increased Dividends for 11 Consecutive Years**
Increase in dividend payments of ¥3 per share from the initially planned ¥55 per share, to ¥58 per share



Fiscal 2020 Plan

The global COVID-19 pandemic is having both positive and negative effects on the Company's operating environment, but the latter is projected to slightly outweigh the former. Fiscal 2020 has been positioned as a challenging year. Although we expect declines, delays, and postponements in IT investment, we will capitalize on teleworking- and internet-related demand while advancing initiatives in the key fields of DX, 5G, and cloud services and thereby pursue the target of net profit attributable to CTC's shareholders of ¥30.0 billion.

► Expansion of the DX Field

Application of successes in the DX business to wide-ranging industries and fields

► Promotion of Cloud-Native Projects Targeting Lines of Business

Promotion of development of profit-generating frameworks for lines of business using cloud native technologies

► Development of Mission-Critical System Projects

Capitalization on 2027 SAP issues to acquire orders for comprehensive mission-critical system projects that encompass infrastructure, application layers, and operation

► Lift and Shift Cloud Migration Approach

Emphasis on the Company's clouds and integration services of hyperscale cloud vendors as a multi-cloud vendor

► Ongoing Expansion of 5G Business

Commencement of commercial 5G services and continuation of the 5G project order acquisition efforts of fiscal 2019

► Reinforcement of Overseas Business Systems

Establishment of overseas business systems through fiscal 2019 acquisitions and stabilization of management through close coordination

► Ongoing Promotion of Open Innovation

Creation of new businesses to generate synergies with companies boasting innovative business models

► Strengthening of Group Management

Reinforcement of administrative management functions of domestic and overseas operating companies and further stabilization of the management foundation

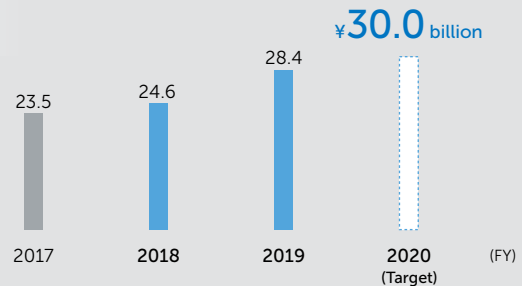
► Improvement of Shareholder Returns

Steady advance of business activities to ensure accomplishment of the medium-term management plan target of net profit attributable to CTC's shareholders of ¥30.0 billion, along with a 12th consecutive year of dividend increases

Progress in Numerical Targets in the Medium-Term Management Plan

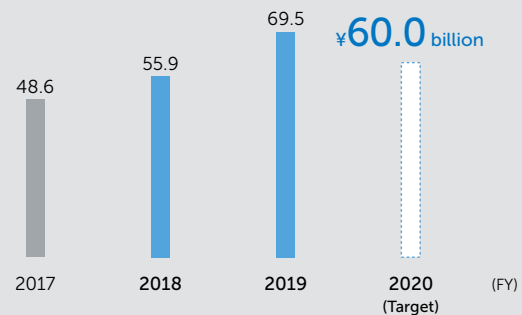
► Net Profit Attributable to CTC's Shareholders

(¥ billion)



► Recurring Business

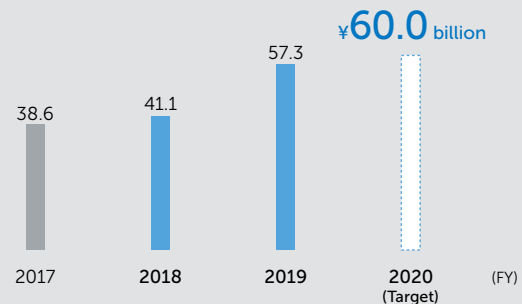
(¥ billion)



Recurring business: Total of revenues from cloud services, operating system applications, and managed security services

► Global Business

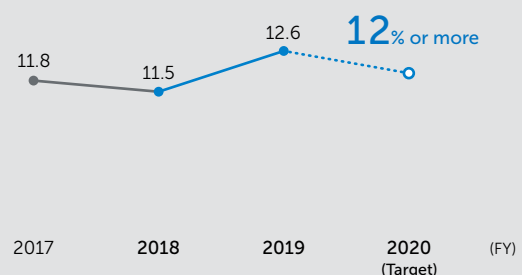
(¥ billion)



Global business: Total of revenues from overseas operating companies, overseas projects in Japan, and overseas associated companies

► ROE

(%)





▶ **Horizon 1**

Go Upwards!:
Challenge Business Transformation



We are honing our technological capabilities and reinforcing our structure so we can contribute to the DX at client companies by using data to continue creating new business.

Telecommunication

Case01

Offering OMNledge, an IoT Service for Manufacturers, through a Four-Company Alliance

Related Materiality

- 1-2 Improve quality
- 3-1 Address issues related to an aging society

In January 2020, we commenced full-fledged service of OMNledge, an IoT service to automate maintenance operations at the manufacturing sites of THK Co., Ltd., following verification through an unpaid trial service that launched in October 2018.

This packaged service combines THK's sensing system*, Cisco Systems G.K.'s edge computing router, NTT Docomo Inc.'s highly reliable communication circuits, and CTC's expertise in the configuration and operation of IoT infrastructure.

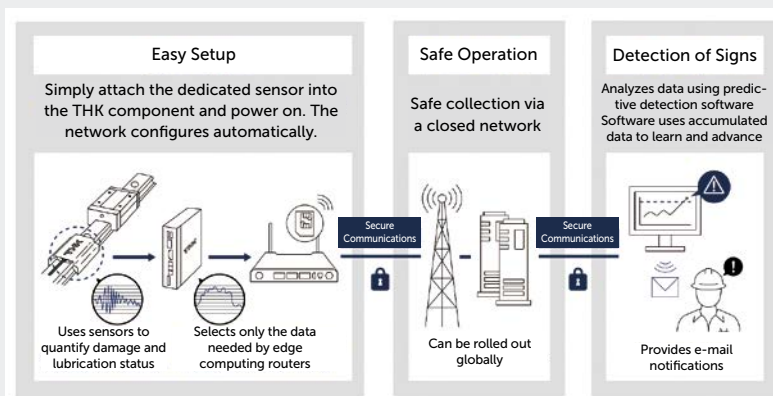
With this service, sensors are attached to machine elements, and IoT technology is used to quantify and visualize the data they gather. This information then passes through highly reliable communication circuits to be analyzed in a cloud environment and used in failure prediction. In the past, such prediction depended on checking and decisions made by

experienced and skilled on-site personnel. The new service eliminates this requirement, making maintenance work more efficient, reducing the need for excess inventories, and lowering the cost of infrastructure configuration and maintenance.

The service can be used at manufacturing facilities that are already operational. We offer the service on a subscription basis, which is a major advantage for customers as it holds down the cost of initial investment.

By expanding the service's functions and making it available for other machine elements, CTC plans to provide technological and operational support for IoT infrastructure, as well as deployment consulting, thereby contributing to better efficiency at numerous manufacturing sites.

* Sensing system: A system that uses technology to gather data about the status of machine elements and then quantify and visualize the data



Distribution

Case02

Building a Contact Information Integration System to Boost Customer Satisfaction and Increase Business Efficiency

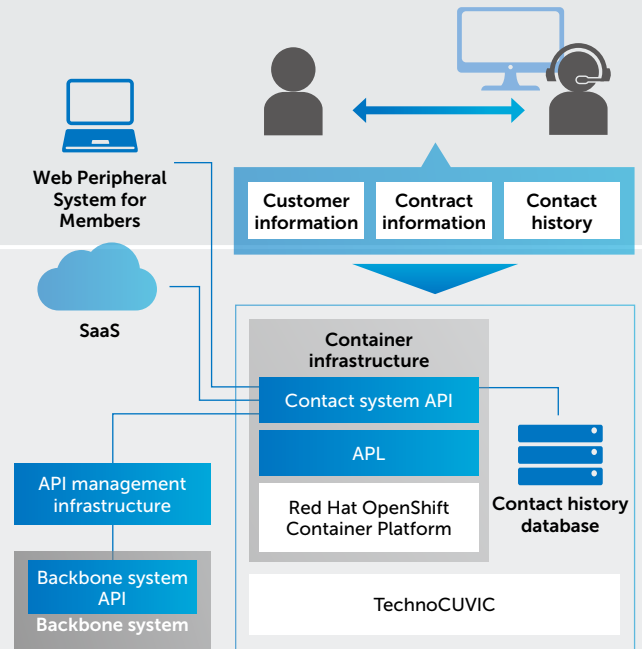
Related Materiality

1-2 Improve quality

We have provided a contact information integration system to Orient Corporation, whose business centers on credit card operations (Orico Card) and auto loans. In the past, Orient had been storing information on customer histories for its call centers in individual business domains, as well as for each of its customer-facing websites and other channels. This data was not integrated, making it difficult to share the information when responding to customers. Introducing this system has enabled the company to centralize customer information in the contact history database. An API is used to show this information on operational screens at its call centers, making call center operations more efficient and boosting customer satisfaction at the same time. When configuring this system, we employed container technology, as well as microservice architecture and other cloud-native technologies that will allow us to respond flexibly when making future system revisions.

Increasing convenience across the user life cycle, boosting customer satisfaction, and reducing the burden of system development and operation are issues that go beyond credit companies and extend to all industries. We plan to use this as

an early case study to roll out our offering across a wide range of sectors.



Enterprise

Case03

Reinforcing Our Agile Development System through a Business Alliance

Related Materiality

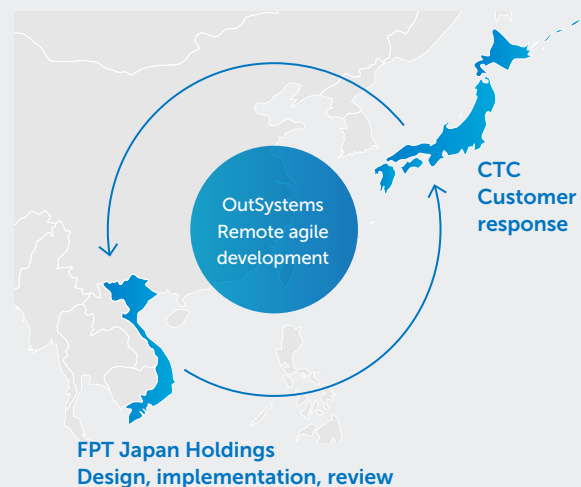
- 2-1 Conduct personnel development and training
- 3-1 Address issues related to an aging society

In September 2019, we formed a business alliance with FPT Japan Holdings Co., Ltd., a subsidiary of FPT Corporation—one of the largest ICT companies in Vietnam. Through this alliance, we aim to reinforce our agile development structure.

FPT Japan leverages the human resources of its parent company, FPT Software, which is headquartered in Hanoi and has some 17,000 employees. The company's forte lies in outsourced, offshore development of applications, and it holds a CMMI* level of five—the highest. Strengthening its system for application development is one aspect of CTC's "Go Upwards!" strategy. In this category, we have introduced the OutSystems development platform and are focusing on the preparation of development environments, including the rollout of a specialized agile office environment.

While maintaining contacts with client companies in Japan through this alliance, CTC has built a remote agile development system whereby the design, implementation, review, and other functions are handled in Vietnam. By collaborating with FPT Japan, we aim to further expand our agile development business, focusing on the manufacturing

sector. At the same time, we aim to respond to Japanese demand for application development, as well as a shortage of engineers.



* Capability Maturity Model Integration (CMMI) is a concept developed by the Software Engineering Institute of Carnegie Mellon University of the United States. The model identifies five maturity levels by measuring the efficiency of development, procurement, and service processes.

Medium-Term Management Plan – Opening New Horizons –

Enterprise

Case04

Developing an Order System for the Distribution Sector That Uses Client and Purchasing Data to Conduct Scoring

Related Materiality

- 1-2 Improve quality
- 3-1 Address issues related to an aging society
- 3-3 Contribute to regional economies

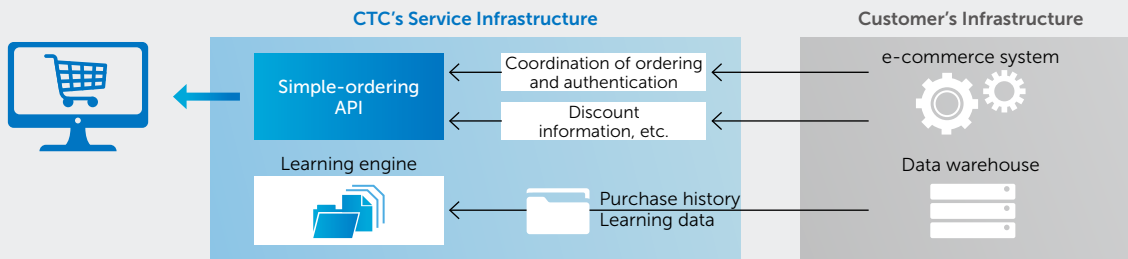
In the e-commerce business, where retailers and distributors target customers, we worked with the Co-opdeli Consumers' Co-Operative Union to develop the Simple One-Minute Order System. This system presents lists of products customers are likely to buy based on their purchase history, helping to prevent orders from being forgotten and shortening order times.

E-commerce provides a new way to shop for consumers as their lifestyles grow increasingly diverse. It is also a focus area for retailers and distributors, as it provides a new channel for earnings. Given that customers are unable to physically touch items before they buy, site designs that cause people to hesitate on purchases because order flows are complex can result in opportunity losses. Accordingly, companies work to raise their competitiveness by making purchase suggestions and increasing convenience in other ways.

The order system CTC has developed uses artificial

intelligence to analyze a history of around 340 million purchases made over a one-year period. For each customer, the system scores such factors as purchase frequency, number of items purchased, purchase amount, relevance to season or climate, and purchasing trends. The system uses these scores to generate a list of products that are aligned to a particular customer's needs and can be displayed at a click. We have continued to enhance the system's functionality to make it easier to use, such as by suggesting similar, alternative products. As a result, the system has been used by some 200,000 people in the six months since it became operational.

We offer the system as a pay-as-you-go service, making it easy for companies to adopt regardless of their scale. Going forward, we aim to further increase the number of companies using the system.



Regional & Social Infrastructure

Case05

Helping to Invigorate Areas along Railway Lines through Participation in JR East's "Mobility Innovation Consortium"

Related Materiality

- 3-3 Contribute to regional economies

CTC has joined the Mobility Innovation Consortium, which was established by East Japan Railway Company, to help realize innovation in mobility by leveraging open innovation. Since 2018, we have taken part in the Starting from the Station Sports City Campaign, an initiative led by the consortium's Smart City Working Group.

The initiative makes use of a dedicated app and digital signage at nearby facilities to send information that increases users' enjoyment when watching sports or walking around the area. CTC was in charge of building the infrastructure for the system that sends information via digital signage. We also worked with SAS Institute Japan Ltd. and NTT Comware

Corporation to develop and provide a system that uses infrared sensors to forecast the degree of congestion at Kaihin Makuhari Station up to 30 minutes in the future. Station personnel use this information for operations. The forecasts help to enhance in-station safety, and apps and signage can be used to direct people using the station away from congested areas, helping to disperse crowds at peak times.

Through initiatives such as this, we will continue looking for ways to apply data analysis more precisely, addressing the need to invigorate local communities while simultaneously avoiding excessive crowding.





Horizon 2



Go Forwards!
Sharpen Our
Advantages

Leveraging the infrastructure configuration capabilities CTC has cultivated, we will provide solutions that incorporate the cloud-native technologies required in the age of 5G.

Telecommunication

Case01

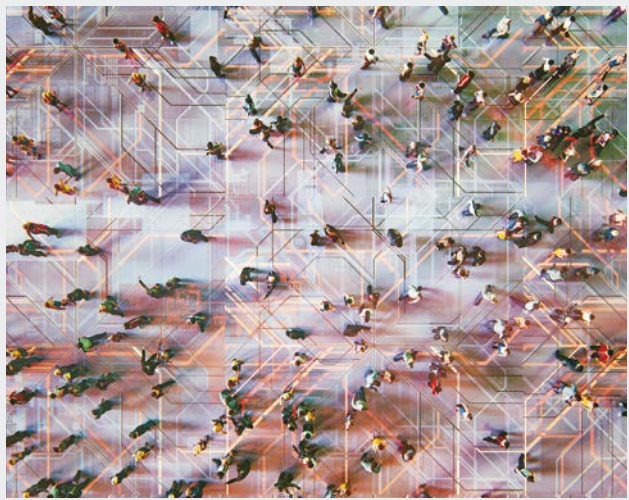
Helping Yahoo! Japan Enhance Its Services through Open Networking Solutions

Related Materiality

- 1-2 Improve quality
- 3-2 Reduce environmental impact

In March 2019, CTC began providing a new open networking solution for Yahoo! Japan, one of the country's largest integrated internet portal sites.

To date, CTC and Yahoo! Japan Corporation have worked together on verification and system configuration related to OCP*1, open-source software, and other leading-edge technologies. To enhance the functionality of the site, which offers data-driven services, we are using designs from Linux and OTT companies*2 to configure new open networks and realize an efficient and highly scalable data analysis infrastructure. Going forward, we will continue partnering with Yahoo! Japan to augment its service levels.



*1 Open Compute Project (OCP): In April 2011, Facebook launched this community as a not-for-profit organization to promote open-source design drawings and specifications for servers and other hardware. CTC is Japan's only certified OCP Solution Provider.

*2 Over-The-Top (OTT) company: This term refers to companies such as Google and Facebook that distribute video, music, and other content via websites over the internet.

Global Business

Case02

Creating Value with Leading-Edge Cloud Infrastructure Technologies That Meet Global Standards

Related Materiality

- 3-2 Reduce environmental impact

As data centers have grown larger in scale, around the world demand has risen for design specifications that help reduce power consumption and lower costs. CTC aims to help address these needs as quickly as possible, such as by participating in OCP.

At a data center operated by Actapio, Inc., a U.S. subsidiary of Yahoo! Inc., we at first supported the introduction of OCP. We then participated in Gimbal, a cloud infrastructure

integration control software project to move Actapio to open-source specifications, helping it enhance service. Going forward, we plan to provide strong support to enhance the efficiency and sophistication of cloud infrastructure.



Medium-Term Management Plan — Opening New Horizons —

Enterprise

Case03

Stabilizing Infrastructure and Optimizing Costs with CUVICmc2

Related Materiality

- 1-1 Ensure rigorous information security
- 1-2 Improve quality
- 3-2 Reduce environmental impact

In 2019, Fuji Pharma Co., Ltd. adopted for its IT infrastructure CUVICmc2, a cloud service CTC developed specifically for backbone systems. Fuji Pharma had considered a number of public clouds, some of which were supplied by overseas vendors. The company selected CTC's service because of the system stability and reliability afforded by a domestic service. Another deciding factor in Fuji Pharma's switch to this system was the pay-as-you-go system format, which would also enable the company to lower costs. Due to the stability of its infrastructure, Fuji Pharma aims to augment its SAP ERP usage

level and create an environment to incorporate the system more fully into management decision-making. CTC plans to take what it has learned about Fuji Pharma's needs to remain a partner that provides optimal solutions.



▶ **Horizon 3**

**Go Outwards!
New Coverage,
New Region in Globe**

Keeping in step with our clients' business developments, we will boldly take on challenges in global and new fields of business.

Global Business

Case01

Acquiring Two Indonesian IT Companies and Converting Them to Subsidiaries with the Aim of Expanding Business in the ASEAN Region

Related Materiality

- 2-1 Conduct personnel development and training
- 2-3 Help cultivate people who can be a bridge to the next generation
- 3-1 Address issues related to an aging society

In September 2019, CTC acquired two Indonesian IT companies and converted them to subsidiaries as part of its drive to expand business in the ASEAN region. PT. Nusantara Compnet Integrator's strength is in the area of system configuration, and the company has a maintenance network spanning 33 locations throughout Indonesia. PT. Pro Sistematika Automasi's core business is application development. These two companies had already been providing total IT services in collaboration with one another. In recent years, they have been building up their track record by focusing on expansion into AI and IoT domains. These include the areas of FinTech, which incorporates cashless settlement, and smart cities. The two companies' businesses have strong affinity with CTC's in the ASEAN region, and we anticipate strong complementary relationships. We intend to generate synergy by sharing the expertise and technologies we have

cultivated throughout the CTC Group.

Through these acquisitions, we have built a network that spans the ASEAN region (Singapore, Malaysia, Thailand, and Indonesia). As a result, we will move forward with the further expansion of our global business.





Distribution

Case02

Supporting the Acceleration of DX through Data Analysis and Utilization via a Three-Company Effort

Related Materiality

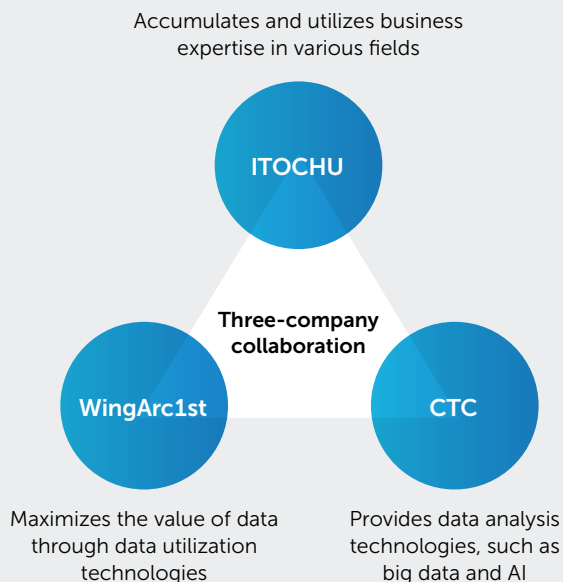
1-2 Improve quality

In December 2019, we made a strategic investment in WingArt1st Inc., which offers software and services supporting companies' data utilization, via IW.DX Partners Inc. This company was jointly established by CTC and ITOCHU Corporation. WingArt1st has the top market share in Japan* for form tools and data aggregation/analysis/visualization tools and provides solutions that meet the digitalization needs of different industries.

We anticipate that AI and other leading-edge technologies can be used to digitalize, acquire, and analyze the data companies possess to transform business models, corporate organizations, working styles, and the industrial structure itself, and move them to the next generation.

An urgent need exists to utilize this data, centering on DX, to affect corporate competitiveness and growth, so the companies are working swiftly to expand their business bases and increase the level of service sophistication.

CTC will utilize the know-how it has gained by building big data, AI, and other data analysis-related systems to accelerate its DX business in collaboration with WingArc1st and ITOCHU.



* MIC Research Institute Ltd., "Research on Competitors of Products for Form Design/Operation in FY2019" (trends in shipments by vendor of products for forms/operations); ITR CORPORATION, "ITR MARKET VIEW: DBMS/BI Market 2018" data analysis/reporting market: trends and shares of sales revenue by vendor (FY2016)

Medium-Term Management Plan – Opening New Horizons –

Financial Services

Global Business

Related Materiality

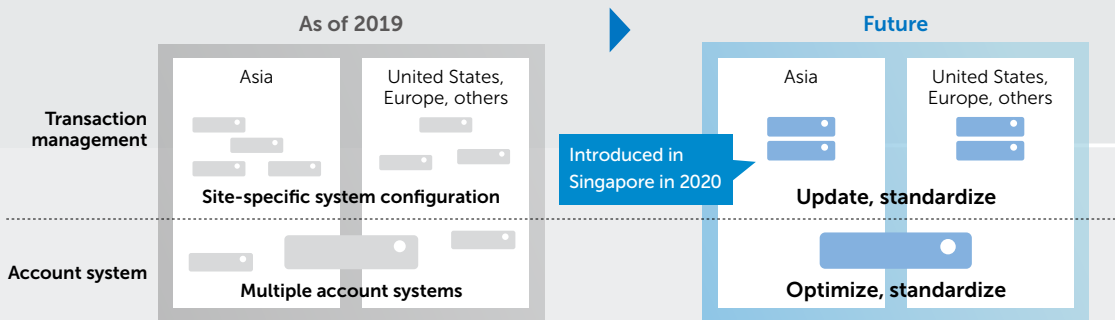
- 1-2 Improve quality
- 3-3 Contribute to regional economies

Case03

Leveraging the Comprehensive Strength of the CTC Group to Support Mizuho Bank's Global Strategy

To drive long-term business growth at its 87 overseas branches (as of June 30, 2019), Mizuho Bank, Ltd. is working on a backbone system to update and standardize the bank's operating infrastructure. The first step involved a project to install a transaction management system in Singapore newly configured to handle standardized business processes for locations in Asia. CTC's Financial Services Group participated in this project along with CTC GLOBAL PTE. LTD., our Singapore-based global business entity. We also utilized our near-shore development base in Sapporo to help us

complete this large-scale project. Going forward, we will help optimize branch system configuration by rolling out the system across Asian branches. We will also support a globally consistent account system updating and standardization project that includes the United States and Europe. We will contribute to the global development of our client companies by leveraging the track record of configuring systems in the financial sector we have cultivated through projects to date and taking advantage of the comprehensive power of the CTC Group.



Telecommunication

Global Business

Related Materiality

- 1-2 Improve quality

Case04

Expanding the Global Locations for the SoftBank Group's IX Business

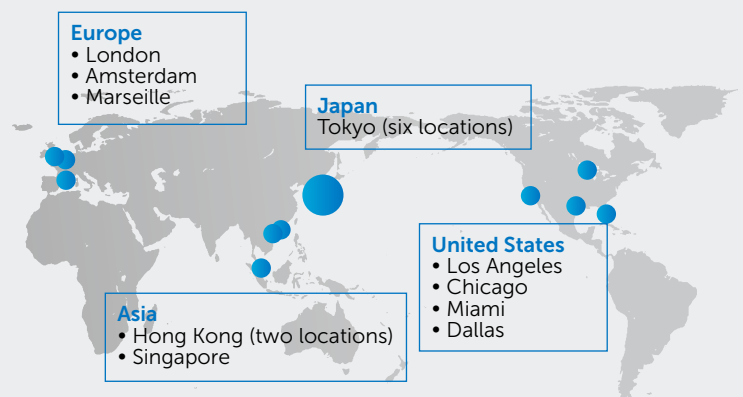
BBIX, Inc., a subsidiary of SoftBank Corp., is active in the Internet eXchange (IX)*1 business. BBIX provides international IX connectivity, centered on Asia, via its SmartIX service. In February 2020, BBIX also began offering this service in the United States and Europe. Through this expansion in fiscal 2019, the company is responding to growing demand for networks that can handle large data volumes at high speeds while maintaining stable operations.

to BBIX's business development, along with the growth of the internet.

BBIX also provides RPX*2. Different from conventional platforms that provide mobile roaming services via multiple relay operators, RPX enables direct communications in over the shortest possible distance. By introducing this service, customers can expect to reduce costs and experience better communication quality. As of April 1, 2020, more than 1.6 billion mobile phone subscribers around the world were connected indirectly via these broad-area platforms.

*1 Internet eXchange (IX): A platform that connects businesses via networks, facilitating the exchange of traffic
 *2 Roaming Peering eXchange: A business interconnection platform for international data roaming that targets mobile operators

CTC provided support for BBIX's global rollout across a broad range of processes, from design and verification to configuration and construction. We aim to contribute further



Consolidate Footholds! Stabilize Management Infrastructure

Horizon 4



To ensure sustainable growth, we are focusing on the creation of an environment that will maximize the potential of the people who are the key to the future not just of CTC, but for the whole IT industry.

Case01

Establishing the ITOCHU Techno-Solutions Future Foundation to Nurture the Next Generation of People

Related Materiality
2-3 Help cultivate people who can be a bridge to the next generation

The mission of the CTC Group is “leveraging IT’s potential to change future for the Global Good.” In keeping with this mission, in October 2019 CTC established the ITOCHU Techno-Solutions Future Foundation to promote initiatives to cultivate the next generation of people who will support the future of IT and contribute to society through the Company’s business.

The foundation will hold workshops and conduct other activities to support IT education for children and the young, study for young people who aspire to work in IT, and study and job opportunity creation for young people with disabilities. Through its activities, the foundation also aims to cultivate an awareness of social contribution among CTC’s employees.

In fiscal 2019, the foundation held a programming workshop for children, provided scholarships for children wishing to attend university, and subsidized schools that cater to children with disabilities. We are also promoting proactive social contribution activities with a view to becoming a public interest incorporated foundation.



Programming workshop

Official website of the ITOCHU Techno-Solutions Future Foundation (Japanese only):
<https://mirai-zaidan.or.jp/>



Case02

Creating an Environment Where People Can Make the Most of Their Capabilities: Formulating a Basic Policy on Diversity

Related Materiality
2-2 Promote diversity and change work styles

CTC takes a proactive approach to building systems and frameworks that help create an environment and cultivate a corporate culture in which diverse human resources can make the most of their capabilities. Moving these efforts forward, in April 2020 we formulated our Basic Policy on Diversity. We also launched initiatives related to understanding and inclusiveness of LGBT*1 and SOGI*2.

Our rules of employment prohibit SOGI-based harassment. We revised various systems to apply to same-sex partners, including wedding and condolence leave, condolence money, and various allowances paid when employees are transferred or moved to a site away from their families. In addition, we provide online education on this topic for all employees and hold study sessions for executives and employees.

Based on its “work in life” philosophy, CTC will continue striving to enhance its human resource system to improve the job satisfaction of employees and reinforce its operating foundations.

Basic Policy on Diversity

CTC respects all employees, regardless of age, gender identity, sexual orientation, nationality, disability and other attributes, and strives to instill diversity based on its belief that the creation of new solutions and excellent services is enabled by a workplace environment that motivates all employees to work and permits employees with a variety of characteristics to cooperate in diverse work styles while taking on new challenges and achieving self-actualization.

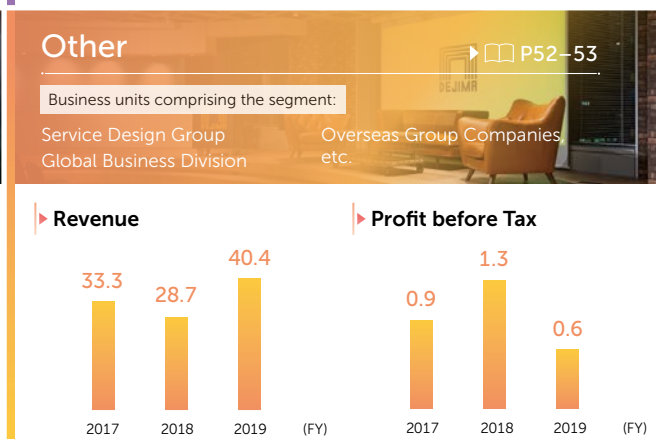
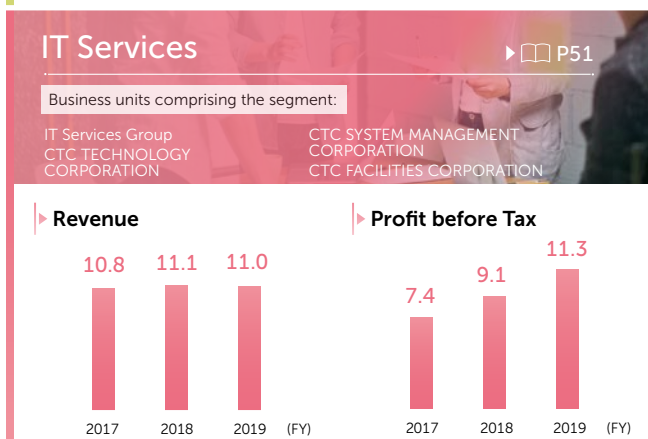
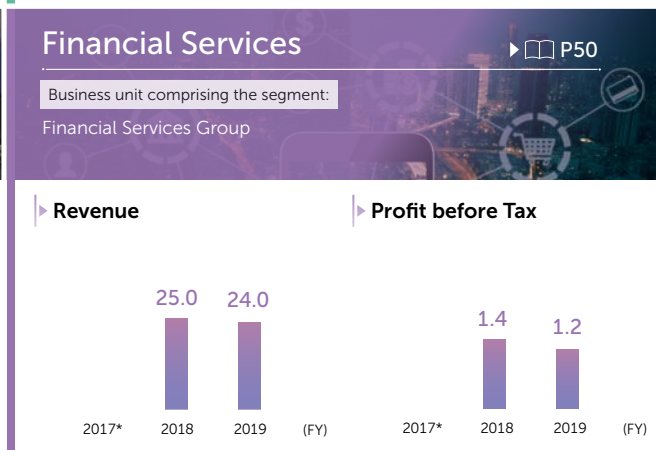
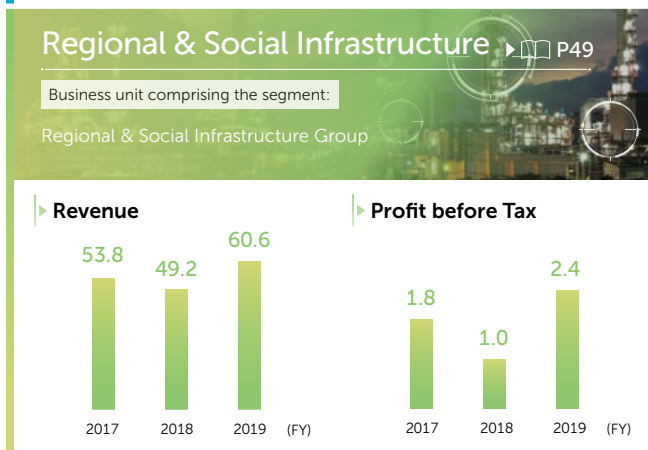
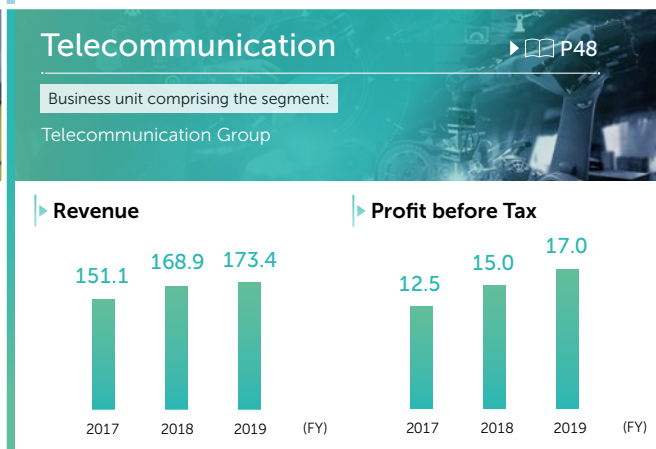
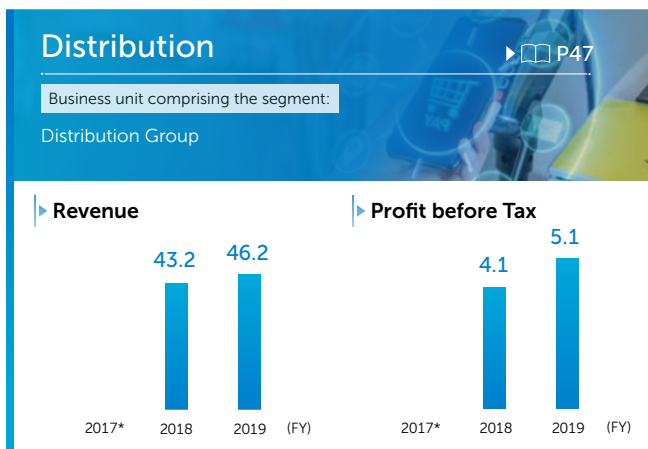
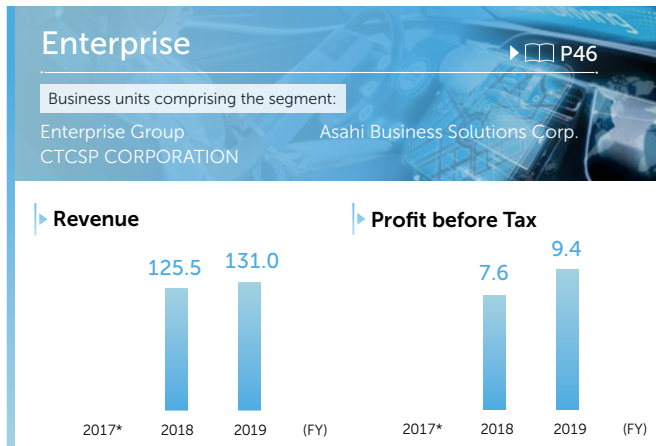
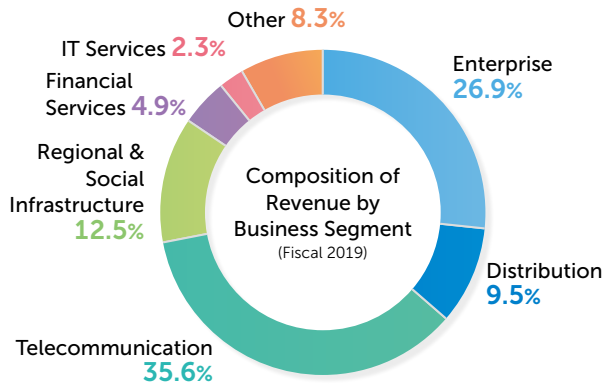
*1 LGBT stands for lesbian, gay, bisexual, and transgender. It is a collective term for sexual minorities.

*2 SOGI stands for sexual orientation and gender identity.

Business Segments at a Glance

- Business segments and business units comprising the segment are as for fiscal 2019.
- Revenue represents revenue from transactions with external customers.

(¥ billion)



* Revenue and profit before tax for fiscal 2017 are not shown, as the reorganization conducted on April 1, 2019 has made it impossible to compare performance for this segment in fiscal 2017 under the same conditions.

Enterprise Group

Accurately read changes in the market to help clients take advantage of new earnings opportunities in the digital era

Takanori Minatohara

Managing Executive Officer
COO, Enterprise Group



▶ Strengths and Challenges

▶ Strengths

- Strong customer base covering a wide range of business fields
- Know-how derived from our broad customer base
- Ability to build strong infrastructure as a multi-vendor
- Technological prowess in the areas of analysis, simulation, and AI

▶ Challenges

- Speedily leverage leading-edge technologies and provide solutions
- Training employees to respond to the rapid pace of technological innovation

▶ Business Climate

▶ Opportunities

- Changes in the structure of industries driven by accelerated data communication speeds (5G)
- Transformation of the business models of automobile and related industries
- Growth in demand for corporate customers to respond to DX of their business environments

▶ Factors Limiting Growth

- Reining in of IT investment in response to the global economic slowdown (trade friction between the United States and China, etc.)
- Shortage of qualified IT professionals
- Curtailment and delays in IT investment due to the impacts of the global COVID-19 pandemic

▶ Medium- to Long-Term Vision

Operating Environment Changes /
Fiscal 2019 Initiatives and Results

Contribution to Evolution of Client Businesses by Steadily Capitalizing on the Opportunities Created by Growing Digital Transformation (DX) Investment

The move to collect and analyze digital data and use the data to improve productivity and evolve businesses is accelerating in all industries. With its client base consisting of thousands of companies in wide-ranging industries, the Enterprise Group is expected to go beyond simply responding to demand for bolstering infrastructure for the purpose of launching full-fledged digital businesses; we must contribute to customers' DX through the development of flexible services and applications using cutting-edge technologies. In fiscal 2019, the Enterprise Group succeeded in increasing its number of digital transformation projects, including those to develop IoT data collection and analysis platforms, centered on the manufacturing industry. The current operating environment is highly opaque, but we still anticipate that DX-related investments will grow over the medium to long term. The Enterprise Group therefore intends to steadily capitalize on the resulting earnings opportunities going forward.

▶ Fiscal 2020 Strategies

Concentration of Collective Strength to Take Our Business to the Next Level

In fiscal 2020, the Enterprise Group will examine and explore new revenue sources in pursuit of future growth. Specifically, we will focus on digital businesses, which are anticipated to see growth sparked by the March 2020 launch of 5G services. Accordingly, we will deepen relationships with major clients through a concerted Group effort and create business opportunities by supplying clients with cutting-edge technologies. When installing local 5G infrastructure, staff will be dispatched to client sites to perform technical verification of the effectiveness of the infrastructure. The verification results will be utilized in future projects. Meanwhile, evolving clients' businesses will require us to bolster our lineup of products that accommodate DX. We also face the need to recruit and cultivate the human resources that will be central to our efforts to create value exceeding the expectations of customers and society, and to promote DX. Based on this recognition, we are enhancing training and education programs aimed at enabling employees to acquire technical skills in key fields such as agile development, cloud services, and AI.

Distribution Group

As we elevate the level of the businesses of major clients, we will also explore businesses with the potential to become new revenue platforms through the consolidation and utilization of our insight and expertise.

Noboru Omoto

Managing Executive Officer
COO, Distribution Group



Strengths and Challenges

Strengths

- Strong relationships with mainstay customers nurtured through mission-critical system construction and systems operation
- Knowledge in the field of retail finance gained from our settlement and contact center business
- Synergies with the ITOCHU Group

Challenges

- Continuous improvement in quality and productivity
- Training of employees to use leading-edge technologies

Business Climate

Opportunities

- Growth in demand for business digitalization support solutions
- Demand for upgrading mission-critical systems to make them compatible with next-generation technologies
- Expectations regarding increased IT investment in response to shortage of qualified IT professionals
- DX Scenario proposed by the Ministry of Economy, Trade and Industry*

Factors Limiting Growth

- Decline in consumer spending owing to economic slowdown
- Difficulty in procuring IT resources, especially qualified IT professionals
- Curtailment and delays in IT investment due to the impacts of the global COVID-19 pandemic

* By 2025, Japanese companies should organize existing, closed, overly specific, and outdated systems and determine which systems should be abolished. In parallel with this, they should renovate necessary systems and implement a DX strategy. This is expected to improve Japan's real GDP in 2030 by over ¥130 trillion.

Medium- to Long-Term Vision

Operating Environment Changes /
Fiscal 2019 Initiatives and Results

Contributions to the Creation of Earnings Opportunities for Clients by Fully Capitalizing on the Distribution Group's Collective Strength

The Distribution Group is responsible for the CTC Group's retail distribution field operations. Our operations have already entered the phase in which new businesses utilizing digital technologies are constantly being created digital transformation. We aim to contribute to the creation of earnings opportunities for clients as a digital business partner through the development and operation of mission-critical systems and business systems, an established area of strength, as well as through the enhancement of services and solutions for the mission-critical, cloud, and security system fields. We also hope to contribute to the accomplishment of the United Nations Sustainable Development Goals, which target the realization of a sustainable society, through the aid we offer customers.

In fiscal 2019, steady progress was made in system development projects centered on large-scale projects, including those for mission-critical systems and contact center systems for existing clients. At the same time, we laid the foundations for future business development through participation in projects using new technologies and the creation of solutions for next-generation services.

Fiscal 2020 Strategies

Enhancement of Businesses in Existing Fields and Exploration of Businesses with the Potential to Become Future Revenue Platforms

In fiscal 2020, the final year of the medium-term management plan, we will continue working to ensure steady progress in large-scale projects while growing recurring business by transitioning to service models in our business. Another focus will be on enhancing businesses through the cross-business application of solutions.

Concurrently, we will work to explore businesses with the potential to become new revenue platforms. By consolidating insight and expertise previously disbursed among divisions within the newly established Distribution Planning Division and promoting the use of this insight and expertise, we will create solutions that respond to contemporary needs in the mission-critical, cloud, and security system fields. In addition, ERP businesses will continue to be expanded alongside efforts to co-create digital businesses through the strengthening of relations with client companies and to expand new business fields by embracing new technologies.

Telecommunication Group

The Telecommunication Group will support 5G networks while establishing new fields and business models for the 5G era as a partner to clients.

Yasuhiko Terada

Managing Executive Officer
COO, Telecommunication
Group



▶ Strengths and Challenges

▶ Strengths

- Large-scale infrastructure building capabilities that support telecommunications networks
- Ability to develop and operate mission-critical systems

▶ Challenges

- Achieve rapid response and differentiation when introducing new technologies
- Nurture and retain high-value-added human resources

▶ Business Climate

▶ Opportunities

- Rapid growth in data traffic on mobile networks
- Full-scale preparation for 5G
- Full-scale cooperation with telecom carriers and companies

▶ Factors Limiting Growth

- Heating up of competition for telecom carrier projects
- Slow adoption of new technologies

▶ Medium- to Long-Term Vision

Operating Environment Changes /
Fiscal 2019 Initiatives and Results

Transformation into a Business Partner Connecting Carriers and Other Industries

The Telecommunication Group has continued to contribute to the development of telecommunications services by providing telecom carriers with leading-edge technologies suited to the times. These offerings have included the development of services that connect mobile devices to the internet and the enhancement of speed of these devices and backbone networks that allow devices such as smartphones to transmit massive traffic of data.

Carriers have begun providing commercial 5G services, and digital businesses using these services are accelerating in all industries. In response, telecom carriers are broadening out from business strategies focused on their conventional telecommunications businesses and shifting toward strategies focused on supporting business model revolutions in other industries, by leveraging 5G infrastructure to cooperate with other companies. CTC aims to support telecom carriers in both of these pursuits. In fiscal 2019, we sought to acquire orders for 5G projects promising growth while expanding operations in network fields.

▶ Fiscal 2020 Strategies

Establishment of New Fields and Business Models for the 5G Era

Based on these trends, the Telecommunication Group will continue to advance and expand the 5G projects currently underway, while moving forward with presale and technical verification activities in preparation for the launch of full 5G services.

We aim to go beyond simply supporting 5G infrastructure. By coordinating and collaborating with carrier clients, we will develop new business models while carving out a position as a strategically valuable business partner for promoting digital transformation using 5G technologies. In addition, the Company's comprehensive strength is being utilized to advance local 5G and edge computing initiatives.

Regional & Social Infrastructure Group

Supporting social infrastructure and regional revitalization with IT and business ideas.

Hisashi Eda

Managing Executive Officer
COO, Regional & Social
Infrastructure Group



Strengths and Challenges

Strengths

- Large-scale SI capabilities acquired in the social infrastructure sector
- Network of partner companies covering all regions
- Business know-how gained from our broad customer base
- Expertise pertaining to AI and other cutting-edge technologies

Challenges

- Improving management efficiency over a range of business domains

Business Climate

Opportunities

- Full-scale use of AI and IoT technologies to improve business efficiency and services
- Demand for a shift to cloud computing in the a public sector
- Need to improve labor productivity owing to a decline in rural populations

Factors Limiting Growth

- Reining in of IT investment in response to the global economic slowdown
- Shortage of qualified IT professionals owing to a decline in working population
- Curtailment and delays in IT investment due to the impacts of the global COVID-19 pandemic

Medium- to Long-Term Vision

Operating Environment Changes /
Fiscal 2019 Initiatives and Results

Contributions to Resolution of Customer and Social Issues While Guaranteeing Management Efficiency

The Regional & Social Infrastructure Group primarily serves municipal government agencies and social infrastructure companies, which are being heavily impacted by changes to social structures such as the declining birthrate, population aging, and the concentration of populations in urban locations. Recently, serious labor shortages have become a shared issue among clients, increasing the need for labor productivity improvement. The Regional & Social Infrastructure Group seeks to contribute to the resolution of such social issues through agile development and the utilization of AI chatbot, cloud, and other IT-related technologies. In fiscal 2019, we focused on large-scale replacement projects for installing next-generation systems. Meanwhile, we recognize that development of systems that can swiftly and flexibly collect data and change specifications will be imperative in the impending era of digital transformation. With its operations encompassing a wide range of regions, the Regional & Social Infrastructure Group will provide solutions fine-tuned to client issues while focusing on the important task of guaranteeing its own management efficiency.

Fiscal 2020 Strategies

Profitable Growth and Business Expansion

In fiscal 2020, we will continue to place reinforcing relationships with major clients, approaching potential new clients, and exploring new markets at the core of our strategies. Efforts to reinforce relationships with major clients will include delivering information and communications technology (ICT) and new development methodologies such as agile development. For new clients, we will leverage the strength of our large-scale infrastructure development capabilities to provide a range of solutions.

At the same time, a focus on refining our operating foundations will be adopted to guarantee management efficiency. We aim to construct systems that will generate consistent earnings through the concentration of resources on highly efficient businesses, the quick recruitment of human resources through mid-career hiring on a regional basis, and extensive project management.

Financial Services Group

The Financial Services Group assists the evolving financial industry with the ideal IT to support the important social infrastructure that clients furnish.

Junji Hirooka

Managing Executive Officer
COO, Financial Services Group
COO, Global Business Group
General Manager,
Global Business Division



Strengths and Challenges

Strengths

- Insight in the RegTech* field with an extensive track record of serving major financial institutions
- High-quality, low-cost system development capabilities achieved through proactive use of cloud and virtual technologies in the finance field
- Multi-cloud services supporting diversification of client systems
- The CTC Group's global network that supports financial businesses in Europe, North America, and the ASEAN region

Challenges

- Structural reform support for customers utilizing cutting-edge digital finance technologies
- Response to increasingly sophisticated and complex risk management areas and international financial regulations
- Accelerating global expansion of financial institutions

Business Climate

Opportunities

- Full-scale use of AI and IoT technologies to improve business efficiency and services
- Demand for a shift to cloud computing in the public sector
- Need to improve labor productivity owing to a decline in rural populations
- Construction of local systems to support overseas business strategies of financial institutions

Factors Limiting Growth

- Curtailment of digital transformation investment due to business model reforms by major financial institutions

* RegTech = Regulation + Technology (the application of technology to help ensure regulatory compliance)

Medium- to Long-Term Vision

Operating Environment Changes /
Fiscal 2019 Initiatives and Results

Evolution of Existing Business and Exploration of New Fields Incorporating Digital Technologies

The advancement of FinTech in the financial industry is giving rise to financial services powered by new technologies. Meanwhile, compliance with international regulations, such as Basel III, is becoming more difficult and complicated, and the burden of this compliance continues to be an issue for the financial industry.

The Financial Services Group supports the efficiency of clients through the combination of digital technologies in the RegTech field, an area of strength, while reinforcing local overseas systems to offer proactive aid to financial institutions that are accelerating overseas investment.

In fiscal 2019, we focused on deploying new cloud services for cooperative financial institutions and engaging in large-scale infrastructure development projects for government financial institutions. We also implemented initiatives to prepare for business expansion in fiscal 2020 and beyond. The Financial Services Group will continue to boost its ability to accommodate cutting-edge technologies and new financial services to expand its business domain.

Fiscal 2020 Strategies

Creation of Future Major Accounts and Expansion of Global Businesses

Fiscal 2020 has been positioned as a year to solidify foundations that establish new earnings pillars. In April 2020, we implemented organizational reforms aimed at enabling flexible engineer assignment and pinpoint targeted sales activities tailored to specific business fields. Looking ahead, we will reinforce operating structures in preparation for large-scale development projects expected to arise in future fiscal years as we seek to seize new earnings opportunities through the digitization of existing businesses and the exploration of new fields in which to develop global businesses.

Global strategies will include responding to needs requiring ongoing attention in the RegTech fields of Europe and North America and establishing local systems for the Financial Services Group in the ASEAN region. To claim a position as a local IT partner to financial institutions in this manner, we will strengthen relationships with overseas operating companies and cultivate global human resources.

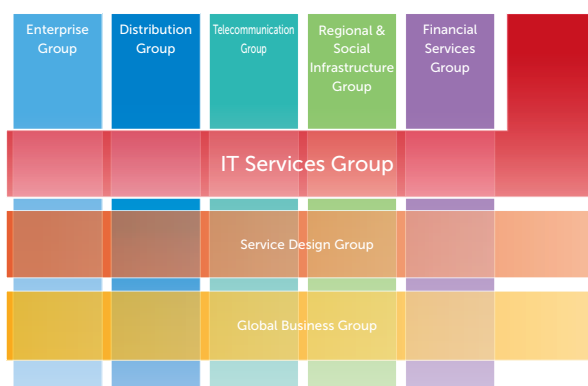
IT Services Group

By exploring the latest IT-related technologies, developing methods for their application, and constructing foundations to support a digital society, the IT Services Group will seek to discover new purposes for IT that contribute to the evolution of clients' businesses.

Toshiyuki Awai
Managing Executive Officer
COO, IT Services Group



Organizational Positioning



Digital technologies have become inseparable from our daily lives. In this digitally permeated society, the IT Services Group oversees cloud, security, data center, and other IT platforms that support social activity while drafting and implementing strategies for driving the expansion of clients' businesses and creating additional value for them. In addition to assisting other business groups through the provision of planning and technical support for all areas of digital transformation (DX) and cloud integration, the IT Services Group possesses its own sales and planning functions, which allow it to engage in processes ranging from investigating customer needs to identifying promising new technologies and supplying next-generation planning functions.

Mission

Creation of new services and promotion of the improvements in IT quality that companies require by actively exploring the leading-edge technologies of the United States and other countries and evaluating these technologies as the next de facto standards for the platforms of the digital society

Medium- to Long-Term Vision

Operating Environment Changes / Fiscal 2019 Initiatives and Results

Response to and Preemptive Addressing of Market Changes and Development of Strategic Businesses

The market presence of system integrators that proactively engage in cloud-native SI and DX businesses is growing. In order for CTC to proactively address the changes in clients' IT needs arising from development of the digital society, it will continue to enhance its conventional on-premise SI business while expanding its partnerships with promising DX and cloud service companies and fostering in-house engineers. Accordingly, we must advance strategies that embrace the breadth and quality of the IT services CTC provides.

To support the IT system divisions of companies, we supply integrated IT services that seamlessly combine on-premise systems with hosted private cloud services (the CUVIC series). For companies' business divisions, we offer a diverse range of services including next-generation managed service provider (MSP) services and DX design services tailored to the use of public cloud services. Through these efforts, we support the swift development of clients' businesses.

Fiscal 2020 Strategies

Rapid Expansion of Cloud Businesses, Enhancement of MSP Services, and Exhaustive Service Quality Improvement

The IT Services Group is strengthening its ties to mega-cloud vendors in conjunction with the evolution and popularization of public cloud services. We are also bolstering development and SI capabilities under cloud-native environments and accelerating the enhancement of MSP services that include multi-cloud environments. In addition, we offer data center and hosted private cloud infrastructure for customers seeking secure system environments.

To support companies' DX, we will collaborate with leading-edge companies with data and digital technologies in Japan and overseas, while strengthening the delivery capabilities needed to conduct agile development to create services based on DX plans.

Moreover, dedicated organizations and project teams are being reinforced to thoroughly improve service quality throughout the data centers, hosted private cloud services, and security services CTC provides to ensure that customer systems can be operated with exhaustive security measures in place.

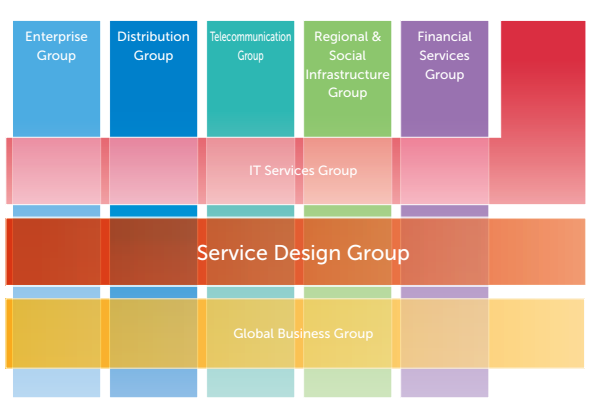
Service Design Group

For the establishment of a prosperous and safe future society, leverage leading-edge IT to contribute to resolving social issues and to the creation of innovative businesses



Eiji Haraguchi
 Managing Executive Officer
 COO, Service Design Group
 CIO

Organizational Positioning



The Service Design Group consists of the Institute of Open Innovation Research "MIRAI," which uses open innovation platforms primarily to create new business models, and the Corporate IT System Division, which reforms internal business processes. Collaboration between these two sub-groups allows us to provide our clients with leading-edge services as well as improve the labor productivity and competitiveness of the CTC Group.

Mission

- Co-creation and development of new business
- Support for clients' digital transformation (DX) and internal DX promotion
- Put into practice business process reforms using leading-edge IT and propose new work styles

Medium- to Long-Term Vision: Operating Environment Changes / Fiscal 2019 Initiatives and Results / Fiscal 2020 Strategies

At the Institute of Open Innovation Research "MIRAI," we use DEJIMA, a dedicated space in Tokyo for open innovation that encourages collaboration. We also bring in corporate venture capital as we continue to cooperate with venture businesses to create joint ventures. In fiscal 2019, the Service Design Group developed new businesses that promised significant synergies with the ITOCHU Group or contributed to the resolution of social issues, while providing DX project support to other business groups with DEJIMA.

In fiscal 2020, we will aim to clarify strategic fields to focus on the creation of new businesses from which revenues can be expected. Specifically, businesses will be launched with an eye to collaborating with external partners and developing communities through DEJIMA to leverage the business group's expertise to address social issues such as labor shortages, global warming, and regional economic stimulation. In addition, a service sprint team has been established to develop new services based on the theme of supporting DX for lines of business. Examples of these services include work process mining, AI audits, and AI face recognition.

The Corporate IT System Division installs next-generation IT infrastructure with the aim of controlling IT systems and promoting diverse work styles. In fiscal 2019, this division introduced next-generation networks (SD-WAN), next-generation security systems (EDR), new teleworking infrastructure, and face recognition entry management systems. In addition, internal IT systems were showcased, and high praise was won by explaining our IT-powered work-style reform and cloud initiatives through office tours and event lectures.

In fiscal 2020, the division will explain, plan, and propose new platforms that coordinate and integrate mission-critical systems, business systems, and cloud applications linked directly to standard work (eWork-II). It will also promote paperless operations and improved business efficiency to facilitate increased use of teleworking. These efforts will be aimed at accelerating improvements to Companywide competitiveness and productivity and further entrenching the resulting benefits.

Global Business Group

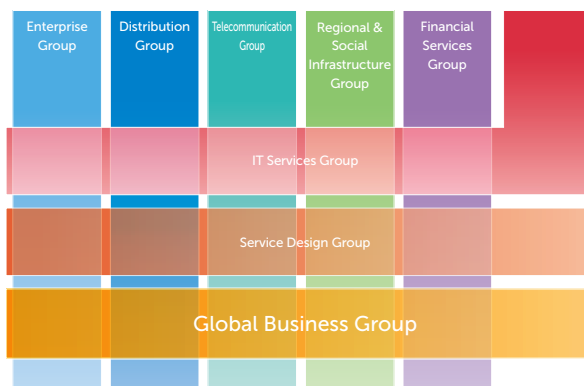
Building a business infrastructure to acquire excellent products and services from around the world and deliver them to our clients on a global scale

Junji Hirooka

Managing Executive Officer
 COO, Financial Services Group
 COO, Global Business Group
 General Manager,
 Global Business Division



Organizational Positioning



The Global Business Group promotes the expansion of global business through the acceleration of growth of the Group's overseas operating companies, cooperation among partner companies from around the world, and strategic business investment.

Mission

- Promotion of growth strategies of overseas operating companies
- Provide solutions in the United States, Europe, and the ASEAN region
- Support the global development efforts of Japanese companies
- Acquisition of leading-edge technologies and services from Europe, North America, and Asia

Medium- to Long-Term Vision

Operating Environment Changes / Fiscal 2019 Initiatives and Results

Global Expansion of CTC Group Earnings and Improvement of Value

In conjunction with the overseas expansion of client companies, the CTC Group began expanding and strengthening its network of overseas bases in 2013.

In fiscal 2019, we constructed a system covering four ASEAN countries (Thailand, Malaysia, Singapore, and Indonesia) by acquiring PT. Nusantara Compnet Integrator and PT. Pro Sistematika Automasi of Indonesia and converting them into operating companies. In addition, a business innovation base was established in China (Shenzhen), and we ramped up coordination with bases in Europe, North America, and the ASEAN region and enhanced our ability to explore new products and services.

With this system in place, we will pursue further global business expansion.

Fiscal 2020 Strategies

Steady Enhancement of Earnings Power and Functionality of Overseas Operating Companies

The Global Business Group's basic policy for fiscal 2020 will be to focus on enhancing the earnings power of existing overseas operating companies.

In the ASEAN region, we will augment the capabilities of existing operating companies based on the themes of expanding businesses catering to Japanese companies and shifting toward service business. The finance and telecommunications industries will be an area of focus in which we seek to acquire new clients and expand existing businesses, while strengthening operating structures through strategic alliances with and investment in local companies in the region.

In the United States, we will step up coordination with SYSCOM (USA) INC. and expand our business area and revenue foundation in this country while exploring new technologies, a traditional area of strength, and bolstering sales activities between the United States and Japan. In this way, we aim to grow a comprehensive business encompassing both of these countries.

Major Group Companies in Japan

The CTC Group uses comprehensive group capabilities to provide total support for clients' IT life cycles.



► Maintenance & Operations Services

Maintenance & Operations Services provide a variety of necessary technological capabilities, from product maintenance to the management of infrastructure and operation of backbone system application and the ongoing management of data centers. Each operational specialization of CTC Group companies supports clients' IT life cycles.

CTC TECHNOLOGY CORPORATION

System Maintenance and Support Business

Established: April 6, 1990

Provides a range of services including assembly, transfer, and installation of equipment, 24-hour maintenance and systems operation, and comprehensive IT engineer training services. We aim to contribute to the continuity of our customers' businesses and become a company that supports the society of the future through IT.

CTC SYSTEM MANAGEMENT CORPORATION

System Operations and Support Business

Established: July 1, 2008

Provides specialized operations services, such as satellite communications controls and the operation management of IT infrastructure, backbone systems, and data centers for clients in the financial, distribution, telecommunications, and manufacturing industries. Also carries out IT infrastructure construction, develops ERP-related software, and provides maintenance services.

CTC FACILITIES CORPORATION

Data Center Facility Management Business

Established: July 7, 2000

Provides operations, maintenance, construction, and management services for CTC's data centers. Also leverages the experience and know-how it has accumulated to provide a wide variety of facilities-related services including construction and operations support and upgrade consulting for customers' data centers and server rooms.

► Developing Businesses Specialized for Client Companies and Industries

Develops businesses specialized for client companies and industries, providing systems developed for clients' unique operating processes and industry-specific solutions.

Asahi Business Solutions Corp.

Established: January 5, 1989

Since being established as an information systems subsidiary for Asahi Breweries, provides total solutions to the Asahi Group, from IT solutions planning, proposal, and development to maintenance and operations.

► Solutions Business Using Distinct Products

Laying out the framework to offer a variety of IT-related products and top global vendors to provide the best solutions to client needs.

CTCSP CORPORATION

Established: April 1, 1990

CTCSP CORPORATION supplies leading-edge and unique products from Japan and abroad and also delivers solutions that meet contemporary needs, including those in areas of strength such as endpoint security, work-style reforms, and image and content distribution.

► Special CTC Subsidiary Promoting Employment of People with Disabilities

CTC HINARI Corporation

Established: April 1, 2010

CTC HINARI Corporation provides massages for Group employees, cleans offices, performs office work, and takes part in joint agriculture-welfare projects with farmers. This company takes steps to develop workplace environments that are conducive to employees fully exercising their talents and improving their skills, while expanding the range of duties that employees can perform through the use of IT.

Message from the CFO

As we respond to significant social changes, I will focus all my efforts on ensuring CTC's growth, both quantitatively and qualitatively.

Mamoru Seki

Managing Executive Officer
CFO & CAO
CCO
General Manager,
Accounting & Sales Administrating Division



▶ **Going Beyond the Numbers to the Quality and Content That Underlies Them**

I took up my post as CFO on May 1, 2020. Prior to moving to CTC in fiscal 2019, I worked for many years at the headquarters and overseas offices of a general trading company, where I gained experience in finance and accounting. In the course of my work, I have come to understand that the "financial" in "financial officer" describes a role that goes beyond managing figures. This is because the financial aspect of corporate activities is an integral part of front-line businesses. A CFO has important roles that extend past mere numbers. The focus is on enhancing corporate value, which includes involvement in the quality and content of actual projects and corporate administration. The things that significantly affect corporate value include the curtailment of unprofitable projects; cybersecurity measures, which are one aspect of risk management; and attention toward enhancing quality and customer satisfaction.

▶ The Pursuit of Quality □□ P63, Risk Management □□ P83

▶ **Aiming to Bolster Corporate Value through Steady Profit Increases, Appropriate Investment in Growth, and Stable Shareholder Returns**

To summarize, in fiscal 2019 our performance was the best since our management integration with CRC Solutions Corporation in 2006, in terms of revenue and at all profit levels, as we benefited from the commercialization of 5G and the acceleration of DX. Net profit attributable to CTC's shareholders rose to a record high for the sixth consecutive year. In recent years, we have chalked up steady increases in

earnings beyond the favorable manufacturing and telecommunications sectors. Performance has also increased in relation to the public sector, social infrastructure projects, and at overseas operating companies. I attribute our performance to ensuring new sources of revenue and a stable business portfolio.

Our initial targets for fiscal 2020, the final year of our medium-term management plan, were ¥30.0 billion in net profit attributable to CTC's shareholders and maintaining ROE at more than 12%. However, the COVID-19 pandemic is causing social changes and having a profound impact on people's lifestyles and corporate activity. We need to focus on the medium- to long-term influence on CTC's business. At the moment, the accelerating promotion of DX is having a positive impact, which we expect to slightly outweigh the negative impact of corporate decisions to curtail IT investment. Our first challenge will be to keep our feet firmly on the ground as we strive to expand our scale of business and boost profitability.

Recently, it has become clear that to some extent companies need to maintain a robust management foundation to tackle new risks. It is essential to balance this characteristic against investing in growth and returning profit to shareholders. We need to respond to the changes in society caused by 5G and DX, invest boldly and resolutely in line with our management strategies, and achieve medium- to long-term business growth. Looking at the priority measures under our medium-term management plan, on the "go forwards" horizon we are investing in business assets that will further enhance our strengths, such as by expanding our cloud and

IT outsourcing business. On the “go outwards” horizon, we are working to move into new fields and expand our business domains through M&A in Japan and overseas. We are also considering further investment via our corporate venture capital firm, CTC Innovation Partners. As we pursue these investments, we will remain aware of capital costs and focus clearly on identifying future returns on investment. When undertaking M&A and investing in new fields, post-investment integration work is important for increasing the investment impact. We will screen carefully on this front.

In terms of investing in growth, we will concentrate on returns to employees, which are CTC’s biggest engine for expansion. Moving forward, we will bolster competitiveness by recruiting personnel to handle DX and placing more emphasis on training. At the same time, we aim to move steadily forward with our human resource policies, including our compensation system.

Meanwhile, we have decided to increase shareholder returns by raising dividends for the 11th consecutive fiscal year, lifting the dividend for fiscal 2019 to ¥58 per share (up ¥8 year on year). Although we have set approximately 45% as our target dividend payout ratio, we have exceeded this level for the past two years and expect a ratio of 48.5% in fiscal 2020. To continue meeting shareholder expectations, we must take the measure of a rapidly changing operating environment, while simultaneously keeping an eye on enhancing corporate value and maintaining financial soundness. I believe these emphases will become even more important to my role as CFO going forward.

▶ **Accurately Identifying Changes in the Operating Environment and Accurately Meeting the Needs of the Times for All Stakeholders**

Sontoku Ninomiya (a prominent 19th-century Japanese agricultural leader) is credited with the saying that “Economy

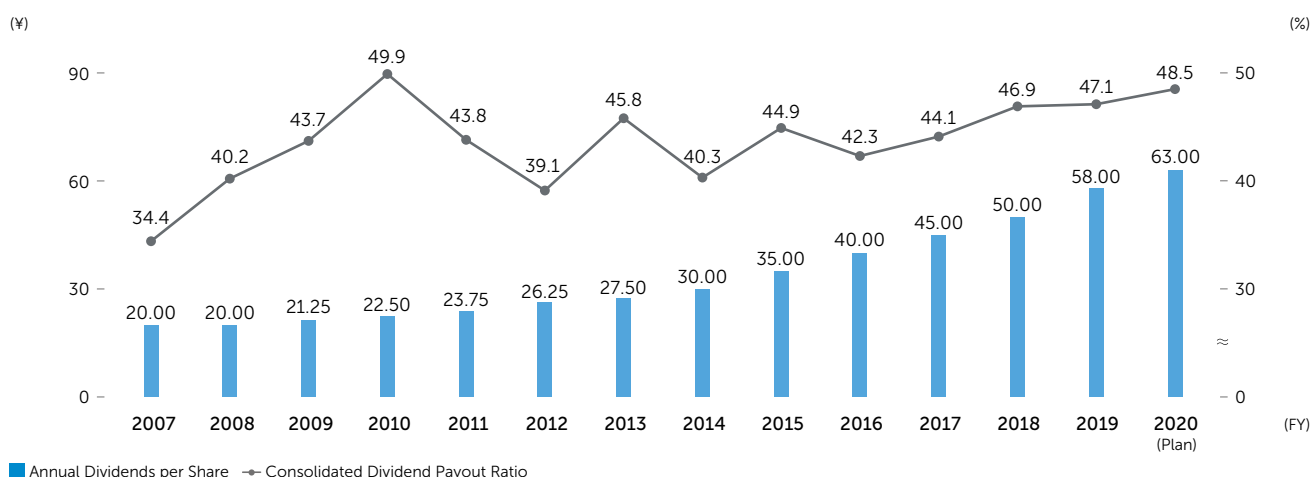
without morality is a crime, and morality without economy is like talking in your sleep.” The idea here is that seeking only one’s own gain while disdaining customers, employees, or society is out of the question. At the same time, a company that simply touts morals and fails to generate profits has no reason for existing. In other words, corporate activity needs to have two starting points: increasing profits and providing value to society. A similar idea is expressed in Japanese as *sampo yoshi* (good for the seller, good for the buyer, and good for society). In a true sense, I believe these sayings describe a “good company” that contributes appropriately according to the times. I take this to be our goal, and aim to contribute accordingly through my work.

The environment in which CTC operates is transitioning to a new stage as the social structure that serves as a backdrop changes at a faster-than-expected pace. The issues I face as CFO may be complex and difficult. At the same time, however, I believe the changing times provide the opportunity for CTC to make a major leap forward. This challenge makes taking up the corporate baton on the financial front feel worthwhile. By proactively taking up challenges in areas where I have some experience, such as in expanding the overseas business, I aim to contribute to CTC’s growth, both qualitatively and quantitatively.

■ **Basic Policy on Profit Distribution**

CTC recognizes the return of profits to shareholders as an important management issue. In line with its basic policy of increasing dividend levels, CTC works to secure stable dividend payments and stresses the return of profits according to business performance, while carefully considering the balance of internal reserves and the actual amount distributed to shareholders.

▶ **Annual Dividends per Share* / Dividend Payout Ratio**



* CTC conducted two-for-one stock splits of common shares on April 1, 2015 and April 1, 2018. Amounts for fiscal 2015 to fiscal 2017 in the above have been retroactively adjusted to reflect the stock splits.

Systems and Initiatives to Support Our Business Model

In order to fully demonstrate its strengths, the CTC Group must make high-quality investments of management capital that match its business model and strategy. At the same time, we need mechanisms in place to ensure that our business model functions properly and undergoes continuous improvements. Accordingly, we are constantly expanding our internal systems and initiatives, keeping in mind the need to both “strengthen our business model” to hone our invested management capital and “support sustainable growth” to minimize business risk and reinforce our operational foundation.



Strengthening Our Business Model

IT has played an important role in shaping today’s society, underscoring the need to foster high-quality businesses based on long-term perspectives. In strengthening its business model, CTC recognizes the deep importance of two key factors: “human resources” and “product quality.” We will implement strategies to help individual employees obtain advanced technical capabilities and excel in the IT world. At the same time, we will make ongoing refinements to improve service quality and thus earn the trust of our customers.

A human resource strategy

to foster the “motivation to work” and “professionals who relentlessly seize challenges”

▶ P58

Earn confidence and trust through the pursuit of quality

▶ P63

Supporting Sustainable Growth

We are working to reinforce our operational foundation in order to remain trusted by customers and society as a whole. Our aim is to continue meeting the expectations of all stakeholders—including customers, shareholders and other investors, employees and their families, and local communities—without losing the flexibility to quickly address changes in the business environment, while tirelessly fulfilling our social responsibilities.

Corporate governance

▶ P69

Risk management

▶ P83

Financial strategy

▶ P55

Environmental management

▶ P64

A Human Resource Strategy

to Foster the "Motivation to Work" and "Professionals Who Relentlessly Seize Challenges"

Our Approach

The most important management assets in an IT business are its "human resources." As indicated by our corporate philosophy and slogan of "Challenging Tomorrow's Changes," we have consistently cultivated human resources who continue embracing the challenges inherent in IT's potential. Challenges evolve only when employees are healthy and have environments where they can work with a sense of fulfillment. With this in mind, CTC will continue taking on more valuable challenges together with its customers. Our aim is to create environments where individual employees can fully demonstrate their abilities and enrich their lives through work.

▶ HR Strategies to Date

	Medium-Term Management Plan	Fiscal 2013–2014		Fiscal 2015–2017			Fiscal 2018–2020	
		Human resource cultivation, diversity		Investment in human resources and technologies, establishment of multi-path personnel management system, doubling percentage of women in leadership roles			Human resource development and work-style reforms	
		FY2013-2014	FY2015	FY2016	FY2017	FY2018	FY2019	
Systems that foster the "motivation to work"	Personnel System Reform		▶ New personnel system					
	Work-Style Reforms	▶ Stronger measures to reduce overtime work ▶ Start of morning-focused working system	▶ Slide work, mobile work, time-based paid leave systems		▶ Participation in Telework Day / Days, expansion of telework		▶ Start of employee engagement survey	▶ Expanded work-clothing options ▶ Trialed teleworking for all employees
	Diversity and Inclusion		▶ Formulation of manager training plan based on Companywide targets for number of female managers		▶ Strengthening of mentor/mentee system, launch of the Chorus diversity website ▶ Start of Companywide management meetings		▶ Reform of post-retirement reemployment system	▶ Started studying LGBT and SOGI initiatives
	Empowering women in the workplace Promoting the employment of seniors							
	Childcare and nursing care People with disabilities			▶ Start of Iku-boss/Iku-men seminars				
Mechanisms that foster "professionals who relentlessly seize challenges"	Health Management	▶ Health promotion measures: Regular health checks and thorough post-checkup measures ▶ Health promotion activities: Prevention of lifestyle diseases, prevention of shoulder stiffness and pain, support for smoking cessation, mental health care		▶ Stronger promotion of health management	▶ Establishment of the CTC Group Health Insurance Association		▶ Enhancement of measures to support workers with cancer: Early detection of and response to cancer and enhancement of measures to support workers with cancer	▶ Made the "CTC Well-being Declaration" as a challenge for employee health and happiness
	Support for Human Resource Training and Career Development	▶ Global human resource training: Global Leader (GBL) Training Short-term overseas language study ▶ Selective education: Section of next-generation leaders	▶ Training system reforms in tandem with human resource system reforms: Newly established training for management candidates ▶ Cultivation of motivation toward career development: Start of career development support system Start of individual career support interviews		▶ Enhancement of management capabilities: Introduction of multifaceted observation (executives and employees) ▶ Cultivation of motivation toward career development: Expansion and reworking of career design training		▶ Reconfiguration of training system for engineers: Integration of engineering skill inventory Companywide training on AI and introduction of collaborative measures between industry and academia ▶ Cultivation of professional global human resources: Dispatch for language study in ASEAN countries	

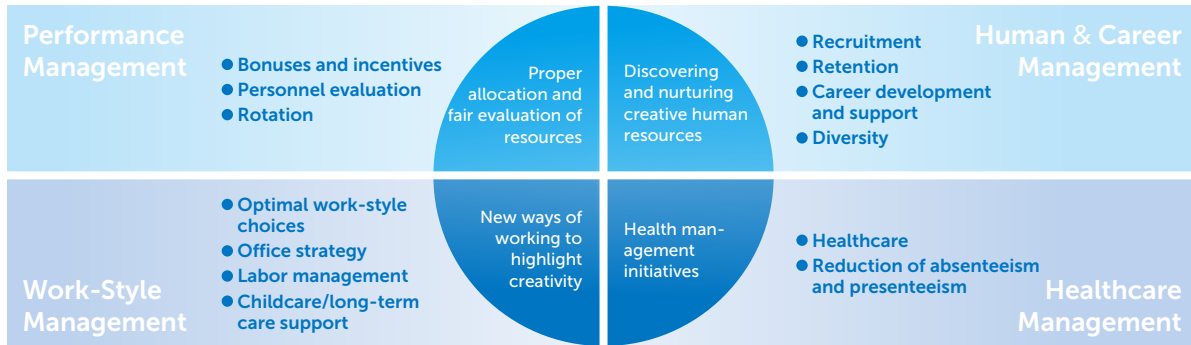
A Human Resource Strategy to Foster the “Motivation to Work” and “Professionals Who Relentlessly Seize Challenges”

Human Resource Management Framework

CTC aspires to have “Creative human resources who enjoy change, take the initiative to address change, and can turn diversity into value.” With this in mind, we work actively to create environments and systems for such human resources to gather, grow, and continue taking on challenges.

For example, we established our “Human Resource Management Framework,” in which our human resource strategy initiatives are roughly divided into four management domains (see diagram below) that work organically with each other to generate greater synergistic benefits.

Mechanisms that foster “professionals who relentlessly seize challenges”



Systems that foster the “motivation to work”

Systems that Foster the “Motivation to Work”

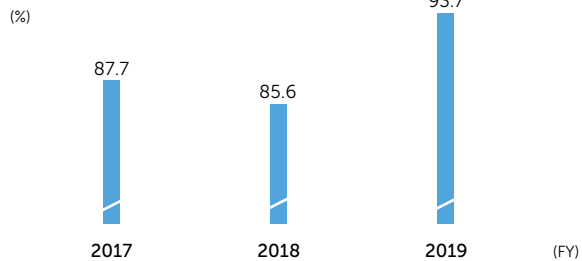


From “Ease of Work” to “Motivation to Work”

In fiscal 2019, the theme of our work-style reforms underwent a major shift, from “ease of work” to “motivation to work.” In addition to improving workplace environments, we are fostering a culture in which employees can work actively and with motivation to grow.

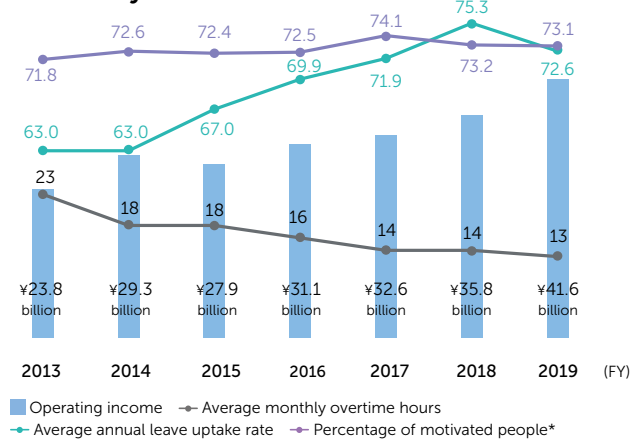
Our career design support system and various career design training sessions are also part of this initiative. We start by asking employees to firmly verbalize not only their thoughts about their careers but also the values they want to cherish. Then, they share their thoughts with their bosses to reconcile their career aspirations and feasibility, while career counselors are also available for interviews upon request. This system is designed to help improve each employee’s “motivation to work.” We also promote the active use of teleworking. In fiscal 2020, we revised our teleworking system and expanded its coverage to all employees.

► Utilization of Flexible Work Styles*



* Percentage of CTC (non-consolidated) employees making use of the morning-focused working system, time-based paid leave, or slide work, or teleworking on Telework Days

► Correlation between Management and Work-Style Reforms



* Percentage of those who answered “Yes” or “I suppose” to the question “Is your job fulfilling?” (from stress check)

Health Management Initiative

To create environments where employees can maximize their abilities, we announced the “CTC Well-Being Declaration” in fiscal 2019. Under the declaration, we set up a promotion system, headed by the president, to make our health management initiative function more effectively as one of our human resources strategies. In addition to regularly monitoring and verifying the progress of specific and medium-term target indicators, we have assembled a team of specialists—industrial physicians, public health nurses, and carers—to promote health, improve health literacy, offers consultations, and provide mental health support.

CTC Well-Being Declaration

At CTC, management of employee health and well-being is a key human resource strategy. We place top priority on the physical, mental, and social health and well-being of all employees.

The well-being of employees is fundamental to putting our slogan, “Challenging Tomorrow’s Changes,” into practice and achieving sustainable growth, and fostering employees’ motivation to work is essential to this endeavor. By helping our employees and their families maintain good physical and mental health into the future and strive for self-fulfillment through work, we can be confident of CTC’s growth and prospects 100 years from now.

We hereby make the “CTC Well-Being Declaration” as our challenge for the future of employees and their families.

ITOCHU Techno-Solutions Corporation

Promoting Diversity

We promote diversification of human resources based on the belief that employees with diverse backgrounds who work together and mutually enhance their abilities will lead to creation of innovation.

Empowerment of Women

In particular, we recognize the importance of measures to empower women in the workplace. To this end, we are increasing the number of women we hire and are emphasizing measures to raise the percentage of female employees in leadership positions.

Rather than training female managers under a uniform system, we created a framework to boost motivation based on a direct approach, where we take individual situations and skills into account, meet with individual employees, and provide training to help them advance their careers.

We also have systems of shortened and staggered working hours for employees engaged in childcare and have

raised the age of children to which these systems are applicable. In addition, we have a system that encourages fathers to take childcare leave. We are expanding these systems, which support a balance between work and childcare and nursing care duties, so that they can be used by both men and women. In addition to supporting employees who have returned from childcare leave, we hold seminars for the bosses of such employees and workplace lunch meetings where male employees who have taken childcare leave can share their experiences. In these and other ways, we work to create frameworks that enable everyone in the workplace to deepen their understanding of life events and careers.

Target number of women in leading positions

(employees originally hired by CTC)

- ▶ **90** by 2020
- ▶ Fiscal 2019 actual: **69**
(As of March 31, 2020)

Target percentage of female regular employees

(CTC, non-consolidated)

- ▶ **20% or more** by 2023
- ▶ Fiscal 2019 actual: **17%**
(As of March 31, 2020)

Target percentage of women among new graduates hired

(CTC, non-consolidated)

- ▶ **35% or more** of women among new graduates joining the Company in fiscal 2019
- ▶ Fiscal 2020 actual: **38%**
(Joined on April 1, 2020)

Lecture on Careers by Female Outside Directors

During the year, our two female outside directors (Naoko Iwasaki and Aya Motomura) gave in-house lectures on women’s career development and their perceptions of life events. In addition to offering suggestions related to work, they presented life-like stories based on their personal experiences, which gave inspiration to attendees.



Strengthening LGBT/SOGI Initiatives

Since the start of fiscal 2020, we have launched a new system under our Basic Diversity Policy. Under the system, we expanded the definition of “spouse” in our internal rules to include common-law and same-sex partners. In June 2020, we conducted e-learning forums on SOGI harassment and LGBT for all employees to deepen Companywide understanding and build a culture that embraces diversity.

See also ▶ P44

A Human Resource Strategy to Foster the
 “Motivation to Work” and “Professionals Who Relentlessly Seize Challenges”

Fostering Professionals Who Relentlessly Seize Challenges



Opportunities and Learning to Encourage Independence

Achieving job fulfillment in the increasingly sophisticated, advanced IT industry requires a commitment to ongoing learning through external stimulation, an open mind that is willing to share information received, and the motivation to confront brand-new technologies. At CTC, we work to nurture these attributes and provide opportunities for employees to acquire them. We are also stepping up training so that employees can put what they have learned into practice.

Recruiting IT Personnel Who Will Lead the Future

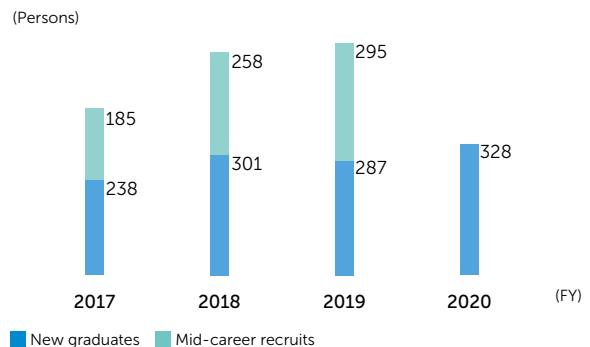
At CTC, we are enhancing the attractiveness of work environments in terms of both “ease of work” and “motivation to work.” For example, we use internships and recruiting agents to attract new graduates while deploying various channels when hiring mid-career recruits. In February 2020, we launched an employee referral program as a new method of recruitment.

Employee Referral Program

We have an employee referral program that encourages employees to introduce and recommend friends and acquaintances to work at CTC. In addition to addressing the increasingly serious shortage of IT human resources, employee referrals help us avoid potential mismatches among new recruits. This is because employees themselves approach people who they think may desire a career at CTC to explain job content and work styles. By directly conveying the appeal of CTC, they promote a deeper understanding of the Company.

Note: This is an initiative of CTC (non-consolidated).

Recruitment Record

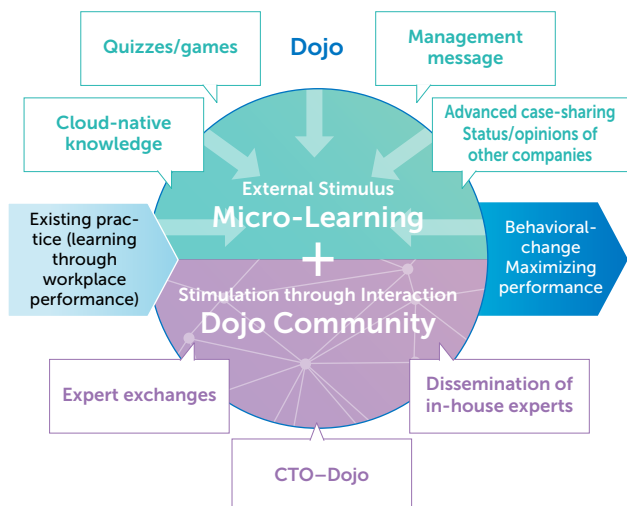


Fostering a Culture of Self-Learning

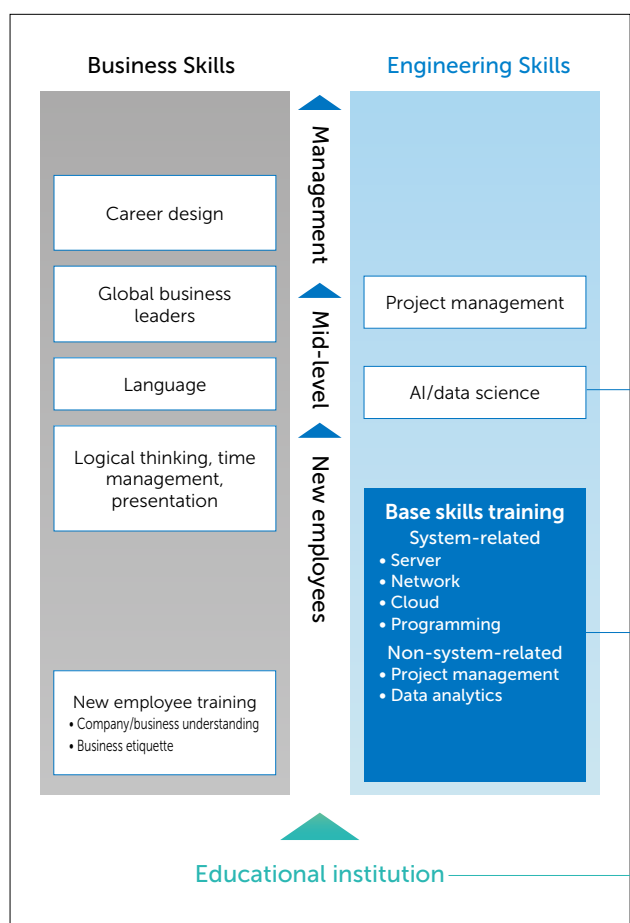
Dojo

Dojo is an open online community where employees can freely exchange opinions on the latest trends in IT technology.

Our CTO, Tadataka Okubo, gets personally involved in encouraging self-learning by disseminating information on the IT market and trends in advanced technology. We are also promoting micro-learning and developing hands-on, community-style environments to facilitate self-learning. Because employees can interact and exchange opinions freely in such environments, they can obtain the information they need without engaging in teacher-student relationships. They can also make connections between their work and their areas of proficiency, which leads to self-growth.



Early Development of Advanced IT Human Resources



Intensive Training in Advanced Technologies

For companies pursuing digital transformation (DX), the role of AI is becoming more and more important. In 2018, we began core AI training for salespeople and engineers. Targeting some 3,000 people, the program includes machine learning (through e-learning) and AI education (including deep learning). We also hold in-house competitions to gauge the accuracy of AI in dealing with specific challenges.

Basic Skills Training

In order to flexibly address future changes in IT technology, we introduced a training program enabling new employees to learn a wide range of elemental IT technologies from an early stage. This program, which lays the groundwork for tackling DX, covers IT system basics, infrastructure architecture and the application service layer (the foundation of CTC's business), and project management, as well as cloud technology and statistics and analysis.

Developing Next-Generation Human Resources through Industry-Academia Partnerships

In the data science field, we conduct early human resource development via partnerships between industry and academia. Combining the actual data companies possess with universities' knowledge of data analysis helps to cultivate data analysis expertise that can be used in actual business settings. This approach also helps in cultivating human resources capable of taking the lead in the data science field.

External Recognition

2020 White 500/Health & Productivity Outstanding Entities Recognition Program

In this program, METI recognizes large enterprises conducting excellent health and productivity management. Certified in the large enterprise category (dubbed the "White 500"), CTC was selected as a member for 2019, recognizing its efforts in health management by managing the health of employees from a business standpoint.



Semi-Nadeshiko Brand

Semi-Nadeshiko brands are listed corporations selected by METI and the TSE as enterprises that are outstanding in terms of encouraging the empowerment of women in the workplace. CTC was selected for the first time in fiscal 2018 for its efforts in the areas of hiring and support for the career advancement of women, work styles, and integration of child-rearing and nursing care.



Good Career Company Award

Japan's Ministry of Health, Labor and Welfare presents "Good Career Company Awards" each year to companies that actively support the career development of employees. In fiscal 2019, CTC received a Grand Prize in the awards in recognition of its systems to support the independent and autonomous career development of employees according to each individual's abilities, aptitude, and willpower.



Japan HR Challenge Awards (Prize for Excellence, Human Resource Development Category)

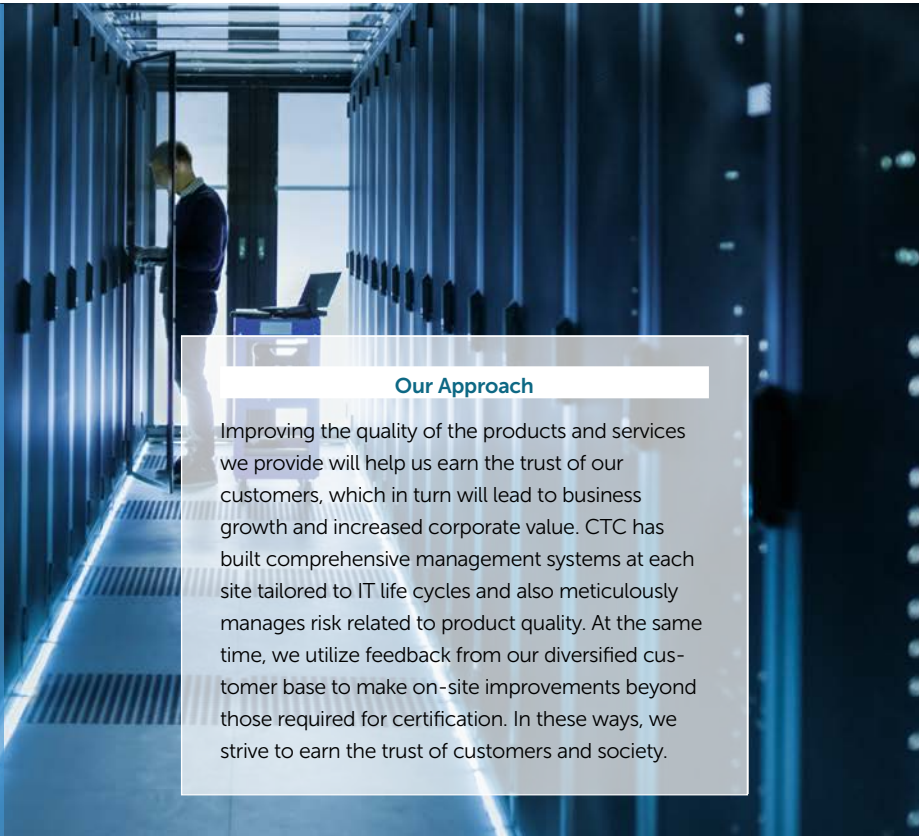
In fiscal 2019, CTC received a Prize for Excellence in the Human Resources Development Category at the "9th Japan HR Challenge Awards." This award recognizes companies that actively engage in outstanding new initiatives in the human resource field. CTC was awarded for the first time for its results and attitudes in encouraging the empowerment of women in their career advancement.



Strengthening Our Business Model

Earn Confidence and Trust through

the Pursuit of Quality



Our Approach

Improving the quality of the products and services we provide will help us earn the trust of our customers, which in turn will lead to business growth and increased corporate value. CTC has built comprehensive management systems at each site tailored to IT life cycles and also meticulously manages risk related to product quality. At the same time, we utilize feedback from our diversified customer base to make on-site improvements beyond those required for certification. In these ways, we strive to earn the trust of customers and society.

Quality-Related Initiatives and Certifications

Under our Quality Policy, we aim to further enhance the leading-edge IT expertise and quality that are cornerstones of CTC's success and ensure the ongoing provision of safe and secure systems and services that provide peace of mind to our clients.

To augment quality, we are stepping up our efforts at failure analysis and recurrence prevention to keep similar issues that arose from project activities or during operational services from happening again. We have in place an internal, third-party organization that reviews the status of highly difficult, large-scale projects at the estimate and planning stages, as well as when projects are in process, monitoring for risks on an ongoing basis.

Quality Policy (Amended April 1, 2019)

We support clients' IT systems with reliable technologies and quality.



PDCA for Improving Customer Satisfaction

To improve customer satisfaction, we listen to client feedback, which we incorporate into improvements and new proposals. The CS Improvement Committee leads efforts to enhance customer satisfaction, such as conducting client satisfaction surveys.

Client evaluations and opinions are shared throughout the Company. Each part of the Company considers appropriate measures, which are reflected in its sales, project, and service activities. We plan to continue these initiatives going forward, as we aim to remain a trusted business partner for our clients.

Results of Fiscal 2019 Client Satisfaction Survey

Customer evaluation of system quality

89%*

▶ **Overall evaluation for the year** (compared with previous evaluation period)

Maintained "year-on-year improvements"

▶ **Assessment by category (35 categories)**

High assessment

- Sales capabilities (enthusiasm and integrity)
- Proposal-making capabilities (understanding of client issues and requests)
- Team technological capabilities
- Flexibility in responding to requests
- Technical skills of people in charge

Room for improvement

- Cost competitiveness
- Free thinking

* Percentage of respondents who answered "similar to competitors" or higher in the system quality evaluation section of our customer satisfaction survey

Environmental Management

As a leading company in the IT industry, we believe it is important to not only reduce the amount of environmental resources used by our company, but also provide a sustainable future for our customers and society through technologies we are uniquely positioned to provide. We listen widely to the opinions of communities about the social role and responsibilities we are expected to fulfill, and we reflect this feedback in our corporate activities.

Environmental Activities Policy

The CTC Group aims to keep its businesses in harmony with the global environment, addresses issues including climate change, the effective use of resources, and the preservation of biodiversity, and strives to improve environmental management systems in a sustained manner.

1 | Provision of Value through the Solution of Issues Faced by Customers

The CTC Group offers value by helping address environmental and social issues. For example, we utilize IT to enable environmental load reduction and eco-efficiency improvement.

2 | Reduction of Environmental Footprint in Business Activities

The CTC Group proactively promotes such initiatives as those for saving energy, saving resources, reducing waste, and greening procurement and works to reduce the environmental footprint of the Group and prevent pollution in its business activities.

3 | Compliance with Relevant Laws, Regulations, etc.

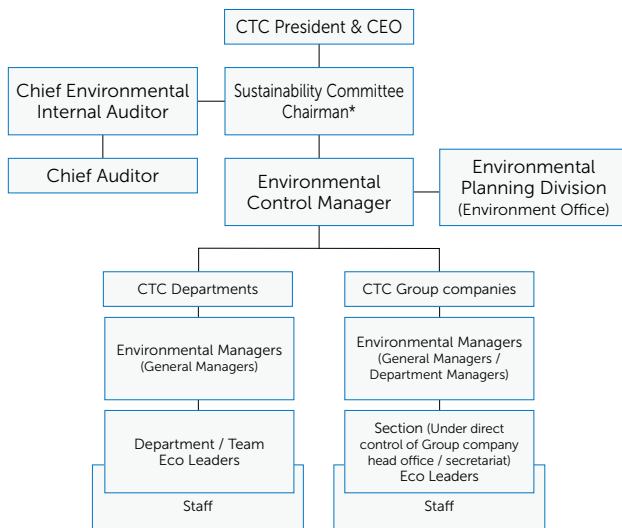
The CTC Group observes laws and regulations associated with environmental preservation and other items to which it agrees.

4 | Cultivation of an Awareness of the Need for a Sustainable Society

The CTC Group increases employees' environmental awareness through environmental education and other awareness-raising initiatives. Also, the Group cultivates an awareness in each employee of the need for a sustainable society.

Environmental Management Structure

The CTC Group has established an Environmental Activities Policy based on its corporate philosophy and has established an environmental management structure. We engage in Groupwide environmental improvement activities under the management of the CSR and Compliance Committee chairman and Environmental Control Manager; with our Environmental Managers and Eco Leaders and Deputy Eco Leaders (who are responsible for driving environmental activities) in their particular departments, including at Group companies, taking a central role in these activities. We have attained ISO14001 certification at a total of 22 business locations.



* For fiscal 2020, Executive Officer in charge of Human Resources Management & General Affairs Division; General Manager, Corporate Planning Division is assigned to Sustainability Committee Chairman.

Environmental Education

The CTC Group provides environmental education through e-learning for all employees once a year. Environmental Managers and Eco Leaders are also offered training to promote their activities.

Environmental Improvement Activities

Under our environmental management system, all entities of the CTC Group set annual goals to reduce environmental impact through their core business and pursue initiatives each year to achieve those goals. These include helping customers save energy through virtualization and cloud technologies, as well as the provision of environmentally friendly solutions and products. We are also reducing energy consumption by improving the efficiency of our own data centers, and we introduced a morning-focused working system aimed at discouraging overtime work beyond 20:00 and encouraging early-morning work if overtime is required. In these ways, we are reducing overtime work and office power consumption.

Environmental Preservation Activities

As a supporter of the Chinju no Mori Project, which creates forests that help prevent disasters and preserve the environment, we engage in ongoing tree planting and supplementary planting activities at "Millennium Hope Hills" (Iwanuma City, Miyagi Prefecture), an area affected by the Great East Japan Earthquake. Also, we support the "MOTTAINAI Campaign," which promotes the establishment of a sustainable recycling-based society, and participate in "Satoyama Conservation" activities at Tama Zoological Park every year as an environmental protection initiative.

The 2050 CTC Environmental Declaration

In March 2016, the CTC Group identified its material topics (materiality) and has since been working to reduce environmental impact as a priority issue. In April 2019, we announced the 2050 CTC Environmental Declaration, which targets a "30% reduction

in CO₂ emissions from our own activities by 2030 (compared with 2015), and zero emissions by 2050." By incorporating the 2050 CTC Environmental Declaration into our specific targets and key performance indicators (KPIs), we reduced CO₂ emissions by around 20% in fiscal 2019 compared with fiscal 2015.

Environmental Initiatives at Our Data Centers



● Yokohama Computer Center	● Yokohama Computer Center (North Wing)	● Kobe Computer Center	● Mejirozaka Data Center
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Equipment Used within the Facilities

1 Adoption of Exhaust Heat Shielding Curtains ● ● ● ●

By thoroughly segregating cool air supplied to a server rack from exhaust heat, the mixing of airflows from the cold aisle and the hot aisle is prevented, ensuring efficient air conditioning and stable operation of the IT equipment.



2 Adoption of a Ceiling-Suspension Local Air Conditioning Method ● ● ● ●

By installing cooling units in several locations unlike a conventional floor blowout air conditioning method, it is possible to finely control the operations by rack and area.



3 Introduction of LED Lighting System ● ● ● ●

With the aim of realizing energy saving and long life of light bulbs, we have adopted LED lighting equipment.



4 Ice Thermal Storage Equipment ● ● ● ●

We have realized efficient energy usage by collecting energy in thermal storage by making ice during the night time and discharging such energy during the day time for power usage (peak cut).



5 Introduction of Motion Sensors ● ● ● ●

In addition to the introduction of the LED lighting system for the lighting of the server room and corridors of common areas, we have installed motion sensors that automatically control the switching on and off of lights by detecting human motion.

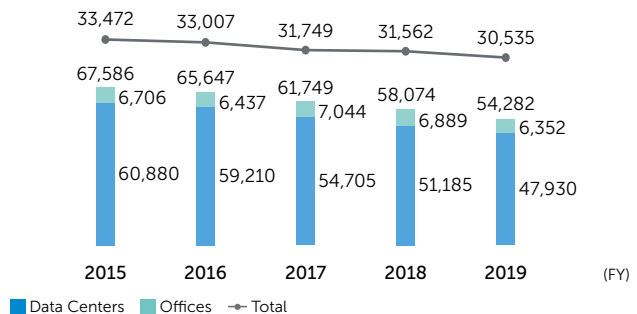
6 Outside-Air Cooling System ● ● ● ●

We have adopted a system that automatically controls air-conditioning operations by taking in outside air when the temperature of outside air and humidity match the required conditions.

7 Heat Pump Water Heater ● ● ● ●

In order to reduce the usage of boilers that use gas, kerosene, etc., as fuel, we use efficient electric water heaters, generally referred to as Eco-Cute.

Energy Used (kL) / Greenhouse Gas (t-CO₂)



Equipment Used Outside the Facilities

8 Greening within the Premises ● ● ● ●

In addition to planting trees, shrubs, grass, etc., to achieve higher greenery of the premises, we have also taken measures to promote green IT including rooftop greening and wall greening.



9 Solar Power Generation System ● ● ● ●

Electric power generated through solar panels installed on the roof is used within the data center.



10 Recycling of Food Waste from the Cafeteria ● ● ● ●

Food waste from the cafeteria is recycled.

Other

11 Sponsorship of Yokohama City Wind Power Generation Project

CTC provided support for the simulation of wind conditions, location survey, and basic design for the installation of Hama Wing (Yokohama City's wind power generation plant). Supporting the aim of Yokohama City's wind power generation project, CTC has been a sponsor since the inception of the project as a Y (Yokohama) Green Partner, and stepped up its support in April 2020. Generated power has been used for the reduction of CO₂ emissions at the data centers.

Contributing to the Environment through Our Business

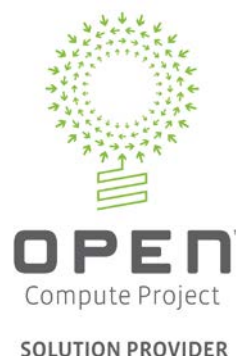
▶ Open Compute Project (OCP)

Aimed at Saving Power and Lowering Costs

The Open Compute Project (OCP) was launched in 2011 by Facebook to promote the standardization and open sourcing of hardware optimized for large-scale data centers.

Since the OCP hardware is designed specifically for data center optimization, it allows center operators to provide low-cost systems that use little power. Power consumption can be cut by about 30% compared with existing facilities, which helps reduce environmental impact. Another initiative called the Telecom Infra Project (TIP) was launched in 2016 and is currently being considered for application in the telecommunications field.

CTC promotes product sales and system construction as the only certified OCP solution provider in Japan. Thanks to our efforts, OCP has grown and gained greater recognition and is now used by various companies with peace of mind.

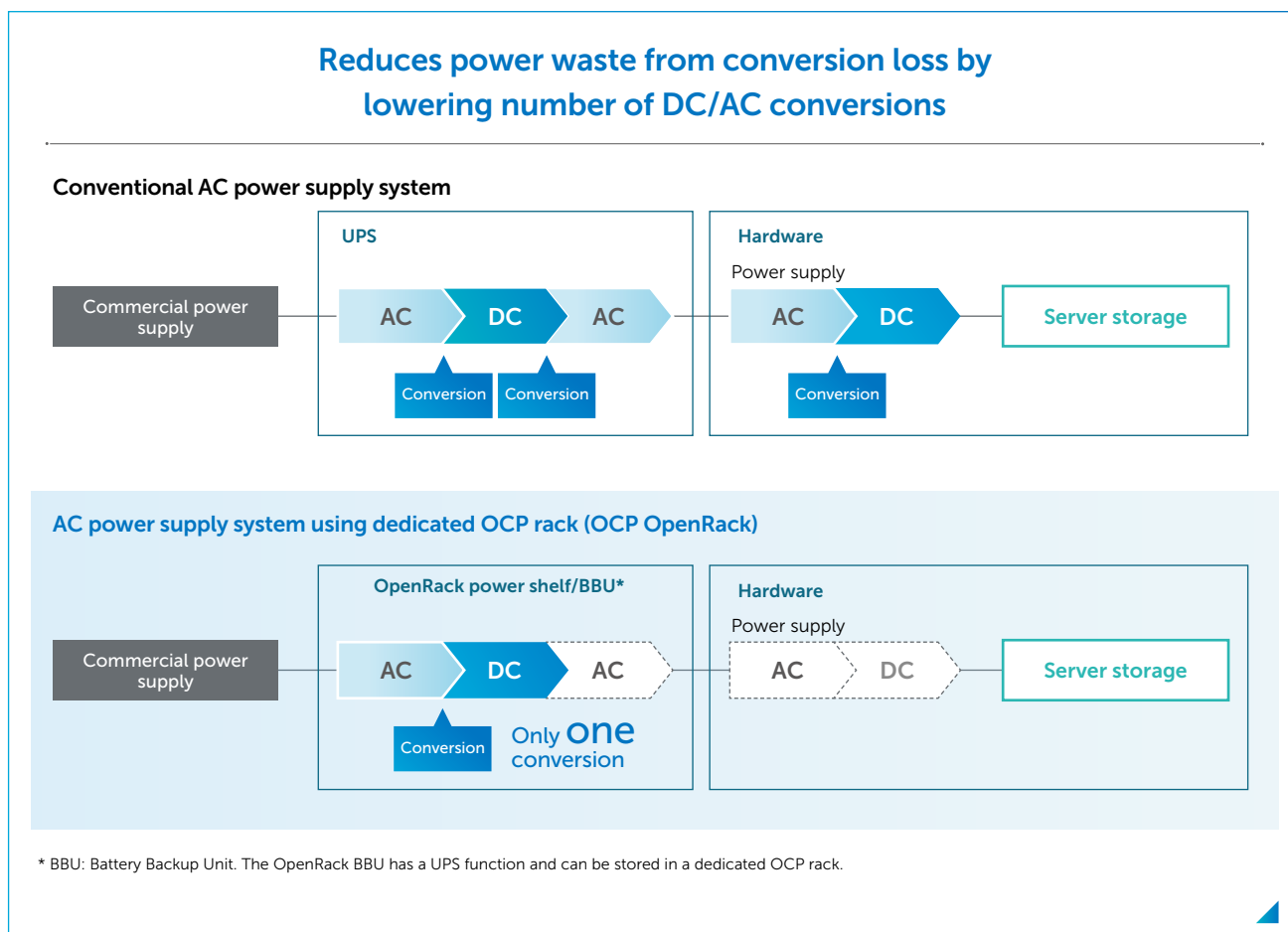


■ Benefits of OCP

- Power saving thanks to dedicated OCP racks with high power-conversion efficiency
- Easy maintenance and low operating costs
- Compact

▶ P40 Case Study for OCP Utilization

▶ OCP Racks with High Power-Conversion Efficiency

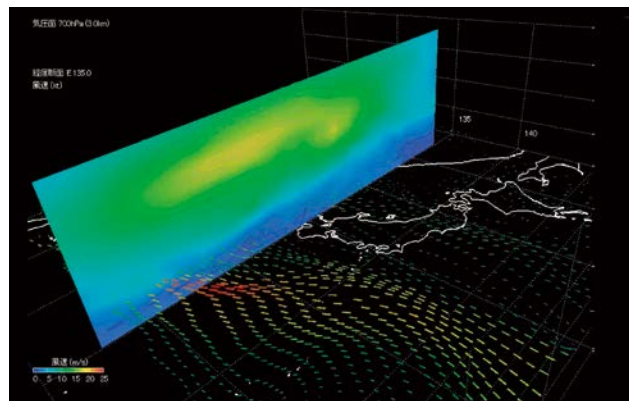


▶ Utilizing Simulation Technology to Support Energy Management

■ Participation in Development of Control Systems Related to Renewable Energy

Under the Fifth Strategic Energy Plan approved by Japan's Cabinet in 2018, making renewable energy into a main power source is cited as an important measure for 2030, and momentum for utilizing clean energy is increasing as a result. However, achieving early proliferation of renewable energy requires measures to enable connection to existing grids that have limited free space, without having to spend time and money to strengthen power distribution facilities. With this in mind, CTC joined the NEDO Project*, which aims to realize a Japanese-style "connect and manage" grid and develop and field-test effective and rational systems that make the best use of existing frameworks.

In the field of renewable energy, CTC has been developing technologies related to output forecasting for weather events, wind power generation, and the like for more than 25 years. As a licensed provider of forecasting services, we have contributed to the spread of renewable energy, not only through our own weather forecasts but also through our analysis and forecasts of huge amounts of weather data. "E-PLSM" is a cloud-based integrated IoT solution that we provide as an in-house service. Through this service, which incorporated IoT and AI technologies at an early stage, we collect and analyze vast amounts of data about power generation, demand forecasting, equipment information, and the like to permit forecasting of power generation outputs and predict potential equipment failure. This supports the efficient use of energy by power generation providers and general companies.

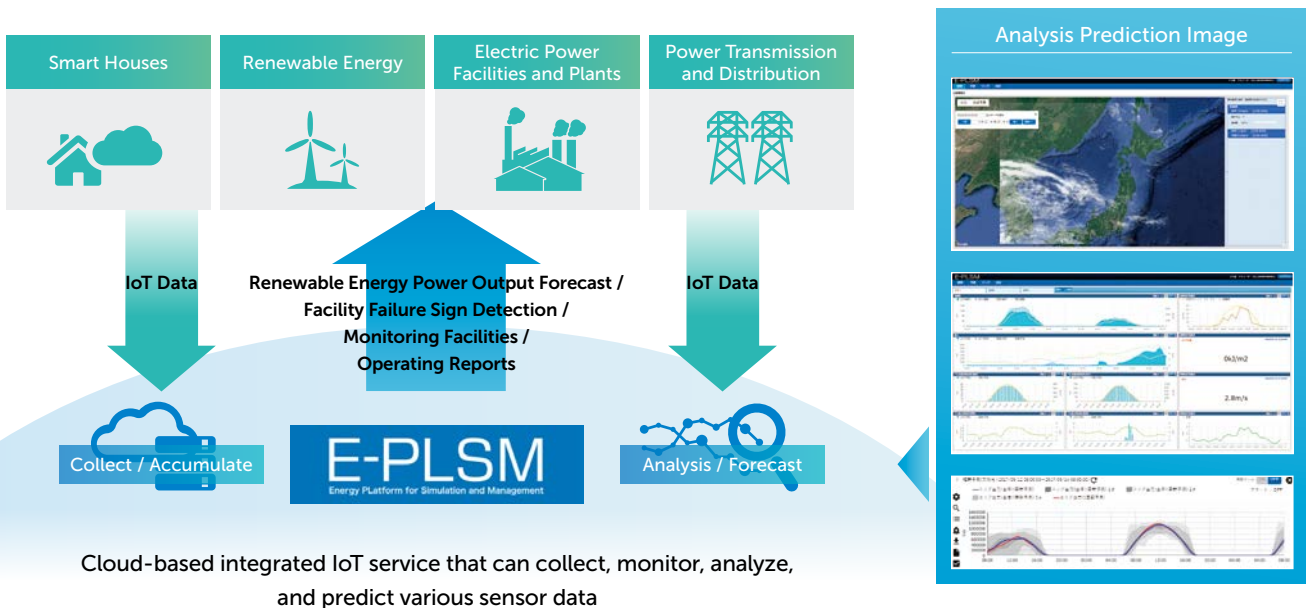


Analysis example of weather forecast (wind distribution) for forecasting output of wind power generation

In the NEDO Project, CTC is in charge of examining local forecasts of renewable energy and investigating overseas trends. Here, we deploy knowledge about data utilization technology, simulation technology, and system construction that we have cultivated to date, as well as our network, which allows us to collect information on advanced technologies at home and abroad. Utilizing the know-how we have refined together with our partners, we will contribute to both the stable supply of electric power and the proliferation of renewable energy in the future.

* Long-term project led by the New Energy and Industrial Technology Development Organization (NEDO) entitled "Next-Generation Power Network Stabilization Technology Development for Large-Scale Integration of Renewable Energies" (R&D Item 1-1: Development of control units that realize Japanese-style "connect & manage" grid) Scheduled project duration: July 2020 to February 2024

■ How E-PLSM Works

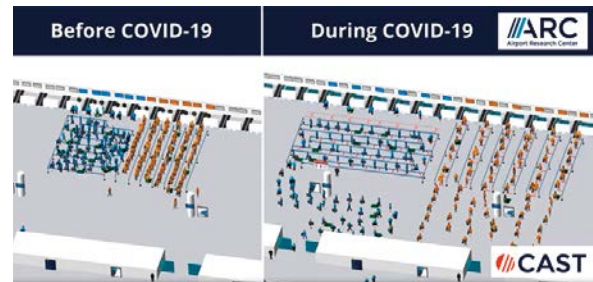


CTC Technologies to Benefit Social Transformation Due to COVID-19

▶ Supporting Infection Control in Commercial Facilities and Public Institutions and Facilities through Social Distancing Simulations

Commercial, transportation, and public facilities are promoting measures to facilitate social distancing in order to prevent the spread of COVID-19. In July 2020, CTC launched a simulation service to support such measures.

This service reproduces the flow of people and usage status of various facilities and compares them with conventional operations to help identify congestion bottlenecks and consider solutions. Here, we draw on our knowledge in the simulation field, accumulated over 60 years, to continuously collect data in combination with AI video analysis solutions. This makes it possible to visualize changing congestion data and utilize it for long-term facility operation.



▶ "AI-Based Body Temperature Detection Device" Uses Facial Recognition to Permit Unmanned Entrance Control

Temperature measurements are becoming normal to screen people with suspected fever at places where unspecified numbers of people come and go, such as corporate reception areas and facility entrances. It is designed to help prevent the spread of COVID-19 and other infectious diseases associated with fever. CTC jointly developed a new AI-based body temperature detection device with Idein Inc. and launched it in May 2020.

It also has an AI-based face recognition function and can automatically recognize people's faces and measure their temperatures even when they are wearing masks. In addition, it can estimate*1 body temperature by comparing the facial surface temperature with that of the outside air. Since it uses a general-purpose temperature measurement device

(Raspberry Pi), it is compact and light and requires no large-scale installation work.

We are currently developing a cloud-based management system and in the future hope to enable remote monitoring using email and other notifications.



▶ Cloud VDI (Virtual Desktop) to Support Corporate Teleworking

Improving working environments is an urgent priority for companies rushing to introduce teleworking and diversify their work styles. With this in mind, in February 2020 CTC launched "Citrix Cloud for Windows Virtual Desktop," which links "Windows Virtual Desktop*2" with "Citrix Cloud*3."

This service allows users to easily access Windows 10 and Office 365 in a virtual environment. Moreover, if they have comprehensive licenses for Microsoft 365 or Windows, there is no additional cost, so they can enjoy benefits in

terms of both management and cost. Security policies can also be set and monitored intuitively, and the network can maintain high perceived speeds thanks to a bandwidth-independent communication protocol.

CTC updated its VDI environment, which has around 10,000 users, to accommodate this service before its launch. We aim to support corporate teleworking in the future by using know-how gained through the large-scale launch of this service.

*1 Not available for medical examinations because it is not recognized under the Pharmaceuticals and Medical Device Act

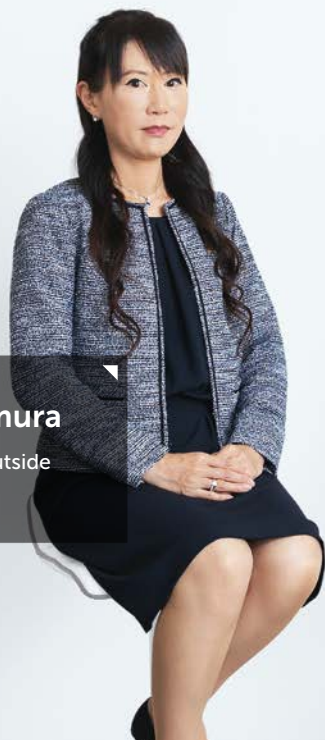
*2 Virtual desktop environment of the "Microsoft Azure" cloud computing platform provided by Microsoft Corporation

*3 Cloud service platform of Citrix Systems, Inc.

Corporate Governance

Interview with Our Outside Directors

Challenging Times for the CTC Group's Mission



Aya Motomura

Independent Outside
Director



Naoko Iwasaki

Independent Outside
Director

We asked our two outside directors, both of whom were appointed in fiscal 2019, about their evaluations of CTC's governance and any related issues, as well as important perspectives that CTC should adopt to achieve sustainable improvements in corporate value.

One Year since Taking Office

One year has passed since you became outside directors of CTC. First of all, could you tell us about your activities, your overall impression of CTC, and your evaluation of the Board of Directors?

Iwasaki:

In my first year since taking office, I took the opportunity to get involved in a number of ways and thus deepen my understanding of CTC's operations. In addition to attending meetings of the Board of Directors and other bodies, for example, I visited the Company's business sites and attended seminars for female manager candidates.

At the CTC Forum for business partners held in the fall of 2019, I was able to witness directly how CTC engages in meaningful and proactive communication with business partners on a regular basis. I was also able to confirm the progress of collaboration between different industries at DEJIMA, a dedicated space that CTC established to realize open innovation with customers and startup companies.



Naoko Iwasaki Independent Outside Director

April 2017	Professor, Institute of e-Government, Waseda University (current position) President, International Academy of CIO Japan (current position) Member of Ageing Research Institute for Society and Education (ARISE) Advisory Board, Nanyang Technological University, Singapore (current position)
April 2018	Visiting Research Fellow, Peking University (current position)
September 2018	Member of "Committee on Standardization of Business Processes/Systems and Utilization of AI/Robotics in Local Governments," Ministry of Internal Affairs and Communications (current position)
January 2019	Project Overseer, APEC project on Smart Silver Innovation (current position)
June 2019	Director, ITOCHU Techno-Solutions Corporation (current position) Director, Kyowa Exeo Corporation (current position)
September 2019	Member, Administrative Evaluation Bureau, Ministry of Internal Affairs and Communications (current position)

Motomura:

In the past year, I drew on my work experience at Japan's Financial Services Agency and my close acquaintance with corporate governance and shareholder perspectives to fulfill my duties at CTC. Specifically, I endeavored to gain a correct understanding of CTC's management policies, strategies, and issues. I also sought to monitor business execution by making proactive remarks from the perspective of shareholders. In addition, I was able to see CTC's mission being put into practice on the front lines—during site visits, events, and interaction with employees. These experiences were very beneficial to me. Since last year, the proportion of independent officers and women on the Board of Directors has increased. The board now has members with different careers and specialties, but they share common values with respect to pursuing the growth of CTC. Based on these values, I feel that we have built healthy relationships of both respect and trust.

Iwasaki:

The Board of Directors has fostered a very strong sense of teamwork. We engage in lively exchanges of opinions on proposals and reports, and we search for solutions by sharing a cross-section of opinions about proposals involving issues that need to be resolved. I also think that the desire to share significant amounts of information is reflected in the management of the Board of Directors. We receive proper explanations of proposals in advance, and when we are unable to receive answers to our questions on the spot, we obtain detailed answers at the next board meeting. I have gained the impression that all parties concerned place great emphasis on sharing information.

Motomura:

I have the same impression. I think it is largely a reflection of the procedural skills of Satoshi Kikuchi, our former president, but I also appreciate the open and very democratic nature of our discussions and information-sharing. I feel that board members are willing to listen and respond to the opinions of independent officers. In the course of evaluating the effectiveness of the Board of Directors, for example, we made recommendations about the Company's advisory committees, which are chaired by executive directors, with independent outside officers not in the majority. As a result of these recommendations, decisions were made to appoint an independent outside officer as chairperson of the Governance Committee and to ensure that independent outside officers account for the majority of each committee, when our system is updated in fiscal 2020. I give high marks to this approach of grasping issues and making continuous improvements.

Iwasaki:

The purpose of evaluating the effectiveness of the Board of Directors is to improve the board's functions. Rather than simply making evaluations, therefore, I think we need to continuously monitor the progress of measures to address issues that are identified, so that we can build a track record of such evaluations and improvements.

Motomura:

Soon we will commence discussions aimed at formulating our new medium-term management plan. To this end, I anticipate an increase in debate about corporate management frameworks, including business policies and strategies, at our board meetings.

Aya Motomura Independent Outside Director

October 2002	Registered as an attorney (Dai-Ichi Tokyo Bar Association) Joined Nagashima Ohno & Tsunematsu
September 2008	Worked for Cleary Gottlieb Steen & Hamilton LLP (New York Office)
February 2009	Registered as a member of New York State Bar Association
July 2009	Worked for Financial Markets Division, Planning and Coordination Bureau, Financial Services Agency
October 2013	Partner, Inaba & Partners (current position)
December 2013	Member of Screening Committee for Seismic-Resistant/ Environmentally Friendly Real Estate Development Promotion Project, Real Estate Sustainability & Energy-Efficiency Diffusion (RE-SEED) (current position)
March 2014	Outside Member of Compliance Committee, AEON Reit Management Co., Ltd. (current position)
June 2019	Director, ITOCHU Techno-Solutions Corporation (current position)
August 2019	Executive Officer, Heiwa Real Estate REIT, Inc. (current position)



Targeting Sustainable Growth

You have talked about issues related to governance. What other areas is CTC focusing on to achieve sustainable growth in the future?

Motomura:

The pace of globalization and competition is increasing and the market environment and value perceptions are changing. Against this backdrop, the Company has shown enthusiasm for employee diversity and human resource development as key management strategies, and I evaluate this highly. We are not only upgrading our systems but also making good progress in awareness-raising activities aimed at promoting the advancement of women and respecting diversity. The ability to utilize diverse human resources is also a driving force for corporate growth. I also look forward to the day, hopefully soon, when female executive officers are appointed.

Iwasaki:

In fiscal 2019, I had the opportunity to attend an in-house seminar for female manager candidates. Many participants asked assertive questions, which gave me the impression that we are making good progress in human resource development. I understand that CTC was designated as a Semi-Nadeshiko Brand for its efforts to encourage women's success in the workplace. This is a social testament to our institutional achievements, including active utilization of women, employment seminars by female managers, and our mentoring system, as well as the expansion of our child-care leave system. I also hear that CTC has been holding seminars related to LGBT issues from an early stage. This effort is helping to change attitudes within the Company, which I appreciate. My understanding is that our global

strategy will play a central role in our quest to achieve sustainable growth. As communication with overseas bases and business partners becomes more and more important, we will need to strengthen global governance. We will also need to increase the number of female managers as a global company.

Motomura:

From the perspective of sustainable growth, it is also important to ensure an appropriate balance between independence and collaboration in the relationship with our parent company, ITOCHU Corporation. CTC has a diversity of business domains and customers, and the ratio of transactions with the parent company is not really so high. For transactions and proposals involving the ITOCHU Group, however, we make sure to carefully monitor the validity and the presence/absence of conflicts of interest at Board of Directors' meetings.

On the other hand, it is also important to improve corporate value by building win-win relationships with our parent company. In the past year, I have often felt that we gain powerful synergies when we share business resources and collaborate with the ITOCHU Group. I will strive to help improve the corporate value of CTC, so that we can generate synergies by building appropriate cooperative relationships with our parent company while maintaining our independence.

Fiscal 2020 has heralded the start of a new administration at CTC, with the former president, Satoshi Kikuchi, appointed chairman and Ichiro Tsuge appointed our new president. When selecting the new president, our Nomination Committee discussed the qualities and abilities required of leaders and concluded that Mr. Tsuge's background and achievements are satisfactory. I anticipate that President Tsuge will demonstrate strong leadership in regard to the further growth of CTC, with the support of Chairman Kikuchi.

A Dramatically Changing Society

What are your expectations for CTC in the future? What role do you want to play as outside director?

Iwasaki:

Entering fiscal 2020, we are confronted with the COVID-19 pandemic, which is a global challenge. As we approach the “new normal” era, people’s lifestyles and business styles will need to change. Deploying our digital transformation (DX) capabilities, I am confident that we can use this challenge as a stepping stone to create new innovations, and that we can deliver renewed growth and thus improve ESG and achieve the SDGs. I also rate CTC highly for its swift responses to risks. To address the spread of COVID-19, we established a Crisis Management Headquarters at an early stage and have also been formulating a business continuity plan. As we face an increasingly uncertain future, I want CTC to continue honing its capabilities with respect to entrenching risk management, strengthening governance, and ensuring accountability to stakeholders. My specialty is in ICT management strategy and fostering CIOs and ICT professionals. As an outside director, I hope to offer advice and suggestions with respect to deploying our knowledge in AI, the IoT, and other advanced technological fields in Japan and abroad while taking overseas trends into account.

Motomura:

I have been involved with many companies as a corporate attorney, and I feel that CTC has particularly strong growth and future potential. It has the powers needed in the DX and 5G era and the flexibility to address changes in society, as well as the willpower to implement both offensive and defensive measures and forge ahead with a sense of speed.

In fiscal 2019, we established the ITOCHU Techno-Solutions Future Foundation to spearhead development of next-generation human resources. I am proud of this achievement and also proud of CTC HINARI Corporation for its passionate efforts to hire people with disabilities. One of CTC’s strengths is its ability to solve social issues and help achieve the SDGs through its core ICT businesses. I hope that we can build on these initiatives, both quantitatively and qualitatively, to deliver further improvements in corporate value.

Due to the impact of COVID-19, challenges are emerging that companies have never faced before, and I am confident that CTC will play an increasingly important role in this context. These are challenging times that will test CTC’s mission. Going forward, CTC will continue to fully utilize its strengths and explore ways to benefit society. As an outside director, I plan to make appropriate recommendations to support “offensive” initiatives that lead to sustainable growth while playing my most important role, which is to monitor management from the perspective of minority shareholders.



Efforts to Strengthen Corporate Governance

▶ CTC's New Initiatives Related to Governance (Fiscal 2015–2020)

Fiscal 2015

- ▶ Establishment of the Nomination Committee, Remuneration Committee, and Governance Committee as advisory committees for the Board of Directors
- ▶ Commencement of evaluation of the effectiveness of the Board of Directors
- ▶ Establishment of a liaison meeting between Audit & Supervisory Board Members and non-executive directors
- ▶ Establishment of an information-sharing meeting for nonexecutive directors
- ▶ Provision of opportunities for outside directors to take part in training (external seminars)

Fiscal 2016

- ▶ Invited outside speakers and conducted ESG study sessions for directors

Fiscal 2017

- ▶ Introduction of a performance linked stock-based remuneration plan
- ▶ Invited outside speakers and conducted SDGs training sessions for directors

Fiscal 2018

- ▶ Invited outside speakers and conducted compliance training sessions for directors

Fiscal 2019

- ▶ **Renewal of the Governance System**
- ▶ We increased the ratio of independent outside directors in the Board of Directors to more than one-third (the two independent outside directors are both women).
- ▶ More than half of the Audit & Supervisory Board members are outside corporate auditors.

Fiscal 2020

- ▶ **Discretionary Committee System Changes**
- Among our three discretionary committees (Nomination Committee, Remuneration Committee, and Governance Committee), we replaced the chairperson of the Governance Committee with an independent officer.
- We changed the composition of the committees, with independent officers now accounting for more than half of all three discretionary committees.

▶ Renewal of the Governance System

At the 40th Annual General Meeting of Shareholders, held on June 19, 2019, it was decided to reform the Company's governance system so that one-third of the Company's directors would be independent outside directors and half of the Company's Audit & Supervisory Board Members would be independent outside Audit & Supervisory Board Members.

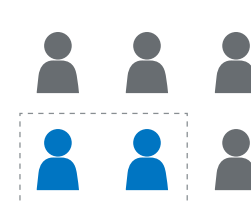
To ensure that the Board of Directors contributes to the continued medium- to long-term growth of corporate value, we believe the Board of Directors must have an appropriate balance of knowledge, experience, and abilities as well as a balance in terms of genders and high-level specializations, including persons with relevant knowledge and experience, attorneys, and certified public accountants.

With the reform of the Company's governance system, the number of directors was reduced from nine to six, two of whom meet the requirements for independent officers established by the Tokyo Stock Exchange. Both independent outside directors are women; one is a university professor and the other is an attorney. While none of the directors are citizens of a country other than Japan, some of them have resided abroad, worked with overseas vendors, or have extensive overseas business experience and have an international perspective. We therefore believe the Company's governance system is sufficiently diverse.

Two of the four Audit & Supervisory Board members are independent officers.

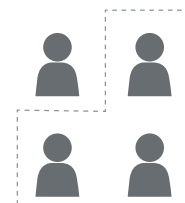
▶ Composition of the Board of Directors and Audit & Supervisory Board (Fiscal 2020)

■ Board of Directors



Two outside directors (independent officers)

■ Audit & Supervisory Board



Three outside Audit & Supervisory Board members (Two of whom are independent officers)



Overview of the Corporate Governance System

Basic Stance on Corporate Governance

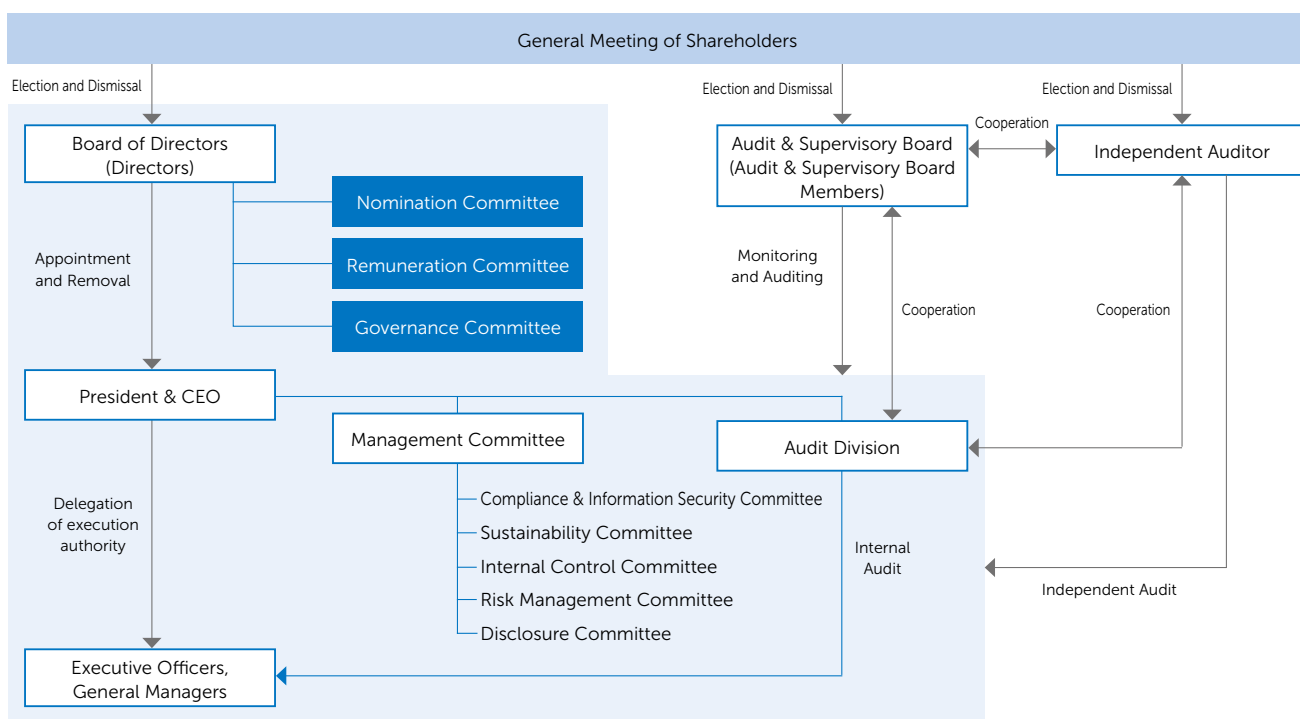
Guided by the slogan “Challenging Tomorrow’s Changes” and the CTC Group Philosophy, which sets out our mission of “leveraging IT’s potential to change future for the Global Good,”

we are working to reinforce corporate governance in order to enhance management transparency and fairness as part of our efforts to maximize the Group’s corporate value.

Overview of the Corporate Governance System

Organization type	Company with corporate Audit & Supervisory Board Members (Audit & Supervisory Board)
Chairman of the Board of Directors	President & CEO
Number of directors (of which, outside directors)	6 (2)
Number of Audit & Supervisory Board Members (of which, outside Audit & Supervisory Board Members)	4 (3)
Executive officer system	Adopted
Existence of discretionary advisory bodies to the Board of Directors	Yes (Nomination Committee, Remuneration Committee, Governance Committee)

Corporate Governance System



Reasons for Selecting the Current Corporate Governance System

As a Company with Audit & Supervisory Board Members (Audit & Supervisory Board), through the monitoring of management by Audit & Supervisory Board Members, including outside Audit & Supervisory Board Members, CTC ensures that it has strong monitoring and auditing functions and transparency in its decision-making processes. In addition to establishing a corporate governance system based on the monitoring of management by Audit & Supervisory Board Members, the Company appoints outside directors who are

independent from the parent company and major trading partners and regarding whom there is no concern that their interests will be in conflict with general shareholders, and ensures the appropriate decision-making by the Board of Directors and realization of the management monitoring function. We have determined that our corporate governance system, based on a Board of Directors that includes outside directors and Audit & Supervisory Board that includes outside Audit & Supervisory Board Members, is functioning effectively.






▶ Outside Director and Audit & Supervisory Board Member Nominations

When appointing outside directors, we select from candidates with exceptional personality traits, such as high ethical and fairness standards, as well as a high degree of specialization. The candidates are expected to speak at meetings of the Board of Directors from their respective professional standpoints. When appointing outside Audit & Supervisory Board members, we select from candidates with a high degree of expertise and the ability to appropriately audit the execution of duties by directors. The candidates are expected to speak at meetings of the Board of Directors and Audit & Supervisory Board from their respective professional

standpoints. In these ways, we ensure the soundness and transparency of management.

The Board of Directors makes decisions on appointments following deliberations by the Nomination Committee that take into account selection criteria, number of board members, and diversity in terms of gender, nationality, and the like. Of the five outside directors and Audit & Supervisory Board Members, four are independent and not affiliated with CTC, our parent company, or any of our major suppliers, and have no inherent conflicts of interest with regular shareholders.

▶ Skill Matrix of Outside Directors and Outside Audit & Supervisory Board Members

Name	Position	Age*	Gender	Term of office (years)	Independent officer	Skills / experience				
						Corporate management	Finance / accounting	Legal affairs and risk management	Global	Industry knowledge
Outside Directors										
▶ Naoko Iwasaki	Director	45		1	●				○	○
▶ Aya Motomura	Director	41		1	●		○	○		
Outside Audit & Supervisory Board Members										
▶ Yasuyuki Harada	Audit & Supervisory Board Member	61		1		○			○	
▶ Toshiaki Tada	Audit & Supervisory Board Member	52		8	●			○		
▶ Katsuhiko Hara	Audit & Supervisory Board Member	65		1	●		○		○	

* As of August 31, 2020



Male



Female

▶ Members of Discretionary Committees for Fiscal 2020

Name	Position	Independent officer	Nomination Committee	Remuneration Committee	Governance Committee
Satoshi Kikuchi	Chairman				
Ichiro Tsuge	President & CEO		◎		
Tadataka Okubo	Director & Senior Managing Executive Officer Assistant to the President (Special appointment for Advanced IT Strategy) CTO			◎	○
Naoko Iwasaki	Outside Director	●	○	○	○
Aya Motomura	Outside Director	●	○	○	○
Hiroshi Kajiwara	Director		○	○	○
Hiroshi Takada	Audit & Supervisory Board Member				
Yasuyuki Harada	Outside Audit & Supervisory Board Member				
Toshiaki Tada	Outside Audit & Supervisory Board Member	●	○	□	◎
Katsuhiko Hara	Outside Audit & Supervisory Board Member	●	□	○	□

◎ Chair ○ Member □ Observer

▶ **Other Special Circumstances That May Have a Material Impact on Corporate Governance (Relationship with Parent Company)**

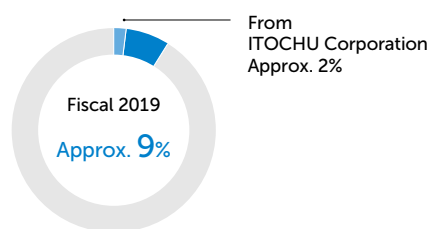
CTC is a consolidated subsidiary of its parent company ITOCHU Corporation, which holds 58.24% of CTC's voting rights. CTC aims to increase Groupwide corporate value by leveraging its strengths and the strengths of its parent company in the information industry.

With the aim of sharing management information and know-how, an employee of the parent company serves in the post of director of CTC. However, while the director works to promote personnel exchanges between CTC and its parent company and strengthen collaboration in management activities such as making use of management information, the director's independence has been retained by aiming to expand operating results while maintaining and enhancing independence and autonomy in business operation.

When conducting business transactions with ITOCHU

Corporation, CTC establishes transaction conditions fairly and appropriately based on reasonable judgment, just as it does when conducting business transactions with companies with which it has no capital ties, and takes appropriate measures to ensure that the interests of minority shareholders are not harmed.

■ **Ratio of Sales from Members of the ITOCHU Group**



▶ **Strategic Shareholdings**

CTC does not hold any shares purely for investment purposes. Investment securities held for purposes other than purely investment purposes fall into two categories: those held for general investment purposes and those held for investment in open innovation. Shareholdings that fall into these two categories are held for strategic reasons such as investment for the purposes of encouraging smooth transactions with partners, maintenance, expansion, or securing of system engineer (SE) resources, or the launching of new businesses.

Regardless of whether or not shareholdings are held for strategic purposes, the Company conducts an annual survey of the operations of all the companies in which it owns stock, and the Board of Directors determines whether it is

appropriate to maintain these holdings based on the qualitative and quantitative investment criteria set forth in the Company's investment management regulations. In principle, the Company will reduce such holdings if they are found to conform to predetermined exit criteria.

Regarding the exercise of voting rights conferred associated with the Company's shareholdings, rather than basing our decisions on uniform criteria, we will give careful consideration to the management plans and strategies of the companies in question and make decisions based on whether we believe actions will contribute to growth in corporate value over the medium to long term.

Investment Criteria

Quantitative Criteria Return on investment \geq Expected rate of return

Qualitative Criteria

· **Investment in customers (end-users, etc.)**

Securing of business merits other than trade merits such as development of new businesses, securing of business know-how, etc.

· **Investment in development / technology partners**

Securing of business merits such as prioritized access to SE resources or securing of leading-edge technological know-how

· **Investment in suppliers**

Building of strategic relationships that yield business merits such as preferential terms of trade, prioritized access to new technologies, or development of new businesses

· **Investment in startup companies**

Has sufficient financing to remain a going concern for at least one year

Exit Criteria

1. Investment goals have been achieved
2. Trade merits as defined by our quantitative criteria or business merits as defined by our qualitative criteria are no longer present
3. For other reasons, the supervising department has determined that it is appropriate for the Company to exit (divest) from the investment

Measures to Improve Effectiveness

▶ Analysis and Evaluation of the Effectiveness of the Board of Directors

Since fiscal 2015, CTC has been conducting a survey of directors and Audit & Supervisory Board Members to analyze and evaluate the effectiveness of the Board of Directors.

In order to elicit candid opinions, all directors and Audit & Supervisory Board Members conduct self-assessments, and

the results of the assessments are submitted to the Governance Committee for deliberation.

Based on such analysis and evaluation, we intend to use this process to encourage the board to take a longer-term and more strategic perspective in discussions.

Main Survey Items in the Evaluation of the Board of Directors

- Participation in management strategy decisions
- Monitoring of management strategy
- Appropriateness of the contents of the distributed materials and the number of proposals
- Matters concerning the operation of the Board of Directors such as the deliberation of proposals
- The number of directors, diversity, and matters concerning the constitution of the Board of Directors based on consistency with the business strategy
- Monitoring of execution of duties by directors
- Status of deliberation at discretionary committees and matters concerning the constitution of each committee

Main Opinions in the Evaluation of the Board of Directors in Fiscal 2019

- The operation of the Board of Directors and discussions thereby are appropriate in general
- The monitoring of the execution of the duties of directors is appropriate
- The balance of non-executive directors and executive directors is appropriate in carrying out effective discussions
- Progress was made in terms of information sharing regarding the Company's medium- and long-term strategy with non-executive directors
- Discretionary committees have established an environment where outside directors and Audit & Supervisory Board Members can express their opinions
- With respect to composition of discretionary committees, there is a need to consider increasing the number of appointments of independent officers (including committee chairpersonships), in order to improve objectivity, fairness, and transparency, as well as to stimulate discussions
- Matters discussed at the committees are appropriately reflected in the deliberation of proposals at Board of Directors' meetings

▶ Follow-Up System for Outside Directors

In order to ensure that directors and Audit & Supervisory Board Members can fully perform their management supervision and auditing functions, CTC has set up an information-sharing meeting for non-executive directors and a liaison meeting between Audit & Supervisory Board Members and non-executive directors. In addition to distributing materials and providing explanations as necessary before board meetings, we share a recognition of the importance of major

items discussed at Management Committee meetings and share information based on requests from outside officers. In these ways, we aim to enhance the discussions at the Board of Directors' meetings while ensuring collaboration between Audit & Supervisory Board Members and non-executive directors. Furthermore, to facilitate outside directors in fulfilling their functions sufficiently, we invite outside lecturers to provide training and other opportunities.

■ Site Visit by Outside Directors

Outside directors regularly visit CTC's worksites to deepen their understanding of the Company's corporate activities. In fiscal 2019, they attended study sessions at our DEJIMA open innovation space and CTC Forum seminars for business partners. They also visited HINARI Corporation. (currently CTC HINARI Corporation), a special subsidiary. This gave outside directors an opportunity to interact with employees with disabilities, who work and contribute to the local community through agriculture, and also to ask positive questions and offer remarks. We will continue providing such opportunities in the future.



Outside directors visited the Hamamatsu office of CTC HINARI and a partner farmer

Main Activities in Fiscal 2019

▶ Number of Meetings of Major Organizational Bodies Held and Attendance of Outside Directors and Audit & Supervisory Board Members

Number of Board of Directors' meetings held	18	Attendance of outside directors at Board of Directors' meetings	100%
Number of Audit & Supervisory Board meetings held	16	Attendance of outside Audit & Supervisory Board Members at Board of Directors' meetings	100%
		Attendance of outside Audit & Supervisory Board Members at Audit & Supervisory Board meetings	100%

Main Comments by Outside Directors at the Board of Directors' Meetings

Proposal of Fiscal 2019 Investment Review

- I want to confirm if the exit criteria are set with the content general in global companies.
- I want to confirm whether the Company decides to continue holding overseas operating companies taking such factors into account as expanding global business in the future and utilizing our bases in Asia strategically.

Proposal Regarding Approval on Investment in a Company

- I want to confirm how the Company expects to react in the case when this investment conflicts with the exit policy or criteria.

▶ Number of Meetings Held by Each Committee in Fiscal 2019

Nomination Committee

3 meetings
(attendance: 100%)

Agenda Items

Deliberation on election / dismissal agenda of candidates for executive officers, directors, and Audit & Supervisory Board Members

1. Deliberation of proposals for selection and dismissal of candidates for executive officers, directors, and Audit & Supervisory Board Members (mainly selection criteria and process verification)
2. Deliberation of proposals regarding selection and dismissal of directors and executive officers
3. Deliberation of the following governance-related matters
 - (1) Examination of the successor plan
 - (2) Policy for nominating executive officers and candidates for directors and Audit & Supervisory Board Members

Remuneration Committee

1 meeting
(attendance: 100%)

Agenda Item

Deliberation on design and review of the remuneration system for executive officers and directors (individual remuneration decided by the president based on the remuneration system)

Governance Committee

3 meetings
(attendance: 100%)

Agenda Items

Deliberation on the governance-related agenda below:

1. Stance on composition of the Board of Directors
2. Evaluation of effectiveness of the Board of Directors
3. Response to Japan's Corporate Governance Code

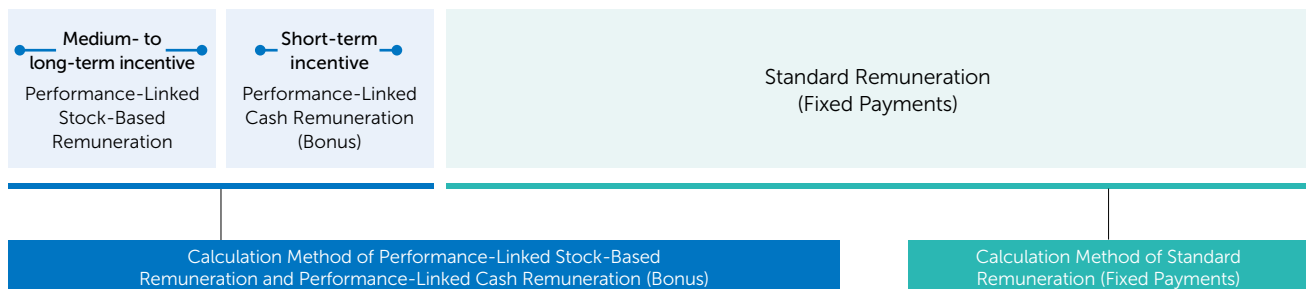
Director Remuneration

▶ Director Remuneration and Calculation Method

Director remuneration is paid according to the Director Remuneration System, which was established in consideration of the opinions from the Remuneration Committee. CTC decides basic remuneration and bonuses of no more than ¥640 million per year for directors and ¥100 million per year for Audit & Supervisory Board Members. The Company also has a trust for providing performance-linked stock-based remuneration totaling no more than ¥180 million over three target fiscal years. Remuneration comprises standard remuneration, which is fixed payments, bonuses, which are performance-linked cash compensation, and performance-linked stock-based remuneration* (paid upon retirement).

The amount of Audit & Supervisory Board Member remuneration is determined for each Audit & Supervisory Board Member based on a discussion among Audit & Supervisory Board Members. Audit & Supervisory Board Members and part-time directors, including outside directors, are not paid performance-based bonuses.

* Performance-linked stock-based remuneration plan: CTC introduced the plan for its directors and executive officers (excluding part-time directors, outside directors, and domestic non-residents) in June 2017. The plan replaces part of the amount calculated by the formula of the previous "performance-linked bonus" with stock, and is aimed at raising awareness of contributing to the improvement of medium-to long-term operating results and corporate value by further clarifying the link between directors' remuneration and CTC's operating results and equity value, as well as by directors sharing not only the advantages of rises in the share price with shareholders but also the risk of drops in the share price.



Total remuneration:

- Target achievement rate for the relevant fiscal year for net profit attributable to CTC's shareholders
- Year-on-year growth rate
- Total remuneration is calculated based on the predetermined ratio of the total fund amount of performance-linked remuneration and determined by the Board of Directors.

(¥ million)

Performance Indicator Used	Fiscal 2019 Target	Fiscal 2019 Results
Net profit attributable to CTC's shareholders	27,000	28,451

Individual Remuneration:

Total remuneration is apportioned to directors, etc., based on performance evaluations for duties performed individually during the relevant fiscal year and is the total of performance-linked individual bonuses and performance-linked stock-based remuneration. Individual performance-linked bonuses and performance-linked stock-based remuneration amounts are determined by multiplying this total by the proportional division ratio.

Position	Bonus	Performance-Linked Stock-Based Remuneration
President & CEO	70%	30%
Executive Vice President	80%	20%
Senior Managing Executive Officer / Managing Executive Officer	85%	15%

■ Total Remuneration, Etc., of Each Director or Auditor Segment (Fiscal 2019)

Directors: 7 people (excluding outside directors)	Audit & Supervisory Board Members: 1 person (excluding outside Audit & Supervisory Board Members)	Outside Directors and Audit & Supervisory Board Members: 8 people
Basic remuneration: ¥160 million Bonus: ¥83 million Stock-based remuneration: ¥37 million (Performance-linked: approx. 40%)	Basic remuneration: ¥25 million	Basic remuneration: ¥60 million

Communication with Stakeholders

▶ Institutional Investors and Analysts

In addition to investor relations (IR) presentations for institutional investors and analysts held at the time of announcement of our operating results, we hold small meetings and individual meetings to provide opportunities for constructive dialogue with our top management. In fiscal 2019, we also held technical study sessions on the subjects of DX and the 5G business.



Small meetings

▶ Individual Investors

Since fiscal 2015, CTC has conducted IR activities targeting individual investors. In addition to holding briefings for individual investors around the country, we also provide information for individual investors on the CTC Power section of our website.

We will continue to communicate CTC's strengths to the market.

▶ For more information, please visit the CTC Power section of our website.
<http://ctcir.ctc-g.co.jp/rose/personal/index.htm> (in Japanese only)

Number of Presentations for Individual Investors and Participants

Fiscal 2018

13 / approx. **2,500**

Fiscal 2019

10 / approx. **2,000**

Note: Two events were canceled due to the COVID-19 crisis.

Number of Meetings with Institutional Investors and Analysts

223

▶ Number of top management meetings	30
▶ Number of IR presentations	4
▶ Number of small meetings	2
▶ Number of 1 on 1 meetings with domestic institutional investors	1
▶ Technical study sessions	2
▶ Number of overseas IR events	4

Major Events



Presentations for individual investors

▶ General Meeting of Shareholders

Date of the General Meeting of Shareholders on Thursday, June 18, 2020

Number of shareholders who attended **44**

(Ratio of voting rights exercised: **89.8%**)

Note: To prevent the spread of COVID-19, we asked shareholders to refrain from attending the General Meeting of Shareholders as much as possible. As a result, attendance at the 2020 meeting was lower than in normal years.

▶ Please visit our website for more detailed IR information.
<http://ctcir.ctc-g.co.jp/rose/en/index.htm>

Directors and Audit & Supervisory Board Members

As of June 18, 2020



▶ **Satoshi Kikuchi**

Chairman



▶ **Ichiro Tsuge**

President & CEO



▶ **Tadataka Okubo**

Director & Senior Managing Executive Officer
Assistant to the President (Special appointment
for Advanced IT Strategy)
CTO



▶ **Naoko Iwasaki**

Director*1



▶ **Aya Motomura**

Director*1



▶ **Hiroshi Kajiwara**

Director



▶ **Hiroshi Takada**

Audit & Supervisory Board Member



▶ **Yasuyuki Harada**

Audit & Supervisory Board Member^{*2}



▶ **Toshiaki Tada**

Audit & Supervisory Board Member^{*2}



▶ **Katsuhiko Hara**

Audit & Supervisory Board Member^{*2}

*1 Outside director as defined in Article 2, Item 15 of the Companies Act

*2 Outside Audit & Supervisory Board Member as defined in Article 2, Item 16 of the Companies Act


Outside directors Naoko Iwasaki and Aya Motomura and outside Audit & Supervisory Board Members Toshiaki Tada and Katsuhiko Hara are independent from CTC, our parent company, and major suppliers. As independent officers, they have no inherent conflicts of interest with regular shareholders.

Risk Management

▶ Risk Management System

In addition to individual risk management functions, we have established the Risk Management Committee to take an overall approach to risks that should be managed on a Groupwide basis. In addition to comprehensively considering and identifying risks that should be managed on a Companywide level, this committee establishes

management systems and rules, assesses effectiveness (conducts monitoring), and recommends corrective measures. We are building a risk management structure capable of responding to future changes in the operating environment and unforeseen circumstances.

Risk	Summary of Risk That Could Negatively Impact Earnings	Risk Mitigation Measures
<p>1 Risks Concerning Changes in the Business Environment</p>	<ul style="list-style-type: none"> • Risk of fluctuation in operating results due to changes in the business environment such as domestic and overseas economic conditions, information system investment trends among clients, and changes in various laws and regulations, tax systems, and accounting standards • Risk of intensification of price competition due to new entrants and competition with other companies 	<ul style="list-style-type: none"> ▶ Identify advanced products and services; optimize organizational structure in order to provide high-value-added solutions
<p>2 Information Security Risk</p>	<ul style="list-style-type: none"> • Risk of leak, alteration, or loss of information or suspension of services caused by unauthorized access stemming from cyberattack, a computer virus, or human error, leading to claims for damage or loss of confidence 	<ul style="list-style-type: none"> ▶ Giving top priority to proper information management, we are implementing the following measures: <ul style="list-style-type: none"> • Building a robust information management system • Acquiring various certifications • Strengthening control of the entire Group, including domestic and overseas operating companies
<p>3 Compliance Risk</p>	<ul style="list-style-type: none"> • Risk of a decline in the Group's social credibility or deterioration of the Group's earnings due to a serious breach of compliance or a violation of laws or regulations in conducting business 	<ul style="list-style-type: none"> ▶ Positioning compliance as an important management priority, we are implementing the following measures: <ul style="list-style-type: none"> • Building a robust compliance system • Conducting education and training related to compliance • Operating, maintaining, and improving our whistleblowing system <p style="text-align: right;">▶  P85</p>
<p>4 Human Resources Risk</p>	<ul style="list-style-type: none"> • Risk of personnel departures or a decline in productivity due to failure to secure personnel with high technical skills and expertise as planned, loss of growth opportunities, or a deterioration of the labor environment, affecting the Group's earnings and business development 	<ul style="list-style-type: none"> ▶ "With "Challenge and growth" as our personnel strategy policy, we engage in human resource management with the aims of improving employee motivation, encouraging self-growth, and further fostering a culture of human resource development. We are implementing the following measures: <ul style="list-style-type: none"> • Developing highly specialized engineers, global personnel, and other human resources • Establishing a system giving employees a sense of self-growth and allowing them to realize their full potential • Promoting diversity and inclusion • Promoting work-style reforms
<p>5 Project Management Risk</p>	<ul style="list-style-type: none"> • Risk of additional costs that exceed plans being required due to failure to secure the intended quality or to complete the project within the development time frame amid heightened complexity and sophistication as well as faster delivery of development projects 	<ul style="list-style-type: none"> ▶ In addition to establishing and supporting the project management organizations of each business group, we set up a third-party project management office as a company-wide organization to implement the following support measures: <ul style="list-style-type: none"> • Making preliminary examinations before submitting quotes • Monitoring and evaluating project status • Providing individualized support according to project status (quality evaluations, etc.)
<p>6 System Failure Risk</p>	<ul style="list-style-type: none"> • Risk of a serious failure in the operation service business caused by equipment failure, disasters, or operational errors, leading to a drop in confidence or payment of claims for damages from clients (given that IT systems play an important role in social infrastructure) 	<ul style="list-style-type: none"> ▶ We are implementing the following measures: <ul style="list-style-type: none"> • Regular operational risk inspections • Stepping up IT system monitoring • Investigating and responding quickly to product defect information; conducting preventive replacement of equipment • Acting to improve work quality (zero human error activities, rigorous pre-work risk prediction meetings, etc.)

Risk	Summary of Risk That Could Negatively Impact Earnings	Risk Mitigation Measures
7 Investment Risk	<ul style="list-style-type: none"> • Risk of a drop in recoverability, loss of part or entire investment, or need for additional funding due to failure to achieve the expected results of investments such as in new business startups, investments in or acquisitions of companies in Japan and elsewhere, and data centers and cloud services, caused by changes in the market environment and deterioration of revenues 	<ul style="list-style-type: none"> ▶ We carefully consider investment rewards and risks in advance and are implementing the following measures: <ul style="list-style-type: none"> • Thoroughly disseminating the CTC Group Corporate Philosophy and CTC Group Code of Conduct to operating companies • Providing temporary staffing to operating companies • Building an investment management system (developing internal regulations, pre-screening before making investments, etc.) • Regular monitoring (verifying achievement status of investment objectives, conflict with exit criteria, etc.)
8 Exchange Rate Risk	<ul style="list-style-type: none"> • Risk of a drop in profitability due to failure to adjust prices of products and services that are procured from overseas markets offered in foreign currencies when sudden fluctuations in exchange rates or a medium-term depreciation of the yen occur 	<ul style="list-style-type: none"> ▶ Utilizing foreign exchange contracts and foreign currency deposits according to specific transaction types
9 Risk of Large-Scale Disasters	<ul style="list-style-type: none"> • Risk of damage to facilities and infrastructure or injuries due to large-scale natural disasters such as earthquakes and terrorist attacks, as well as infectious diseases, such as COVID-19, resulting in a threat to business continuity 	<ul style="list-style-type: none"> ▶ To prepare for unforeseen circumstances, we are implementing the following measures: <ul style="list-style-type: none"> • Formulating a business continuity plan (BCP) • Creating a safety confirmation system • Establishing an emergency response headquarters and crisis management headquarters; strengthening disaster prevention drills • Developing a backup system in the Kansai Region in preparation for potential disaster in the Tokyo metropolitan area

▶ Ensuring Rigorous Information Security

For the CTC Group, appropriate handling and safe management of information are important social responsibilities.

Each year, information security threats become more diverse and complex, owing to the use of new IT infrastructure such as IoT, AI, and blockchain; society's connections between cyberspace and physical space; and new working environments arising from work-style reforms.

Against this backdrop, the CTC Group has developed an information security and personal information protection management system integrating information security management and personal information protection systems in compliance with ISO 27001 (JIS Q 27001) and Privacy Mark (JIS Q 15001), which is responsible for:

- ▶ Creating various regulations, standards, and procedures
- ▶ Conducting education and awareness activities related to information security and personal information protection
- ▶ Conducting internal audits
- ▶ Conducting annual surveys of outsourcing contractors

At CTC, we handle all the information entrusted to us by our clients as confidential information; carrying out handover checks and exercising strict access management.

To handle the increase in cybersecurity risk countermeasures in recent years, we have established the CTC-SIRT*, which conducts the following activities.

- ▶ Training on responding to targeted attack emails (annually)
- ▶ Vulnerability diagnosis of internal and public sites (annually)
- ▶ Monitoring for cyberattacks

We have obtained ISO 27017 (JIS Q 27017) certification for CUVICmc2 (cloud service specializing in mission-critical systems) and TechnoCUVIC (virtualized hosting service) and are creating services that ensure peace of mind among clients whose information we handle (TechnoCUVIC certification was acquired in February 2020).

Moving forward, we will continue to implement further security measures against new threats, with the safe and secure handling of information entrusted to us by our clients as our highest priority.

* CTC-SIRT (CTC Security Incident Response Team) is an organization that copes with security incidents resulting from cyberattacks.

▶ For more information about our information security efforts, please visit our corporate website:
<https://www.ctc-g.co.jp/en/corporate/csr/governance/security.html>

▶ Human Resource Strategies

Recognizing that people are the management resource most important to our business, we strive to recruit and cultivate highly capable human resources and put in place human resource policies and systems to help them maximize their own capabilities while contributing to CTC's growth.

- ▶ [P23-26 Human and Intellectual Capital](#)
- ▶ [P58-62 Human Resource Strategy](#)

▶ Curtailing Unprofitable Projects

We monitor the percentage of losses from unprofitable projects to revenue in SI Development, as we aim to put in place a revenue model to ensure that profits grow along with revenues as we curtail unprofitable projects. In fiscal 2019, we kept this percentage to 1.2%, which is unchanged from fiscal 2018.

▶ Internal Control and Compliance

■ Internal Control System

CTC has created an internal control system, comprising systems to ensure that directors perform their duties in accordance with legal requirements and the Articles of Incorporation and systems to ensure that business activities are conducted in an appropriate manner across the Group. The internal control system is continually improved through an ongoing review process designed to create a more adequate and efficient system.

■ Full Commitment to Compliance

The CTC Group regards compliance as a topmost management priority. We observe all applicable laws, regulations, and internal rules related to our corporate activities and ensure that all employees conduct themselves with high ethical standards and a sense of responsibility. In this way, we aim to increase corporate value throughout the entire Group as a sound company to ensure that we are trusted and held in high esteem by society.

To achieve these objectives, we engage in the following activities.

- ▶ Establish the CTC Group Code of Conduct and internal rules
- ▶ Form a compliance structure
- ▶ Acquire written oaths from all executives and employees (annually)
- ▶ Conduct compliance-related education and training, awareness activities, and disseminate information
- ▶ Operate, maintain, and improve an internal reporting system (helpline)

The CTC Group conducts regular monitoring and reviews of these activities, enabling us to make continuous improvements. We also conduct Compliance Awareness Surveys of all executives and employees every other year, analyzing the results to ascertain any issues and undertake new initiatives.

■ Response to Various Laws and Regulations

The CTC Group has created a framework for keeping up to date with the most recent information to ensure thorough compliance with various laws and regulations, ordinances, and industry guidelines. We have formulated the CTC Group Legal Guidelines to indicate laws and regulations Group companies should conform with. These guidelines are posted on an internal site so that employees can view them at any time.

Systems to Ensure Appropriate Financial Reporting

CTC is stepping up efforts to ensure appropriate financial reporting in accordance with the Group's accounting regulations, sales administration regulations, procurement administration regulations, and other internal company rules. CTC also has a CFO who is tasked with ensuring that financial reporting complies with accounting standards and other relevant laws and regulations. In addition, the Internal Control Committee is responsible for establishing, regularly evaluating, and improving internal systems to ensure appropriate financial reporting.

Compliance Structure

- Appoint a chief compliance officer
- Establish the Compliance & Information Security Committee
- Appoint compliance general managers for each business group and subsidiary

Internal Reporting System (helpline)

The CTC Group has put in place an internal reporting system (helpline) for reporting or consulting about compliance problems. We have registered our "self-declaration of conformity" (registered on April 26, 2019, confirmed) for this helpline, under WCMS* certification.

Reporting routes are internal and external (via attorneys). For both routes, the privacy of the person making a report and related personnel is managed, as is the content of the report. We make it clear that people making reports will not be subjected to disadvantageous treatment as a result of such reporting.

* WCMS: Whistleblowing Compliance Management System

Under this system, a company assesses its own internal reporting system and makes a "self-declaration of conformity" if it complies with the certification standards. Based on an application by the Company, the system's content is checked by an organization registration designated by the Consumer Affairs Agency, and the Company is registered.



- ▶  P03 CTC Group Code of Conduct

The supervisory departments for various laws and regulations cultivate the necessary awareness to ensure compliance through morning public announcements, e-learning, and regular group training.

Glossary

▶ **Agile Development**

A rapid, incremental approach to software development based on close onsite collaboration with clients, early development of prototypes, and feedback from clients and the market.

▶ **AI-OCR (AI-Optical Character Recognition)**

The use of AI to increase the accuracy of OCR systems, which read handwritten text, forms, and documents, by utilizing deep learning to improve recognition of text with different fonts and image quality.

▶ **Big Data**

A term for vast data sets that are too large to store, manage or analyze using traditional database management systems and processing applications. The ability to analyze big data is expected to yield new business insights and lead to the development of new services.

▶ **Cloud Native**

A cloud-based technology or method that enables high-impact changes to be made frequently and dynamically according to plan with minimal effort. The use of containers, microservices, and other techniques enables creation of loosely coupled systems that are resilient, manageable, and observable.

▶ **Container Technology**

A technology for realizing virtual operating environments with lower computer resources, achieved by building an application execution environment isolated from other processes on the operating system (OS). Creating spaces where applications are separated makes it possible to build a multiple-OS environment within a single OS environment.

▶ **DX (Digital Transformation)**

Defined in 2004 by Professor Erik Stolterman of Umeå University in Sweden as "the change associated with the application of digital technology in all aspects of human society." DX describes how companies can harness new digital technologies to develop new business models and create value.

▶ **Edge Computing**

A network technology that reduces communication lag by installing application servers in close physical proximity to terminal devices.

▶ **ERP (Enterprise Resource Planning)**

An integrated approach to managing and allocating business resources (personnel, funds, facilities, information, etc.) to improve operational efficiency and optimize management. ERP also refers to integrated software applications that help companies achieve those objectives.

▶ **FinTech**

A portmanteau of the words "finance" and "technology," FinTech refers to new IT tools in the financial sector. Common examples include online settlement technology and cloud-based household budget services. FinTech has attracted growing attention in recent years amid growth in the number of relatively small companies providing new services.

▶ **Hackathon / Ideathon**

The words "hackathon" and "ideathon" are portmanteaus of the words "hack" (adapting or improving computer programs), "idea," and "marathon." At hackathons, computer engineers and other participants compete intensively in a fixed timeframe to develop programs or services with new capabilities or outcomes. At ideathons, teams discuss new ideas and collaborate on problem-solving.

▶ **IoT (Internet of Things)**

The embedding of various physical devices, not just computers, with internet connectivity, creating networks that enable automated verification, control, and remote measurement.

▶ **Lift & Shift**

"Lift" means migrating existing on-premise systems to the cloud to drive cloud utilization for digital transformation. "Shift" means migrating to a cloud-native mechanism to enhance cost-efficiency and productivity after moving to the cloud.

▶ **LOB (Line of Business)**

A line division that is directly linked to corporate performance as opposed to a business unit within a company or a so-called indirect functional department of a head office. In the case of diversified management companies, it corresponds to a business division.

▶ **Local 5G**

A system that allows companies and local governments to flexibly build and use 5G networks in their own buildings and premises. A local 5G communication network can be used in a high-security environment that is isolated from public networks.

▶ **Low-Code Development**

A type of programming platform that requires minimal coding work. Low-code platforms have the potential to shorten application development times.

▶ **Microservice Architecture**

The structuring of applications as a collection of microservices (such as settlement or ordering) and creating an architecture wherein microservices link to and communicate with each other. This offers high flexibility and adaptability as each individual microservice can be altered independently of the others.

▶ **MSP (Managed Service Provider)**

A provider that operates, monitors, and maintains IT systems (such as computers and networks used by customers) and provides services that makes those systems accessible.

▶ **MSS (Managed Security Service)**

A security service that monitors firewalls and other security systems in real-time 24/7 all year round, gathering data to analyze and defend against threats.

▶ **Open Innovation**

An innovation methodology for creating innovative products and business models by combining technologies and ideas of not only one company but also from outside that company.

▶ **Recurring Business**

A business model capable of generating continuous profits (includes cloud services, operation services, and maintenance services).

▶ **UI / UX (User Interface / User Experience)**

"UI" expresses how a system presents and displays information to the user and indicates user-friendliness with respect to operating the system and inputting information. "UX" reflects the experience and impression that users get from products and services. It includes not only usability but also all the experiences felt, from first meeting to separation.

▶ **Virtualization Technology**

Technology that integrates or divides resources in servers and other hardware without any physical change in the hardware. The technology can create multiple virtual servers in a single physical server or create a single virtual hard disk from multiple disks.

Financial Highlights

Note: CTC adopted International Financial Reporting Standards (IFRS) from the first quarter of fiscal 2014. Figures for fiscal 2013 have been reclassified to reflect the new standards.

Fiscal	JGAAP			
	2009	2010	2011	2012
(¥ billion)				
Operating Results				
Net Sales	290.3	283.0	297.7	322.4
Cost of Sales	213.5	208.1	218.1	239.1
Gross Profit	76.8	74.8	79.6	83.2
(Gross Profit Margin)	26.5%	26.5%	26.7%	25.8%
SG&A Expenses	55.2	53.5	54.8	56.0
Operating Income	21.5	21.3	24.7	27.1
(Operating Income Margin)	7.4%	7.5%	8.3%	8.4%
EBITDA* ¹	27.5	28.0	32.3	33.2
Net Income	12.4	11.4	13.3	16.0
Orders Received	285.1	285.2	302.4	372.0
Backlog	129.6	131.8	136.6	186.2
(Backlog Turnover Ratio)* ²	69.1%	68.2%	68.5%	63.4%
Financial Position at End of Fiscal Year				
Total Assets	233.2	238.1	252.7	270.0
Total Equity	154.6	155.4	158.3	164.6
Cash Flows				
Cash Flows from Operating Activities	25.2	14.9	21.2	9.6
Cash Flows from Investing Activities	(1.3)	(6.9)	(2.7)	(10.3)
Cash Flows from Financing Activities	(7.2)	(13.4)	(8.9)	(11.1)
Cash and Cash Equivalents at End of Period	73.8	68.3	77.8	66.1
Capital Investment	4.5	8.8	6.2	10.0
Depreciation and Amortization	5.9	6.7	7.5	6.0
Financial Index/Indicators (%)				
ROE* ³	8.3	7.4	8.5	9.9
ROA* ⁴	5.4	4.9	5.4	6.1
Equity Ratio	66.3	65.3	62.7	61.0
Dividend Payout Ratio	43.7	49.9	43.8	39.1
Per Share Data (yen)*⁵				
Net Income	48	45	54	67
Net Assets	603	623	651	691
Dividend	21.25	22.50	23.75	26.25
Per Capita Data (¥ million)*⁶				
Net Sales	41	40	41	42
Operating Income	3.1	3.0	3.5	3.5

*1 EBITDA = Operating Income + Depreciation and Amortization

*2 Backlog Turnover Ratio = Net Sales / (Backlog of the previous fiscal year + Orders received of this fiscal year) x 100

*3 ROE = Net Income / Average Total Shareholders' Equity

*4 ROA = Net Income / Average Total Assets x 100

*5 CTC conducted two-for-one stock splits on common shares on April 1, 2015 and April 1, 2018. For the past data, retroactive revisions were made accordingly.

*6 Figures are calculated on March 31.

*7 ROE = Net Profit Attributable to CTC's Shareholders / Average total shareholders' equity

(which is based on total shareholders' equity at the beginning and end of the year) x 100

*8 ROA = Net Profit Attributable to CTC's Shareholders / Average total assets (which is based on total assets at the beginning and end of the year) x 100

*9 CTC Group adopted IFRS 16 "Leases" (issued January 2016) from fiscal 2019.

(¥ billion)

Fiscal	IFRS						
	2013	2014	2015	2016	2017	2018	2019**
Operating Results							
Revenue	350.5	381.9	391.6	407.8	429.6	451.9	487.0
Cost of Sales	(266.8)	(290.6)	(300.0)	(311.1)	(328.0)	(344.2)	(368.9)
Gross Profit	83.7	91.2	91.5	96.7	101.6	107.7	118.0
(Gross Profit Margin)	23.9%	23.9%	23.4%	23.7%	23.6%	23.8%	24.2%
Other Income and Expenses	(59.8)	(61.9)	(63.5)	(65.5)	(68.9)	(71.8)	(76.3)
Operating Income	23.8	29.3	27.9	31.1	32.6	35.8	41.6
(Operating Income Margin)	6.8%	7.7%	7.1%	7.6%	7.6%	7.9%	8.6%
EBITDA*1	31.3	37.5	36.3	39.5	41.4	44.7	57.9
Net Profit Attributable to CTC's Shareholders	14.2	17.4	18.0	21.8	23.5	24.6	28.4
Orders Received	369.1	388.0	398.3	437.5	435.2	470.1	490.7
Backlog	195.4	201.6	208.3	238.0	243.6	262.9	272.2
(Backlog Turnover Ratio)*2	63.1%	65.4%	65.3%	63.1%	63.8%	63.3%	64.6%
Financial Position at End of Fiscal Year							
Total Assets	282.6	302.7	307.9	333.1	353.8	378.9	438.8
Total Shareholders' Equity	162.9	168.8	179.2	192.1	206.5	220.7	231.6
Cash Flows							
Cash Flows from Operating Activities	6.4	25.8	21.8	25.2	11.0	20.6	50.1
Cash Flows from Investing Activities	(8.0)	(17.3)	(18.1)	(14.1)	(2.3)	(3.2)	(17.1)
Cash Flows from Financing Activities	(9.5)	(13.5)	(8.4)	(7.8)	(5.9)	(9.5)	(17.1)
Cash and Cash Equivalents at End of Period	55.0	50.1	44.8	48.2	51.0	58.8	74.6
Capital Investment	6.9	7.9	11.0	10.7	5.2	7.2	16.1
Depreciation and Amortization	7.5	8.2	8.4	8.4	8.8	8.8	16.2
Financial Index/Indicators (%)							
ROE*7	8.9	10.5	10.4	11.8	11.8	11.5	12.6
ROA*8	5.1	5.9	5.9	6.8	6.9	6.7	6.8
Ratio of Shareholders' Equity to Total Assets	57.7	55.8	58.2	57.7	58.4	58.2	52.8
Dividend Payout Ratio	45.8	40.3	44.9	42.3	44.1	46.9	47.1
Per Share Data (yen)*5							
Net Profit Attributable to CTC's Shareholders	60	74	77	94	102	106	123
Shareholders' Equity	692	730	775	831	894	955	1,002
Dividend	27.50	30.00	35.00	40.00	45.00	50.00	58.00
Per Capita Data (¥ million)*6							
Revenue	45	48	48	50	52	54	55
Operating Income	3.1	3.7	3.5	3.8	4.0	4.3	4.7

Non-Financial Highlights

Human Resources-Related Data

(Data calculation reference dates: Data calculated on March 31 of each fiscal year. But disabled employee figures calculated on June 1 of each fiscal year.)

Basic Data (Consolidated)

Fiscal		Unit	2016	2017	2018	2019
Employees	Total	People	8,100	8,175	8,359	8,808
Gender	Men	People	6,878	6,919	7,032	7,317
	Women	People	1,222	1,256	1,327	1,491

Basic Data (Non-Consolidated)

Fiscal		Unit	2016	2017	2018	2019
Employees	Total	People	3,958	4,117	4,272	4,276
Gender	Men	People	3,345	3,478	3,611	3,569
	Women	People	613	639	661	707
Age	Under 30	People	466	523	598	708
	30-39	People	1,429	1,337	1,260	1,117
	40-49	People	1,432	1,581	1,641	1,641
	50-59	People	605	638	732	760
	Over 60	People	26	38	41	50
Turnover* ¹	Men	People	97	103	104	140
	Women	People	18	20	29	12
	Total	People	115	123	133	152
Turnover rate* ¹	Men	%	3.0	2.8	2.8	3.8
	Women	%	3.0	2.9	4.0	1.6
	Total	%	3.0	2.8	3.0	3.4
Average years worked	Men	Year	13.2	13.5	13.7	13.6
	Women	Year	12.9	12.6	12.9	12.6
	Total	Year	13.1	13.4	13.5	13.5

Diversity (Non-Consolidated)

Fiscal		Unit	2016	2017	2018	2019
Number of new graduates hired	Men	People	89	79	117	96
	Women	People	28	45	39	58
	Total	People	117	124	156	154
Number of mid-career hires		People	59	81	113	160
Retiree reemployment rate		%	77.4	72.7	87.5	70.5
Female managers* ¹ * ²	Number	People	49	56	59	69
	Percentage	%	4.0	4.5	4.9	5.6
Percentage of disabled employees		%	2.23	2.20	2.50	2.50

Work Style (Non-Consolidated)

Fiscal		Unit	2016	2017	2018	2019
Average annual leave uptake rate		%	70	72	75	73
Annual average number of holidays taken		Days	13.5	13.9	14.5	13.9
Average monthly overtime hours		Hours	16	14	14	13
Childcare leave system users	Men	People	17	54	59	59
	Women	People	65	66	69	65
	Total	People	82	120	128	124
Childcare leave uptake rate (male)* ³		%	9.5	34.9	39.1	44.4
Rate of return from childcare leave		%	99	99	100	100
Reduced working hours system users		People	98	97	97	99
Nursing care holiday system users		People	165	202	212	200
Nursing care leave system users		People	2	1	0	1
Time off for caregiver system users		People	34	34	32	44

Fiscal	Unit	2016	2017	2018	2019
Volunteer leave* ⁴ number of employees	People	8	130	18	74
Disaster support volunteer special leave* ⁵ number of employees	People	39	35	41	23
Users of disaster support volunteer activity cost subsidies	People	100	152	104	77
Number of flextime system participants* ⁶	Annual total	2,976	3,733	3,794	4,155
	Monthly average	248	311	316	346
Morning work* ⁷	Annual total	2,615	2,812	2,907	2,941
	Monthly average	218	234	242	245
Staggered work* ⁸	Annual total	622	938	1,017	1,515
	Monthly average	52	78	85	126
Hourly paid leave* ⁹	Annual total	863	1,176	1,371	1,453
	Monthly average	72	98	114	121
Telework* ¹⁰	Annual total	–	2,059	1,873	3,074

■ Human Resource Development (Non-Consolidated)

Fiscal	Unit	2016	2017	2018	2019
Number of training participants	People	115,451	111,260	101,673	129,026
Average hours of training per person	Hours	49	49	48	53

*1 Figures for number of retirees, turnover, and female employees in leadership positions pertain to employees originally hired by CTC.

*2 Leading position means managers and specialists.

*3 In fiscal 2018, we reviewed the method for measuring the childcare leave uptake rate to include those taking childcare leave for 3 days or less.

*4 Leave that can be taken for activities approved by the Company, such as community contribution and welfare activities in Japan.

*5 Special leave that can be taken to undertake activities in disaster-stricken areas in Japan.

*6 Number of people who engaged in morning work, hourly paid leave, staggered work, or telework.

*7 We place limits on overtime work at night and on holidays and encourage work in the early morning hours (5:00–9:00am).

*8 System allowing employees to work full-time while adjusting the daily starting times (between 7:00am and 10:00am).

*9 System allowing employees to take 3 days (24 hours) of annual paid leave in hourly units.

*10 Number of people who performed telework on Telework Day/Days.

▶ Security / Compliance

Fiscal	Unit	2016	2017	2018	2019
Number of serious security incidents	Cases	–	0	0	0
Number of serious compliance violations	Cases	–	0	0	0
Number of serious environmental law violations	Cases	–	0	0	0

▶ Environmental Data from CTC Group Offices and Data Centers

Fiscal	Unit	2016	2017	2018	2019	
Offices	Energy used	kL	3,293	3,701	3,724	3,547
	Greenhouse gas	t-CO ₂	6,437	7,044	6,889	6,352
	Specific energy consumption* ¹		0.41	0.44	0.43	0.41
Data Centers	Energy used	kL	29,714	28,048	27,838	26,988
	Greenhouse gas	t-CO ₂	59,210	54,705	51,185	47,930
	Specific energy consumption* ²		1.707	1.703	1.697	1.713
Major Overseas Offices	Greenhouse gas* ³	t-CO ₂	722.8	397.9	396.1	633.3

*1 Energy consumption/number of personnel (past amount corrected due to coefficient change in fiscal 2019)

*2 Whole DC energy used (kL)/IT equipment energy used (kL)

*3 Calculated based on the emission factors by country officially announced by IGES (Institute of Global Environmental Strategies)

▶ Quality

Fiscal	Unit	2016	2017	2018	2019
Customer evaluation of system quality* ¹	%	–	–	–	89

*1 Percentage of respondents who answered "Similar to competitors" or higher in the system quality evaluation section of the customer satisfaction survey. Although we conducted customer satisfaction surveys up to and including fiscal 2018, we only show the fiscal 2019 figure here because we changed the evaluation criteria in fiscal 2019.

Management Team As of June 18, 2020

Directors

▶ Satoshi Kikuchi

Chairman

▶ Ichiro Tsuge

President & CEO

▶ Tadataka Okubo

Director & Senior Managing Executive Officer
Assistant to the President (Special appointment for
Advanced IT Strategy)
CTO

▶ Naoko Iwasaki

Director^{*1}

▶ Aya Motomura

Director^{*1}

▶ Hiroshi Kajiwara

Director

Audit & Supervisory Board Members

▶ Hiroshi Takada

Audit & Supervisory Board Member

▶ Yasuyuki Harada

Audit & Supervisory Board Member^{*2}

▶ Toshiaki Tada

Audit & Supervisory Board Member^{*2}

▶ Katsuhiko Hara

Audit & Supervisory Board Member^{*2}

*1 Outside director as defined in Article 2, Item 15 of the Companies Act

*2 Outside Audit & Supervisory Board Member as defined in Article 2, Item 16 of the Companies Act

Outside directors Naoko Iwasaki and Aya Motomura and outside Audit & Supervisory Board Members Toshiaki Tada and Katsuhiko Hara are independent from CTC, our parent company, and major suppliers. As independent officers, they have no inherent conflicts of interest with regular shareholders.

CTO (Chief Technology Officer)

CIO (Chief Information Officer)

CFO (Chief Financial Officer)

CCO (Chief Compliance Officer)

Executive Officers

▶ Eiji Haraguchi

Managing Executive Officer
COO, Service Design Group
CIO

▶ Yasuhiko Terada

Managing Executive Officer
COO, Telecommunication Group

▶ Hisashi Eda

Managing Executive Officer
COO, Regional & Social Infrastructure Group

▶ Toshiyuki Awai

Managing Executive Officer
COO, IT Services Group

▶ Takanori Minatohara

Managing Executive Officer
COO, Enterprise Group

▶ Noboru Omoto

Managing Executive Officer
COO, Distribution Group

▶ Kazunobu Moriyama

Managing Executive Officer
General Manager, Chubu Region
Deputy COO, Regional & Social
Infrastructure Group
Assistant to COO, Enterprise Group

▶ Mamoru Seki

Managing Executive Officer
CFO & CAO
CCO
General Manager, Accounting & Sales
Administrating Division

▶ Junji Hirooka

Managing Executive Officer
COO, Financial Services Group
COO, Global Business Group
General Manager, Global Business Division

▶ Yasuhide Masanishi

Executive Officer
President & CEO,
Asahi Business Solutions Corp.
(Assistant to COO, Distribution Group)

▶ Hirohito Ohashi

Executive Officer
General Manager, Nishi-Nihon Region
Assistant to COO, Regional & Social
Infrastructure Group,
General Manager, Nishi-Nihon Regional Division

▶ Nagaki Fujioka

Executive Officer
Assistant to COO, Global Business Group
ITOCHU Techno-Solutions America, Inc.
President & CEO

▶ Seiji Nagamatsu

Executive Officer
General Manager, Corporate IT System Division

▶ Hiroshi Torigoe

Executive Officer
Deputy COO, Enterprise Group
General Manager, Enterprise Division No. 1
General Manager, Life Science Division

▶ Tatsuya Matsumaru

Executive Officer
Deputy COO, Distribution Group
General Manager, Financial Services Division

▶ Tadaaki Otsuka

Executive Officer
General Manager, Audit Division

▶ Yoshinori Yoshida

Executive Officer
Deputy COO, Financial Services Group
General Manager, Financial Systems Division

▶ Shinichi Hirayama

Executive Officer
COO, Human Resources Management &
General Affairs
General Manager, Corporate Planning Division

▶ Hisashi Sawanobori

Executive Officer
General Manager, Human Resources
Management & General Affairs Division

▶ Katsuya Kami

Executive Officer
General Manager, Telecommunication
Division No. 3

▶ Kinya Matsuda

Executive Officer
General Manager, Cloud & Security
Services Division
President & CEO, CTC FACILITIES
CORPORATION

▶ Toshihiro Nakaya

Executive Officer
General Manager, Telecommunication
Division No. 1

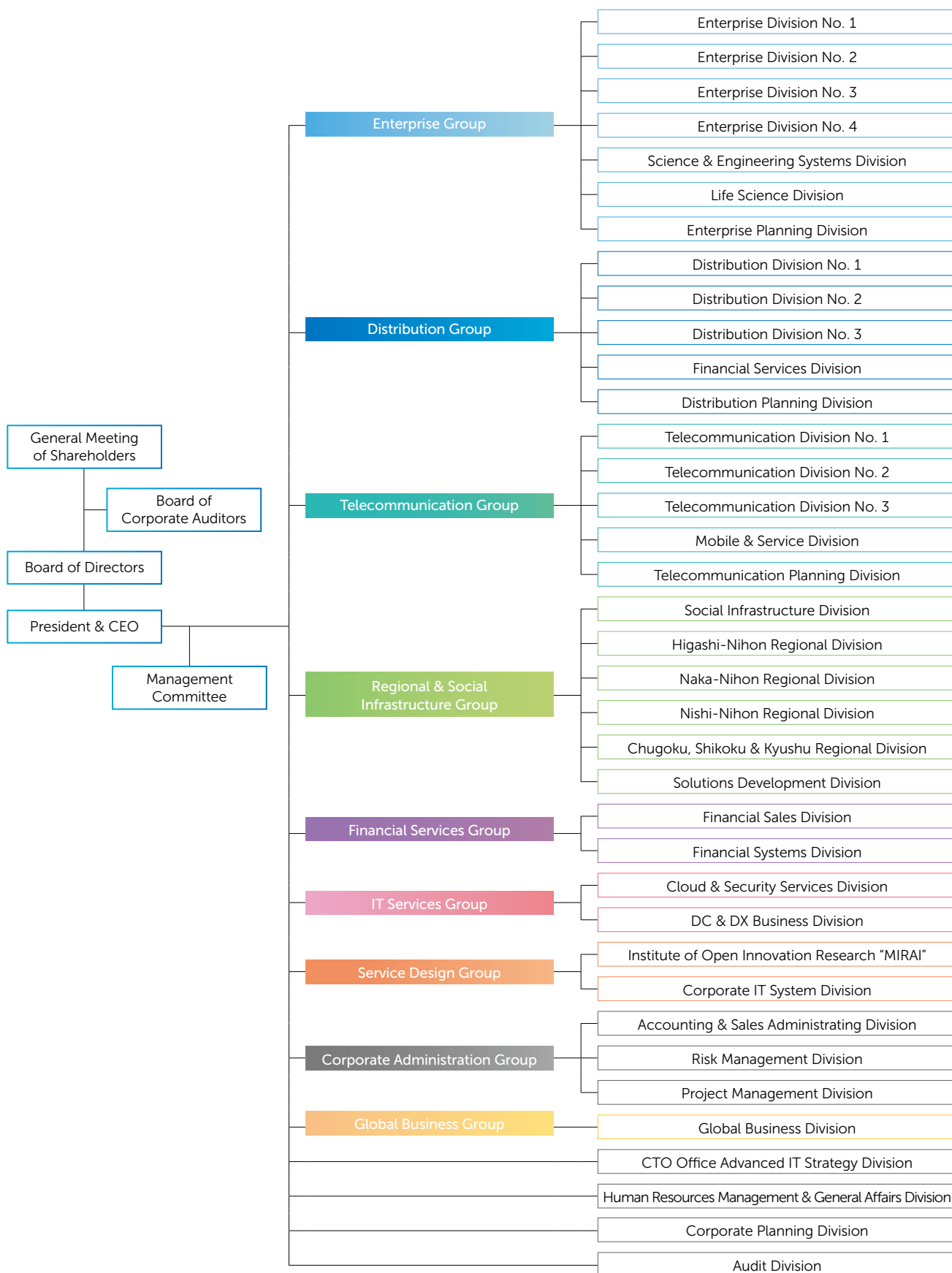
▶ Kiyoshi Imagawa

Executive Officer
Assistant to COO, Global Business Group
CTC GLOBAL PTE. LTD.
Managing Director

▶ Kazuhiko Nagao

Executive Officer
General Manager, Distribution Division No. 2

Organization Chart As of April 1, 2020



External Recognition

ESG indicators selected by the Japanese Government Pension Investment Fund (GPIF)

▶ FTSE Blossom Japan Index



FTSE Blossom Japan

CTC was selected for the FTSE Blossom Japan Index, a stock market index developed by FTSE Russell, a wholly owned subsidiary of the London Stock Exchange Group (LSEG), consisting of Japanese companies that demonstrate strong ESG practices.

▶ MSCI Japan Empowering Women Index (WIN)*

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

CTC was selected for the MSCI Japan Empowering Women Index (WIN), a stock market index developed by MSCI Inc., the largest ESG research company in the world, consisting of Japanese companies in the MSCI Japan IMI Top 500 Index that exhibit a commitment toward promoting and maintaining a high level of gender diversity among their workforce.

▶ FTSE4Good Index Series

CTC was selected for inclusion in the FTSE4Good Index Series, a series of stock market indices for ESG investors developed by FTSE Russell, consisting of global companies demonstrating strong ESG practices.



▶ ISS ESG Corporate Rating

CTC's information security and environmental management practices have been rated as "Prime Status" by Institutional Shareholder Services Inc., one of the world's leading sustainability rating institutions (name changed from ISS-oekom Corporate Rating).



▶ Member of SNAM Sustainability Index2020

CTC was selected for inclusion in the SNAM Sustainability Index, a stock market index developed by Sompo Japan Nipponkoa Asset Management Co., Ltd. based on ESG evaluation conducted by research companies and a proprietary equity valuation method (fundamental value).



▶ MSCI ESG RATINGS*

MSCI issues ratings, ranging from AAA to CCC, based on the degree of ESG risk and how well risks and other issues are managed. The rating of CTC, which is evaluated for its human resource development programs and the like, was upgraded from BB to BBB in June 2020.



▶ JPX-Nikkei Index 400

CTC was selected for inclusion in the JPX-Nikkei Index 400, a stock market index developed by the Japan Exchange Group and Nikkei Inc. composed of 400 companies with high appeal for investors and that meet requirements of global investment standards, such as efficient use of capital and investor-focused management perspectives.



▶ Competitive IT Strategy Company Stock Selection program

Under the Competitive IT Strategy Company Stock Selection program, the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE) jointly select companies that create new value and implement management innovation and proactively leverage IT to improve productivity. CTC has been selected for three consecutive years for its use of leading-edge digital technology to increase productivity and its efforts to nurture human resources.



▶ Nikkei Smart Work

This project aims to promote growth in the Japanese economy by improving the productivity of corporations through the introduction of leading-edge technologies, innovation, and work-style reforms achieved through restructuring. CTC was selected as a leading-edge corporation for its efforts to improve productivity through work-style reforms and received a 4-star rating in the third Nikkei Smart Work survey.



▶ "Kurumin" certification for nurturing future generations

CTC was recognized by the Ministry of Health, Labour and Welfare (MHLW) as a "company that supports child-rearing." CTC has received certification under the Law for Measures to Support the Development of the Next Generation, which was enacted in April 2005. The certification recognizes our efforts and track record in nurturing future generations through our action plans (general business owner action plans).



▶ "Eruboshi," a symbol of certification based on the Act on Promotion of Women's Participation and Advancement in the Workplace

CTC received the highest rank, being highly rated in all five criteria (hiring, continuous employment, work styles such as working hours, percentage of managers, and various career courses) provided by the MHLW, based on the Act on Promotion of Women's Participation and Advancement in the Workplace.



▶ Certification as Tokyo Sports Promotion Corporation

CTC has been recognized by the Tokyo metropolitan government for five consecutive years as a company that demonstrates excellence in its efforts to promote the sports activities of its employees and in its support of sports.



▶ Sports Yell Company

CTC's efforts to encourage the use of holiday leave and funding for participation in sports events that support disaster-affected areas, and its support for company sports clubs, have been recognized for three consecutive years.



* THE INCLUSION OF ITOCHU Techno-Solutions Corporation IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF ITOCHU Techno-Solutions Corporation BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

Corporate Data As of April 1, 2020

▶ Company Name

ITOCHU Techno-Solutions Corporation (CTC)

▶ Head Office

Kasumigaseki Bldg., 3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6080, Japan

+ 81-3-6203-5000 <http://www.ctc-g.co.jp/en/>

▶ Founded

April 1, 1972

▶ Paid-in Capital

¥21,763 million

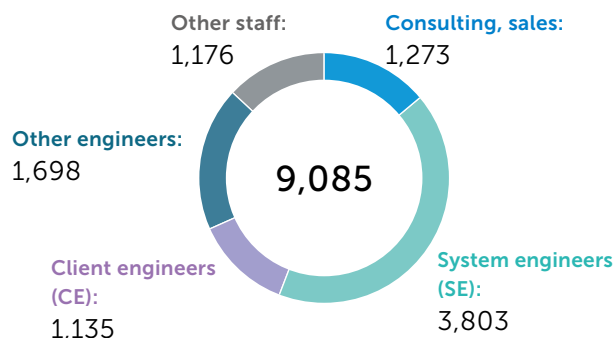
▶ Business Lines

Sales, maintenance, and support of computers and network systems; commissioned software development; information processing services; information services-related to science and engineering; support; other

▶ Employees

9,085 (CTC Group total)

▶ Composition of CTC Employees



Stock Information As of March 31, 2020

▶ **Authorized** 492,000,000 shares

▶ **Issued** 240,000,000 shares
(includes 8,772,382 treasury shares)

▶ **Shareholders** 23,865

▶ Major Shareholders

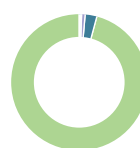
	Number of Shares	(%)
ITOCHU Corporation	134,661,600	58.24
Japan Trustee Services Bank, Ltd. (Trust Account)	11,223,300	4.85
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,992,700	3.46
CTC Employee Shareholding Association	4,477,272	1.94
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,819,600	0.79
Trust & Custody Services Bank, Ltd. As trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	1,770,720	0.77
BBH FOR MATTHEWS JAPAN FUND	1,770,600	0.77
Japan Trustee Services Bank, Ltd. (Trust Account 7)	1,751,700	0.76
JP MORGAN CHASE BANK 385151	1,734,119	0.75
STATE STREET BANK AND TRUST COMPANY 505025	1,632,134	0.71

Notes:

The Company holds 8,772,382 treasury shares and those shares are excluded from the above list of major shareholders.

These treasury shares do not include shares owned by the trust account related to the stock-based compensation program (Board Benefit Trust = BBT) for the Company's Directors and officers. In addition, the ownership ratio was calculated by deducting the number of treasury shares.

▶ Breakdown by Number of Owners



Financial institutions 0.41%
Securities companies 0.19%
Other entities 0.84%
Foreign entities, etc. 2.81%
Individuals, others 95.75%

▶ Ownership by Percentage Shareholding



Financial institutions 14.66%
Securities companies 0.64%
Other entities 56.60%
Foreign entities, etc. 15.68%
Individuals, others 12.43%

Notes:

1. In the column of "Other corporation," 48 units of stocks in the name of Japan Securities Depository Center, Inc. are included.

2. Out of 8,772,382 shares of treasury stock, 87,723 units are stated in "Individuals and others" and 82 shares in "Status of odd stocks."

▶ CTC Group Companies

Subsidiaries	Associated Companies
CTC TECHNOLOGY CORPORATION	CTC First Contact Corporation
CTC SYSTEM MANAGEMENT CORPORATION	IW.DX Partners Inc.
CTCSP CORPORATION	ITOCHU Technology Ventures, Inc.
CTC FACILITIES CORPORATION	SYSCOM (USA) INC.
Asahi Business Solutions Corp.	Five other companies (three in Japan, two overseas)
CTC Global (Thailand) Ltd.	
CTC GLOBAL SDN. BHD.	
PT. Nusantara Compnet Integrator	
CTC GLOBAL PTE. LTD.	
PT. Pro Sistimatika Automasi	
ITOCHU Techno-Solutions America, Inc.	
Seven other companies (four in Japan, three overseas)	

CTC

Challenging Tomorrow's Changes



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

