

**Summary of Q&A at Announcement of Operating Results
for the First Half of the Fiscal Year ending March 31, 2022**

Date/Time: November 1, 2021 (Monday) 14:00-15:15

Presenters: Ichiro Tsuge, President & CEO

Tadataka Okubo, Senior Managing Executive Officer, CTO

Mamoru Seki, Managing Executive Officer, CFO, Director

Q: Did first-half operating results exceed internal forecasts?

A: I cannot comment specifically since no first-half forecasts were announced, but we did anticipate these results to some extent given the high level of the order backlog at the end of last fiscal year.

Q: The gross profit margin excluding unprofitable projects rose significantly. Did you take any specific measures?

A: Whilst this was partly down to our mindset, that is, our awareness of profit margins, another more specific factor is that we are now able to take on more advanced, complex projects. This applies not only to CTC but also to subsidiaries of CTC such as CTC TECHNOLOGY CORPORATION. We have, for example, knowledge of network construction of telecommunication carriers and server storage technology of data centers. We will outgrow from manpower businesses and will continue to ensure that engineers pursue expertise in diverse domains and charge appropriate rates for their expertise.

Q: You said that semiconductor shortages had no impact in the first half. What measures did you take? Will they have any impact in the second half?

A: The impact in the first half was slight. The two main measures taken were as follows.

- We were given preference in the procurement of products thanks to our long-standing partnerships with vendors.
- We asked clients to place orders early.

We expect that the shortages will continue to have an impact in the second half but we will take what measures we can. We will maintain good communication with top vendors and our clients.

Q: Was the impact of semiconductor shortages slight because you were able to take advantage of your strengths as a distributor?

A: Yes, that is correct.

Q: When we look at the situation as a span of 2 years, the semiconductor shortages probably won't have much of an impact. On the contrary, could they not be an opportunity, to propose cloud solutions, for example?

A: Yes, that is correct. We are leveraging our relations with vendors and proposing alternatives, for example. Meanwhile, some customers say that they will place orders with us provided we can guarantee delivery by the end of March but we intend to proceed cautiously without making rash promises.

Q: What is the Telecommunication Business Group's order backlog for 5G-related projects? And what percentage is SA projects?

A: In the first half, the order backlog was approximately 20 billion yen. SA projects accounted for around 50% of this.

Q: Is it fair to say that the year-on-year decline in the order backlog of 5G-related projects was attributable to timing and that the backlog will increase in the medium term?

A: That is correct.

Q: Telecommunication carriers' IT investment budgets have decreased. Is there a possibility that 5G demand will weaken from next fiscal year?

A: We assume that there will not be any sharp decline. Capital investment among telecommunication carriers has been gradually decreasing for several years but the Telecommunication Business Group's sales have increased and the two are not necessarily correlated. Since our rates will fall if we carry on as we are, we will analyze 5G demand from various viewpoints, including technological trends, devices and base station plans, and take action accordingly.

A: The nature of carrier investment is changing, with infrastructure now based on software, allowing investment according to demand.

If 5G demand increases, demand for vendors that can deliver general-purpose products like CTC will also increase. Compared with special-purpose products which have a long useful life, general-purpose products are replaced with new high performance products after 5-6 years, which means that the investment cycle is also shorter. We believe, therefore, that we will also have more business opportunities. We will adopt a cautious approach when considering the Telecommunication Business Group's business models.

Q: The Enterprise Business Group, Regional & Social Infrastructure Business Group and Financial Services Business Group are all enjoying a favorable order environment. Will this also be true in the second half?

A: That is correct. The Enterprise Business Group is on the recovery track and the Regional & Social Infrastructure Business Group is also on an upward trend. The Financial Services Business Group may not perform as strongly in the first half, as some of the large projects for banks are one-off projects.

Q: The orders of the Regional & Social Infrastructure Business Group increased further despite the absence of large projects ordered in the same period a year earlier. Which sector were the orders received in?

A: We won orders from central government agencies, amongst others, which made up for the absence of large projects awarded a year earlier. There is a great deal of opportunity for business expansion.

Q: Was the increase in the Others segment attributable to a rebound from COVID-19 overseas?

A: It was not simply a rebound, the situation varies from country to country. Some places have recovered while others continue to be impacted; there are other factors besides COVID, such as the resolution of management issues. We have acquired new projects in the U.S.

Q: BellSystem24, Inc. is also based at the Kamiyacho Office you moved into in June. Will you be able to generate synergy going forward?

A: We hope to. There are various DX themes we could tackle such as CRM and CX, and customer contact points are extremely important. We believe that our partnership with BellSystem24, Inc., which knows everything about on-site will give us much more wide ranging capabilities. We plan to conduct business through CTC First Contact Corporation, our joint venture with BellSystem24, Inc.