



Integrated Report 2022

ITOCHU Techno-Solutions Corporation



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.



Five-Decade Journey of CTC

On April 1, 2022, ITOCHU Techno-Solutions Corporation (CTC) celebrated the 50th anniversary of its founding.

In this section, we look back at the past five decades, which we have walked together with our stakeholders, and discuss the next step forward on our journey.

1970s

**Stable growth
Focus on energy and resource conservation**

- 1970 First photochemical smog confirmed in Japan
- 1971 Establishment of the Ministry of the Environment
- 1973 Introduction of the floating exchange rate system

1980s

**Japan's bubble economy
Transition to a service-driven industry structure**

- 1980 Release of ethernet specifications
- 1982 Introduction of telephone cards and public telephones using cards

1990s

**Collapse of the bubble economy
IT revolution and dot-com bubble**

- 1990 Collapse of the bubble economy in Japan
- 1993 Approval of commercial internet use by the Ministry of Posts and Telecommunications
- 1994 Adoption of the United Nations Framework Convention on Climate Change
- 1995 Release of Microsoft Windows 95

2000s

**Emergence of the internet
Development of interpersonal communities**

- 2001 Start of NTT DOCOMO's FOMA service
- 2006 Launch of Amazon Web Services
- 2008 Release of the iPhone in Japan and the financial crisis of 2008

Contribution to the safety and rapid development of society with sophisticated computing technologies

**1958
Establishment of Tokyo Electronic Computing Service Co., Ltd. (later CRC Solutions Corp.)**
Start of computer rental services using a small staff, and receipt of orders for coordinate transformation devices necessary for aerial photogrammetry

1964
Contribution to government projects through contracts for engineering calculations for the Tokaido Shinkansen and queue calculation for ticket gates at Olympic event sites; development of software for structural analysis of nuclear power facilities, bridges, skyscrapers, roads, and ships

Development of a robust ecosystem with vendors by taking responsibility in the supply of technologies

**1972
Establishment of C. ITOH Data Systems Co., Ltd.**
Development of a nationwide service network along with the supply of overseas products to Japanese companies

**1983
Conclusion of a sales agent contract with Sun Microsystems, acquiring exclusive distributor rights for Sun Workstations,** which led CTC to become the world's largest reseller of Sun Workstations in 1995

Evolution of sophisticated simulation technologies

1975
Receipt of an award for help with simulations for N rocket launches of the National Space Development Agency of Japan

Construction of data utilization platforms for an IT infrastructure-based society

1971
Creation of a thinktank division; transformation of the computation center into a solution center

1980
Introduction of the first CRAY-1, the world's fastest supercomputer at the time, for commercial use in Japan

Acquisition and evolution of network technologies

1992
Start of sales of the network products of Cisco Systems, Inc., and the database products of Oracle Corporation

1995
Full-fledged entry into the internet business, with the start of supply of products of Netscape Communications Corporation amid the internet boom

1999
Support for early mobile internet services for the telecom carriers

1990
Establishment of ITOCHU Technology, Inc.; creation of an R&D base in the United States to research market trends, advanced technologies, services, and products; becoming a CTC subsidiary in 2012; focus on support of startup companies in their business expansion in Japan and approach to Japanese companies

2005
Establishment of the Technical Solution Center, with a capability in comprehensive technology verification

2006 Management integration
Reinforcement of service frameworks to develop a comprehensive lineup of IT services covering all layers of technology

Exploration of climate change- and renewable energy-related technologies

1992
Receipt of Japan's 34th commercial meteorological forecast license and entry into the weather forecast business

1996
Launch of Weather Eye, Japan's first weather information website, using a proprietary meteorological forecast model

2004
Entry into wind and solar power businesses by utilizing meteorological forecast expertise; acquisition of a patent for wind turbine location selection methodology

System integration by the Cloud computing technology and venturing into balancing scalability / security

2008
Commencement of R&D of Cloud technologies; start of Cloud service initiatives beginning with the launch of the TechnoCUVIC public Cloud service utilizing CTC's data centers



CTC's predecessors were commercializing scientific computation services when computers were still in their infancy. Undertakings over the years have included contributing to government projects with analytical technologies and computer simulation technologies to design the elevated tracks for the Tokaido Shinkansen, which started service in 1964. We also proceeded to acquire technologies in response to social issues, identify unmet needs, and thereby create markets. Examples of such efforts include the design of anti-pollution measures and skyscraper structures and the analysis of weather patterns, earthquakes, and tsunamis. This proactive approach can be traced back to our early days.

It is now taken for granted that government documents are printed by means of computers. This is because computers were introduced at municipal government agencies across Japan over the 1960s and 1970s. CTC supported the spread of computers by helping to digitize names and addresses, leading eventually to the development and supply of Japanese input systems (which added the functionality needed to type Japanese characters to input systems developed in the United States) as well as dedicated keyboards for use with the systems. Moreover, we established some 50 bases to support municipal government agencies in the input of such data, giving rise to CTC's reputation for supply maintenance and repair services after products were sold.

In 1983, when the idea of networks was still new, CTC turned its attention to the Sun (Stanford University Network) Workstation developed by Stanford University. By writing UNIX instruction manuals for the Sun Workstation, our engineers helped to spread the use of this system in industrial and office settings. It was also around this time that we took part in an experiment to use the Sun Workstation in the telecommunications field. Later, in 1992, we entered into the network system field by concluding a sales agreement with Cisco Systems, Inc., before arranging a similar agreement with Netscape Communications Corporation in 1995, at the outset of the internet era. When the prevalence of personal computers began to grow rapidly, we undertook the verification of Intel

architecture and Windows operating systems, leading us to merge existing technologies and evolve into a multi-vendor that offered the products of numerous vendors.

The improving performance of microprocessors gave rise to a conception of virtual machines in which one computer would be shared among multiple users, a concept that became a reality for UNIX and Windows systems in the 2000s. CTC responded to this trend by becoming the first global system integrator to conclude a sales contract with VMware, Inc., in 2008. This relationship encompassed Cloud services, prompting us to launch our TechnoCUVIC proprietary Cloud services in 2008, before Amazon Web Services became a staple in Japan. Our services continue to evolve even today.

2010s

Advancement of AI and digitalization
Global transition toward sharing economies

- 2011 Great East Japan Earthquake
- 2015 Introduction of the United Nations Sustainable Development Goals
Adoption of the Paris Agreement at the United Nations Climate Change Conference
- 2016 Introduction of the personal identification number system in Japan
- 2017 Announcement of comprehensive 5G verification tests by the Ministry of Internal Affairs and Communications

2020s

Resolution of issues pertaining to the environment, globalization, population aging, and birthrate declines through society-wide co-creation

- 2020 Global COVID-19 pandemic
Popularization of teleworking and remote meetings
- 2021 Announcement at the United Nations Climate Change Conference of a goal of cutting greenhouse gas emissions by 46% from the fiscal 2013 level by fiscal 2030
Semiconductor shortages sparked by lockdowns in China
- 2022 Rising energy prices due to Russia's invasion of Ukraine

Creation of global structures in Asia

2013
Acquisition of two IT companies with broad customer bases and diverse technological capabilities in Singapore and Malaysia, to grow global operations and enhance global support for customers

2017
Acquisition of an IT company in Thailand to further strengthen operations in Southeast Asia

2019
Acquisition of two IT companies in Indonesia to install **system integration structures that comprehensively encompass the ASEAN** region, which is expected to see rapid growth in the IT industry



2021
Enhancement of the "OneCUVIC" Cloud service; collaboration with IBM Japan, Ltd., to improve flexibility and security in the service application field

2022
Start of the provision of local 5G verification testing infrastructure

Development of new businesses through co-creative innovation

2014
Opening of the CTC Security Operations Center and launch of managed security services

2017
Establishment of the Institute of Open Innovation Research "MIRAI" to research and develop advanced technologies and create new business models, and opening of the **DEJIMA** dedicated space for innovation in Tokyo in October 2017, to respond to demand from customers seeking to develop new businesses



2018
Opening of a **dedicated space in Tokyo and Aichi Prefecture** as part of initiatives to expedite development processes and achieve flexible and **agile development**, giving rise to CTC's reputation for using agile development to respond to the needs of customers seeking timely releases of applications

2021
Establishment of the Business Innovation & Digital Transformation; creation of new business models together with customers, while supporting their digital transformation by utilizing DX and open innovation business development insight

Exploration of renewable energy-related technologies

2011
Launch of the **E-PLSM Cloud service** to support smart communities and contribute to the realization of a **low-carbon, energy-efficient society**



2013
Receipt of the New Energy Foundation Chairman Award in the New Energy Award program together with Tohoku Electric Power Co., Inc., for introducing a wind power generation output prediction system into power grid management processes

Cultivation of human resources to support the future

2019
Establishment of the ITOCHU Techno-Solutions Future Foundation as one facet of efforts to develop human resources to shape the future of IT and contribute to society through business activities

2021
Commencement of the verification of aggregation business encompassing the prediction of generation volumes for solar power, wind power, and other forms of renewable energy and supply to business operators

2021
Conclusion of a partnership agreement with data center business operators to evolve data center businesses

Anytime a turning point was reached with regard to IT, CTC was quick to respond together with customers. Since our founding, we have been driven continually by a sense of curiosity with regard to constantly evolving technologies, as well as a pioneering spirit that inspires us to combine technologies to contribute to resolving social issues. This outlook is imprinted in the very DNA of CTC.

When searching for ways that CTC can contribute to the future, one option we have identified is to provide infrastructure that allows for the exhaustive use of Cloud-native technologies. Virtual machines and the associated virtualization technologies have become commonplace, but these technologies emerged originally with the goal of helping use the finite resource that is a computer in

the most efficient way possible. Installing multiple operating systems on a single computer is more efficient than giving everyone their own high-spec computer. These technologies are based on the principle of sharing resources to boost efficiency. Cloud-native environments allow users to take advantage of the services they need only when they need them, meaning that services can be provided in smaller increments. This approach is significantly more efficient and affordable than assigning everyone a virtual machine that includes both an operating system and applications. This approach also allows for a massive increase in the number of users sharing a single system.

If society comes to trust Cloud-native environments, it could create a new use for cryptocurrency as well as for the conventional currencies that reflect the nation's value. Moreover, a sufficient reduction in the costs of using such infrastructure would conceivably make these systems more accessible to people who currently lack access to IT, thereby helping to reduce the digital divide. Accordingly, CTC believes that the society of the future will come to be defined by words such as "sharing economies," "barrier-free," and "universal."

If Cloud-native technologies are utilized in the true sense, this is expected to expand the number of people with access to IT as well

as the number of services provided on a segment basis. This situation will create a greater need for environments that guarantee user safety and peace of mind. Thus, it will be vital for CTC to continually monitor all of the services it provides to supply maintenance and improvement functions when necessary.

In the future, therefore, we expect that CTC will need to offer observability services that allow for the monitoring of entire environments while providing the IT infrastructure that supports society. This is how CTC will evolve in its journey to respond to the needs of society.

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 following code set forth:

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 Force and Organizations
9. Reporting and Preventing the Recurrence of Violations
10. Taking the Initiative and Setting Good Examples

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Editorial Policy

CTC's corporate mission is "Leveraging IT's potential to change future for the Global Good." In Integrated Report 2022, 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 the 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 off, 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.

Message from the President

Writing stories for the future,
together with our colleagues

Ichiro Tsuge President & CEO

Vision of Our Future Crafted While Looking Back at the Past Five Decades

Five decades have passed since the founding of CTC. With this milestone, I am reminded of the importance of learning from the past. Journalists and analysts often ask me about CTC's strategies for achieving ongoing growth. When responding to their questions, I like to focus on the idea of our path as representing a "story," while reflecting on our history and considering our future. The reason I emphasize the concept of a story rather than strategy is because the latter comes from the world of war. Companies, however, are not at war. Moreover, even if we could be thought to be involved in a type of "war," it must be recognized that we will lose sight of the reason for which we are fighting if we are not guided by an overarching story.

If we define victory as moving toward the No. 1 position in our field, we can envision strategies such as partnering with other companies. However, the current era is one in which the definition of "victory" is becoming more ambiguous and more difficult to express. Accordingly, the idea of formulating a "strategy" to achieve "victory" is outdated. It is for this reason that I want CTC to be a company that speaks in terms of stories, as opposed to strategies.

It is often said that "competition is for losers." Based on this belief, I think CTC should first formulate an outlook for the world, and then base its products

and solutions on this outlook. This is the approach we should take in escaping from competition and transforming ourselves into a one-of-a-kind company. To go even further, I want us to think, on both the individual level and the business group level, about what it is we can do to respond to the changes taking place in society and humanity.

However, we cannot expect to craft one story for the entire Company. Micromanaging everything is impossible for a company on the scale of CTC, and even trying to do so would lead to flawed decisions. Management should not be the only author of our story; every employee should also have their own. Our medium-term management plan describes the three verbs of Accelerate, Expand, and Upgrade. That is why we leave it to employees to determine the object, to be affected by these verbs.

The new stories we craft in these years to come should be continuous with the previous one and an extension of that. What will change is the stage of society and business on which we base these stories. Our medium-term management plan, which is scheduled to conclude with fiscal 2023, marks a break in our current initiatives. What we do thereafter will take place on a new stage for the Company, under the title of what we might call CTC 5.0.

Contributions to Society with IT

One characteristic of this new stage will be an increase in data-related businesses as we return to the basics for IT. Currently, data are collected, stored, processed, analyzed, and used for applications such as simulations. In the future, we expect data to be used to create new innovations. Data distribution technologies will likely evolve to allow for data to be shared instantaneously, and there will be an ever-stronger need for information security and data accuracy. Artificial intelligence (AI) will have a role to play in meeting these needs. Eventually, quantum computing could be practically used for these purposes as well. We have already seen actual usage of satellites to collect and store data. It can therefore be expected

that the scope of IT businesses will expand to include space in the years to come.

Healthcare is among the specific areas of business that we will explore. This is a field where CTC will find opportunities on which to capitalize. It could even be said to be an area where we have a duty to contribute. As populations age, there will be a rising need for better access to healthcare services. I believe that IT can help to address this need. CTC's Life Science Division is engaged in the development of databases that can be used in basic drug discovery research. This puts us in a position to contribute to increased efficiency in developing new drugs. Meanwhile, our Science & Engineering Systems Division is involved in

Message from the President

the creation of R&D platforms for new materials.

There was a report that a Japanese hospital lost access to the electronic medical records of patients following a ransomware attack. The hospital was forced to pay a ransom to recover the information. This incident suggests that one of the many areas where CTC can contribute is security measures to protect such medical records.

Another area where we can contribute is so-called green transformation (GX). This transformation entails a transition to green energy that does not emit greenhouse gases. The government of Japan has announced a goal of achieving carbon neutrality by 2050, and accordingly it has begun to enact green

growth strategies. However, even without such government action, green transformation is an area where there are several issues we need to tackle and we are poised to make vital contributions. For example, CTC has years of experience in the field of simulations for wind power generation. We have thus amassed significant insight on the peripheral aspects of analyzing climate change and natural phenomena. In 2021, we created a taskforce on this front, and activities through the taskforce have been launched. The simulation field has been positioned as a future business pillar, and we seek to develop a lineup of around 20 solutions for this field over the medium term.

Reappraisal of Partnering with Techs in Silicon Valley

CTC aims to once again find partners from tech companies in the U.S. companies. Currently, the U.S. IT industry leads the global market through the presence of IT giants such as Alphabet Inc., Apple Inc., Meta Platforms, Inc., and Amazon.com, Inc. Should the recent interest rate hikes drain some of the energy from the previously brisk market for initial public offerings, it could signal an end to the period of establishing companies on a whim and then growing and selling them based on the initial momentum. This would result in an era in which only those companies of substance survive. In such an era, I expect that there will be opportunities for CTC to find promising partners.

CTC's business differs from that of venture capital funds, which simply buy businesses, or rather, spend

money to make money. For us, what is important is people. I believe that there are still a number of potential partners with whom we can team up as colleagues on equal terms. I therefore think that we are now at a point where we should turn our eyes once again to the U.S.-based tech companies and reevaluate what it means to partner with such companies. In searching for such partners, we could utilize our networks of interpersonal connections with the inner circles of Silicon Valley to find people in specific fields who share our aspirations, or who have technical prowess with an affinity for our story about becoming a one-of-a-kind company. By combining our technologies with those of such partners, I hope to create and promote new solutions.

Cultivate Human Capital to Create the Future with Technology

In our next stage, the most crucial management capital will be human resources. Specifically, we need people who are proficient in developing businesses, attracting new colleagues, and working together with them. If we need money, we can get it. People, however, are not so easy to come by. In fact, I would say that we currently face a lack of people. We will be implementing a number of initiatives in the years to

come. There is thus a need to bolster our employee base to meet future staffing needs.

In the past, it was common for corporate managers to view employees as a cost that needed to be controlled. Today, however, this convention is no longer applicable. Companies now need to become places that new graduate job seekers see as the great places to work. Achieving this requires

“ Digital ethics guiding the use of technology for the benefit of people and the planet ”



companies to communicate clear messages. Included in these messages should be the promise that the company will be a place where they can learn and chase their ambitions to attract promising customers and advance their careers.

The need to develop human resources transcends all boundaries. A company cannot grow if its people do not develop. Therefore, if we want to contribute to society, we will need to put in the work to ensure that our human resources continue to evolve.

I would like to talk a little about a technical college, Kamiyama Marugoto College of Design, Technology, and Entrepreneurship, scheduled to open in Tokushima Prefecture's town of Kamiyama in April 2023. Based on a proposal by Sansan, Inc., founder Chikahiro Terada, the technical college is envisioned to be a boarding school with an aim of combining technology and design with a fusion of faculties of engineering, fine arts and business administration. In order to make the school tuition free, it is inviting companies to invest in the fund, and CTC has decided to contribute to the fund. The fund money will be invested, and the profits will be used to run the school. Mr. Terada and other entrepreneurs involved in establishing the school can invite top-notch teachers and entrepreneurs as lecturers for students to learn technologies, design, and entrepreneurship. If there are 40 students in one grade, and 10 companies contribute to the fund, 4 of them will be financially supported by CTC as its scholarship students. In the future, we hope to play a more proactive part in

this school that goes beyond merely investing. For example, when the first-year class moves on to its second year, we may offer internship programs in which our engineers act as instructors.

We are now in an era where businesses need to concern themselves with more than just numbers; they must also have a strong sense of ethics and esthetics. When young people graduate from junior high school, they are at a particularly sensitive stage of development, during which they can absorb a range of different values, just by being exposed to them.

Moreover, ethics will form a cornerstone of the next stage of the IT industry. I have heard that people in the U.S. and Europe have high ethical expectations for Japan. This may reflect the efforts of Japanese players / spectators cleaning up the soccer stadium after a game or the diligence with which Japanese people have been wearing masks during the COVID-19 pandemic. Professor Jun Murai of Keio University has even put forth the idea of a digital code of ethics. I anticipate that healthy digital ethics will inspire us to use technology for the benefit of people and the planet. Technology must not be used for war, and AI must not be utilized for unethical purposes. The approach toward learning taken by the engineering school in Kamiyama, I feel, is indicative of healthy digital ethics. The essence of CTC lies in combining digital ethics with business ethics, and I believe the United Nations Sustainable Development Goals (SDGs) will overlap with those paths to code of ethics.

Message from the President

“Strengths of CTC forged by our predecessors”



Strengths Born from Synergies among Our Colleagues, Customers, Technologies, and Culture

When I consider the company CTC has grown into over the past five decades, I conclude that our strengths can be defined as born out of synergies among our colleagues, customers, technologies, and culture. By colleagues I mean our employees, nearly 70% of whom are engineers, as well as our prominent vendors and partners. Our customers are predominantly companies that represent Japan, and we have served these customers for years. Our technologies are just that: the technologies we have fostered over the years. Lastly, our culture is a culture of tackling new challenges.

There have been several stages in the evolution of our technologies. At one stage, we focused on hardware. In this stage, CTC became a distributor in Japan to broaden the scope of application of the products of Sun Microsystems to include a wide range of industries. Next came an internet stage. When the internet was still in its infancy, our engineers were responsible for introducing it to users throughout Japan. The following stage involved network technologies, a natural progression from the internet. Partnering with major telecommunications carriers from the research phase, CTC became an integral part in the launch of mobile internet services of telecom carriers in around 1999. This was just one of our successes in this stage. Today, we are seeing the installation of 5G technologies throughout society, giving rise to a new era of Cloud computing. In this era, the rapid increases in chip performance are

making a range of devices more affordable. Furthermore, the popularization of digital transformation (DX) is expanding the spectrum of business opportunities available to us.

CTC's evolution mirrors the evolution of technologies. By this I mean that we have always been on the forefront of technologies, supplying the technologies needed in any given era. The environment and issues surrounding our customers change at break-neck speed. Our ability to remain at the forefront is thus a testament to our commitment to transforming and tackling new challenges based on a steady grasp of the trends seen in society and technologies. If you ask how we have succeeded in winning the trust of customers, you would get a lot of different answers. Nevertheless, I think that our perseverance would be a common thread running through these answers. Another factor behind our success is our dedicated efforts, together with frontline organizations, to ensure that customers feel peace of mind when they turn to CTC for their IT needs. This concerted effort and reliability are the building blocks of CTC's corporate culture.

Two years have passed since I became president. Over these two years, I have found a new respect for the strength of CTC, which is underpinned by excellence in the four areas of colleagues, customers, technologies, and culture. Moreover, all of the employees I have had the honor to work with have been talented businesspeople. They have also been

reliable colleagues with well-thought-out views who are proficient at offering concise explanations of issues. It is rare to see companies like CTC that has many leading companies in various industries as its customers. The fact that CTC has continued to be supported by such a diverse range of prime customers throughout its five-decade history is definitely something that warrants mention.

At the same time, we are blessed with a wide range of options for making use of our technologies.

CTC can develop infrastructure, networks, and other IT platforms, and we also enjoy capabilities in IT services related to science and engineering. Simulations for the decommissioning of nuclear reactors are one example of our services. In these simulations, we use a digital twin approach to recreate nuclear power plants through 3D models, based on the exact dimensions of the equipment. These simulations help to shorten the time needed to perform actual work inside the reactors.

Approach to an Uncertain Era

CTC succeeded in delivering impressive financial results in fiscal 2021. In general, fiscal 2021 was a good year for Japanese companies, with many posting record-breaking earnings. Six months down the road, however, we are likely to see disparities in performance among companies as a result of rises in the prices of electricity and goods. In fact, since the beginning of 2022, the Corporate Goods Price Index has consistently been 9% higher than in 2021, and it approached a level 10% higher in April. Prices are also soaring for crude oil and other resources. These factors render the outlook uncertain.

Rising electricity prices have a direct impact on CTC. Concurrently, many of our customers conduct business with companies that are easily affected by changes in the prices of goods. Both factors warrant caution. In uncertain times, it is important to communicate with customers to update our understanding of the initiatives at hand and their progress in

preparing for the future. If our caution and preparations are shown to have been needless worries, that will not be a problem.

In this respect, we must take care to not become overly pessimistic. Instead, we should take a cautiously optimistic approach toward the uncertain era, and this approach should inform our ambitious, forward-looking efforts. Acting in accordance with our slogan of "Challenging Tomorrow's Changes," we should be proactive in advancing toward our next stage.

I would like to take this opportunity to thank you for your support of CTC as we seek to continue expanding our corporate value while tackling new challenges.

President & CEO



Contributions to a Sustainable Society through Our Business

Today's society faces a number of challenges, including increasingly severe natural disasters resulting from climate change, poverty, hunger, growing social discrepancies, international conflict, and birthrate decline and population aging in Japan. In 2015, these issues prompted the United Nations to adopt the Sustainable Development Goals (SDGs), a set of goals aimed at creating a better and more sustainable society in the years leading up to 2030.

IT began to evolve rapidly in the late 20th century, and these technologies have helped to resolve a number of social issues over the years. However, IT has also contributed to the societal divide between people who can take advantage of the technologies and those who cannot. Moreover, AI technologies are starting to become a source of concern for the future.

CTC is earnestly committed to helping overcome these challenges and realize a sustainable society through its business.

Sustainability Policy

Technology and *Waza* (Unique Skillset) for the Future

The CTC Group will fulfill its mission, "Leveraging IT's potential to change future for the Global Good," and aim to achieve a sustainable society.

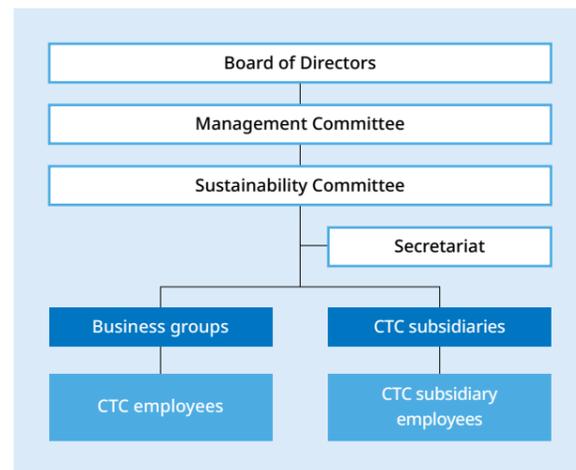
The Group will undertake the creation of a society in which many people can benefit from digital technology and *waza* (a unique skillset), which will be used to take advantage of them.

What is more, by expanding the possibilities of IT, the Group will contribute to the resolution of challenges found in the global environment and society.

Sustainability Promotion Structure

The CTC Group advances sustainability initiatives primarily through its Sustainability Committee, an advisory council to the Management Committee. The committee is composed of members selected from among specified business groups and consolidated subsidiaries. Meetings of the Sustainability Committee are held at least twice a year and tasked with reviews of current initiatives and deliberations on future initiatives.

In fiscal 2018, we renamed the CSR Committee as the Sustainability Committee. In fiscal 2022, the membership of the Sustainability Committee was increased by six and representation among women and junior employees was bolstered to better incorporate diverse viewpoints. This committee is tasked with initiatives that go beyond conventional social contribution, pursuing the resolution of social issues through our business activities.

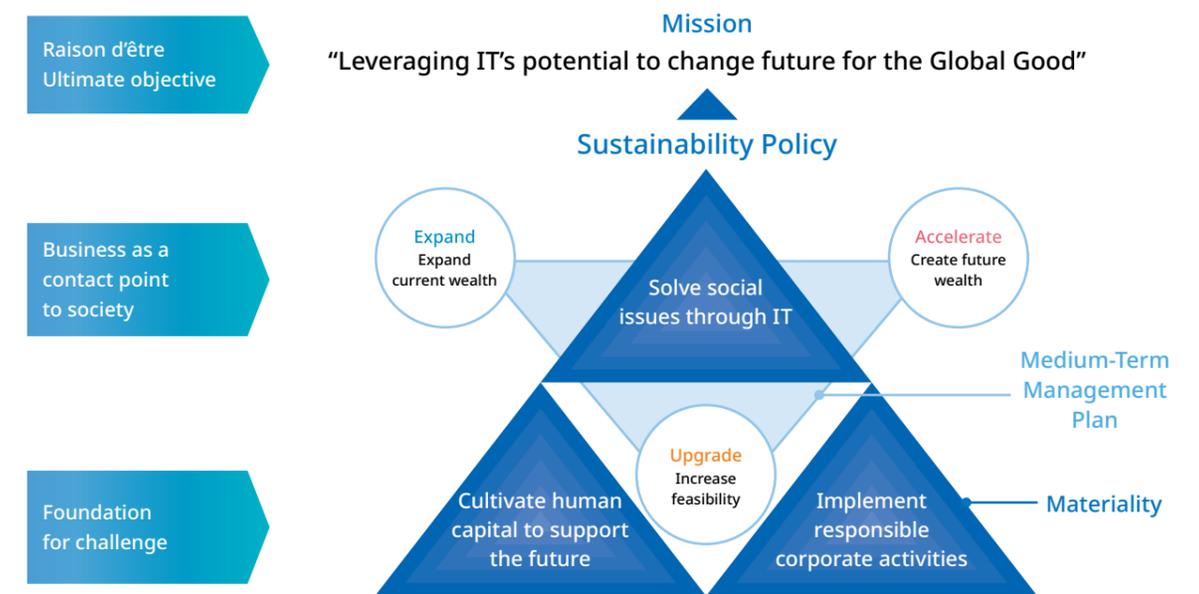


Promotion of Sustainability

CTC has set forth its Sustainability Policy as a guide for its distinctive initiatives and values in the pursuit of a sustainable society and the fulfillment of its corporate mission of "Leveraging IT's potential to change future for the Global Good."

In addition, we defined our materiality as the priority issues to be addressed in fulfilling our mission over the medium to long term. For our materiality, we sought to make the issues central to our value creation process and the medium-term management plan, so that they could be linked directly to our corporate activities and so that initiatives to address them would create value for society.

Moreover, our materiality was based on a vision for the future a decade from now. Shaped by the desire of management to define issues that future generations will be able to address through autonomous thought and action, we incorporated objective input from a wide variety of external stakeholders. In addition, we actively embraced input from the employees who are likely to hold management positions 10 years later from now, with a view of frontline operations. By combining this variety of perspectives, we sought to define materiality so that everyone at the CTC Group could feel a strong connection with it.

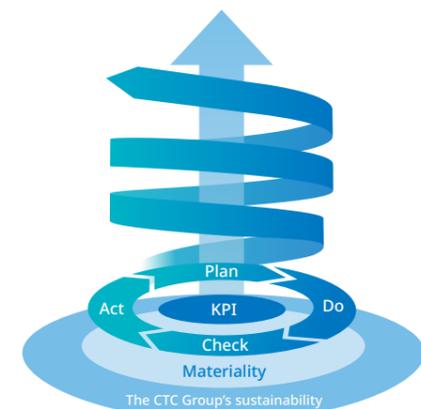


Dissemination of Materiality and Improvement of Effectiveness

For our materiality, we have defined key performance indicators (KPIs) and targets to guide business growth and the creation of social value based on discussions by the Sustainability Committee. Initiatives to accomplish these targets are being advanced based on a plan-do-check-act (PDCA) cycle through our sustainability promotion construction. Moreover, proactive disclosure of information on these initiatives is practiced to acquire input and feedback from a variety of internal and external stakeholders, for use in the continual verification of the appropriateness of our materiality and related initiatives.

In addition, the president and the CTO prepare videos (in which they discuss and explain our materiality) that are distributed to employees through venues such as company newsletters and the intranet.

We will continue such efforts focused on boosting internal awareness with the goal of increasing the effectiveness of our materiality initiatives.



Participation in the United Nations Global Compact

In July 2015, the CTC Group became a signatory to the United Nations Global Compact (UNGC), an initiative to achieve sustainable growth in the international community. We will meet our responsibility to contribute to the global good in accordance with the UNGC's 10 principles, which cover such areas as human rights, labor, the environment, and anti-corruption measures.

<https://www.ctc-g.co.jp/en/company/sustainability/approach/global-compact.html>



Contributions to a Sustainable Society through Our Business

Materiality KPIs and Targets

The materiality targets and KPIs have been set to gauge the degree to which our daily activities contribute to our materiality initiatives.

By reviewing the results of our materiality initiatives and engaging in discussions with employees and other stakeholders, we will identify any issues with our current initiatives, while seeking to reaffirm our vision for the CTC Group. In this way, we can pursue the initiatives and concrete targets that best contribute to the accomplishment of our vision.

This process will be used to earnestly assess how our business activities contribute to the fulfillment of our mission and advance materiality initiatives.

Our progress in accomplishing initiative targets has been evaluated through three-level self-assessments. These assessments found that numerous initiatives have been contributing to the accomplishment of our materiality targets and that we have been making sufficient progress and generating satisfying results in this regard. The results of the assessment will be used to accelerate future initiatives, in order to enhance our efforts to contribute to the resolution of social issues.

Evaluation levels
 ○ : Targets generally or completely accomplished
 △ : Some progress, but targets not accomplished
 × : No progress

Solve Social Issues through IT

Targeted SDGs



Material topic	Target	KPI	Fiscal 2021 progress
Relentless pursuit of advanced technology	Provision of cutting-edge technologies*1 that contribute to the resolution of social and customer issues	Number of press releases issued and progress of measures	○ • Provided quantum, grid computing, observability, digital twin, virtual radio access network (vRAN), and other cutting-edge technologies • Conducted verification tests to commercialize technologies and trials using CTC offices as models • Issued 22 press releases
Promote business co-creation with various partners	Development of co-creative businesses*2	Number of press releases issued and progress of measures	△ • Commenced development and provision of new services with partner companies to support processes ranging from introduction to operation of voice bots • Launched a joint business with a Cloud operating company to respond to hybrid Cloud needs • Created frameworks for high-transparency transactions using blockchain technology together with customers • Issued two press releases
Provide safe and secure IT services	Provision of user-friendly and easy-to-use IT services (user interface, user experience, security, etc.)	Number of press releases issued and progress of measures	○ • Commenced development and provision of services that support lines of business (LOB) for customers and safe and secure lifestyles for consumers, including AI-powered bot services, automated 3D layout generation services, product catalogs that utilize position information, IP transceivers, and Cloud-based whiteboard services • Issued 13 press releases
	Improvement of Companywide project quality, operational quality, and service quality	Progress of measures and results of customer satisfaction surveys	○ • Shared quality improvement expertise through regular information exchanges between CTC Group companies • Conduct activities to maintain and improve quality, such as internal verification of source code during the application development process to detect errors and problems in advance • Received the highest-ever rating in quality-related customer satisfaction surveys
	Support stable and reliable go live and operation of customer systems	Progress of measures and number of serious system failures*3 attributable to CTC	○ • Implemented a quality control PDCA cycle, with involvement from divisions responsible for stable operation of customer systems • Revised quality-related training systems and introduced new training sessions. • Conducted internal audits and quality improvement initiatives • Logged zero serious system failures attributable to CTC

*1 Cutting-edge products and services for which introduction or use is still rare in Japan

*2 Creation of new products, services, platforms, etc., via collaboration through equal relationships with customers, partners, etc.

*3 System failures with the potential to significantly impact the Company's sales activities through administrative or criminal penalties, claims for compensation, litigation, reputational damage, etc.

▶ For more information on CTC's materiality, please refer to the "The CTC Group's Materiality (material topics)" page of our corporate website:
<https://www.ctc-g.co.jp/en/company/sustainability/materiality/>

Cultivate Human Capital to Support the Future

Targeted SDGs



Material topic	Target	KPI	Fiscal 2021 progress
Develop various professionals	Job rotations that contribute to career development	Progress of measures	○ Installed an information platform to assist with job rotations and relocated three employees through an in-house job posting system
	Development of programs to accelerate the cultivation of human resources with DX	Progress of measures	○ Created the DX Human Resources Creation Program and actively provided information on the latest technologies within the Company
Foster a culture of mutual respect and growth	Holding of seminars and provision of information based on the Basic Policy on Diversity	Numbers of events / communications	○ Arranged three open seminars for all Group members including top management to raise awareness on diversity
	Recruitment and promotion of female managers, people with disabilities, and non-Japanese individuals	Progress of measures	○ Implemented a career sponsorship program for women and new initiatives to expand the scope of duties performed by people with disabilities
	Improvement of employee engagement	Progress of measures	○ Promoted increased communication through one-on-one meetings, town-hall meetings, and a number of other initiatives
Contribute to education of human capital that creates the future	Coordination with outside partners to train IT personnel	Progress of measures	○ Coordinated with universities on internships, exchange events, and other activities
	Expansion of support for the ITOCHU Techno-Solutions Future Foundation	Growth of financial contribution and progress of measures	○ Increased donations by 8% year on year to expand project support, and developed teaching materials to support IT education
	Continuation of programming classes for children—the Children's Technology Challenge IT workshop classes—	Number of workshops	○ Held seven remote workshops amid the COVID-19 pandemic by realizing an online teaching approach

▶ For more information on initiatives to develop various professionals and foster a culture of mutual respect and growth, please refer to:

□ P.59 Human Resources Strategies and Human Resources Strategy: Detailed Report:
<https://www.ctc-g.co.jp/en/company/ir/library/annual/index.html>

Implement Responsible Corporate Activities

Targeted SDGs



Material topic	Target	KPI	Fiscal 2021 progress
Strengthen effective governance	Improvement of the effectiveness of corporate governance	Results of effectiveness analysis and evaluations	○ Conducted an analysis of evaluations about effectiveness of the Board of Directors through questionnaire responses from directors and Audit & Supervisory Board members. The analysis confirmed the effectiveness of the Board.
	Oversight of and support for domestic and overseas consolidated subsidiaries	Progress of measures	○ Monitored management of consolidated subsidiaries by dispatching Audit & Supervisory Board members and offering advice and conducting inspections when introducing systems
Contribute to address climate change	Climate change countermeasures (identification of and response to climate change-related risks and opportunities)	Progress of measures	○ Disclosure of information in line with the TCFD framework, and continuation of activities of the GX taskforce and other concrete initiatives
Practice responsible behavior by each individual	Engagement with employees (town-hall meetings, etc.)	Number of engagement activities	○ Held town-hall meetings and established the NEXT CTC Project as a forum for considering the future of the CTC Group
	Conducting of Companywide training (to improve understanding and awareness on compliance, information management, and the environment)	Training participation rates	○ Achieved a 100% participation rate for Companywide training
	Implementation of new initiatives to improve employee awareness	Progress of measures	No progress, since this target was introduced in fiscal 2022

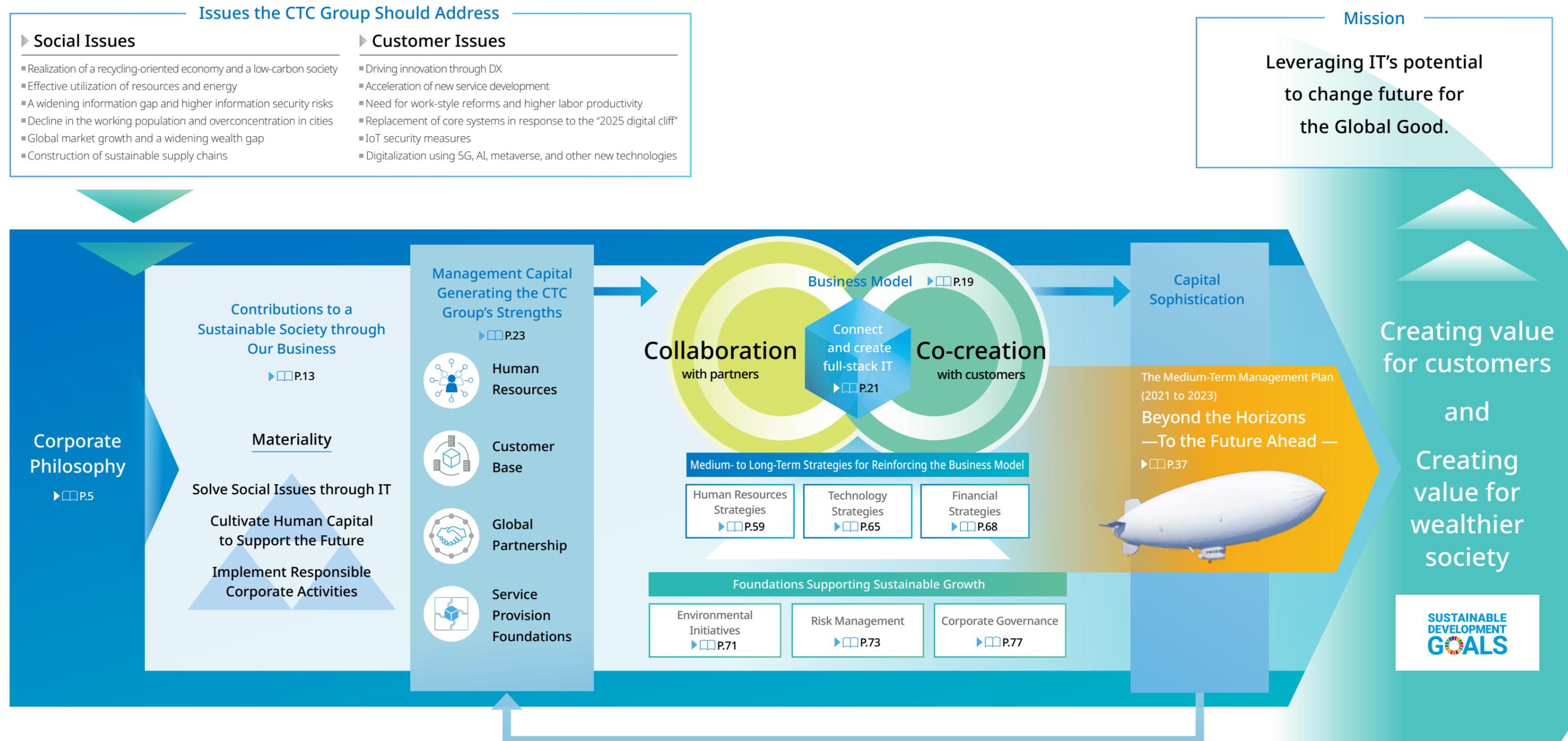
▶ For more information on initiatives to contribute to climate change countermeasures, please refer to:

□ P.72 Environmental Initiatives "Climate Change Countermeasures" and the "Response to climate change" page of our corporate website:
<https://www.ctc-g.co.jp/en/company/sustainability/environment/climate-change.html>

Value Creation Process

The CTC Group's corporate mission is "Leveraging IT's potential to change future for the Global Good." As stated in this mission, we are committed to mobilizing our unique strengths to address the issues of customers and society through our business.

While setting our sights on continuing to create value over the long term on the basis of our materiality—which is closely linked to the corporate mission—we will proceed with bold advances in our business model—a competitive advantage of the Group—and accelerate such efforts under our medium-term management plan. By refining the CTC Group's unique management capital through this process, we will continue to enhance our corporate value.



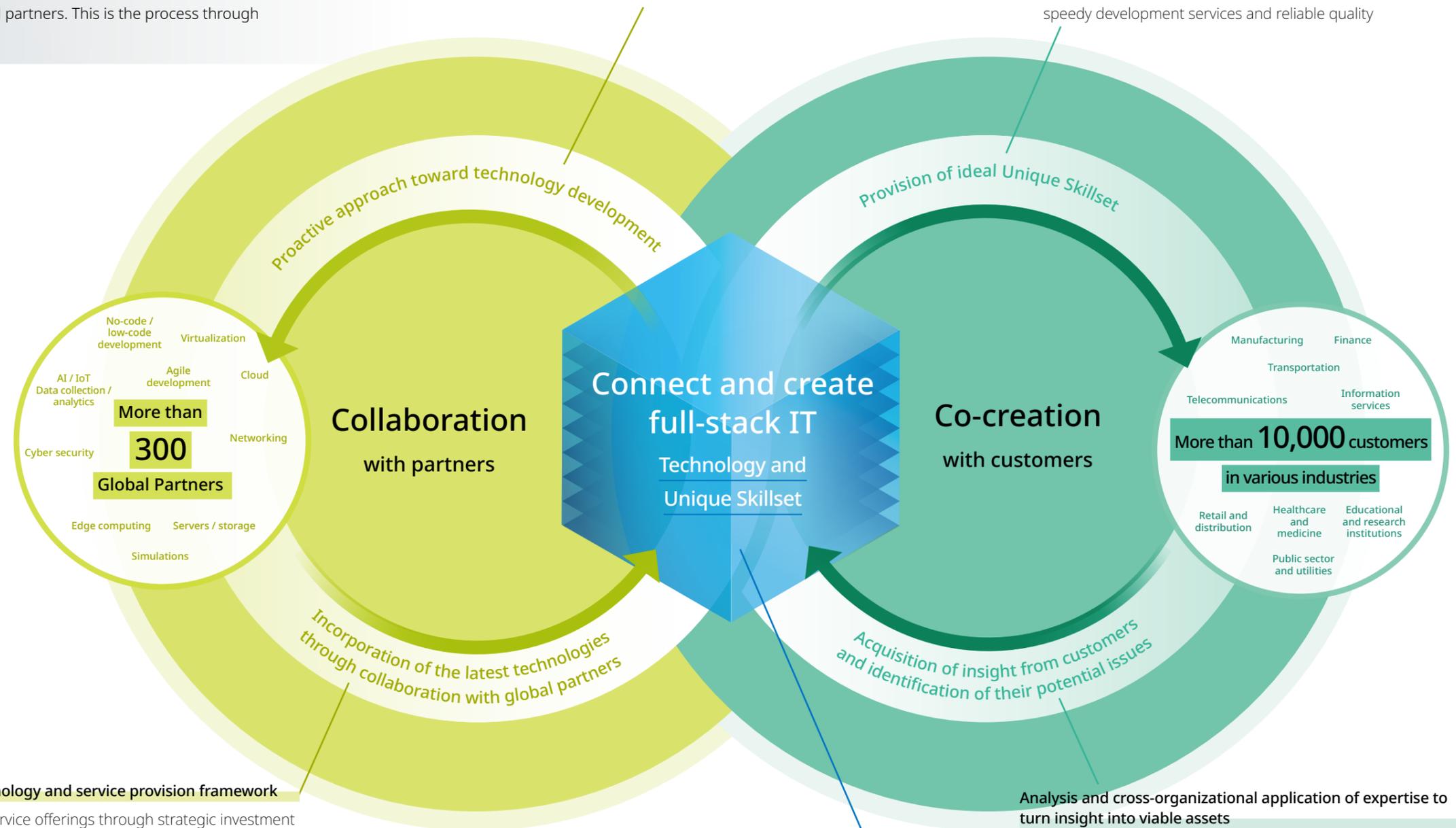
Business Model for the Constant Evolution of Technology and Unique Skillset

Business Model Generating Value Cycle Connecting Customers and Global Partners

Since its founding, CTC has maintained a focus on customer issues, which has guided it to seek out superior products and services from around the world while offering services ranging from technical verification to maintenance support, with us now even offering operation services. Focused on this business model for supplying customers with sophisticated technologies, we have long been committed to moving forward together with our customers and partners. This is the process through which we have grown the value that we provide.

Combination of Technologies and Unique Skillset Value Chain for Nurturing Full-Stack IT

Sometimes the evolution of our business has been spurred by an issue faced by a customer. At other times, the catalyst has been the discovery of some new technology or solution. Activities are often the result of communication within the Company, but it is not uncommon for these activities to be the result of technical surveys conducted based on consultations from vendors and partners with which we have not had prior transactions. It is for this reason that it is so important for CTC to capitalize on the perspectives and technical skills of all of its employees as well as the ingenuity and creativity they generate. Our approach toward Full-Stack IT involves assembling a team with diverse technical skills to combine these skills and produce Unique Skillset. We cultivate this full-stack IT through our daily efforts, and this strength allows us to continue to create diverse value.



Communication of market trends and customer needs to vendors

- Communication with top management of hyper-scale vendors

Expansion of the network in Silicon Valley

- Exploration of the latest-technologies through U.S.-based ITOCHU Techno-Solutions America, Inc.
- Utilization of the ITOCHU Group's network

Provision of forums to produce DX-related ideas

- Creation of opportunities for interactions between customers and domestic and overseas startup companies through the innovation space DEJIMA
- Support for DX design through "build services"

Flexible and wide-ranging service structures for supply of combinations of necessary technologies and resources

- Group frameworks to provide services from upstream to downstream
- Collaboration with system integrator partners that deliver speedy development services and reliable quality

Investment in technology and service provision framework

- Enhancement of service offerings through strategic investment and collaboration
- Acquisition and implementation of vendor technologies and reinforcement of relationships with vendors

In-house development of services that link technologies

- Development of "OneCUVIC" and other new Cloud integration frameworks
- Establishment of technology verification environment and development of security services

Technology research activities

- Sharing of knowledge and technologies and community building through "Dojo," founded on intellectual curiosity
- Cross-field study groups on the latest technologies

Analysis and cross-organizational application of expertise to turn insight into viable assets

- Methods for in-house project progress management and running PDCA cycles for continuous improvement
- In-house project award systems and creation of opportunities to share knowledge

Identification of clients' potential needs

- Routines that make it easier to identify issues faced by clients through our maintenance and operation activities
- Deepening understanding of customer businesses through communication with user divisions

The CTC Group's Strengths

Connecting Technologies and Unique Skillset Full-Stack IT

In the current era, where we are constantly seeing the emergence of new technologies, ensuring that we can implement more ideal services requires us to be able to combine a varied range of services in an effective and timely manner. The CTC Group has developed a full stack of IT services, and the technologies and unique skillset for connecting these IT services are a culmination of management capital that we have refined over the years. The CTC Group's strength lies in the trusting relations we build by working with customers to address their issues; the technologies, expertise, and strategies that we share with vendors and partners; the service provision foundations encompassing all of our service and technology layers; and the human resources, who organically combine these strengths as they tackle new challenges in search of resolutions to customer and social issues.



Global partnerships with companies around the world, ranging from startups to global vendors, in various IT layers that compliment our technology offerings and capabilities to address contemporary trends, and help us to nurture them. The partnerships therefore enable us to develop and supply even better services.

Types of Services and Products Supplied by the CTC Group

More than **300**

Vendors for Whom CTC Is the Largest Reseller in Japan

15

Vendors Who Have Assigned CTC Their Highest Rank for Partners

41

Number of System Integrator Partners around the World

Approx. **1,000**

Diverse **human resources** that embody our slogan of "Challenging Tomorrow's Changes" by continuously tackling the challenge of resolving customer issues based on a forward-looking approach toward needs and changes

Number of Vendor Certifications held by Engineers

10,235

Revenue per Employee

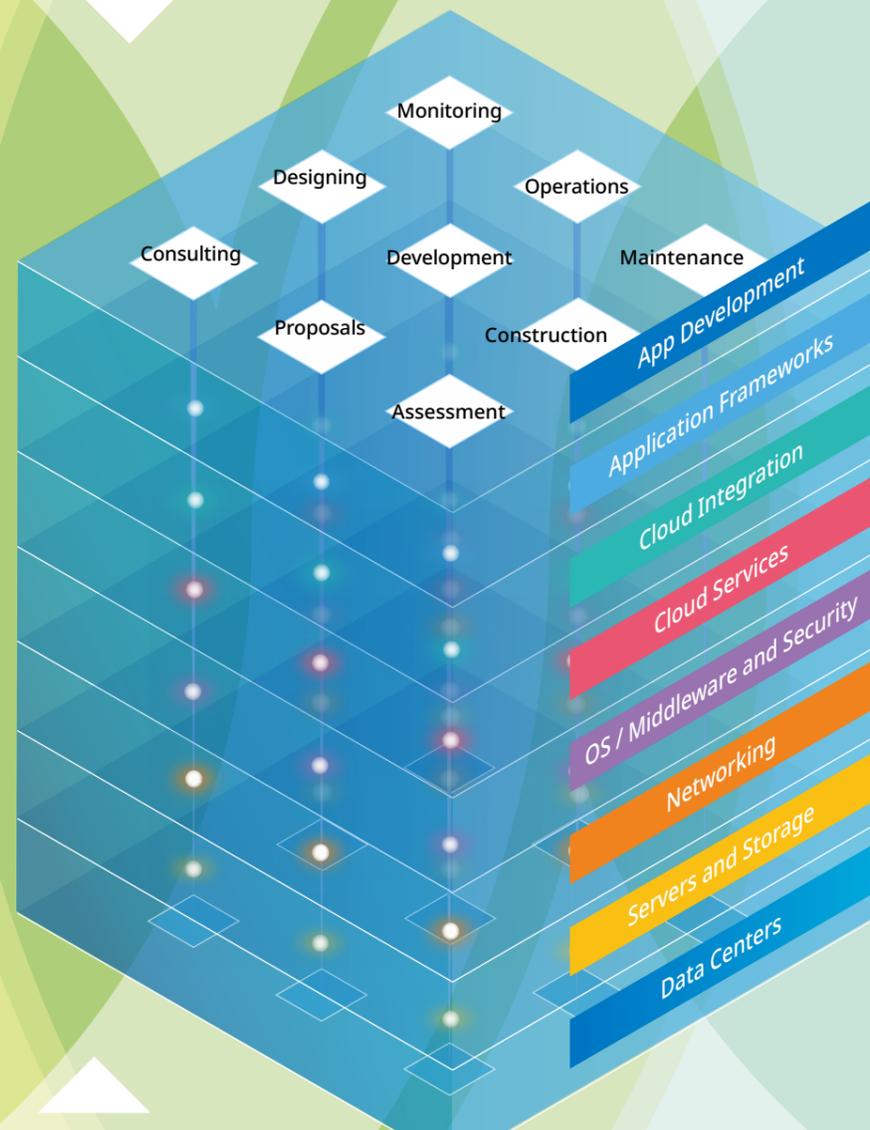
¥ **56.0** million

Average Hours of Training per Person

50 hours

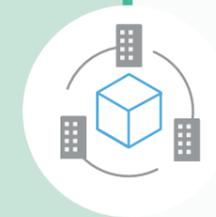
Operating Income per Employee

¥ **5.4** million



Customer base

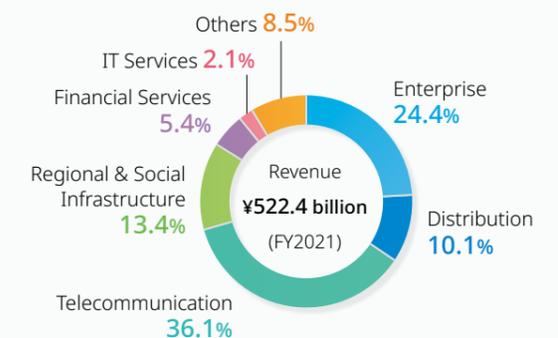
built by sharing information on and working toward the resolution of fundamental issues with a range of industry-leading companies



Number of Customers

Approx. **10,000**

Composition of Revenue by Business Segment



Service provision foundation allowing for flexible provision of high-quality services, ranging from consultation to maintenance and operation, to meet customer issues

Number of CTC Group Engineers

6,935

Number of Service Bases in Japan

Approx. **100**



The CTC Group's Strengths

Management Capital That Constitutes Full-Stack IT



Human Resources

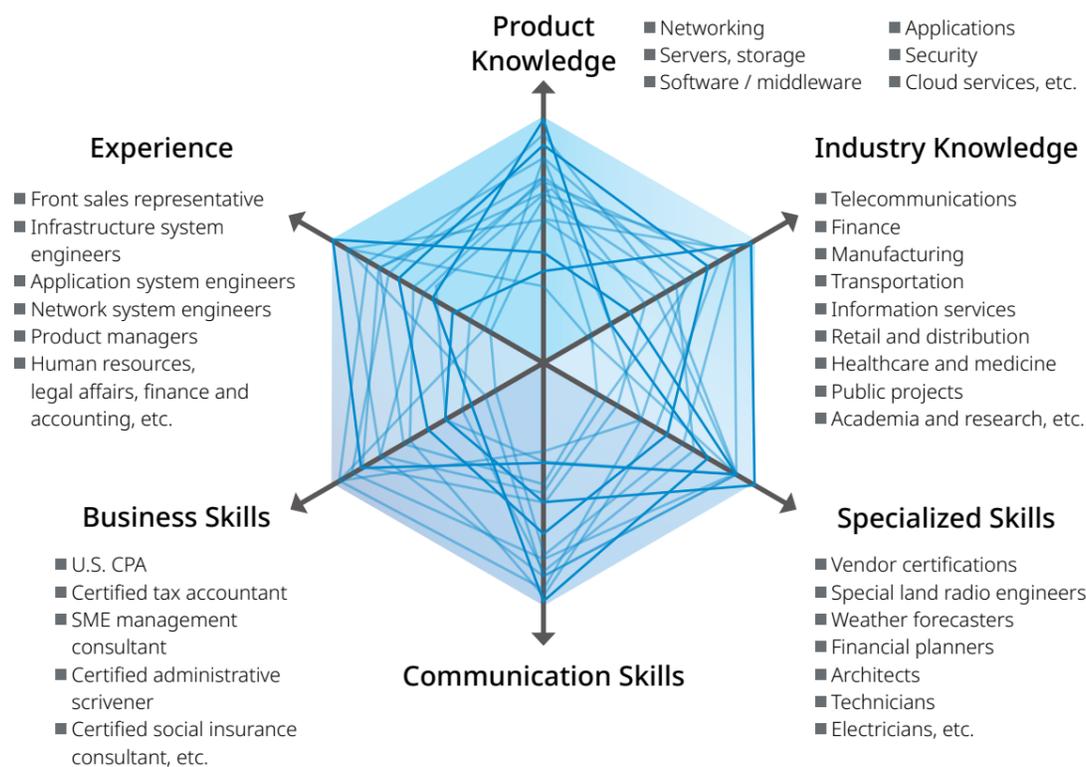


We have been working to solve our customers' problems with a sense of responsibility by discovering cutting-edge technologies from overseas and combining various technologies through a process of trial and error. Our diverse human resources are capable of identifying the essential issues faced by our customers, discovering technologies that meet their needs, and providing customers with those technologies with Unique Skillset. For this reason, human resources are the most valuable asset for the CTC Group.

There has been a recent change in the function of IT, expanding its role beyond reducing costs and improving operational efficiency to include supporting the transformation of business models. The CTC Group aims to assemble a team that can respond accurately to this new trend and create diverse values.

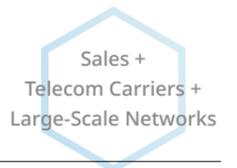
Team of Diverse Human Resources with Varied Skills and Professional Backgrounds

Our diverse human resources possess varied expertise ranging from sophisticated product knowledge, vendor certifications, industry knowledge, and other skills and know-how directly linked to business all the way to the expert knowledge needed to support financial and management strategies. As the CTC Group team with these wide-ranging skills, they are constantly tackling new challenges in pursuit of business growth.



Messages from Employees

Capitalizing on everyone's experience to propel us further ahead, in our quest to serve customers as a closely connected partner



Since joining CTC, I have been involved in sales to one of the major telecom carriers. During this time, I have been responsible for sales for divisions in charge of developing core networks and wireless access networks, which are central to telecom businesses, as well as for divisions tasked with overseeing the developed networks. Today, I handle sales for divisions that develop, construct, and operate system platforms that provide service to mobile phones and smartphones.

Customers are working to rapidly build the next-generation infrastructure that will be needed to accommodate 5G networks and the communications technologies that may follow. I believe that these customers see CTC as a reliable partner that will help them throughout their efforts. CTC positions numerous engineers on customer premises, and these engineers field daily consultations from a standpoint that is close to customers. These on-site members, as well as members of our sales force, like myself, have continued to diligently examine what it is that customers actually need as well as what CTC can do to satisfy these needs. This diligence has enabled us to respond swiftly in our ongoing dialogue with customers, which has helped us earn our reputation as a reliable partner.

A strength of CTC is the ability, gained by engineers positioned on customer premises, to respond promptly to the needs that may arise at customer operating sites. However, this close proximity also has the effect of making it more likely that know-how regarding specific systems will become confined solely to the on-site engineers. It is important to ensure that the insight acquired and the discoveries made from our range of perspectives are translated effectively into assets for CTC and used to produce new ideas. At the same time, we must be careful not to become complacent in the face of the high levels of trust we have earned from customers. I therefore strive to maintain a keen awareness of our duty to always think and act to help drive customers in a better direction. I also value close communication with customers and engineers in my efforts to serve customers.



Mikako Koda
Telecommunication Group

Building on global partnerships based on an understanding of product backgrounds



Wataru Matsumoto
IT Services Group

I joined CTC in 2001. Over the years, I have worked to develop new businesses as well as seek out new products in the United States. I took on a role in product management in fiscal 2021, and since then I have been working to strengthen our relationships with vendors and promoting sales of products in this capacity.

Seeking out new products in the United States involves traveling to exhibitions and to the companies that sell such products. In addition, CTC's wide range of connections in Japan and the United States has sometimes resulted in us receiving requests from new vendors who seek to sell their products in Japan together with CTC. The high level of expectations directed at CTC are a result of the global partnerships we have continued to build over the years, and a strength that our rivals cannot replicate. Of course, there are numerous companies that do not know about CTC, and negotiations with vendors to sell products in Japan sometimes break down. It is one of the joys of new product acquisition when we eventually become able to grow our lineup of product offerings by reaching agreements through diligence and perseverance in negotiations. Seeing our lineup grow in this manner is one of the joys of new product acquisition.

When dealing with new products, it is important to understand the background that led to their creation. Just because a product was successful in the United States does not mean that it will meet the needs of customers in Japan. However, if we understand the background to the products, then we can anticipate customer needs and consult customers to adopt products based on logical explanations of their value.

The CTC Group has developed strong global partnerships over the past five decades by forging ties with customers and earning the trust and respect of vendors through this process. I am committed to building further on these partnerships in the years ahead.

Management Capital That Constitutes Full-Stack IT: Human Resources

Swiftly supplying optimal solutions to customers as a conductor that directs partners both inside and outside of the organization

I have been working in sales, serving customers in diverse industries since joining CTC out of university, and now I am in my 15th year at the Company. The role of a salesperson is to shoulder the burden of IT processes that customers cannot handle themselves, and to swiftly supply them with ideal solutions to the issues they face. Quality is, of course, a must. However, it is important that we go further to practice prompt and detailed communication with customers, even those who are placing their first order with CTC. This holds true even when we are dealing with new services and products. Accordingly, I always inquire into the perspectives and issues of customers so that I can make minute course corrections based on an objective, multi-faceted standpoint as I explore the issues. This is the approach I take to ensure the success of projects. Moreover, I hope to utilize the trust gained from customers through this approach to further my own development.

A major strength of CTC is its open corporate culture. This culture lends itself to cross-organizational coordination driven by the passion to serve customers held by individuals from frontline operations, such as the salespeople and engineers who interact directly with customers, as well as by members of administrative divisions. Another powerful asset is our ability to engage in discussions among internal and external partners when hypothesizing about how to address customer issues. In these discussions, all parties, with their diverse skills and experience, are aligned toward achieving a common goal. It is a salesperson's duty to lead the project toward the optimal solution. However, I also realize that it is impossible for me to generate the optimal value by myself. I am keen to continue to go forward while involving customers and other internal and external partners in the process and utilize their strengths to promote even more effective co-creation.



Mochishige Fujita
Enterprise Group

Sales +
Diverse Industries + New
Customer Development



Identify unutilized data and work with customers until their issues are resolved



Nina Goto
Business Innovation &
Digital Transformation Group

My division is responsible for a range of AI-related products that make customers' DX efforts simultaneously more sophisticated and more widely applicable. I do not just support DX with products; I believe it is my role to go further by proposing all of the services that customers will need for their data analysis purposes. These services may include, for example, consulting services for developing analytical platforms to better utilize data.

Today, the scope of demand to utilize AI and data for DX is expanding to include a broad spectrum of areas. These are not limited to use for customers' existing services, and we are also seeing demand for AI and data for use in shaping management and draft strategies by capitalizing on dormant intellectual properties and underutilized human resources. In regard to management-related needs specifically, I often speak with customers who state that, while they recognize that they must do something, they have been unable to identify the specific issues to be addressed. In these cases, it is important for us to have the AI and data science insight and project experience necessary to provide consulting services. Even more important, however, is for us to talk with customers about the goals they hope to

accomplish by utilizing data. Accordingly, I believe that my job is to explain exactly what AI can do and to work together with customers until we have discovered and ultimately resolved their issues.

There are still massive quantities of unutilized data to be found throughout society. By effectively utilizing this data, we have the potential to contribute to the resolution of customer issues. Accordingly, I hope to help reach such solutions by communicating with customers and proposing the ideal solution from among CTC's diverse lineup.

Pre-Sales Engineering +
Data Scientists +
Machine Learning and AI
Model Development

Linking bases worldwide through shared core systems together with colleagues across the globe

Application Engineers +
Large-Scale Global Projects +
Core Systems

Since joining CTC, I have continued to work in areas related to the overseas core systems of trading companies. I have even had the experience of leading projects to provide operation and maintenance services and introducing systems at the overseas subsidiaries of such trading companies. I am now acting as an applicable field team leader in projects to upgrade the overseas core systems of customers to create next-generation systems that excel in terms of ease of use. My role in this project includes gathering information on the needs of customers' dozens of overseas subsidiaries by means of operation-related meetings and the requirement definition process. I then compile a list of these needs and work together with development teams to reflect them in systems.

In developing such core systems, we must ensure that they have the necessary shared global functions while adjusting systems based on the regulatory requirements and operating policies of the given area. The understanding and support of numerous parties are indispensable to this process. When I first joined this team, I was worried that my lack of insight and experience would cause problems for customers. As I moved forward with each new project, however, engaging in discussion with customers around the world and drawing on the support of more experienced members of the team, I eventually experienced the satisfaction of adjusting systems based on customer needs. When projects reached their most difficult phase, I was able to overcome the hurdles thanks to the help of my supervisors and colleagues at all experience levels and the concerted efforts of our customers and partners. In the future, I hope to lend my support to those who are less experienced than myself, to grow together with a wide range of colleagues through mutually supportive relationships.



Rie Suzuki
Distribution Group

Delivering value that surpasses customer investments through technical skills encompassing all infrastructure areas

Server and Storage Engineers +
Network Engineers +
Railroads and Manufacturing



Ryosuke Hiroyasu
Regional & Social Infrastructure Group

At CTC, I have primarily been involved in serving customers in Japan's Chubu region. Recently, this has included handling the proposal, engineering, construction, and transference of infrastructure as a subleader on a major project for a railroad company. This project received a great deal of praise from the customer, and I have thus come to be involved in an infrastructure engineering and construction project related to the human resource systems and other corporate functions of the same customer.

I started my career as a network engineer. Later, however, I sought to broaden my technical skills by taking part in server and storage engineering projects. As a result, I am now able to handle engineering for all infrastructure areas. The technology trends at CTC are always evolving, and I am surrounded by colleagues who are experts with difficult-to-acquire qualifications and strong relationships with vendors. The environment is thus full of opportunities to hone my technical skills. I hope to continue to learn and grow to become an engineer with superior technical skills, along with a high degree of management proficiency. With these skills, I aim to propose value that customers can agree surpasses the amount of their investment.

Proposing the ideal levels of operational quality through consulting grounded in experience at the front lines of customer operations

Upstream Operation +
Wide-Ranging Industries +
Human Resource Development

I am involved in upstream operation processes for a wide range of industries and business models, including telecom carriers, distributors, financial institutions, and business enterprises. In this position, it is crucial to have a clear understanding of customer processes and to visualize and analyze these processes, in order to engineer operating processes matched to the characteristics of the customer's industry and function. Moreover, we also must seek to standardize operating processes to deliver efficient and high-value operation services.

There is no goal for operation services; customers' businesses and processes are always changing. There is accordingly a need to continue optimizing operations by automating, reducing labor requirements, utilizing AI, and employing other innovations. If we are to achieve such optimization, we will need to have experience with a range of customers and a variety of frontline operations. For this reason, it is crucial for human resource development programs to be tailored to allow us to acquire the skills necessary to perform our job. These programs could include internal job rotations to allow people to gain a diverse range of experience or systems to promote the acquisition of sophisticated IT qualifications.

I look forward to contributing continuously to improved value for CTC and for the entire CTC Group by capitalizing on the insight and technologies of the Group and encouraging organization-wide efforts by a team of operation service professionals.



Takayuki Masuta
CTC SYSTEM MANAGEMENT CORPORATION

Management Capital That Constitutes Full-Stack IT

Customer Base

Learning social trends from the perspective of customers is an important way to examine the diverse technology needs of customers.

Over the course of business activities, we have been accumulating technologies and expertise while catering to our more than 10,000 customers in a broad range of industries and uncovering the needs of potential future customers. The new technologies gained in this manner drive the evolution of the CTC Group's full-stack IT.

By taking steps alongside of customers for their system sophistication through this process, the CTC Group will seek to achieve sustainable growth both for its customers and the Group.

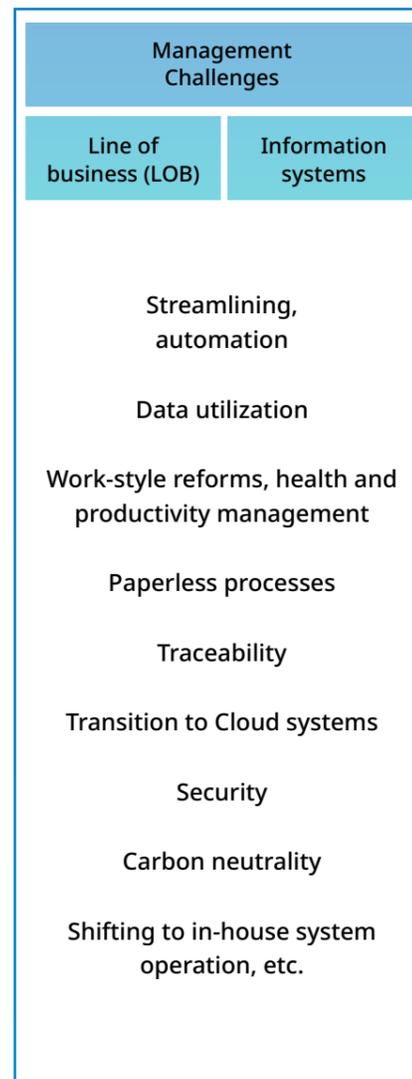
Broad Customer Portfolio

The CTC Group contributes to resolution of social issues by supporting our customers from a broad range of industries to address their issues.

Customers' expectations for IT are expanding and becoming more sophisticated to include data analysis and business model transformation necessary for management decision-making in addition to internal information systems.

Our involvement in customers' businesses goes beyond ensuring ongoing stable operation of our products and services. We also engage in numerous medium- to long-term collaborative and co-create projects for joint development and proof of concept (PoC) arrangements, while catering to resolve IT issues that vary by industry and division. These actions allow CTC to accumulate practical and frontline-oriented technical expertise to resolve issues of customers.

Enterprise	Companies in such industries as manufacturing, media, services, transportation, consumer goods, life sciences, and healthcare
Distribution	Companies in such industries as distribution, food, wholesale, and retail as well as service and real estate industry companies
Telecommunication	Telecom carriers, internet service providers, etc.
Regional & Social Infrastructure	Central government ministries and agencies, local governments, educational institutions, regional banks, utilities, social infrastructure companies, automobile, regionally based companies, etc.
Financial Services	Megabanks, government financial institutions, and financial institutions in credit, insurance, securities, and other areas



Industry-Specific Knowledge and Experience

- Product design, development support, product management
- Core systems
- Market and risk management systems
- Customer channel systems
- Life science systems
- Information analysis systems
- e-commerce
- Scientific calculations for construction and energy applications, etc.

Results of the Fiscal 2021 Customer Satisfaction Survey

Customer evaluation of system quality

CTC's quality is equal to or better than those of its competitors **92%**

CTC's basic approach to improve customer satisfaction is to listen to customer feedbacks and use these feedbacks to drive improvement. As part of our efforts toward this end, we conduct annual client satisfaction surveys.

In fiscal 2021, we received high evaluations on the breadth of our product and solutions lineup and the sophisticated capabilities of our engineers, both of which are strengths of CTC. Despite the positive feedback, we recognize that the recent rise in the importance of the role played by IT has made it even more critical for us to deliver value that exceeds customer expectations.

Accordingly, CTC is committed to bolstering its proposal and technical capabilities in order to surpass customer expectations.

Application development	Develop applications using our knowledge and experience tailored to each industry
Application frameworks	Frameworks that allow flexible application development
Cloud integration	Optimal integration of hyperscalers, CTC's own Cloud services, and business-tailored SaaS
Cloud services	CTC's own high-quality, finely tuned Cloud services
OS / Middleware and security	Software and security that control applications to safeguard production environments
Networking	Services ranging from telecom carrier grade networks to data centers and edge computing
Servers and storage	Offerings that include everything from servers and storage for data center operations to products for enterprises
Data centers	Offerings that include from data center designing to operating data centers

CTC FACILITIES CORPORATION

Management Capital That Constitutes Full-Stack IT



Global Partnership



Since its inception, the CTC Group has built deep relationships with IT vendors with strong technical capabilities in Japan and overseas, and has been quick to identify, connect, and combine superior services, software, and hardware from around the world to provide the latest and highest quality IT environment.

IT is now a part of our social infrastructure, meaning that we need more open collaboration than we have now to furthering the evolution of IT. CTC will capitalize on its discerning eye for technology, its ability to implement technologies, and its network to form connections through both technologies and collaborative relationships, in order to develop an open ecosystem in which all of our partners can exercise their strengths.

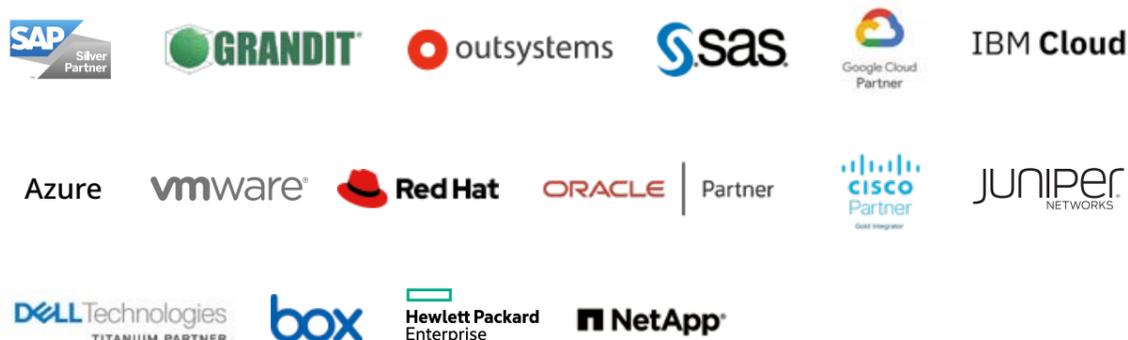
Development of Strong Ties with Vendor Leaders

In order for us to swiftly obtain information on latest trends in world-leading IT vendors and their new products and solutions to be offered to customers, or to communicate feedbacks from customers to vendors, it is essential for us to have strong ties with the leaders of vendors. CTC shares its targets and measures with top management of vendors and holds regular business meetings with them to build such relationships. Our relationships with the leaders of vendors are not always smooth, and it is not uncommon to have heated arguments with them. Nevertheless, we always seek to overcome such challenges and maintain lasting relationships. The surviving relationships after such struggle have become a powerful asset for CTC and what enables us to deliver value to our customers.



Takanori Minatohara
CPMO (Chief Product Marketing Officer)

Major Vendors



Vendors Certifying CTC as the Highest-Rank Partner (Received from 41 vendors including the following)

AWS	Premier Tier Services Partner	juniper	Elite Partner · APAC Enterprise Partner of the Year · Japan Professional Services of the Year 2021 · Japan Strategic Win of the Year 2021
Cisco	Gold Integrator · APJC Partner · Service Provider Partner of the Year	NetApp	Star Partner · Partner of the Year (CTC) · Support Partner of the Year (joint award for CTC and CTCT)
Dell Technologies	Titanium Black Partner · Japan Partner of the Year Award · Japan Deal Registration-Storage Award	Microsoft	Gold Partner · Japan Country Award
HPE	Platinum Partner · Silver Peak Partner of the Year (APJ Partner of the Year 2021)	VMware	Principal Partner · 2021 VMware Partner Collaboration Award

Awards Received from Major Vendors

Granted SAS Institute Japan's Best Channel Award for Six Years Running

CTC has won the Best Channel Award, a part of the SAS Partner Awards, for six straight years. This award was granted in recognition of CTC's domestic sales record for SAS products, which has been cultivated through our provision of comprehensive services that range from the clarification of customer business issues to analyses using SAS products.

Granted Two Informatica Partner Awards 2021 from Informatica Japan

CTC has received the title of No. 1 Solution of the Year and the Engineering Award in Informatica Japan's Informatica Partner Award. This recognizes its provision of data governance and privacy solutions and its development of engineers and technical qualification holders.

Granted Two Awards for Partner of the Year 2021 / Regional Partner of the Year Awards APAC from OutSystems

CTC was named the Most New Logos (Pioneer) and Most Annual Recurring Revenue (Rainmaker) in the Regional Partner of the Year Awards of OutSystems. This recognition reflects our provision of OutSystems products to telecom carriers, financial institutions, and other new customers in Japan, as well as our domestic sales track record centered on manufacturers and retailers.

Granted Partner of the Year Award from Tableau

CTC was named APJ Partner of the Year for the Asia Pacific and Japan region by Tableau Software, LLC, in light of its strong success in supplying Tableau solutions in Japan.

Granted A10's Best Performing Partner Award for Eight Consecutive Years

CTC has received the Best Performing Partner Award for eight straight years, in recognition of its development of solutions on the enterprise market and buildout of large-scale systems that use A10's products in the information communications field.

Certified as SAP Business Technology Platform Ambassador with SAP Japan's SAP AWARD OF EXCELLENCE 2022

The SAP Business Technology Platform Ambassador program was established in fiscal 2021 to recognize individual engineers who are communicating their project experience and know-how through various activities by naming them as ambassadors. Two CTC engineers were named ambassadors in fiscal 2021, in appreciation of their experience as SAP Business Technology Platform engineers and their track record in supplying the Figs SAP enterprise resource management optimization solution.

column Granted the APJC Partner of the Year Award from Cisco for the Second Consecutive Year

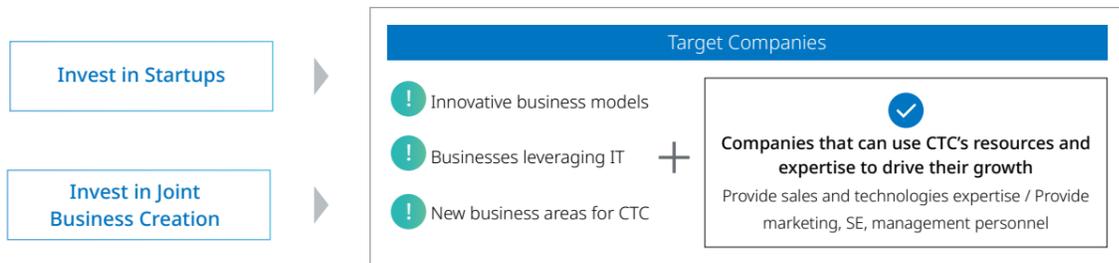
The APJC Partner of the Year Award is presented to partners that contributed the most to Cisco's business through the development of solutions and sales of Cisco products in the Asia-Pacific region. CTC was honored with this award to recognize its creation of new business value for customers and its expansion of Cisco-related business, by building systems and providing solutions that use a range of Cisco products.



Management Capital That Constitutes Full-Stack IT: Global Partnership

Creation of New Businesses with CTC Innovation Partners

CTC Innovation Partners (CIP) is a corporate venture capital that we established to accelerate the creation of new businesses through open innovation. By participating in businesses that contribute to the resolution of social issues, as well as in businesses that develop the next generation technologies, CIP supports growth of promising startup firms and advances co-creation with them to expand the business domains of the CTC Group.



Companies CIP Has Invested In (As of June 2022)

- ▶ **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)
- ▶ **BIRD INITIATIVE, Inc.**
Creator of new businesses through joint R&D with operating companies, financial firms, and academics

- ▶ **Idein Inc.**
Provides the Actcast edge computing platform with technology for accelerating deep learning
- ▶ **Quantum Operation Inc.**
Production and sale of IoT sensors capable of measuring intravascular substances via photoirradiation
- ▶ **Coralogix LTD.**
Provision of SaaS services for real-time analysis for system logs and metrics to optimize maintenance processes

Strategic Capital Investments to Improve the Quality of Existing Services

CTC makes strategic capital investments to help domestic companies enter overseas markets and meet needs for DX, including the use of ever-expanding needs for data utilization.

With SYSCOM (USA) INC., in which CTC invested in 2018, we have strengthened our comprehensive system integration services offered in the U.S. The services include consulting centered around Cloud computing and ERP business solutions, operation, and maintenance. In addition, in 2019 CTC invested in WingArc1st Inc., a pioneer in the industry with the No. 1 domestic market share in form and document management tools and data aggregation, analysis, and visualization tools.

Furthermore, we began collaborating with Goodpatch Inc. in March 2021 with the goal of bolstering our lineup of DX solutions. In November 2021, a capital and business alliance was concluded with this company, which is expected to allow us to accelerate our prior initiatives while creating new solutions and projects that contribute to the growth of customers' businesses. We also upped our investment in our joint venture with MEGAZONE Corp., Asia's largest AWS Premier Tier Services Partner, in March 2022. The goal of this move is to strengthen our strategic partnership in the area of Cloud integration and managed services.

Co-Creation of DX Businesses with Partners

Comprehensive Support Ranging from DX Planning to Development

The rising interest in DX is making it increasingly important to foster cultures and organizations that encourage proactive engagement with DX. Possible measures to this end include establishing organizations to promote DX and exploring new areas in existing businesses.

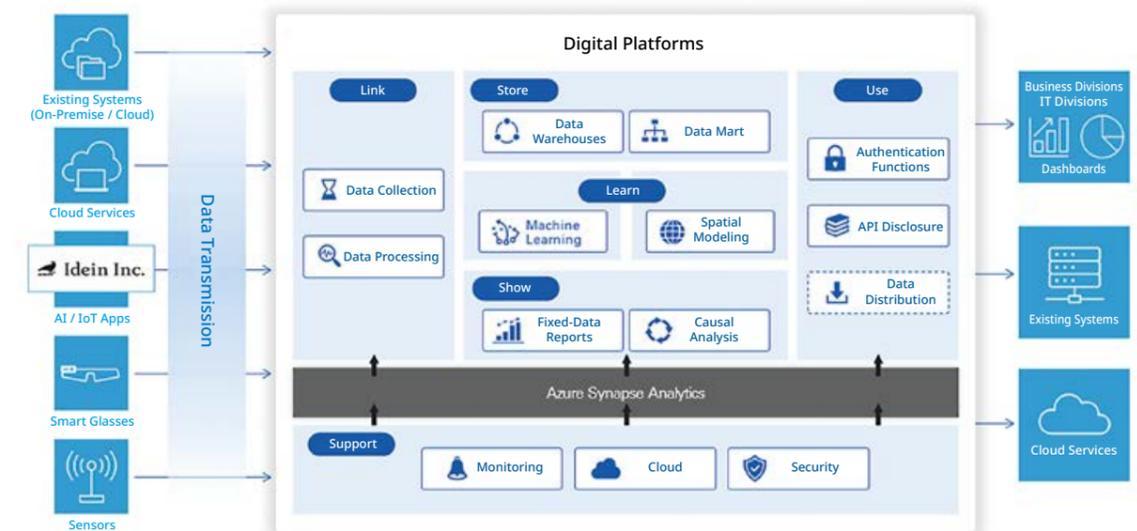
CTC is partnering with Goodpatch, a company with strengths in the design of user interfaces and user experiences for products and services. Together with this partner, we seek to develop a narrative to promote internal understanding, which will include explaining the importance of

DX as well as our vision in this regard. Our joint efforts with Goodpatch will also comprehensively encompass the planning of measures that involve internal and external organizations in the prototyping and implementation of DX. By providing customers with an opportunity to experience the process of DX, we hope to facilitate understanding and lower the hurdle for this undertaking. Once this understanding is fostered, we will help customers to promote DX on their own.

Microsoft Azure-Based Digital Platform for DX Acceleration

In 2020, CTC Innovation Partners invested in Idein Inc., which offers Actcast, an edge AI platform. By combining this platform with our digital platform consisting of Microsoft Azure resources, in 2022, we launched services to support the effective use of the data that are vital to DX. These services make it possible to link the platform with

customers' smart devices, IoT devices including IoT cameras, existing systems, and currently used Cloud services. This linkage enables the in-house development of systems and human resources to reform operations and create new businesses.



Components of digital platform development services for Microsoft Azure

Initiatives to Expand and Strengthen Partnerships

Collaboration between Vendors and ITOCHU Techno-Solutions America, Inc.

ITOCHU Techno-Solutions America, Inc., was established in 1990 to conduct explore and research technologies in the United States, where advanced technologies are concentrated. Members that are in charge of various industries are assigned from each business group to research the latest information that could lead to business opportunities. They have meetings with numerous vendors to exchange information on the needs of customers in Japan and the vendors' product roadmaps. They also share information on explored technologies with relevant CTC Japanese base. Over the past few years, the consolidated subsidiary in the U.S. has strengthened relationship with startup companies that have DX-related technologies with applications to the manufacturing industry, AI in core systems, and edge computing in response to needs of CTC.



Exploration of New Businesses through the ITOCHU Group's Network

The ITOCHU Group possesses an extensive network developed through its broad-ranging businesses that operate around the world. This network is being used to strengthen the CTC Group's frameworks as well as to create new businesses for customers in the global market. We are also working with ITOCHU Group venture capital firms to advance joint efforts with startup firms that supply advanced technologies and cutting-edge services.

Strengthening of Collaborative Relationship with CTC Alliance Partners

CTC has approximately 1,000 system integrator partners around the world to collaborate with for system development, and select ideal partners based on the technological requirements of the given project. When selecting partners, CTC carefully evaluates their business foundation, technological capabilities, past track records, and information security 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 development environments and quality standards.

Management Capital That Constitutes Full-Stack IT



Service Provision Foundations

Always keenly aware of its responsibility as a technology provider, CTC has continued to strengthen its product provision foundation. A defensive approach toward maintenance and management is naturally required to ensure the reliable operation of systems. At the same time, we believe that the CTC Group's true value comes from the discovery and development of cutting-edge technologies in upstream areas that allow customers to go on the offensive in their businesses.

In addition, we must seek to reinforce structures that enable us to work closely with customers. We do this by providing forums for creating new business models for the New Normal era and developing other flexible frameworks.



Platform for Creating and Realizing Ideas



DEJIMA Dedicated Space for Open Innovation

In 2017, CTC opened DEJIMA to facilitate the creation of new businesses through co-creation based on open innovation with startup firms and research institutions around the world. Through hackathons, ideathons, and workshops organized by CTC and partner companies, including startup companies, participants create ideas and achieve collaboration that transcends industry lines.

Seeking to provide venues for the said purpose for the New Normal era, we held an online workshop via Innovation Space DEJIMA Digital, a virtual space using virtual reality technologies opened in 2020. In January 2022, we introduced the tonari service offered by tonari Co., Ltd., for easier remote communication, thereby strengthening the platform for internal and external collaboration by creating a way to connect with our head office in Kamiyacho. The CTC Group will continue such efforts to promote active communication with the goal of catalyzing open innovation.



Agile Offices for Rapidly and Flexibly Starting Businesses

As DX goes into full swing, application development will require greater speed and flexibility than ever before. The CTC Group has actively engaged in agile development since 2015, when it started handling the products of OutSystems.

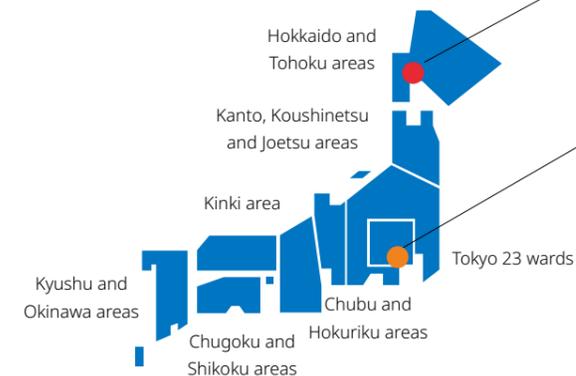
In agile development, it is essential that customers and engineers build win-win relationships through direct dialogue, to achieve iterative development with flexibility after speedy launch of new businesses. Seeking to establish environments in which customers and engineers can communicate closely to undertake development, in 2018 we opened three "agile offices"—in Tokyo, Toyota, and Nagoya. In addition to the OutSystems platform for application development, 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.



Service Bases to Provide Peace of Mind to Customers in Japan

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.



▶ For more information, please visit our corporate website.
<https://www.ctct.co.jp/locations/> (Japanese only)

● 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 the Greater Tokyo area while helping to address local issues, such as the need for regional revitalization.



● Remote Operation Center (ROC)

We provide remote system operation and monitoring services for client IT systems, 24 hours a day, 365 days a year all year round (ROC monitoring services), which can also be linked to automated notification and system operation services.



● 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 setting changes, operation, and other tasks.



Open Hybrid Cloud Services Focused on Data Centers

Through a strategic partnership with Digital Edge Japan and Kanden Energy Solution, CTC is working to expand open hybrid Cloud services for more options to customers in Cloud computing and data center services and for contributing to improving their convenience and resolving their issues. By combining Digital Edge Japan's data center and inter-connection services with Kanden Energy

Solution's strength in comprehensive data center equipment building, maintenance, and operation, together with CTC's Cloud service linkage technologies, we aim to provide services for realizing large-scale, high-efficiency, and sophisticated data centers.

▶ See page 52: IT Services Group "OneCUIVIC" Open Hybrid Cloud Strategy

Dedicated Space for the Verification of Local 5G Technologies

Manufacturers, other companies, and municipal governments are examining local 5G networks as a telecommunications infrastructure option to improve efficiency and create value. In light of this trend, we opened a dedicated space for the verification of local 5G technologies at CTC's Heiwajima distribution center in January 2022. This space is equipped with the core wireless system equipment,

network equipment, mobile terminals, security products, and other communications infrastructure necessary to introduce 5G technologies, allowing for network connectivity and transmission speeds to be confirmed in a short amount of time. This space can also be utilized for practical PoC projects with vendors by bringing in their own equipment.

Review of the Previous Medium-Term Management Plan

Advancing the IT Industry as a Leading Company

Opening New Horizons

FY2013-2014

- ▶ Revenue Target: ¥360 billion → **¥381.9 billion**
- ▶ Operating income Target: ¥30 billion → **¥29.3 billion**
- ▶ Net profit attributable to CTC's shareholders Target: ¥18 billion → **¥17.4 billion**

Initiatives and outcomes

- (1) Reinforce strengths**
 - Achieve stable growth in primary business groups, deepen relationships with major customers
- (2) Enter growth domains**
 - Acquire and expand new business domains
- (3) Develop cutting-edge and optimal technologies**
 - Creation of the Innovation Promotion Office and Cloud Innovation Center
- (4) Strengthen footholds**
 - Execution of personnel system reforms
 - Thorough management of profitability

FY2015-2017

- ▶ Revenue Target: ¥500 billion → **¥429.6 billion**
- ▶ Operating income Target: ¥40 billion → **¥32.6 billion**
- ▶ ROE Target: At least 10% → **11.8%**
- ▶ Market capitalization Target: At least ¥500 billion → **¥534.5 billion (peaked at ¥614.4 billion)**

Initiatives and outcomes

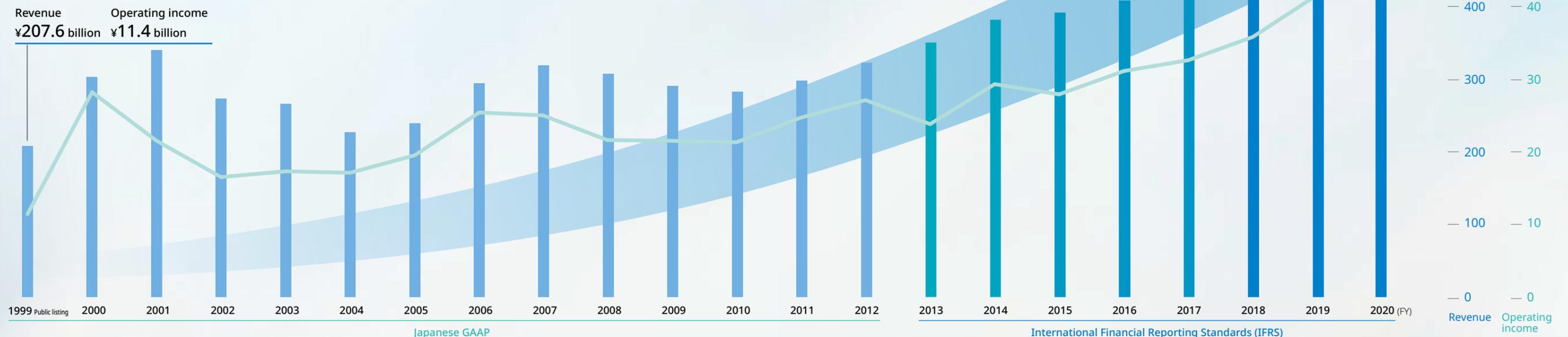
- (1) Shift to service-oriented business**
 - Release various unique services
 - Expand Cloud business
- (2) Shift to comprehensive strength management**
 - Large-scale reorganization
 - Tackle large projects across business groups
- (3) Shift to investments in growth**
 - Train personnel able to use advanced technologies
 - Establish bases in Thailand and Indonesia
- (4) Reinforce the business foundation**
 - Implement work-style reforms
 - Upgrade core systems

FY2018-2020

- ▶ Net profit attributable to CTC's shareholders Target: ¥30 billion → **¥30.5 billion**
- ▶ ROE Target: 12% or above → **12.5%**
- ▶ Cloud, IT outsourcing business Target: ¥60 billion → **¥71.6 billion**
- ▶ Global businesses Target: ¥60 billion → **¥61.7 billion**

Initiatives and outcomes

- (1) Go Upwards!: Challenge Business Transformation**
 - Achieve progress in digital business for key customers
 - Strengthen agile development and low-code development
- (2) Go Forwards!: Sharpening Our Advantages**
 - Maintain and expand strengths in large-scale infrastructure and network domains
 - Achieve growth in Cloud computing and other recurring business models
- (3) Go Outwards!: New Coverage, New Region in Globe**
 - Investment execution in Indonesia, Malaysia, and the United States
 - Creation of new businesses through the use of CVC
- (4) Consolidate Footholds!: Stabilize Management Infrastructure**
 - Work-style transformation, health management, and promotion of women's participation and advancement
 - Changes in corporate governance structure
 - Dividend increase for 12 consecutive fiscal years



Toward the next stage

The Medium-Term Management Plan (2021 to 2023)

Beyond the Horizons

▶ To the Future Ahead

▶ Policies of the Medium-Term Management Plan

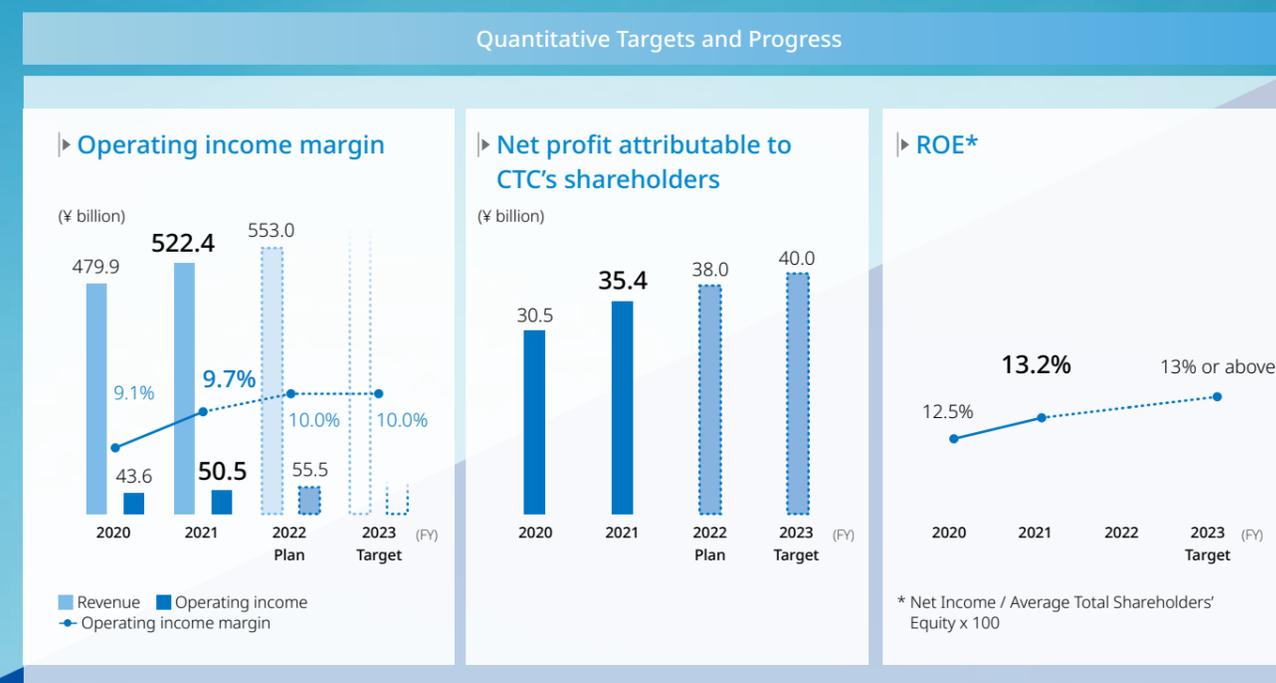
Under its medium-term management plan, CTC will expand upon the strengths it has built thus far and accelerate new initiatives to create future wealth. At the same time, we will upgrade our human resource and management platforms to boost the feasibility of these efforts. Through this approach, CTC will seek to develop a deeper understanding of customers, so that it can identify their fundamental issues and provide technologies and unique skillset to resolve their issues.

CTC will continue to tackle the challenges to shape tomorrow.

▶ Overview of Fiscal 2021 and Future Initiatives

In fiscal 2021, CTC was able to set new records for revenue, operating income, net income, operating income margin, orders received, and backlog, despite the impact of semiconductor shortages. In addition, we have already achieved the medium-term management plan's target for return on equity (ROE), and the figure for ROE recorded the all-time highs even when excluding the influence of extraordinary factors such as the sale of data center assets.

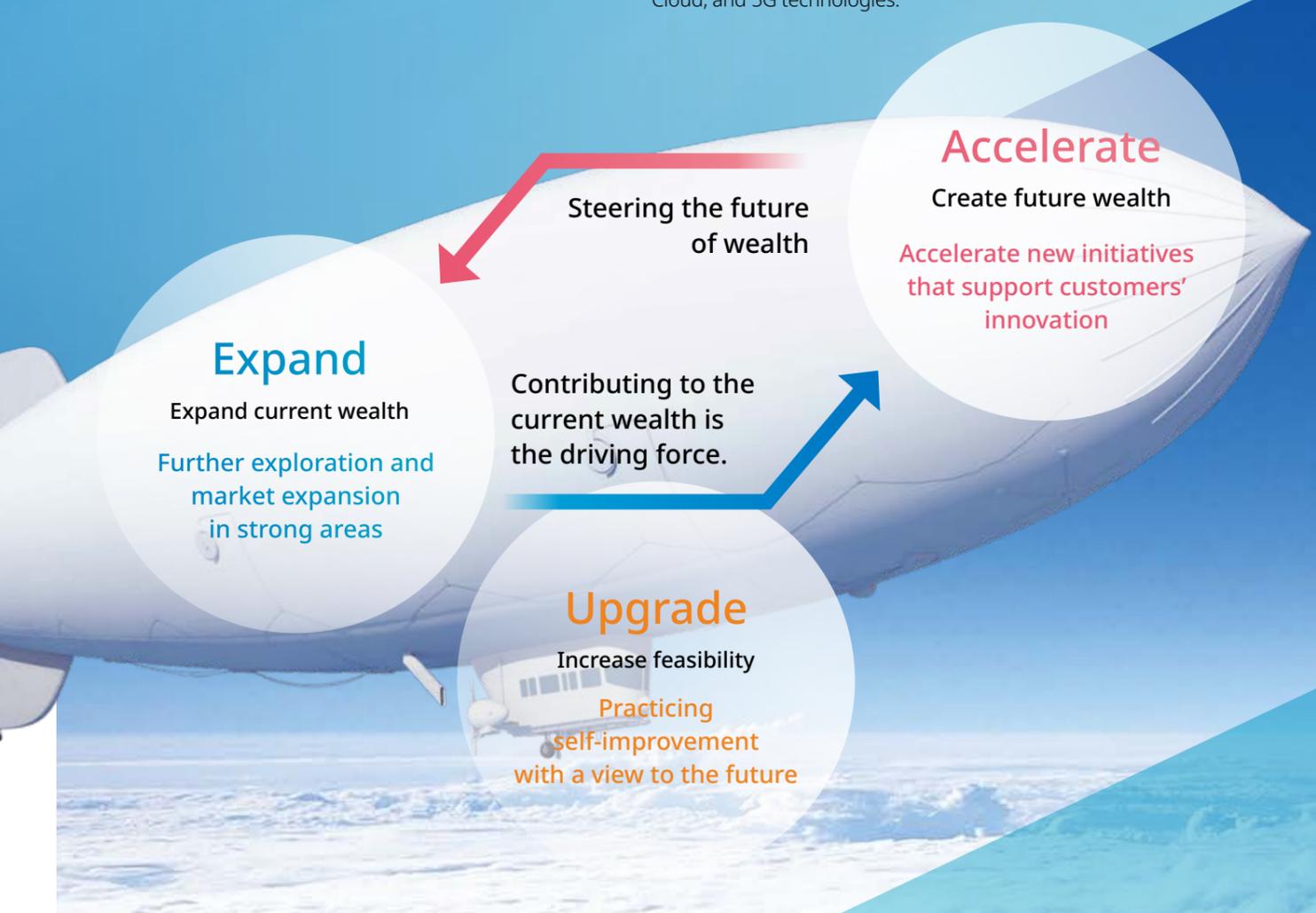
Given the changes in the operating environment, the outlook for fiscal 2022 cannot be deemed optimistic. Nevertheless, we are committed to growing our business by responding accurately to the needs and changes surrounding digitalization based on the focus themes of DX, Cloud, and 5G technologies.



Analysis of the External Environment

In this "new normal," remote working and digital technologies have become an essential part of people's lives and economic activity. The overall IT market is projected to continue growing briskly.

Politics	Economy
<p>Opportunities</p> <ul style="list-style-type: none"> Introduction of laws and regulations related to information security Acceleration of digitalization in government administration to realize a digital society Demand for higher labor productivity in keeping with work-style reforms <p>Factors Limiting Growth</p> <ul style="list-style-type: none"> Restrictions on the movement of people and commodities and on supply due to the emergence of variant COVID-19 viruses and intensification of the war in Ukraine 	<p>Opportunities</p> <ul style="list-style-type: none"> Brisk investment among companies in conjunction with global economic recovery Acceleration of DX Growth in ESG investment <p>Factors Limiting Growth</p> <ul style="list-style-type: none"> Curtailed and delays in IT investment due to the impacts of variant COVID-19 viruses Rising raw material prices and fluctuation in financial and capital markets due to impacts of the war in Ukraine
Society	Technology
<p>Opportunities</p> <ul style="list-style-type: none"> Digitalization needs accompanying changes in the business environment 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 <p>Factors Limiting Growth</p> <ul style="list-style-type: none"> Decline in the working population and shortages of advanced IT staff 	<p>Opportunities</p> <ul style="list-style-type: none"> Society-wide digitalization trend spurred by 5G, AI, the Internet of Things (IoT), and metaverse technologies Accelerated use of Cloud-native technologies Response to the "2025 Digital Cliff" and modernization of core systems <p>Factors Limiting Growth</p> <ul style="list-style-type: none"> Delivery delays and price increases due to global semiconductor shortages



The Medium-Term Management Plan (2021 to 2023) Beyond the Horizons—To the Future Ahead—

Progress in Priority Scenarios and Priority Measures for Fiscal 2022

		Results of Initiatives Based on Priority Scenarios for Fiscal 2021	Priority Measures for Fiscal 2022
Accelerate Create future wealth Accelerate new initiatives that support customers' innovation	Customer operations, customer businesses, and DX in people's daily lives	Data management, data science, process mining, AI, and other digital technology projects emerging as a result of DX initiatives to transform customer processes and businesses	Acquisition of projects in wide-ranging fields (new customers, line of business (LOB)) by leveraging our Unique Skillset
	Community building and expanding business co-creation	Progress in collaboration with telecom carriers and other strategic alliances with partners, founded on strengths in Cloud technologies and data centers and in verification tests and co-creative businesses with customers and municipal government agencies in various fields	Expansion of businesses through co-creation
	Providing high value-added services and advanced technologies	Acquisition of projects for verification testing of advanced technologies and development of upstream projects in the systems field, where CTC has built a track record, by strengthening R&D and new product marketing functions, but there is a need for further acceleration	Transformation of advanced technologies into elements of our Unique Skillset and discerning eye for technology
Expand Expand current wealth Further exploration and market expansion in strong areas	5G business expansion based on "creation"	Continuation of favorable performance in 5G-related businesses targeting telecom carriers and steady progress in local 5G initiatives	Further growth of 5G businesses through expansion into new fields
	Strengthening XaaS businesses	Expansion of public Cloud businesses centered on Cloud integration services and Amazon Web Services for central government ministries and agencies, local governments and evolution of the "OneCUVIC" hybrid Cloud service through strategic partnerships	Expansion of upselling and cross-selling using "OneCUVIC"
	Global expansion of domestic business models	Enhancement of frameworks for providing services conforming to CTC's quality standards at overseas bases by capitalizing on strong relationships with vendors	Acceleration of global expansion using the CTC Group's comprehensive capabilities
Upgrade Increase feasibility Practicing self-improvement with a view to the future	Strengthening overall capabilities by combining individual growth and the right person in the right place	Cultivation of human resources with capabilities in the areas of digital innovation, DX, sophisticated security measures, and advanced Cloud technologies, as required for the measures of Group companies and implementation of the Career Sponsorship Program to empower female employees	Release of individual employees' capabilities to upgrade organizational capabilities
	Management infrastructure reform to adapt to changes in the environment	Completion of head office relocation, advance of initiatives to boost productivity by elimination of waste, stress, and wastefulness in operating processes by means of the newly established Process Transformation Office, and promotion of in-house DX	Transformation in line with the changing times
	Co-existence with various stakeholders	Release of Human Resources Strategy: Detailed Report to upgrade information disclosure and arrangement of internal awareness-raising workshops and corporate advertisements to enhance corporate branding in commemoration of our 50th anniversary	Reconstruction of corporate branding initiatives for the next 50 years

Business Segments at a Glance

Business segments and business units comprising the segment are as of fiscal 2021. Revenue represents revenue from transactions with external customers.

(¥ billion)



*1 The segment's revenue and profit before tax in fiscal 2018 have not been included because a reorganization implemented on April 1, 2020 has made it difficult to compare fiscal 2018 with subsequent fiscal years based on the same conditions.

*2 The segment's revenue and profit before tax in the financial statements for the said fiscal year have been included because the effect of a reorganization implemented on April 1, 2020 was minimal.

*3 A loss before tax was recorded in fiscal 2021 due to impairment losses recognized in connection with overseas consolidated subsidiaries in Indonesia.

Enterprise Group



Takanori Minatohara
Senior Managing Executive Officer
COO, Enterprise Group

Target Customers

Companies in such industries as manufacturing, media, services, transportation, consumer goods, life sciences, and healthcare

Strengths

- Strong customer base covering a wide range of business fields
- Operational know-how derived from our broad customer base
- DX capabilities leveraging advantages as a multi-vendor and full-stack technologies

Opportunities

- Growing DX-related need of customers
- Aggressive IT investment in GX accompanying the accelerated trend toward decarbonization
- Proactive and diverse data utilization

Challenges

- Response to changes in sales styles in preparation for a service shift
- Lack of engineer resources to respond to DX needs

Factors Limiting Growth

- Supply chain disruptions due to semiconductor shortages and the COVID-19 pandemic
- Shortage of IT-proficient human resources due to population aging and decline in the birthrate
- Global economic recession as a result of the Ukraine crisis

Successes in Fiscal 2021

System Support for Developing Businesses Using Medical Big Data



Healthcare is one of industries in need of innovation driven by data. To maximize investment efficiency in the healthcare field, we are consolidating massive quantities of healthcare information as big data to be utilized in the development of new products and services.

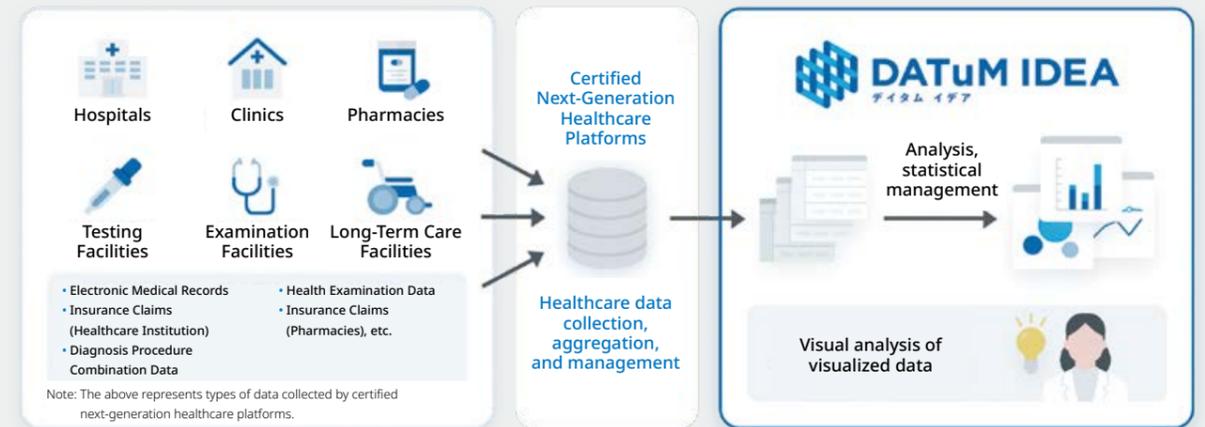
Toppan Inc. is developing the healthcare big data business, targeting pharmaceutical companies and municipal government agencies. CTC is offering system support to them.

Toppan's DATuM IDEA digital medical record analysis tool for pharmaceutical companies allows for analysis, through intuitive

controls, of the information necessary for pharmaceutical development and clinical trial model construction based on anonymized digital medical records collected from healthcare institutions. For this tool, CTC utilized Tableau × Snowflake to create the system platform with excellent operability and provided an ultrahigh-speed data warehouse.

We will continue to expand our range of services using Tableau × Snowflake as part of our efforts to make ongoing system contributions to the development of Toppan's services.

DATuM IDEA Analysis Tool for Pharmaceutical Companies



Cloud Shift of Digital Platforms for Business Model Transformation



Ricoh Co., Ltd., a developer, manufacturer, and seller of multi-function copiers, has set forth the goal of becoming a digital service company by 2025. Having positioned the reinforcement of operating foundations as a priority issue, this company has launched a project to reinvent core systems and shift to Cloud infrastructure in order to reform administrative management and operating processes through the development of a shared Ricoh Group's global-wide integrated platform.

CTC became involved in this project based on its extensive track record of providing system integration services to Ricoh, its technological capabilities, and a third-party assessment regarding the transition to Amazon Web Services (AWS).

The shift to Cloud infrastructure entailed support for the transition of some 100 internal operational systems and the swift transition of internal business applications.

We constructed an AWS environment, transition of middleware, design of post-transition Cloud operating systems, and with CTC's offshore SI partners migrated applications developed by the Company in the past. This challenging project demonstrated the strengths and comprehensive capabilities of CTC.

We will continuously serve Ricoh as a strategic partner that supports the transformation of its corporate structures and user experience with our robust insight and technological capabilities.

- Accelerate
- Expand
- Upgrade

Review of Fiscal 2021

- Provision of DX services focused on digital shifts (process transformation) and model shifts (business transformation)
- Implementation of initiatives to expand DX together with partners

Policies for Fiscal 2022

The Enterprise Group will strengthen its business promotion capabilities with the goal of accelerating the DX business as described in the medium-term management plan. We will also seek to evolve into a DX trusted partner through a data-first approach toward DX amid increases in the value of data. In addition, the creation of new businesses will be promoted in the fields of green transformation, life science, and healthcare, as we strive to develop schemes for co-creation with customers and external partners.

Review of Fiscal 2021

- Expansion of XaaS (Cloud) and related system integration businesses
- Growth of businesses in the life science and science and engineering system fields
- Reinforcement of vendor relations in product sales businesses

Policies for Fiscal 2022

We aim to enhance our responsiveness through the augmentation of our technological capabilities in the areas of strength of infrastructure construction and development as well as through alliances with external partners. We are also engaged in ongoing efforts to reinforce vendor relations while focusing on the development of new products and solutions.

Review of Fiscal 2021

- Improvement of value of human resources through cross-organizational sharing of initiative examples and cutting-edge solutions
- Strengthening of comprehensive Group capabilities via reciprocal secondment with CTC TECHNOLOGY CORPORATION

Policies for Fiscal 2022

We will support individual growth to enhance our DX execution capabilities by developing the skills of sophisticated human resources, bolstering the level of overall skills, and reinforcing basic training for new employees. Through these three initiatives, we will pursue ongoing improvements in the capabilities of the sales staff responsible for developing the DX business and of the system engineers who support them.

Distribution Group

Target Customers

Companies in such industries as distribution, food, wholesale, and retail as well as service and real estate industry companies



Junji Hirooka

Managing Executive Officer
COO, Distribution Group
COO, Global Business Group

<p>Strengths</p> <ul style="list-style-type: none"> Operational knowledge accumulated through continuous building of relationships with customers in the distribution and retail industries Solutions that contribute to customers' DX initiatives Synergy with ITOCHU Group companies 	<p>Opportunities</p> <ul style="list-style-type: none"> Boost IT investment aimed at improving efficiency to compensate for labor shortages Increasing need for assistance in readying businesses of the next generation through DX Proactive IT investment driven by customers' ESG and SDG initiatives
<p>Challenges</p> <ul style="list-style-type: none"> Collaboration with vendors that have expertise such as consulting Ability to cope with large-scale projects that are becoming more sophisticated and complex Development and securing of personnel conversant with leading-edge technologies 	<p>Factors Limiting Growth</p> <ul style="list-style-type: none"> Decline in consumer spending due to the economic slowdown Difficulty in acquiring engineers

Successes in Fiscal 2021

Core System Building with No Additional Development Effort through Multi-Cloud Platforms

Expand Provide safe and secure services

When introducing core systems, it is common for Japanese companies to seek higher levels of convenience by developing additional functions that match their specific business needs. However, this approach can lead to increases to the amount of work required to develop and manage the systems, due to the resulting rise in complexity, and Japanese companies face management issues in the form of rising risk probabilities of system failures and information security incidents.

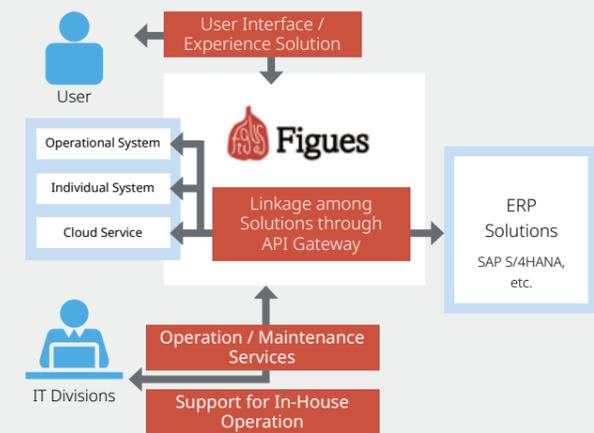
CTC offers a solution to these issues in Figes, which was released in October 2021. This solution supports efficient operation and management by linkage with other systems instead of additional development of the core system.

Figes can use application programming interface (API) to link SAP enterprise resource planning (ERP) and individual operational systems without making any alterations the core system. This feature helps to reduce the workload associated with the integration and alteration of user interfaces and the revision of functions. Moreover, the solution also allows for easy linkage between the systems used by individual divisions, thereby enabling better collection and utilization of in-house data.

CTC aims to use Figes to support processes ranging from the introduction of core systems to their operation, to contribute

to improve efficiency in system development and operation, and to promote DX.

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Data Management Platform Building Support Services Enabling Data-Driven Management

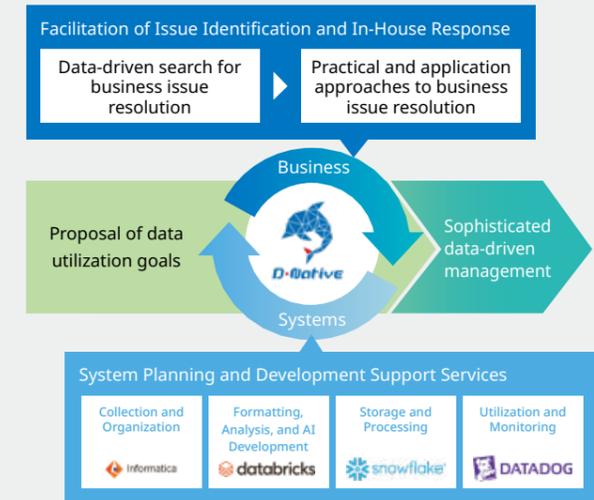
Accelerate Relentless pursuit of advanced technology

Together with ITOCHU Corporation and BrainPad Inc., CTC offered support for the building of an AI-powered automated ordering system that utilizes a data management platform (DMP) to NIPPON ACCESS, INC.

This ordering system includes a calculation that utilizes historic order, sales, and other data for placing orders in the ideal quantities as calculated by an AI machine learning system. This function has generated benefits in the form of reduced inventories and a lower workload in terms of ordering for on-site organizations.

Utilizing the insight gained from this project, CTC launched its D-Native service for customers in a wide variety of industries. This solution supports the data-driven management by serving the results of business data analyses to management. One of the major challenges in utilizing in-house data is the need to integrate and organize data in differing formats collected from a wide range of systems. D-Native addresses this challenge by packaging Cloud-native services for use in all steps required in data utilization including collection and organization; formatting, analysis, and AI development; storage and processing; and utilization and monitoring. Moreover, this solution provides best-practice templates for machine learning and data analyses to support the challenges.

CTC will continue to utilize the data management business expertise it has accumulated, in order to cater to customers' data-driven management and other wide-ranging DX needs.



Accelerate	<p>Review of Fiscal 2021</p> <ul style="list-style-type: none"> Aggressive initiatives for DX-related business, and co-creation of businesses with customers
	<p>Policies for Fiscal 2022</p> <p>The Distribution Group is expanding co-creative DX businesses and line-of-business (LOB) operations by capitalizing on its track record and expertise in developing businesses together with customers in the distribution, food, wholesale, and retail industries. In addition, we will expand the scope of our business by approaching new customers. At the same time, we will grow our business through accelerated marketing activities for products and services. In these ways, we are working to stabilize our earnings foundations.</p>
Expand	<p>Review of Fiscal 2021</p> <ul style="list-style-type: none"> Steady progress in core system development and other large-scale products Release of and order acquisition for new services (Figes, D-Native)
	<p>Policies for Fiscal 2022</p> <p>Our strengths in core system development are being used to contribute to customers' DX initiatives. We are also boosting sales of our products and services by utilizing leading-edge technologies and services to create solutions in the Cloud, network, and security fields.</p>
Upgrade	<p>Review of Fiscal 2021</p> <ul style="list-style-type: none"> Cultivation of DX human resources and enhancement of sales capabilities to enable strategic proposals Strengthening of collaboration with partners
	<p>Policies for Fiscal 2022</p> <p>We will ramp up our DevOps, agile development, and other initiatives to support the diverse projects of a wide range of customers. At the same time, we will strengthen our coordination with sales and technical divisions, optimally positioning human resources, and supporting the growth of individuals to better exercise our comprehensive capabilities.</p>

Telecommunication Group

Target Customers

Telecom carriers, internet service providers, etc.



Yasuhiko Terada

Senior Managing Executive Officer
COO, Telecommunication Group

<p>Strengths</p> <ul style="list-style-type: none"> Large-scale infrastructure building capabilities that support telecommunications networks Ability to develop and manage mission-critical systems Ability to discover, acquire, and provide next-generation technologies and the latest products 	<p>Opportunities</p> <ul style="list-style-type: none"> Rapid growth in data traffic on mobile networks Full-fledged introduction of 5G and the penetration of AI, the IoT, and other digital technologies Beginning in earnest of telecom carrier co-creation projects targeting corporate customers
<p>Challenges</p> <ul style="list-style-type: none"> Achieving rapid responses and differentiation in relation to the introduction of new technologies Securing and developing high-value-added human resources 	<p>Factors Limiting Growth</p> <ul style="list-style-type: none"> Intensification of competition for telecom carrier projects Loss of business opportunities due to a shortage of semiconductors Rapid foreign exchange rate fluctuations

Successes in Fiscal 2021

Provision of 5G Network Development Support Service for Telecom Carriers

Expand Relentless pursuit of advanced technology
Provide safe and secure IT services

Telecom carriers currently face a pressing need to address two opposing tasks. The first is to expand the coverage area of 5G networks and improve connectivity. The second is to streamline costs by limiting capital investment in base stations and other equipment. To overcome this dilemma, carriers are turning their attention toward the Open RAN network approach, which uses affordable multipurpose equipment, as opposed to expensive dedicated equipment, while utilizing software to provide wireless network functions through virtual equipment. Meanwhile, the virtual vRAN approach is being embraced as an option to enable flexible product selection and cut costs in wireless access networks that manage communications processing for base stations. However, these approaches require substantial verification

processes to ensure that the equipment of different vendors can function reliably.

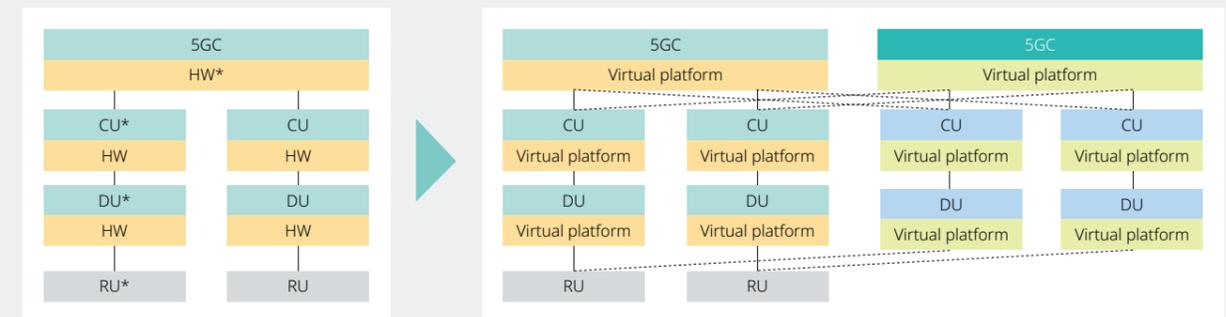
In November 2021, CTC launched a network development support service for use with 5G mobile phone services. This service provides environments with facilities and equipment to technologically verify combinations of various equipment by different vendors for 5G base stations, while supporting the network building with such equipment. This scheme thus allows for flexible selection of products while helping to limit investments and streamline costs.

With this service, CTC aims to contribute to the 5G businesses of customers.

5G Base Station Verification System

Operation as of October 2021

Policy after November 2021



* CU: Central unit DU: Distributed unit RU: Radio unit HW: Hardware

<p>Review of Fiscal 2021</p> <ul style="list-style-type: none"> Strong progress in service platform projects for telecom carriers and in collaborative businesses with customers 	<p>Policies for Fiscal 2022</p> <p>The Telecommunication Group continuously serves telecom carriers in service platform projects and collaborative businesses. We are also bolstering our ability to support the development of systems with O-RAN, MEC, and other technologies to expand into new business fields. For this purpose, we are increasing our value through human resource development and product and service enhancement with a view to entering the RAN field.</p>
<p>Review of Fiscal 2021</p> <ul style="list-style-type: none"> Steady advancement of existing 5G projects and local 5G initiatives Deployment of OEM products in the Asia-Pacific region 	<p>Policies for Fiscal 2022</p> <p>As we continue to respond to the full-fledged rollout of 5G technologies, we are also developing product, services, and support offerings with the aim of acquiring projects based on next-generation communications standards, such as local 5G and Wi-Fi 6. Another ongoing focus is the sale of products and services utilizing AI technologies. Revenue growth is being pursued through these initiatives as well as through the enhancement of sales capabilities via coordination with partners and the expansion of the range of areas around the world where we sell our products.</p>
<p>Review of Fiscal 2021</p> <ul style="list-style-type: none"> Participation in organizations to cultivate the next generation of human resources 	<p>Policies for Fiscal 2022</p> <p>The Telecommunication Group seeks to raise the value and enhance the specialized skills of its human resources. As part of our efforts in this regard, we are promoting the recruitment and retention of human resources in line with growth strategies, securing human resources by strengthening our ties with partner companies, and participating in relevant standardization organizations. As measures to foster human resources with AI expertise, we plan to hold training programs to help employees acquire AI qualifications, arrange Companywide events, and expand our range of other opportunities for cross-organizational sharing of insights.</p>

Accelerate
Expand
Upgrade

Preparation for Launch of the IoT Camera Solution for Monitoring and Reduction of COVID-19 Transmission Risks

Accelerate Promote business co-creation with various partners
Provide safe and secure IT services

Partnering with NTT DOCOMO, INC., and MOYAI Co., CTC has begun preparing for the launch of an Internet of Things (IoT) camera solution that can be used to improve operational efficiency or analyze the movement of people through remote monitoring.

This solution involves connecting MOYAI's IoTube® camera sensor-equipped LED lights to DOCOMO's 4G network, to allow for real-time viewing and AI-powered video analysis. CTC will be responsible for operating the services associated with this solution, a task that entails the storage of data, management of equipment, and development of systems to view videos. As IoTube® does not require special wiring, it can be installed simply by replacing existing fluorescent light to record video footage in stores or public transportation venues.

Video from this solution can be viewed via smartphone, and microphones and speakers can be installed to allow for two-way communication to or from closed sites in times of emergency. Moreover, as the solution enables tracking of levels of crowding on public transportation, real-time information on crowding can

be distributed to the mobile terminals of passengers. This helps them to avoid crowded spaces, close contact with others, and closed environments, all of which are risk factors for the transmission of COVID-19. After the launch of this service, we will continue to augment its functionality to contribute to the DX of companies.



Regional & Social Infrastructure Group

Target Customers

Central government ministries and agencies, local governments, educational institutions, regional banks, utilities, social infrastructure companies, automobile, regionally based companies, etc.



Hirohito Ohashi

Managing Executive Officer
COO, Regional & Social Infrastructure Group

Strengths

- Large-scale system integration capabilities acquired in the social infrastructure sector
- Collaboration with partner companies of each region
- Business know-how gained from our broad customer base
- Expertise in AI and other leading-edge technologies

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
- Growing need to improve labor productivity as regional populations decline

Challenges

- Increasing the efficiency of our management to cope with a broad field
- Development and securing of advanced IT personnel

Factors Limiting Growth

- Reining in of IT investment due to the economic slowdown
- Shortage of IT personnel due to working population decline
- Curtailment of and delays in IT investment due to the COVID-19 pandemic

Successes in Fiscal 2021

Swift Application Development Based on Requests of User Divisions



Daiwa House Industry Co., Ltd., is a comprehensive residential housing developer engaged in a wide range of businesses encompassing homes, communities, and all other areas of people's lifestyles. Looking to facilitate faster responses to the recent changes in the operating environment, this company sought to promote in-house transition for application development functions for which it had previously turned to outsourcing.

To help accommodate this effort, CTC proposed the OutSystems low-code development platform, which allows for intuitive application development without the need to write source code. This proposal, which aimed to help Daiwa House Industry improve its technological capabilities while increasing the speed, flexibility, and safety of its system development and operation activities, was accepted. In addition to helping introduce this platform, we assisted in creating rules and implementing standardization practices for application development.

This move proved to be a success, as the application development team of Daiwa House Industry went on to release a number of mobile apps by itself in just a short period of time. Moreover, the user divisions that actually used these apps were

highly satisfied with the swift response to requests. With this project, they were able to deliver value with unprecedented speed, and they continue to improve on the delivered system based on feedback from the frontlines.

CTC is committed to contributing to customers' process reforms and improved value through ongoing technical and development support.



Review of Fiscal 2021

- Focus on contributing to the resolution of issues of municipal and government agencies and regionally based companies in the data science and DX fields

Policies for Fiscal 2022

To deepen its understanding of the increasingly complex and diverse business issues faced by customers, the Regional & Social Infrastructure Group is developing closer connections with customers. Specific measures to this end include personnel exchanges with the line of business (LOB) of major customers, with the aims of bolstering our digital consulting capabilities and expanding our application field operations. We are also building up an understanding of the issues seen in communities through community participation. In addition, we are sharing our insight in the areas of regions, industries, and technologies as part of our focus on approaching potential new customers in all regions and in the public sector. Other efforts include bolstering our capacity to propose solutions that contribute to the resolution of social issues including carbon neutrality and preparation for zero-trust security. To this end, we will utilize AI data analysis, and technologies for people-flow analysis.

Review of Fiscal 2021

- Acceleration of Cloud service businesses for national government, municipal government security, and other
- Enhancement of understanding of all customer industries based on all regional sites through a community-rooted approach

Policies for Fiscal 2022

We are strengthening our overall Cloud integration capabilities in preparation for the growth of Cloud service needs. Concurrently, we are planning to develop our operations on a global scale through ongoing support for the overseas companies and branches of customers and the expansion of the scope of regions in which we sell our products centered on Asia.

Review of Fiscal 2021

- Visualization of staffing status and future staffing plan, sharing of such information within the Regional & Social Infrastructure Group, and optimization and flexible assignment of system engineering human resources

Policies for Fiscal 2022

Transforming our human resource development approach is a pressing task in light of the growing diversity and complexity of the issues faced by communities and companies. Based on this recognition, the Regional & Social Infrastructure Group places the enhancement of its staff as a top priority based on the pillars of advanced IT personnel, DX (sales and system engineering) personnel, and personnel capable of responding to community and social issues.

Accelerate

Expand

Upgrade

Acceleration of B-to-C Transactions by Simplifying Complicated Identity Authentication for Users in Online Transactions



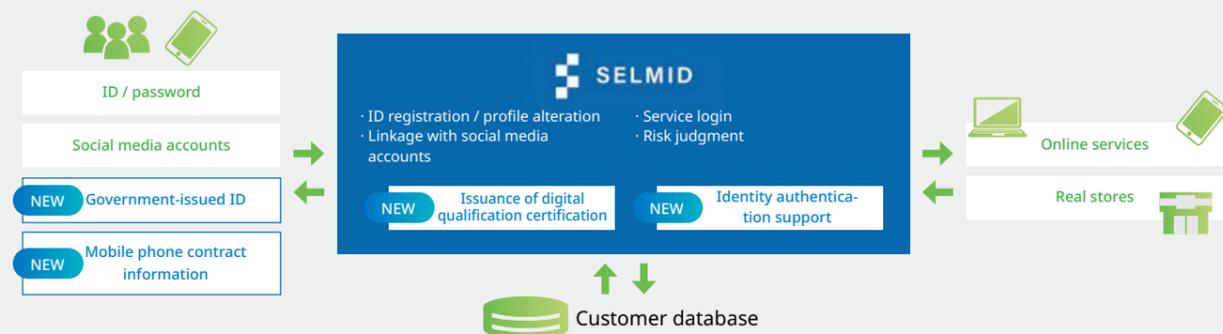
There is no denying that, as online member registrations and cashless payments via smartphones and other devices, become more commonplace, the process of authenticating the identification of users is becoming increasingly complex. These processes also vary from service to service. We believe that everyone should be able to take advantage of the benefits of IT, regardless of their age or IT literacy. As such identity verification processes are the gateway to these benefits, frameworks need to be easy for everyone to use.

In 2018, CTC began offering its SELMID ID platform service for managing and authenticating user accounts for business-to-consumer (B-to-C) companies and educational institutions. This service has been highly evaluated for the ease of linking social media accounts and the flexibility allowed in implementing the system. We have recently augmented this service with digital

qualification certificate issuance functions and identity verification support functions that utilize distributed ledger technologies including blockchain.

The new and improved service allows for companies and universities to issue digital certificates for the public qualification information of individuals they manage so that the certificates can be displayed on smartphones. Users can link the information of the government-issued IDs or mobile phone contracts to the service, so that they can verify their identity online without the need to upload proof of identification or input other personal information.

By supplying safe and convenient ID platform services, CTC aims to lower the barrier to online activity while supporting the online B-to-C operations of customers.



Financial Services Group

Target Customers

Megabanks, government financial institutions, and financial institutions in credit, insurance, securities, and other areas



Toshiyuki Awai

Managing Executive Officer
COO, Financial Services Group

Strengths

- Extensive track record at major financial institutions and knowledge of the market-related and risk-related fields
- High-quality system integration capabilities gained through utilization of Cloud computing and virtualization technologies
- Retail finance insight gained through development of settlement service and contact centers
- Global network that supports financial businesses in North America, Europe, and the ASEAN region

Opportunities

- Expanding scope of areas of data utilization (API connection, etc.) due to diversification of banking models
- Acceleration of the DX of operating processes in response to the COVID-19 pandemic
- Rise in business model transformation needs spurred by deregulation

Challenges

- Adaptation to the pace of change in financial IT technologies and acquisition of human resources capable of creating new business models
- Recruitment of engineers with advanced technological capabilities

Factors Limiting Growth

- Curtailment of IT investment in response to geopolitical risks
- Shortages of human resources in the IT market

Successes in Fiscal 2021

Development in Cloud-Native Environments and Support for the Enhancement of Important Social Infrastructure Protected by Customers

Expand Relentless pursuit of advanced technology
Provide safe and secure IT services

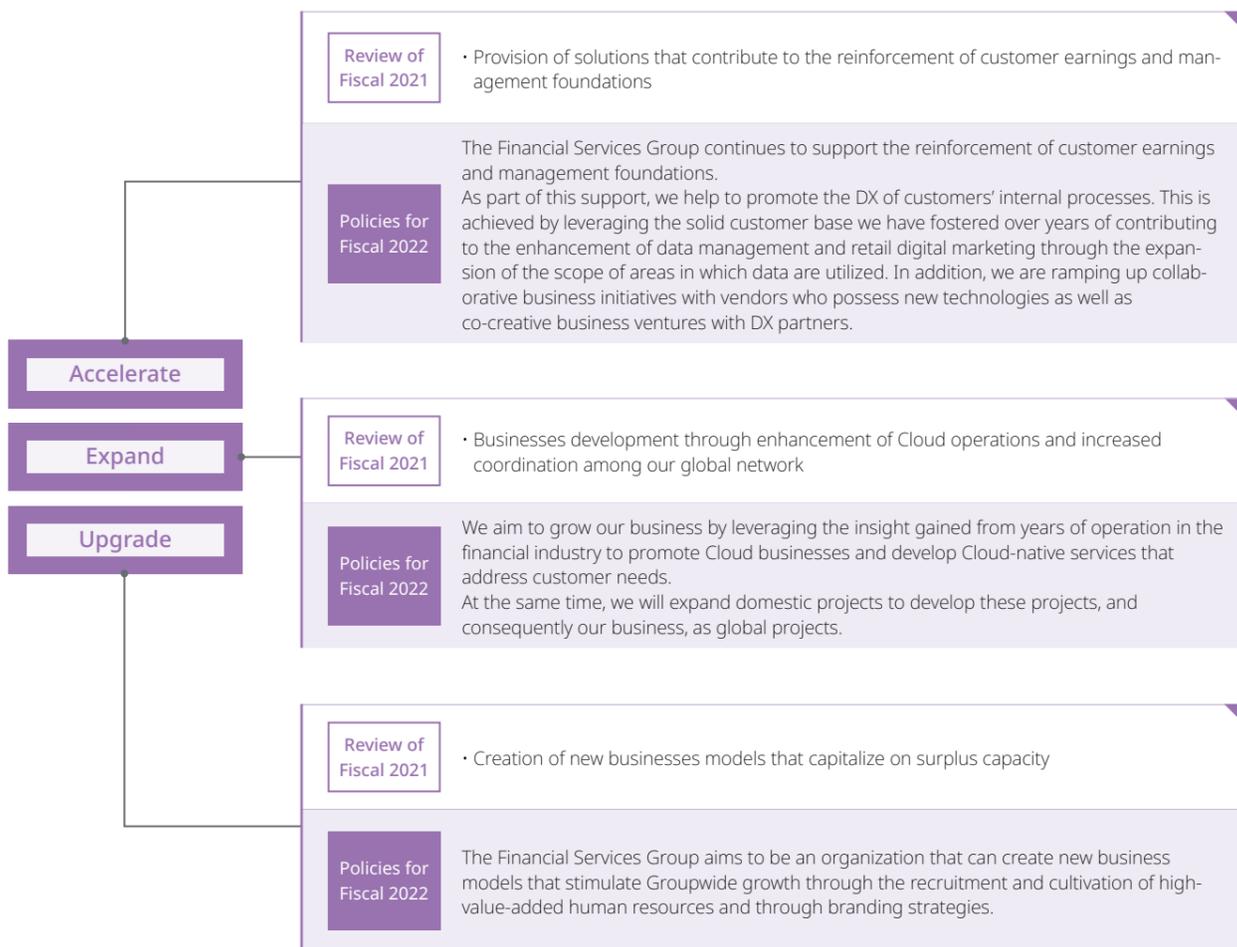
In recent years, a range of industries have been transitioning to Cloud systems. This has also been true of the financial industry, which has been transitioning to Cloud options for its peripheral, network, and other information systems. In addition, we have seen an increase in projects that go beyond the transition to Cloud platforms to include the development of applications in Cloud-native environments.

As a result, in fiscal 2021 we were able to support major financial institutions in developing systems to consolidate various forms of market data, as well as effectively and efficiently utilizing these data through integrated management via Cloud services. We also helped them to enhance anti-money laundering measures with sophisticated analysis tools.

Other areas where we offered our support included the construction of platforms to reinforce customers' earnings and management foundations. In this area, we sought to bolster data management functions to enable customers to analyze data via Cloud servers by using state-of-the-art data platforms. At the same time, we worked to support the DX of customers' internal processes via remote work environments, automation powered by AI and robotic process automation technologies, and agile development.

Systems might be becoming more convenient, but the recent global rise in cyberattacks shows the growing importance of security risk countermeasures for financial systems. Amid this trend, financial institution customers are accelerating adoption of zero-trust security measures. The Financial Services Group has a long history in the operation of security services, and we were recently involved in a joint platform development project with a major financial institution, aimed at introducing zero-trust security measures throughout the organization.

Through the ongoing supply of secure and high-quality IT services, we will support important social infrastructure businesses that are protected by customers.



Vision for the Financial Services Group

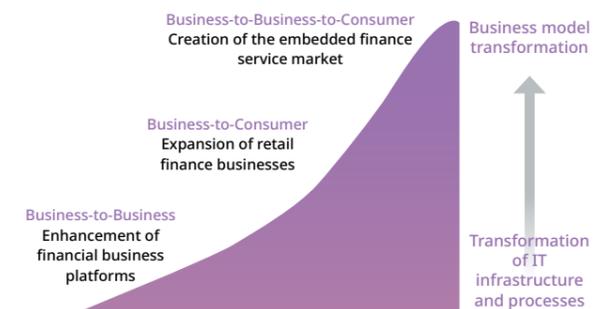
The Financial Services Group's main business domains are system integration services in market- and risk-related areas and the development of settlement infrastructure and contact centers, primarily for major banks. The technologies in these areas are always evolving, and customers are increasingly investing in development applications, such as those for the data platform integration of business-to-business systems, in Cloud-native environments. With its strong background in this field, the Financial Services Group continues to support customers in incorporating rigorous security provisions and otherwise upgrading their systems.

Retail businesses in the financial industry have continued to evolve as customer contact channels grow more diverse amid contemporary trends such as the popularization of smartphones and the COVID-19 pandemic. In addition, the scope of contact points with consumers is broadening to include such channels as the internet, social media, and contact centers. The Financial Services Group is able to support customers in developing systems capable of accommodating these multiple channels, as well as in collecting and aggregating the data consolidated within these systems for use in digital marketing powered by AI and other technologies.

Meanwhile, revisions to laws such as the Banking Act of Japan are expected to result in massive deregulation, which is likely to further expand the scope of business of financial institution customers. We therefore anticipate the emergence of new

opportunities to support customer businesses. Examples of areas where we should be able to lend our support include API connection businesses that link financial institutions and non-financial services, general business companies, as well as embedded finance services that enable the financial functions of financial institutions to be freely embedded as parts into the services of non-financial companies.

As customers' businesses grow, we anticipate that the domain of the Financial Services Group will expand in multiple directions, both inside and outside the financial industry. Accordingly, we will continue to adapt to changes in the industry, characterized by the transition to business models that blur the line between the financial and non-financial sectors, while pursuing new possibilities and driving the evolution of IT.



IT Services Group

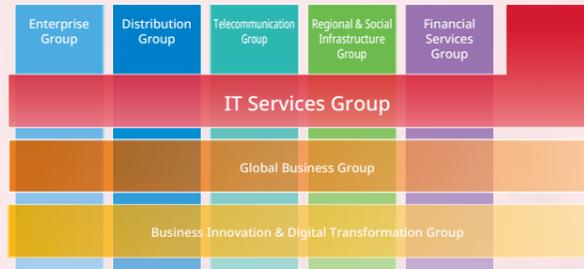


Eiji Haraguchi

Senior Managing Executive Officer
COO, IT Services Group

Mission

- Provision of the "OneCUVIC" high-value-added open hybrid Cloud service as a sophisticated managed service offered on a Groupwide basis



Successes in Fiscal 2021

"OneCUVIC" Open Hybrid Cloud Strategy

"OneCUVIC" is a hybrid Cloud environment development and operation service that CTC is able to supply due to its strengths in developing and operating virtual platforms and providing public Cloud services overseas. Through "OneCUVIC," we can facilitate the transition to, or the development of, optimal Cloud services selected based on the characteristics of the relevant

applications and data, while offering integrated operation services that span all areas of corporate IT systems together with the security provisions required of multifunction systems. Moreover, this service frees customers from vendor lock-in and helps them to continue evolving their IT systems.



Key Elements of "OneCUVIC"

1 Data Center-Free Service

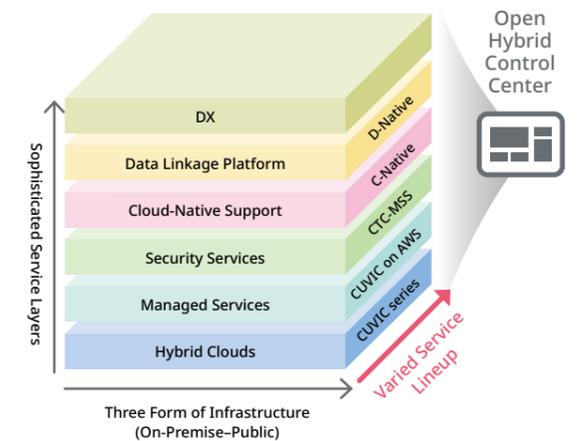
- Improvement of diversity and flexibility of installation locations based on changes projected to be seen with regard to deployment speed, composition, and decentralized Clouds
- Provision of integrated and comprehensive data center-free system environments that allow for selection of optimal infrastructure (on-premise, hosted Cloud, public Cloud)
- Improvement of reliability of systems and services ranging from infrastructure to applications (sophisticated operation and security measures)

2 Platform Services Supporting Application Modernization

- Containerized application development and execution function implementation
- Expansion of XaaS function services (virtual desktop infrastructure for teleworking applications, AI, automation, etc.)

3 Multi-Cloud Integration and Managed Services

- Expansion of CUVIC and public Cloud (AWS, Google Cloud Platform, Microsoft Azure, etc.) integration services (design, development, implementation)
- Enhancement of one-stop operation services in open hybrid control centers that comprehensively manage and control multi-Cloud environments



4 Managed Security Services in Multi-Cloud Environments

- Augmentation of security monitoring and incident response services that detect and address IT infrastructure threats in multi-Cloud environments
- Enhancement of application managed services that detect signs of and safeguard against threats to customer applications and services

Review of Fiscal 2021

- Strategic partnerships with IBM Japan, Ltd. (IBM Japan), MEGAZONE Corp. (MEGAZONE), and Digital Edge Japan to evolve "OneCUVIC"

Policies for Fiscal 2022

Combination of Our Unique Skillset through Strategic Partnerships to Expand Integrated and Systematized Cloud Platforms
We seek to expand our business outside of our prior domain of private and other Cloud services and to reinforce our operations through increased collaboration with IBM Japan, which boasts strength in Cloud-native technologies; MEGAZONE, Asia's leading company in the field of Amazon Web Services (AWS); and Digital Edge Japan, a hyperscale data center operator.

Review of Fiscal 2021

- Enhancement of managed services in an open hybrid Cloud environment

Policies for Fiscal 2022

Evolution of Managed Services
We are evolving our one-stop operation services, which cover all service layers, through an open hybrid control center that combines an integrated management portal with sophisticated AI-powered management services (AIOps) in an open hybrid Cloud environment incorporating Cloud-native technologies. Examples of the services offered through this framework include cybersecurity services, application performance management services, and operational monitoring services.

Review of Fiscal 2021

- Reinforcement of container development and Cloud-native initiatives

Policies for Fiscal 2022

Promotion of Cloud-Native Services (Dev/Sec/Ops)
Centered on C-Native, we are strengthening our Cloud shift services to support the transition of enterprise systems to Cloud environments along with our Cloud lift services that aid in the adoption of Cloud-native services. We also seek to realize high-efficiency continuous integration and continuous delivery software engineering by combining sophisticated managed services with data center-free open hybrid Cloud environments.

- Accelerate
- Expand
- Upgrade

Strategic Alliances with Cloud Partners

Expansion of the Strategic Partnership with IBM Japan

Together with IBM Japan, CTC is creating high-quality, secure services. These services combine the strengths of IBM Japan, namely, secure open hybrid Cloud technologies for businesses such as IBM Cloud, IBM Power, and Red Hat OpenShift, with CTC's strengths in CUVIC services that are suited to mission-critical system infrastructure and in public Cloud services such as AWS, Google Cloud Platform, and Microsoft Azure.

Reinforcement of the Strategic Partnership with MEGAZONE

CTC has upped its investment in MEGAZONE, an AWS premium-tier service partner, in an effort to develop a leading Cloud managed service business in Japan. In addition, MEGAZONE's competitive AWS businesses in Asia will be coordinated with CTC Group businesses in the ASEAN region to form the Asia region's leading Cloud integration and managed service provider alliance.

Establishment of Three-Company Collaboration Frameworks to Strengthen Data Center Services

CTC has concluded a strategic partnership agreement with Digital Edge Japan and Kanden Energy Solution aimed at enhancing Cloud services and improving operational efficiency centered on data centers. By capitalizing on Digital Edge Japan's data center construction and operational expertise and Kanden Energy Solution's electricity business know-how in energy conservation and cost cutting, we will improve the functionality, environmental performance, and connectivity of data centers in order to cater to the digital needs of companies in Japan and overseas.

Global Business Group



Junji Hirooka
 Managing Executive Officer
 COO, Distribution Group
 COO, Global Business Group

Mission

- Advance growth strategies of overseas consolidated subsidiaries
- Provide solutions in North America, Europe, and the ASEAN region
- Support the global development of Japanese companies
- Acquire leading-edge technologies and services from North America, Europe, and Asia



Successes in Fiscal 2021

Development of Analytical Platforms for a Digital Governance System (Indonesia)

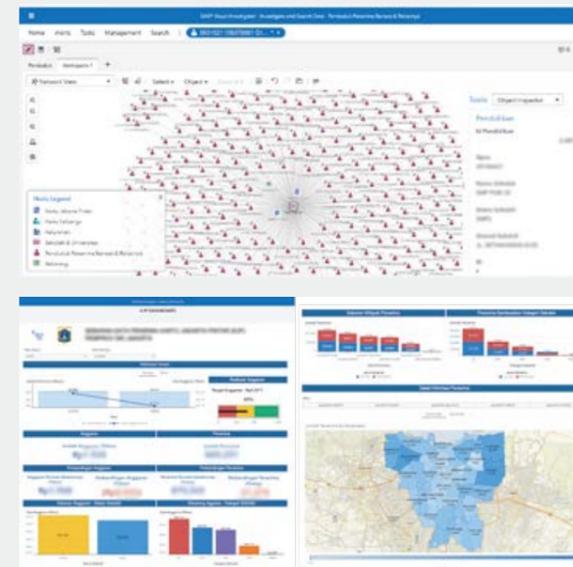
Accelerate Relentless pursuit of advanced technology
 Provide safe and secure IT services

PT. Pro Sistematika Automasi (PROSIA), a CTC consolidated subsidiary in Indonesia, received a contract for a smart city development project from a city in Indonesia. This accomplishment was a product of PROSIA's strength in providing comprehensive IT services that encompass upstream processes such as business requirement definition.

The city in question had examined the possibility of developing a smart city from a variety of angles, including governance, mobility, and the economy. In response to the national government's encouragement of DX, the city decided to undertake a project to introduce analytical platforms to utilize citizen data and create a smart city that could achieve rapid post-pandemic economic growth. The goal of this project was to create a digital governance system that allowed for the smooth implementation of public measures. Equipped with a platform that employs a wide variety of data, the system was intended to be applicable to areas including social security and education as well as public health measures for fighting future pandemics.



Example of Developed System Dashboard



PROSIA proposed that the city use an SAS analytical platform to accomplish its goal. SAS products boasted sophisticated analysis methods, high security, and the scalability needed to accommodate a wide range of systems and data while also being easy to use, with intuitive visual analysis functions. These features earned praise for how they will enable on-site staff, who might not be particularly knowledgeable about IT systems, to operate the platform with ease.

Together with SAS, PROSIA undertook a project entailing (1) the integration of existing systems; (2) the cleansing of citizen data; (3) the collection and analysis of data from stand-alone education, social, and healthcare systems; (4) the development of all-encompassing system dashboards; and (5) training on the necessary analytical and programming methods for the city employees who would use the platform. This project was completed in just one year, with all the requirements fulfilled.

The CTC Group will support DX initiatives of customers not only in Japan but also outside of Japan by partnering with global leading-edge vendors and by combining the technological expertise gained from addressing the region-specific needs of customers.



Review of Fiscal 2021

- Commencement of the supply of a new Cloud data warehouse and multi-Cloud infrastructure automation services
- Start of concrete development activities on new services to provide the Observability necessary for Cloud-native environments

Policies for Fiscal 2022

The Global Business Group is focused on the provision of high-value-added services that utilize advanced technologies. Specifically, we are (1) investing in businesses and approaching vendors using advanced technologies and new business models centered on the Cloud and data management fields, (2) developing new functions that contribute to the creation of integrated operation services in Cloud-native environments, and (3) bolstering new R&D and product development functions for technologies and services in North America and China.

Review of Fiscal 2021

- Reinforcement of "CTC-quality delivery" capabilities through coordination between overseas consolidated subsidiaries and CTC Japanese bases, as well as among overseas consolidated subsidiaries
- Expansion of "global super accounts" representing customers with which we have formed consistent, ongoing business relations and to which the CTC Group provides comprehensive system support with its full-stack IT

Policies for Fiscal 2022

Efforts will be advanced to acquire and expand "global super accounts," customers supported through coordination among the CTC Group companies in Japan, Asia, and the United States. In addition, we are seeking to augment existing overseas operations by deploying the Group's strengths in Cloud integration and agile development in the ASEAN region and reinforcing vendor relationships through the use of our solid connections with vendors.

Review of Fiscal 2021

- Ongoing examination and improvement of administrative management structures of overseas consolidated subsidiaries
- Cultivation of global management human resources and promotion of diversity

Policies for Fiscal 2022

The Global Business Group continues to improve the administrative management structures of overseas consolidated subsidiaries. Meanwhile, efforts to cultivate global human resources include the ongoing implementation of prior measures as well as the examination of the possibility for reciprocal personnel exchanges between Japanese and overseas bases. We are also ramping up security measures at overseas bases.

Accelerate

Expand

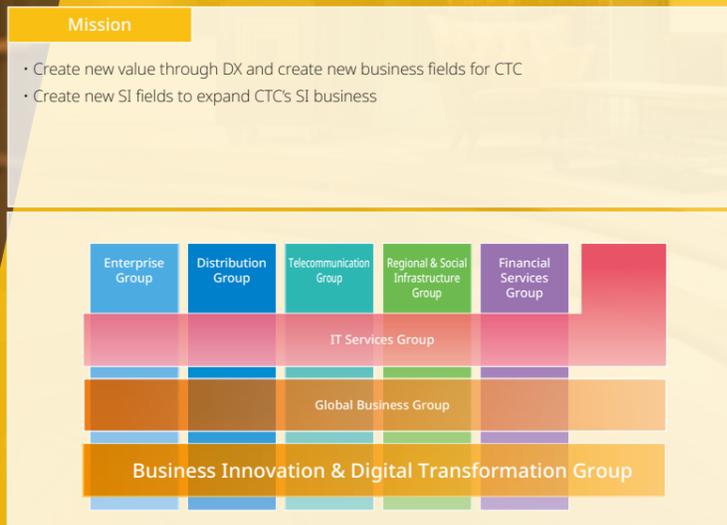
Upgrade

Business Innovation & Digital Transformation Group



Nagaki Fujioka

Managing Executive Officer
COO, Business Innovation &
Digital Transformation Group



Successes in Fiscal 2021

Verification Experiments of Resolution with IT for Community Traffic Issues



CTC has begun a joint verification experiment of mobility as a service (MaaS) solutions to promote efficient ride sharing as a part of transportation infrastructure in collaboration with municipal government from urban areas where a decline in public transportation options was impeding people's everyday lives by limiting their ability to go shopping or to the hospital.

Operators of public transportation services, such as buses and railways, outside of major urban centers have seen ongoing decreases in their profits, as increased vehicle ownership and population decline have reduced the number of people they transport. Measures to offset these decreases, such as closing underperforming lines and cutting personnel expenses, have led to a vicious cycle of ongoing reductions in the number of people they transport and declines in business performance.

To address such issues, CTC has developed a last-mile transportation business that uses multifaceted data analyses to design optimal transportation networks for each given community and realize ideal community transportation and improved everyday convenience through MaaS and demand-responsive transport services. Verification experiments for this business were commenced in Kawasaki City, Kanagawa Prefecture, in April

2022 and in Nogata City, Fukuoka Prefecture, in May. Similar experiments are also being conducted with other municipalities.

CTC will continue its efforts to develop convenient and enriched communities through IT solutions. To this end, we will be collaborating with municipalities to produce sustainable ideas to optimize and revitalize community public transportation systems, while accommodating the differing transportation needs and circumstances of each community.



Review of Fiscal 2021

- Transformation of customer businesses with digital technologies
- Acceleration of co-creation with customers and partners

The Business Innovation & Digital Transformation Group will facilitate cross-functional adoption of know-how gained from DX projects advanced in fiscal 2021 for digitization support services provided to customers served by our business groups. Specifically, by collaborating with other business groups, the Group will expand sales of the CTC Digital Platform, a data management platform, to financial, manufacturing, and social infrastructure industries. In addition, we are applying the insight obtained through AI and data utilization PoC projects that are underway to other industries while supplying build services that aid customers in developing products. Other efforts include enhancing ecosystems with partners to bolster our service lineup.

Through these initiatives, we aim to strengthen upstream AI approach functions to enhance high-value-added service offerings, plan and develop consulting services for creating DX business, and move on to the phase of developing new service models. The Business Innovation & Digital Transformation Group also seeks to evolve its relationships with customers by taking part in external communities and in verification experiments to resolve social issues.

Policies for Fiscal 2022

Accelerate

Expand

Upgrade

Review of Fiscal 2021

- Examination of systems promoting "One Version UPI!" for human resource

We continue to enhance development of human resources with DX expertise. In addition to recruiting individuals who are currently developing their careers in the field of DX, and who can immediately begin making contributions to our business, we are augmenting sales capabilities and reinforcing our development programs. Examples of these development programs include allowing employees from other business groups to receive on-the-job training at the Business Innovation & Digital Transformation Group, as well as supporting Companywide training to foster DX professionals and thereby raise CTC's overall capabilities in this field. We are also actively cultivating AI engineers and data scientists.

At the same time, initiatives to create new business are being accelerated by verifying commercial prospects of projects, based on discovered technologies and services through research and ideas proposed in the Innobee Challenge in-house new business creation program. Concurrently, opportunities for business co-creation are being produced through CTC Innovation Partners (see page 31) and open innovation investment. Targets of these activities include identifying higher-quality startup firms through coordination with venture capital firms and bolstering our measures to support commercialization activities after investment. These efforts are backed by branding activities for the Business Innovation & Digital Transformation Group's DX business and media promotion strategies based on the branding activities.

Policies for Fiscal 2022

Workshop Events to Create New Business That Resolve Issues by Linking Communities and Companies



Taking advantage of the innovation space DEJIMA, CTC holds DEJIMA-Style Plus workshop events. These events promote innovation through public-private action by pooling the wisdom of participating companies, with a focus on resolving the local issues faced by municipalities.

At DEJIMA-Style Plus events, representatives from municipal governments hold presentations, after which question and answer sessions with companies are conducted to redefine the issues faced by these municipalities. For local government agencies, these events serve as an opportunity to make discoveries based on ideas proposed by companies from a variety of angles. For companies, the events are a chance to seek out new business opportunities based on tangible regional issues and reassess the strength of their assets. A total of six such events have been held since 2019, with more than 30 companies participating to date. Co-creative projects based on the desires of both municipalities and companies move forward with each subsequent event.

The innovation space DEJIMA was established in 2017 to provide a place to facilitate open innovation and co-creative projects. Since its establishment, DEJIMA has continued to function as a venue at which companies, startup firms, government agencies, and educational institutions gather to engage in cross-industry

collaboration to tackle new challenges in creating businesses and promoting DX. CTC is committed to providing meaningful forums to create new value by leveraging networks with our partners and customers, and new business development insight.



Major Overseas and Domestic Group Companies

Providing Full-Stack IT Services to Customers with the Group's Comprehensive Capabilities

▶ Overseas

Discovery and Research of New Technologies, SI Business

ITOCHU Techno-Solutions America, Inc. (U.S.A.)

In North America, CTC not only engages in research of cutting-edge technologies, and discovers related new products, but also develops, maintains, and operates systems for financial institutions, and builds large-scale infrastructure foundations for internet service providers. To grow the SI business locally, CTC aims to expand activities in the North American region by forging partnerships with local system integrators and strengthening collaboration among business groups.

▶ Domestic

Maintenance and operations service business

CTC TECHNOLOGY CORPORATION

System Maintenance and Support Business

CTC TECHNOLOGY CORPORATION provides a range of services including assembly, installation, and transition of IT systems, 24-hour maintenance and systems operation, and comprehensive IT engineer training services. This company aims to contribute to the continuity of its customers' businesses and support the society of the future by resolving IT system issues.

CTC SYSTEM MANAGEMENT CORPORATION

System Operations and Support Business

CTC SYSTEM MANAGEMENT CORPORATION provides security operations, building Cloud platforms including Amazon Web Services (AWS), Azure, support and development services, and operation middleware development services of 5G and other networks while centering on a lineup of system operation and maintenance offerings. In addition, this company provides wireless services that require special qualifications and also offers development and maintenance services for enterprise resource planning systems such as SAP. It is also advancing DX initiatives by supplying Microsoft Office 365 and other non-code, low-code application development and maintenance services such as OutSystems.

CTC FACILITIES CORPORATION

Data Center Facility Management Business

CTC FACILITIES CORPORATION provides operations, maintenance, construction, and management services for data centers. A change in the ownership ratios of this company took place in December 2021, leading to composition ratio of 70% by CTC, 21% by Digital Edge Japan, and 9% by Kanden Energy Solution. Through its strategic alliance with the joint owners, CTC aims to drive rapid

Global SI Structure in the ASEAN Region

CTC GLOBAL SDN. BHD. (Malaysia)
CTC GLOBAL PTE. LTD. (Singapore)
CTC Global (Thailand) Ltd. (Thailand)
PT. Nusantara Compnet Integrator (Indonesia)
PT. Pro Sistimatika Automasi (Indonesia)

In Malaysia, Singapore, Thailand, and Indonesia, IT markets that are likely to see strong growth, CTC provides SI solutions focusing on infrastructure, as well as maintenance and operations services to local firms and Japanese companies. CTC has put in place a key regional structure for global business development, while training local engineers and deepening organizational collaboration, in addition to expanding the Cloud and security service businesses in a bid to grow further.

business growth including provision of comprehensive facility services including construction and operations support and upgrade consulting for customers' data centers and server rooms by utilizing its accumulated experience and know-how.

Development of business tailored to clients and industries

Asahi Business Solutions Corp.

Since its establishment as an information systems subsidiary for Asahi Breweries, Asahi Business Solutions Corp. has provided optimal total solutions to each operation at the Asahi Group ranging from IT solutions planning, proposal, and development to maintenance and operation services. This company also employs cutting-edge technologies to support the Asahi Group's new growth strategies.

Solutions business using unique products

CTCSP CORPORATION

CTCSP CORPORATION supplies leading-edge and unique products from Japan and abroad. It also delivers solutions that meet contemporary needs, including those in areas of strength such as endpoint and network security, online communication, improvement of work efficiency, and image and content.

CTC's special subsidiary that employs people with disabilities

CTC HINARI Corporation

CTC HINARI Corporation provides massages for Group employees, cleans offices, supplies office work proxy services, and advances agriculture-welfare collaboration projects based on the HINARI MODEL. Dedicated to exploring areas of work where diverse individuals can excel, this company exhibits distinctive value through its AI-related services and through the operation of the HINARI CAFE.

Initiatives of Overseas Consolidated Subsidiaries

Conducted the First ASEAN Convention Internal Webinar

Based in part on the online meetings that CTC has been conducting for years in Japan (forums to introduce case studies and new services to employees), the ASEAN Convention was held with the goals of improving mutual understanding among overseas consolidated subsidiaries and stimulating intra-Group synergies. This was the CTC Group's first internal webinar conducted entirely in English.

Each subsequent webinar was held at a different host company while providing information from Japan and four ASEAN countries. In addition, special webinars were arranged featuring panel discussions among the CTOs of ASEAN companies in which they discussed the latest technology trends from their respective viewpoints. A total of six such webinars were held in fiscal 2021, with the aggregate number of participants reaching 4,845. At

these webinars, employees from around the world voiced forward-looking opinions and expressed desires to take part in collaboration during the course of daily business activities. Such cross-border collaboration activities will be ramped up in the future to accelerate global business development.



ASEAN Convention Webinar

CTC GLOBAL PTE. LTD. (CTC Global Singapore) Ranked High in Singapore's Best Employers 2022

Overseas consolidated subsidiary CTC Global Singapore was ranked 90th among more than 1,700 companies in the Singapore's Best Employers 2022 ranking of great companies to work at in Singapore.

The Singapore's Best Employers 2022 ranking was compiled based on surveys and assessments of companies from more than 200 employees by *The Straits Times* newspaper of Singapore, which is published by SPH Media Limited, and by the German global data platform Statista GmbH. These surveys focused on six items including employee development, corporate reputation, working environment, and diversity. More than 1,700 companies were surveyed in compiling this rating.

CTC Global Singapore will continue to contribute actively to the community through its business while implementing numerous initiatives to enhance its appeal to employees and other stakeholders. This company will also coordinate with CTC Group companies in Japan and other countries to supply high-quality IT services to local companies, as well as to Japanese companies that are developing operations in the ASEAN region.



Singapore's Best Employers 2022

Human Resources Strategies



Message from the CAO

The growth of autonomous, ambitious, and team-oriented human resources will drive the Company's growth.

Shinichi Hirayama

Managing Executive Officer
CAO
COO, Human Resources Management &
General Affairs Group

Paramount Importance of Human Resources

In April 2022, the Human Resources Management & General Affairs Group was established as part of an organizational restructuring by the Company, and I was appointed as its COO. I was also assigned the title of CAO. There are a number of tasks that we must address through our human resources strategies. These include the need to recruit and cultivate talented human resources and foster a workplace environment that accommodates diverse and flexible work-styles. I am tackling these tasks from the fresh perspective granted by my new position.

This might go without saying, but human resources are of paramount importance among management capital for the CTC Group, as it is our employees who drive our growth. When I talk about the importance of human resources as management capital, I am not referring merely to the utility of their superior skills and technical capabilities. Rather, I am using a more comprehensive definition that encompasses the role played by our predecessors over CTC's 50-year history.

Development of People with Ethical Standards Necessary for the IT Industry

As indicated by our slogan of "Challenging Tomorrow's Changes," the CTC Group has an engrained culture of tackling new challenges to resolve the issues faced by society, working together with customers through the use of IT. The synergies between the trust we have earned from customers and the relationships we have formed with partners through this process underpin the Unique Skillset that is a CTC Group strength. A passion for tackling new challenges is an important quality for members of the CTC Group. Our history of ambitious growth has led to the creation of a corporate culture that is accepting toward

failures which occur as a result of tackling new challenges. This is because if we are paralyzed by fear of failure, we cannot move forward. And if we do not envision success, we will fail to see potential new solutions. So long as we engage in business with our customers, however, we cannot just take on risks haphazardly. It is for this reason that the ongoing success of our business will hinge on our ability to continue to capitalize on the capabilities of our colleagues and to develop and hone our own skills. This is something that we can never afford to neglect. Furthermore, when it comes time to exercise our skills, it is

crucial that we have a strong sense of ethics underpinning what we do as individuals, what we do as a company, and everything else in which we take part. IT offers limitless potential. At the same time, it is a double-edged sword that can cut us if not wielded properly. For this reason, we must renew our awareness about the importance of ethics so long as we are involved in IT.

Our employees should aspire to become individuals who can exercise autonomy in tackling new challenges while adhering to high ethical standards. In terms of how they function within the Company, it is also important for our human resources to be able to engage in effective teamwork with colleagues. CTC's history is one of working toward our goals together with employees and with external vendors and partners. When individual employees possess their own skills and can use these to support colleagues, learn from them, and complement them, it has the effect of boosting our performance as an organization. Moreover,

when one can trust and be trusted by colleagues, it contributes to relationships of mutual support, as opposed to competition. This in turn will lead to an environment where people can exercise their personal skills with peace of mind. The CTC Group sees a lot of cross-organizational coordination, and it is not rare to have projects involving information sharing and collaboration with employees from other organizations. The workplace environment and circumstances one faces vary from person to person. Accordingly, an important quality for CTC Group employees is the ability to see these differences as reasons for mutual respect and to extend a helping hand when needed.

Moreover, I believe that creating a workplace environment in which everyone feels comfortable and can tackle new challenges will drive increases in engagement, while helping to foster human resources that can duly contribute to the growth of society and the Company.

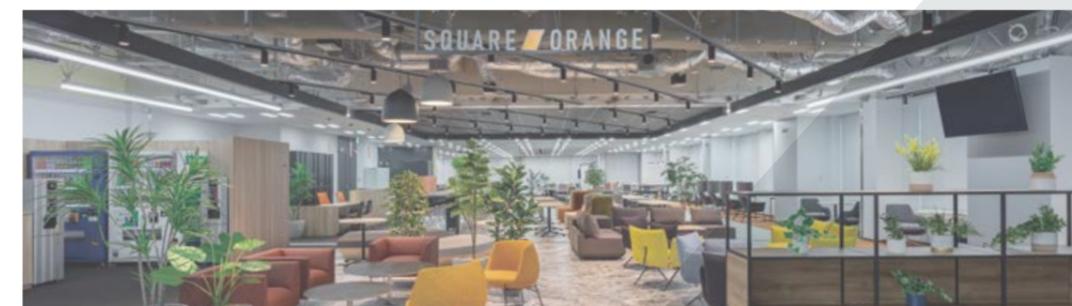
Environment for Releasing of Individual Employees' Capabilities

The pace at which social needs change continues to accelerate, and customers' demands are growing increasingly complex. Given these trends, if we want to keep growing by fully leveraging the value of CTC's Unique Skillset, we must nurture an environment that releases individual employees' capabilities. CTC seeks to cultivate organizations and cultures that encourage everyone to exercise their talents and tackle challenges in line with their aptitudes, based on the slogan of "One Version UP!" It is therefore vital for the Company to develop training and education systems and provide support for career development. We must also maintain an understanding of the skills and abilities of individual employees as well as their interests and future aspirations. We currently manage information on employees' technical skills and knowledge of customer work processes through our engineer skill inventories. In the future, I hope to provide employees with chances and encouragement to seize opportunities by themselves based on their personal aspirations, which are constantly changing. We are therefore implementing measures including optimally positioning human resources and formulating a human resource portfolio.

Our workplace environment is every bit as important as our people. CTC is thus developing a workplace environment that allows employees to freely choose their

work-style, including workhours and location, in order to provide an environment that is both comfortable and motivating. In April 2022, we launched initiatives under the slogan of "Upgrade the CTC Workstyle," which included the introduction of systems that allow employees to engage in side jobs and take extended periods of leave. These systems are part of our efforts to enable employees to exercise autonomy and freely choose the work location and work-style that best suits their individual circumstances and life stage. Furthermore, in 2021 we completed the relocation and integration of the head offices of Group companies. This move is anticipated to lead to increased coordination among Group employees while helping to maximize the capabilities of individual employees.

The basic concept for the human resource strategies of our medium-term management plan is "Developing Personnel Who Create New Value: One Version UP!" This concept encapsulates our goal of providing value to society by having all employees think and act with autonomy while working in teams with their colleagues and unlocking their full potential. We continue our efforts to swiftly and flexibly formulate and enact new initiatives and measures to move closer toward this goal.



Human Resources Strategies

Initiatives to Boost Human Capital Value in Pursuit of Higher Corporate Value

We aim to help each employee exercise his or her individual talents through a human resources strategy founded on a policy of supporting employees' growth and appetite for challenges.

Basic Approach

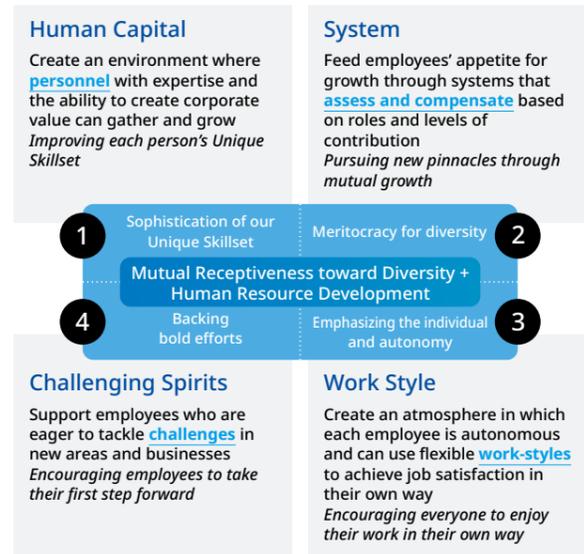
It is imperative to have high-quality management capital that can support our business models and strategies in order to exercise the strengths of the CTC Group and achieve ongoing growth. As indicated by the inclusion of "Cultivate human capital to support the future" as part of our materiality, human resources are our most important form of management capital. Without the growth of our employees, there can be no growth for the Company.

As suggested by the "Challenging Tomorrow's Changes" slogan in our corporate philosophy, we implement a human resources strategy that enables each employee to grow autonomously, as they enjoy the challenge of adapting to changes and work together to reach new heights of achievement with their colleagues.

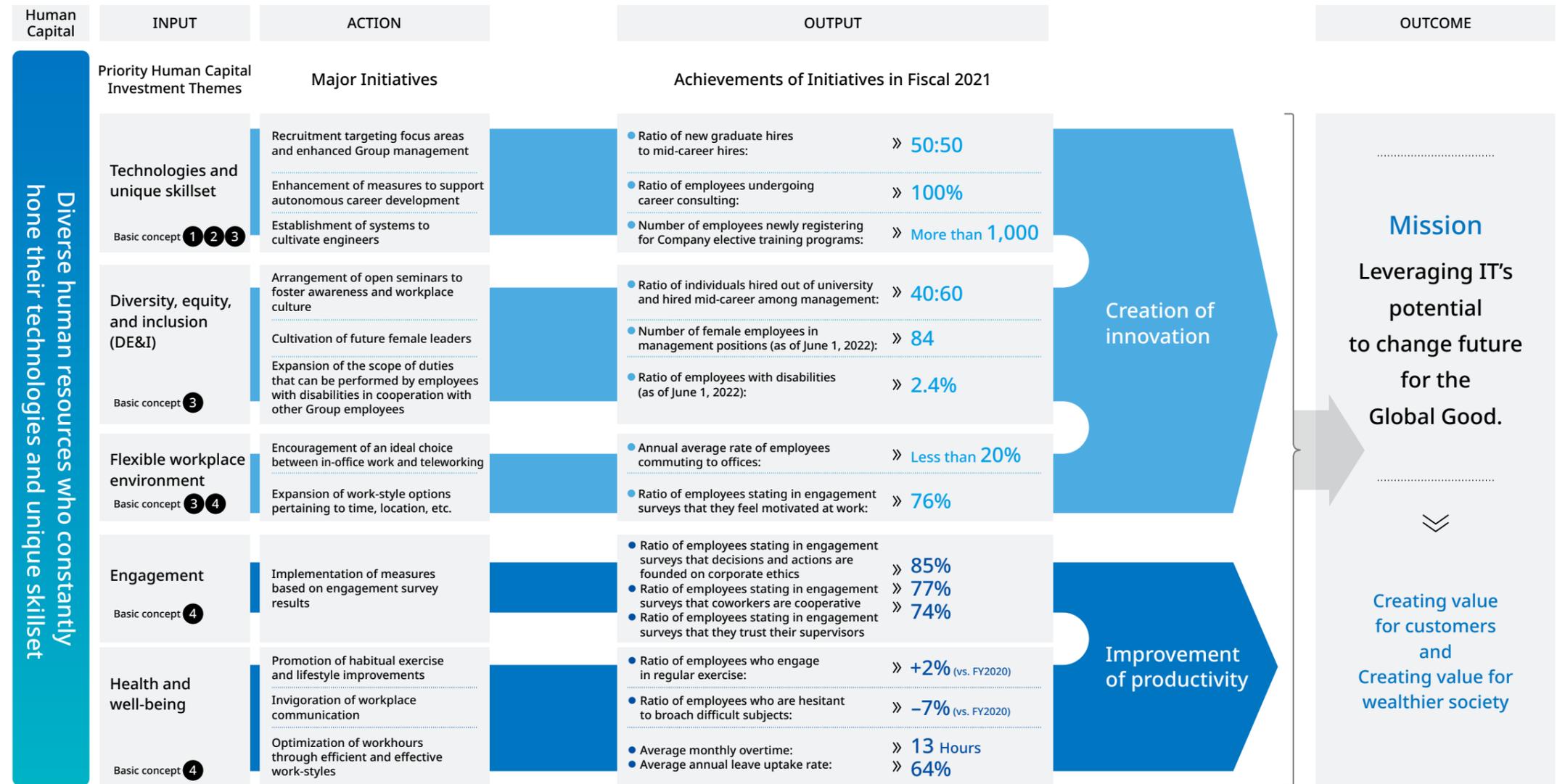
Basic Concept of Our Human Resources Strategy and Priority Measures

The basic concept for the human resources strategy of CTC's medium-term management plan is "Developing Personnel

Basic Concept of the Human Resources Strategy



Improvement of Corporate Value through the Human Resources Strategy



For more information on human resource initiatives, please refer to Human Resources Strategy: Detailed Report.
<https://www.ctc-g.co.jp/en/company/ir/library/annual/index.html>

Who Create New Value: One Version UP!" Based on the two pillars of mutual receptiveness toward diversity and human resource development, we are transforming our human resource management approach from the four perspectives.

One of the perspectives is sophistication of Unique Skillset. We view the specialized skills of our employees as a wellspring of value, and we therefore strive to create an environment where personnel with expertise and the ability to create corporate value can gather and grow. Offering a meritocracy for diversity is another of the perspectives. This perspective shapes our efforts to feed employees' appetite for growth through systems that assess and compensate based on roles and levels of contribution, regardless of age.

CTC recognizes that higher corporate value is created when diverse individuals, including those outside of the CTC Group, can fully exercise their talents. From the perspective of emphasizing the individual and autonomy, we seek to encourage employees to exercise autonomy in finding their own ideal

work-style and motivation. Meanwhile, in backing bold efforts, we are rolling out measures to support employees who are eager to tackle challenges in new areas and businesses.

Analyze and Examination of the Relationship between Human Capital Investment and Corporate Value

Through priority measures in line with the basic concept for our human resources strategy, we are focused on boosting the value created by human capital, specifically the creation of innovation and the improvement of productivity.

For this reason, we have defined five priority investment themes aimed at heightening the value of human capital: technologies and unique skillset; diversity, equity, and inclusion (DE&I); flexible workplace environment; engagement; and health and well-being.

We also embarked on a new initiative to elucidate the relationship between human capital investment and corporate value through analyses of data on operating environment and human capital. These analyses revealed that DE&I and health and well-being are both areas that contribute to increased corporate value. Accordingly, these areas will be targets of ongoing investment. We will aim to enhance human resource management through DX in order to use a greater variety of data to guide human resource measures and gauge the benefits versus amounts of investment in human capital (the return on investment in human capital), so that we can verify and expand the benefits of these investments. We will also seek to track and control potential risks through coordination among the respective divisions.

Through its efforts, CTC is committed to creating value for customers and creating wealth for society and to fulfilling its mission of "Leveraging IT's potential to change future for the Global Good."

Human Resources Strategies

Highlights of Human Capital Initiatives in Fiscal 2021

Creation of Innovation

Initiatives to fuel the ongoing creation of innovation were advanced based on the themes of technologies and unique skillset; diversity, equity & inclusion (DE&I); and flexible workplace environment. Fostering advanced human resources was defined as a priority target for these initiatives.

Divisions that oversee human resources played a central role in spearheading measures to develop human resources based on shared skills and Companywide themes. Concurrently, business groups designed and implemented their own human resource development programs matched to the needs of their respective business strategies. One specific measure in fiscal 2021 was the introduction of a new Companywide elective training program, as part of our efforts to promote systematized development of DX and other engineers. We are also in the process of formulating new merit-based human resource systems to drive growth. These systems are scheduled for implementation in fiscal 2023. Furthermore, CTC continues to operate its "Dojo" online community as a venue for sharing knowledge and techniques across division lines.

Steps are also being taken to enhance our job rotation systems with an emphasis on self-driven effort. Specifically, we introduced a cross-organizational rotation platform and an internal application system. A system that is being continued is the option for employees to receive internal career consulting should they choose it. In addition, the Company arranged open seminars as a new initiative to foster a workplace environment and culture that is conducive to the contributions of diverse human resources and to raise awareness in this regard.

Another new undertaking was the launch of initiatives under the slogan of "Upgrade the CTC Workstyle" in fiscal 2022. These initiatives targeted the expansion of work-style options and included measures to prevent relocations or situations in which people might have to live separately from their families. The initiatives also introduced systems that allow employees to engage

in side jobs outside of the Company or take extended periods of leave (sabbatical leave), and provisions to extend the amount of time spent in the area of business trips to allow employees to enjoy some personal time during trips (bleisure).

Improvement of Productivity

Engagement and other surveys are conducted to measure employee awareness, verify the results of measures, improve measures, and gather feedback for use in management. The top items receiving affirmative responses in the fiscal 2021 survey were the same as those in the survey from the previous year, specifically those indicating that decisions and actions were founded on corporate ethics in engagement surveys, which received an affirmative response from 85% of respondents; that coworkers were cooperative in engagement surveys, which received an affirmative response from 77% of respondents; and that employees trusted their supervisors in engagement surveys, which received an affirmative response from 74% of respondents. Based on these results, strengthening management capabilities and bolstering engagement to close the gap between top management and employees have been positioned as priorities. Measures are being advanced to address these priorities while the related conditions are tracked through pulse surveys.

CTC is also practicing well-being management to promote the well-being of all of its employees. On this front, measures are being advanced based on the result of awareness surveys to respond to changes in work-styles and lifestyles arising from the COVID-19 pandemic. In fiscal 2021, we offered employees advice on how to exercise and otherwise improve their lifestyles at home, and this resulted in an increase in the ratio of employees engaged in habitual exercise. We have also seen positive changes in indicators for monitoring the benefits of measures to invigorate workplace communication amid changing work-styles. Moreover, we set up spaces in which employees could receive COVID-19 vaccinations at the head office. Employees who wish to receive vaccinations at other locations can count the time

used to undergo vaccination, including travel time, among their workhours. In either case, special leave is granted to employees if they have health problems after vaccination.

Furthermore, CTC has continued to promote efficient and effective work-styles in a bid to optimize workhours. As a result of these efforts, average monthly overtime fell to 13 hours in fiscal 2021 and the average annual leave uptake rate was 64%.

Setting of KPIs and Execution of Measures Based on Priority Issues

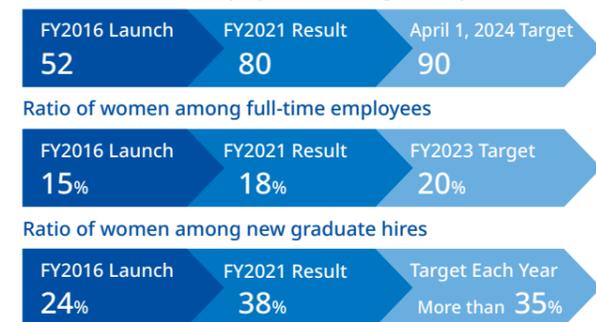
The role of organization leaders at CTC has been evolving in recent years, creating a need for organizational management approaches that entail using diverse leaders to facilitate the contribution of diverse human resources. However, diversity indicators related to female employee empowerment at CTC are falling below industry averages. To address this issue, we have launched measures to enhance our female human resource pipeline, ranging from new hires to those with managerial responsibility (managers and those with high-level positions). In addition, the ratios of women among new graduate hires and full-time employees and the number of female employees in management positions have been set as key performance indicators (KPIs).

A priority scenario of the medium-term management plan is strengthening overall capabilities by combining individual growth and the right person in the right place. In enacting this scenario, it is important for all employees to embody the love of challenges that is a core characteristic of the CTC Group. Accordingly, we are fostering organizational and workplace cultures that offer psychological safety, and which are founded on mutual respect to ensure that our diverse human resources can act with autonomy and exercise their individual talents.

Moreover, we recognize that the health, well-being, and motivation of employees are imperative to the ongoing growth of the Company. Our fiscal 2019 medium-term well-being management plan defines priority measures and KPIs for these areas. A number of initiatives are moving forward in relation to this plan, and we are currently implementing our plan for fiscal 2022 and 2023, which is based on a shift toward work-styles involving both in-office work and teleworking.

CTC will continue to evolve its human resource management approach while flexibly revising its plans and measures as it seeks to promote understanding of the reality that empowering female employees and practicing well-being management contributes to the improvement of corporate value.

Progress toward Targets for Women's Empowerment Indicators



KPIs and targets for initiatives to empower female employees were set when these initiatives were launched in fiscal 2016, and steady progress has been made toward accomplishing the targets.



Saeko Kubota

General Manager, Institute of Open Innovation Research "MIRAI"
Business Innovation & Digital Transformation Group

Individual Autonomy for Shaping CTC's Future

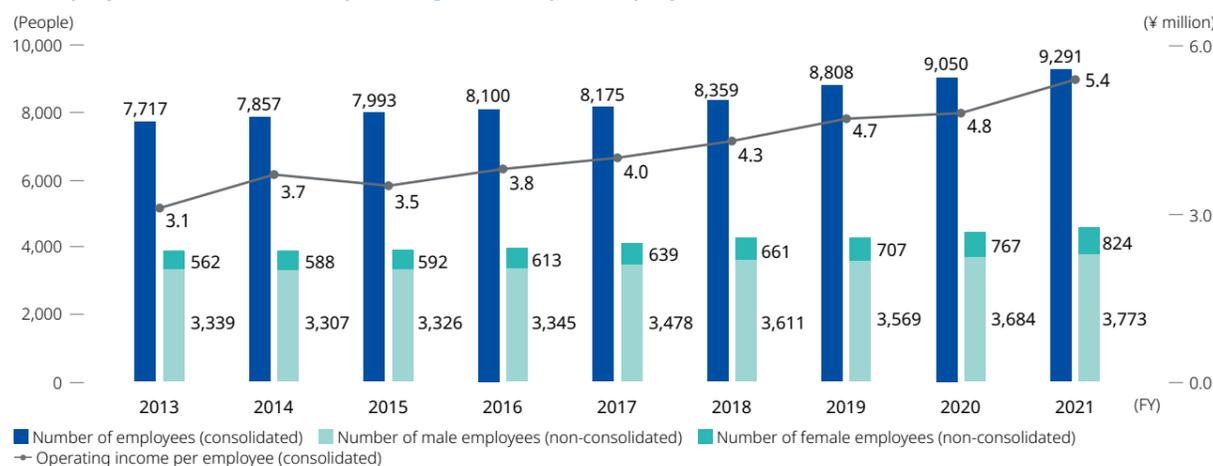
The Institute of Open Innovation Research "MIRAI" was created in 2017 as a dedicated new business development organization, seeking to create the businesses that will support the future of CTC.

The goal of our new business development efforts is to create new businesses with a focus on resolving social issues through IT. We are currently advancing initiatives that target priority areas such as *smart logistics*, a field aimed at developing new logistics approaches for the future, as well as *smart towns* and *smart work*. For example, we are partnering with TriValue to combine logistics and IT and to realize sustainable furniture logistics approaches that are beneficial for the logistics company, customers, and society. We are also working to resolve community transportation issues that arise as a result of population aging. In this regard, we have taken part in verification experiments for systems that contribute to increased mobility for community members. The systems have also reduced financial burdens for public transportation providers and municipal government agencies by combining public transportation venues with on-demand transportation.

The Institute of Open Innovation Research "MIRAI" has a team of approximately 30 members representing diversity in gender and age (ranging from 20s to 60s). A large portion of our team is comprised of mid-level employees around age 40. The backgrounds of these individuals are equally diverse, with members coming from engineer, sales, corporate planning, and other divisions.

In managing this organization, I prioritize individual autonomy. Specifically, I want us to be an organization of individuals who are empowered to think and act on their own, and where everyone is respectful of others. I am confident that such an organization will be highly proficient at combining the professional backgrounds of its members to promote fruitful collaboration and co-creation. By fostering a diverse organization that grants individuals a sense of autonomy, I hope that the Institute of Open Innovation Research "MIRAI" will be an organization that grows through the passion of its members to create new services and innovations that shape the future. We are therefore enhancing the institute's unique programs to develop human resources, including on-board training, workplace mentoring, and one-on-one support programs. If we can become an organization that draws out the potential of intrapreneurs through these frameworks, I am sure that we will help to shape the future of the CTC Group.

Employee Numbers and Operating Income per Employee



Human resource initiatives have been positioned as a core measure for strengthening management foundations since the period of the medium-term management plan covering fiscal 2013 and 2014. Over the years, the Company has continued to bolster its human resource initiatives. In fiscal 2014, work-style reforms were undertaken as part of efforts to develop a workplace environment that promotes flexible and diverse work-styles in conjunction with work-style reforms. In fiscal 2015, human resource systems were reformed in conjunction with the implementation of measures to offer employees multiple career paths, and we began promoting autonomous, self-driven career development along with diversity, equity, and inclusion. As a result of such efforts, operating income per employee has shown a steady increase each year since fiscal 2016.

Technology Strategies



Message from the CTO

Development of foundations for the next phase of growth and frameworks to utilize technologies and engineers

Hisashi Eda

Senior Managing Executive Officer
Assistant to the President
(Special appointment for Advanced IT Strategy / Chubu Region)
CTO
COO, Business Transformation

Use of Technologies to Boost Value and Productivity

CTC has amassed specialized industry insight through a structure of business groups that are based around industries and regions. Each business group has developed its own area of expertise and employs unique techniques—craftsmanship—to help resolve customer issues with IT. For reasons of confidentiality, I cannot discuss specific details of customers and their systems. However, I can say that we have established a connection with society by developing and operating critical, high-responsibility systems, whose failure would result in serious social issues. The specialties of business groups may vary, but they all share a commitment to explore new fields in an effort to better serve customer needs. Moreover, the business groups have driven growth by using the expertise gained through their efforts in a cross-organizational manner.

The need for DX that surpasses the boundaries of industries and business models has been expanding in recent years. It is therefore crucial that we boost the access of frontline business sites to technologies. In

addition, we must seek to better grasp the social value of our customers as well as their specific issues, so that we can respond swiftly and effectively.

I joined CTC some 40 years ago. Over the years, I have had the opportunity to work in large-scale projects as an engineer in the Telecommunication Group. I used the insight and experience related to advanced technologies that I gained through these projects to contribute to the businesses of the Financial Services Group and the Regional & Social Infrastructure Group. In later years, I oversaw sales divisions and then business groups. My efforts in these roles have included reorganizing engineer organizations, sharing our expertise among divisions, and optimizing the allocations of our human resources. In the future, I hope to use the experience I have gained thus far to help expand the value and productivity of the entire Company. As CTO, I will approach this task from the perspectives of both project management and engineer cultivation.

Priority Theme of Enhancing Project Management and Engineering Skills

CTC's strengths, its wellspring of value, are its people, their robust technologies, and the craftsmanship that connects these technologies. Over the years, we have maintained strong relationships with tech companies in Silicon Valley. These relationships have enabled us to explore next-generation technologies and draft technology

strategies from a medium- to long-term perspective. We have also developed frameworks to support our efforts, such as the "Dojo" in-house online community, for engineers, aimed at fostering an appetite for learning. In the future, I hope to further develop these frameworks in terms of both their ease of implementation and their

effectiveness. A central role in deciding the directions for these efforts will be played by the Technology Strategy Committee. This committee consists of principals, members of business groups with high technical qualifications. Members of the Corporate IT Systems Group and the Human Resources Management & General Affairs Group will join the committee in fiscal 2022, devising measures based on close coordination between strategies and corporate frameworks.

Project management capabilities will be key to boosting productivity. On this front, we will seek to reorganize our operating processes, which have grown isolated and complex due to the diversification of our services as we expand and build on our business efforts with specific customers. In addition, we will promote information sharing among members of project teams, cut redundant costs, and further standardize our technologies.

Specific measures will include reinventing internal development frameworks. In this way, we aim to create frameworks that organically link the processes of frontline systems development and implementation, while maintaining our fundamental quality management processes, which are based on ISO and JIS standards.

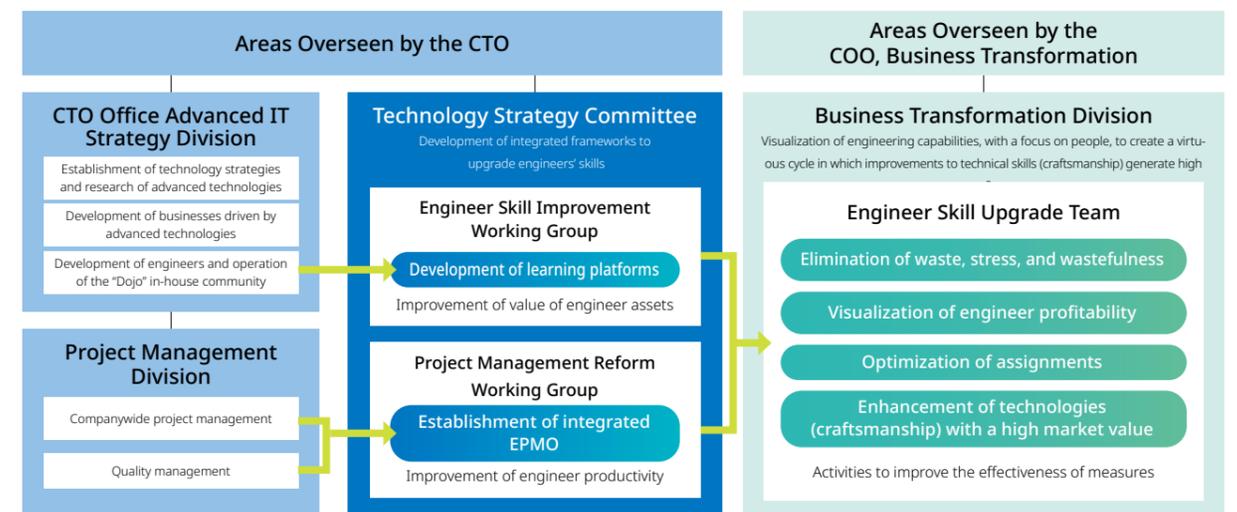
Other efforts to raise project management capabilities have included positioning project management office (PMO) below myself, the CTO, to facilitate the management of quality and risks of projects proving unprofitable as well as the sharing of information with top management. These efforts have already produced benefits in the form of reductions in the number of unprofitable projects. However, we cannot deny that—as PMO have traditionally been positioned as risk management organizations—the information sharing and reporting processes they require have placed a burden on frontline organizations, which seek increasingly to accelerate operations. A future focus will thus be to develop frameworks that can be used by both top management and the frontlines, while reducing the amount of work associated

with filing reports. In this manner, I aim to develop our PMO into an integrated enterprise PMO (EPMO) that enjoys an ideal balance of conservative and aggressive business functions, for both top management and the frontlines.

Meanwhile, boosting value will require engineers to maintain a keen awareness of their own technical value. The preconception that generating profit is the job of our salesforce, while engineers focus on creating, impedes our ability to explore new fields. If engineers can identify what customers desire and what we should focus on in responding to the desires, it should increase the level of freedom we have in projects. I am also examining the possibility of introducing frameworks that support this change in approach. Engineers underpin the creation of value at CTC. I therefore hope to create engineer cultivation systems with focuses on technical skills, opportunities, and motivation to give rise to a virtuous cycle that generates high profits. To this end, I am looking into schemes for learning platforms. At the same time, we will take steps to clarify the technical skills CTC requires by analyzing our skills portfolio, with a focus on skills that generate the greatest levels of value in our business. Based on our findings, we will develop concrete education programs for engineers and give them opportunities to exercise their skills through on- and off-the-job training. We also provide communities and events to facilitate self-driven learning away from work, as well as tools and infrastructure to conduct experiments.

Throughout my time at the Company, I have had opportunities to tackle new and unprecedented challenges. The skills I gained while seeking ways to overcome these challenges have made me what I am today. In this business, we often find ourselves charged with missions to serve customers in which failure is not an option. Accordingly, I hope that our engineers will be able to transcend this limitation to gain a diverse variety of experiences and to grow. Even if one experiences failure, it is important to keep aspiring to broaden our business. If we can strengthen our relationship with

Integration of Measures



Technology Strategies

customers through this process, it will mean that we can ultimately succeed by not stopping our efforts after the failure. Moreover, offering engineers a wide range of career paths will further strengthen CTC and help them to tackle new challenges. There is nothing more powerful than the curiosity

and interests of engineers. It is therefore vital that we do not leave the improvement of skills purely up to the motivation and drive of individuals; we must offer support through a multifaceted approach on the part of the Company.

Coordination of Systems and Frameworks to Boost Effectiveness

These initiatives will go further than simply establishing structures; we will pursue further coordination of initiatives with the Company's systems and frameworks. The Business Transformation Division, which I oversee, is working to improve productivity by streamlining management efforts. These efforts aim to secure a level of efficiency that will be sufficient for the next five to 10 years, by eliminating waste,

stress, and wastefulness. We are also looking into possible means of better sharing the data necessary for management decisions, optimizing human resource allocation, and redistributing work authority. These measures will be coordinated with initiatives to enhance project management and engineer skills, to ensure that the Company framework functions appropriately and build platforms for new growth.

Build and Strengthen a Quality Management System

CTC has created the CTC Quality Management System, which complies with the ISO 9001 international standard. Based on the system, CTC has set up a framework for organizational activities to improve quality and to manage the quality of projects (development, infrastructure building, and analysis) and operational services.

To improve quality, CTC is enhancing the analysis of failures and taking steps to prevent a recurrence so that similar problems do not arise again in project activities and

operational services. Highly complex, large-scale projects are reviewed by an internal third-party organization when estimates and plans are created, and during project execution, to constantly monitor risks.



Aggressive Quality Management through Enhanced Activities by PMO

Quality Policy
(Revised in
fiscal 2022)

We support customers' DX by upgrading IT into Takumi-no-Waza (Craftsmanship)

1. Do we fully understand customer needs and do our actions, structures, quality, and craftsmanship sufficiently address these needs?
2. Are we delivering value that surpasses customer expectations?

Hisashi Eda Senior Managing Executive Officer, Assistant to the President
(Special appointment for Advanced IT Strategy / Chubu Region); CTO; COO, Business Transformation

Background for Quality Policy Revision

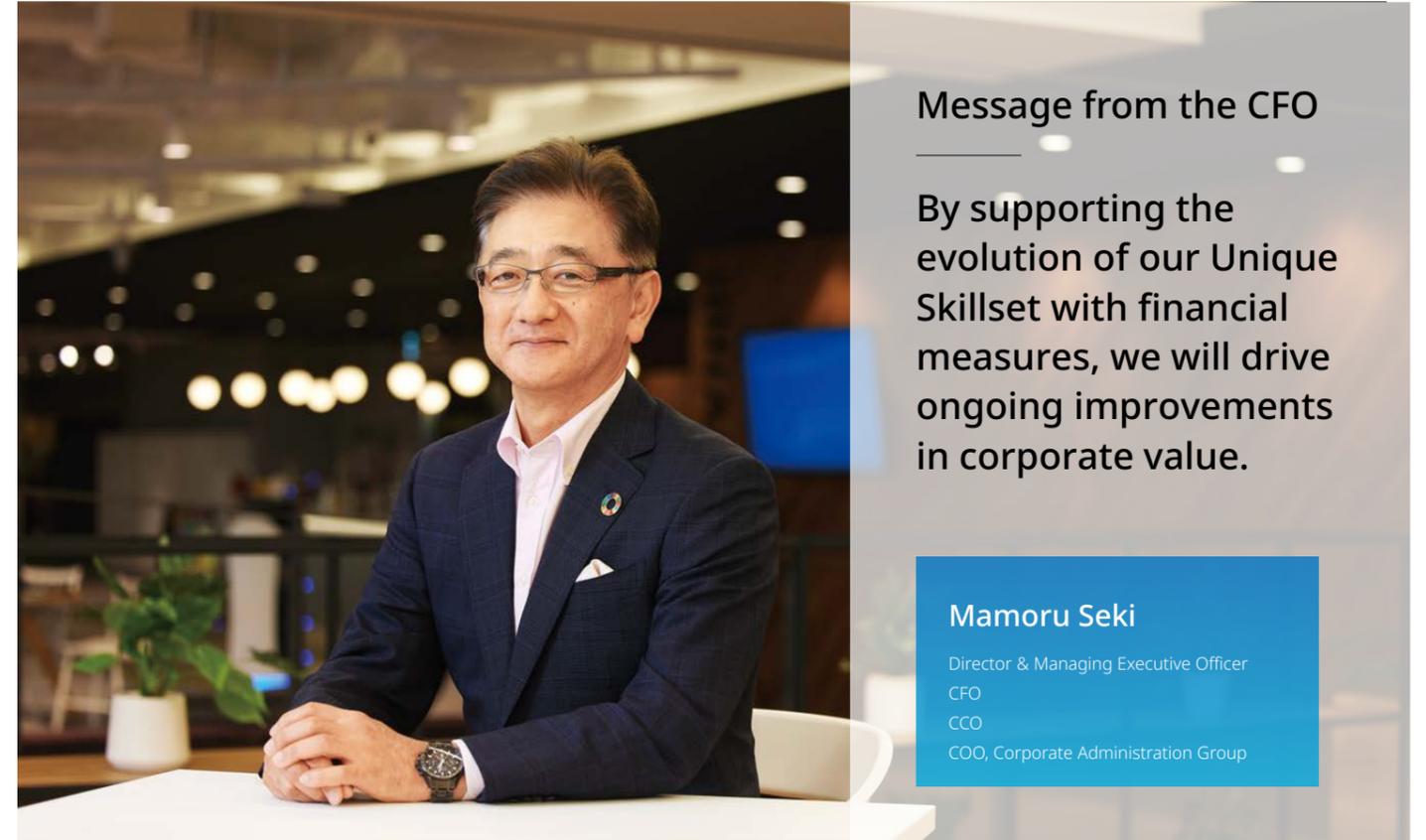
In fiscal 2022, CTC's Quality Policy has been revised to make it simpler and more easily understood than the policy used in fiscal 2021. The revised policy expresses the idea of differentiation through craftsmanship, which is a central theme of the new medium-term management plan, through the term "Takumi-no-Waza (Craftsmanship)." By pursuing the absolute pinnacles of technology, and evolving these technologies into Takumi-no-Waza, we aim to deliver safe, secure, and sophisticated IT services. Moreover, CTC will seek to support the creation of new value and the DX of customers with its Takumi-no-Waza. At the same time, we will make a concerted effort to help resolve a range of social issues and contribute to the global good.

Promotion Structure

Top management, business division PMO, and the Companywide PMO will each be assigned specific roles in quality improvement activities, and we will accelerate such activities through efforts by these organizations, and coordination among them, based on their respective roles and perspectives.

In fiscal 2021, the Companywide PMO was placed under the control of the CTO to facilitate the enhancement of Companywide management and support quality improvement activities. Strategic indicators have been defined for gauging efforts to enhance oversight and promote quality, and such efforts are being advanced to heighten Companywide service quality and business quality.

Financial Strategies



Message from the CFO

By supporting the evolution of our Unique Skillset with financial measures, we will drive ongoing improvements in corporate value.

Mamoru Seki

Director & Managing Executive Officer
CFO
CCO
COO, Corporate Administration Group

Starting the First Year of the Medium-Term Management Plan by Solidifying the Foundation to Accomplish the Plan Targets

We started fiscal 2021 (the fiscal year ended March 31, 2022) when there was still no end in sight for the COVID-19 pandemic. We saw the emergence of new causes for concern during the fiscal year, including global supply chain disruptions, rising prices, and rapid yen depreciation. Even in this opaque environment, however, the CTC Group set new records for revenue, all profit line items, operating income margin, orders received, and backlog. Factors affecting performance included one-time proceeds from sales of data centers and fund management as well as impairment losses on goodwill of overseas consolidated subsidiaries. Nonetheless, we achieved record-breaking results even when the impacts of these extraordinary factors were excluded.

"Beyond the Horizons—To the Future Ahead—," the new three-year medium-term management plan launched in fiscal 2021, sets forth the quantitative targets of an operating income margin of 10%, net profit attributable to CTC's shareholders of ¥40.0 billion, and return on equity (ROE) of 13.0% or above for fiscal 2023.

In fiscal 2021, the first year of the plan, we produced clear successes in the form of an operating income margin of 9.7%, record-breaking net profit attributable to CTC's shareholders of ¥35.4 billion, and ROE of 13.2%. These figures represented strong progress in the plan's first year.

During the year, we sold our data center assets to Digital Edge Japan, which has expertise in the construction and operation of data centers. Specifically, the assets sold comprised six data center buildings in four locations across Japan, with a total floor space of 80,000 m². We also concluded a strategic partnership agreement with Digital Edge Japan to help us respond to a range of data center-related needs. As the sale freed CTC of the burden of operating and managing these assets, we can now devote our attention to strategies pertaining to our "OneCUVIC" hybrid Cloud service. CTC is thus poised to further build on the inherent strengths of this service.

Meanwhile, we were forced to record an impairment loss with regard to our operations in Indonesia, because the COVID-19 pandemic caused delays in our initial business

Financial Strategies

plans. We acquired these operations in 2019, and the decision to record an impairment loss now was based on the projection that more time would be required for these operations to move past the impacts of the COVID-19 pandemic, as well as on our adoption of a conservative approach toward our outlook for the future. We have put ourselves in a position to focus more precisely on the essence of our business by the decision to assume that it will take longer than expected to recover to the pre-pandemic level business environment.

To sum up, I would say that fiscal 2021 was a year in which we made steady progress in solidifying the foundation to accomplish the targets of the medium-term management plan. Not only did we grow revenue in line with our plans, despite the opaque environment, we also succeeded in practicing selection and concentration of resources on our focus fields and addressing potential concerns.

Ongoing Creation of Business Value to Drive Steady Increases in ROE

One of the medium-term management plan targets is to achieve ROE of 13.0% or above. We, of course, intend to exercise leverage to boost ROE even further should the opportunity arise, and CTC has a financial base that allows for such leverage. Our first priority, however, should be to increase revenue and profit margins in order to boost return on assets (ROA).

Major strengths of the CTC Group include the bonds it has forged with global partners over the years and the diverse product lineup these relationships have granted us. These strengths have recently been contributing to our ability to tackle supply chain issues together with partners. The other strengths are the technologies and unique skill-set providing full-stack IT services to address customer needs as well as the human resources providing full-stack

IT services. These strengths are being deployed in a variety of fields to serve customers in industries including distribution, enterprises, telecommunications, social infrastructure, and finance, as well as government agencies. In this way, we aim to bolster our revenue through a balanced structure comprised of product sales, SI development and services.

Exploring new business and technology areas is something that inevitably brings risks. We must therefore always be mindful of the risk that unprofitable projects occur. For this reason, CTC is reforming its project management processes from a Companywide perspective to effectively manage project progress and to respond to any unprofitable projects that emerge with exhaustive analyses of the cause, so that we can avoid repeating the mistake.

Medium-Term Management Plan (FY2018-2020)		Medium-Term Management Plan (FY2021-2023)	
	FY2020 results	FY2021 results	FY2023 targets
Operating income margin	9.1%	9.7%	10%
Net profit attributable to CTC's shareholders	¥30.5 billion	¥35.4 billion	¥40.0 billion
ROE*	12.5%	13.2%	13% or above

* 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 fiscal year) × 100

Balanced and Aggressive Investments Utilizing a Solid Financial Base

The CTC Group has set new records for net profit for eight consecutive years. This consistently strong performance has built a solid financial base exemplified by an equity ratio of 59.4% on March 31, 2022. The financial base has held firm despite the COVID-19 pandemic, a fact that made

us recognize the importance of good financial health. Our solid financial base supports us as we devote funds to forward-looking investments and seek to ensure consistent returns to shareholders.

One important area of investment is human resources, who are indispensable to the Company's medium- to long-term growth. Recognizing this, we seek to build a workplace environment in which all employees can work with peace of mind and grow as individuals. Efforts to this end include recruiting and cultivating the engineers that will support the future of CTC, financial rewards through performance-linked bonuses and other means, and promoting new reforms to work-styles. Concurrently, CTC aims to expand businesses in existing fields while actively exploring new business areas. For example, although two years have passed since commercial use of 5G technologies began in Japan, services and products powered by 5G technologies are still in their infancy. It goes without saying that we need people to support us as we develop businesses in this area. We therefore spare no expense in investing in the acquisition of qualifications and new technologies by our engineers.

When it comes to business investments, one possible approach is to use leverage to expand a company's business scope. The CTC Group has built up the financial constitution needed to take this approach, and we are prepared to act if a promising opportunity presents itself. When making decisions in this regard, it is important to consider the cost of capital and ensure that investments generate appropriate returns. We have no intention of overpaying in an investment. While taking decisive action to seize opportunities, we must be careful to avoid negative impacts on our customers and shareholders through excessive risk-taking.

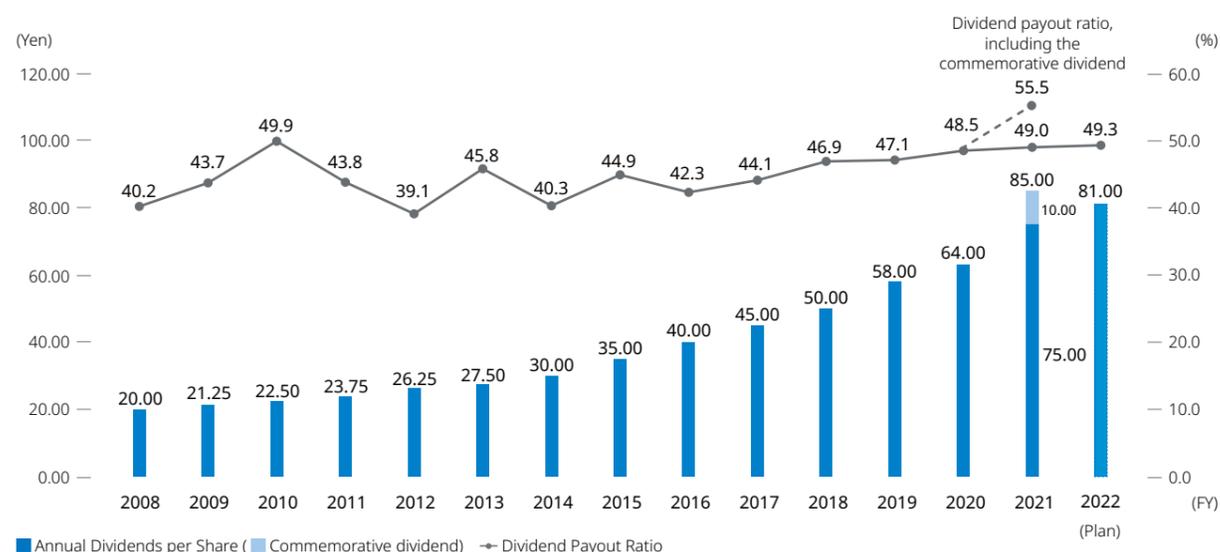
What CTC seeks at the moment is partners with whom we can pursue synergies through open innovation. Accordingly, we aim to conduct investments in developing new technologies, fostering engineers, and growing together with them. Since its founding, CTC has continued to place importance on maintaining a discerning eye for technology. We will uncover promising new technologies to further our growth with this discerning eye.

CTC recognizes that return of profits to shareholders is a vital management task. CTC seeks to secure stable dividend payments and emphasizes the return of profits according to business performance. Moreover, our basic policy is to raise the level of dividends while carefully considering the balance of internal reserves and the actual amount distributed to shareholders.

For fiscal 2021, we paid an ordinary dividend of ¥75.00 per share, an increase of ¥11.00 per share over the previous fiscal year. In addition, a special commemorative dividend of ¥10.00 per share was issued to celebrate the 50th anniversary of CTC's founding and express our gratitude toward shareholders for their ongoing support. This represented a dividend payout ratio of 55.5% and our 13th consecutive year of higher dividends.

CTC remains committed to contributing to the interests of shareholders, employees, customers, and other stakeholders. We will move forward with growth investments while maintaining good financial health to heighten earnings, improve medium- to long-term corporate value, and thereby achieve sustainable growth.

Annual Dividends per Share and Dividend Payout Ratio



* CTC conducted two-for-one stock splits of common shares on April 1, 2015 and April 1, 2018. Amounts for fiscal 2008 to fiscal 2017 in the above graph have been retroactively adjusted to reflect these stock splits.

Environmental Initiatives

As a leading company in the IT industry, we believe it is important to not only reduce the amounts of environmental resources used by ourselves, but also provide a sustainable future for our customers and society through technologies we are uniquely positioned to offer. We listen to a wide range of opinions from variety of stakeholders on the social role and responsibilities that 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 | Solution of Environmental Issues Faced by Customers

The CTC Group seeks to offer value such as environmental load reduction and eco-efficiency improvement with the application of IT by solving the environmental issues faced by customers.

2 | Reduction of Environmental Footprint in Business Processes

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

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 | Enhancement of Environmental Awareness

The CTC Group makes its environmental policy known to all its directors and employees. At the same time, the CTC Group works to raise environmental awareness through education and informative activities.

Environmental Management Structure

The CTC Group has established an Environmental Activities Policy based on its corporate philosophy and has established an environmental management structure.

Under the Sustainability Committee Chairperson, the Environmental Managers and Eco Leaders of respective organizations play a central role in advancing environmental improvement activities across the entire Group. Domestic Group companies (excluding affiliates) have obtained ISO 14001 certification.

As an advisory body to the Management Committee, the Sustainability Committee submits proposals on climate change and other important environmental matters to the Management Committee, which deliberates on the proposals and submits them to the Board of Directors for further deliberation.



* For fiscal 2022, the managing executive officer who is the COO of the Human Resources Management & General Affairs Group and General Manager of the Corporate Planning Division will serve as the chairperson of the Sustainability Committee.

Environmental Education

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

Environmental Improvement Activities

Under the environmental management structure, all entities of the CTC Group set annual goals to reduce the environmental impact through their business and pursue initiatives to achieve the goals. These include helping customers save energy through virtualization and Cloud technologies, as well as the provision of environmentally friendly solutions and products.

Furthermore, in June 2021, CTC and its Group companies relocated and integrated their Tokyo head office functions. The relocation helped to reduce the Group's environmental burdens by reducing total floor space by approximately 20% (compared to the total floor space of the offices that were relocated). In addition, it helped to curb office electricity consumption through the consolidation of previously dispersed servers at data centers.

Environmental Conservation Activities

The CTC Group supports the preservation of the environment and biodiversity. Such support includes donations to initiatives whose aims the Group endorses. Examples of such initiatives are Biodiversity Conservation projects by WWF Japan; the Keidanren Nature Conservation Fund; the Morino Project, which seeks to preserve natural capital by cultivating forests that protect people from disasters; and more trees, an initiative for preserving forests by forming connections between forests and cities. (As of July 2022)

Climate Change Countermeasures

The impacts of climate change have been growing ever more serious in recent years, directing increasingly more attention toward the role of IT as a tool for combating climate change, and enhancing the role and responsibility to be fulfilled by the CTC Group. In April 2021, the CTC Group updated its materiality. "Contribute to climate change countermeasures" has been defined as one of the items of materiality (material issues). Moreover, in April 2022, we expressed support for the Task

Force on Climate-related Financial Disclosures (TCFD). We will work to realize a decarbonized society with our technologies and unique skillset and ensure appropriate disclosures in accordance with the TCFD recommendations. The following is information based on four central components of the disclosure recommendations of the TCFD.



Governance

To address climate change, we have created a structure to promote sustainability, headed by the President & CEO. Important matters are discussed by the Sustainability Committee, which is chaired by a managing executive officer, before decisions are made by the Management Committee and approval is given by the Board of Directors. We have also established a structure under which activities related to climate change are reported regularly to the Management Committee and the Board of Directors and are supervised by them.

Major Items Deliberated

- Matters related to climate change risks and opportunities
- Important guidelines and measures related to climate change
- Progress toward CO₂ reduction and other medium- and long-term environmental targets

Scenarios and Strategies

CTC has analyzed potential impacts of climate change on its business activities and revenue, covering its domestic business including the supply chain. These analyses used scenarios provided by international institutions that projected rises in average global temperatures of 1.5°C and 4°C above pre-industrial levels*. Based on these scenario analyses, the Company quantitatively and qualitatively assessed the financial impacts of the risks and opportunities identified leading up to 2030 and 2050 and formulated response measures.

The results of these initiatives are as follows. We position climate change countermeasures as opportunities for medium- to long-term growth, and we are actively expanding our GX business to contribute to a decarbonized society as a way to address social issues and achieve sustainable growth.

* The reference scenarios included the RCP8.5 and RCP2.6 scenarios of the Intergovernmental Panel on Climate Change and the STEPS and NZE2050 scenarios of the International Energy Agency.

Opportunities Related to Climate Change			Magnitude of Impact (By Scenario)*2				Response Policies
Category	Details	Length of Time*1	4°C scenario		1.5°C scenario		
			2030	2050	2030	2050	
Products and Services	<ul style="list-style-type: none"> • Increase in demand reflecting the use of IT for efficient energy use and energy conservation • Increase in demand for products and services that contribute to the development of renewable energy 	Short term	Small	Small	Medium	Medium	<ul style="list-style-type: none"> • Expanding businesses that help to resolve issues, including those related to efficient energy use and those related to energy conservation • Expanding businesses that contribute to the development of renewable energy
Market	<ul style="list-style-type: none"> • Market expansion driven by simulation technologies and services that contribute to the development of new technologies (related to low carbon, hydrogen, etc.) • Improving social trust through climate change countermeasures 	Short term	Large	Large	Large	Large	<ul style="list-style-type: none"> • Researching, developing, and expanding the portfolio of technologies and services that support the use of new energy as a means to achieve decarbonization • Expanding businesses that contribute to decarbonization and making information about them available

Risks Related to Climate Change			Magnitude of Impact (By Scenario)*2				Response Policies
Category	Details	Length of Time*1	4°C scenario		1.5°C scenario		
			2030	2050	2030	2050	
Policies and Legal Restrictions	<ul style="list-style-type: none"> • Increase in costs to respond to the tightening of regulations related to CO₂ emissions and new political measures and regulations (including the carbon tax and emissions trading scheme) 	Medium term	Small	Small	Medium	Medium	<ul style="list-style-type: none"> • Continuously reducing CO₂ emissions from our businesses by promoting energy conservation and introducing renewable energy
Reputation	<ul style="list-style-type: none"> • Damage to trust from society and a decline in employee motivation resulting from delays in taking climate change countermeasures 	Short term	Small	Small	Large	Large	<ul style="list-style-type: none"> • Expanding businesses that contribute to decarbonization and making information about them available • Joining in initiatives related to climate change
Physical	<ul style="list-style-type: none"> • Negative impacts on business continuity from damage to facilities and supply chain disruption caused by weather disasters 	Short term	Medium	Medium	Small	Medium	<ul style="list-style-type: none"> • Continuing to take disaster prevention and mitigation measures related to our business continuity plan (BCP) • Promoting effective teleworking

*1 "Short term" means up to five years from now. "Medium term" means within five to 10 years. "Long term" means 10 or more years later.
 *2 Assessments represent financial impacts, with impacts classified as small, medium, or large.

▶ For information on specific risks and opportunities, please refer to the following website.
<https://www.ctc-g.co.jp/en/company/sustainability/environment/climate-change.html>

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. As well as 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 contingency circumstances.

Risks	Summary of Risks That Could Negatively Impact Earnings	Risk Mitigation Measures
1 Risks Concerning Changes in the Business Environment	<ul style="list-style-type: none"> Risk of fluctuation in operating results due to changes in economic conditions in Japan and abroad, IT investment by customers, laws and regulations, tax codes, and accounting standards Risk of intensification of price competition due to diversification of customer needs, technological advances, new entrants, and competition with other companies 	<ul style="list-style-type: none"> Updating the internal structure to identify and share information about changes in the macroeconomy and trends in IT investment at customers Providing advanced products and services, aiming to optimize group organizational structures and provide high-value-added solutions
2 Information Security Risk	<ul style="list-style-type: none"> Risk of suspension of corporate activities, loss of trust, or damage claims due to a leak, alteration, or loss of information (including personal information and confidential information of customers), or suspension of their services caused by unauthorized access stemming from cyberattacks on internal systems and customer services, a computer virus, or human error 	<ul style="list-style-type: none"> We have implemented the following measures to appropriately manage information: <ul style="list-style-type: none"> Building an information management system (setting up the Information Security Committee, CTC Security Incident Response Team) Acquiring various certifications (JIS Q 15001, ISO 27001, ISO 27017) Strengthening control of the entire Group, including domestic and overseas consolidated subsidiaries

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 the 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 the following:

- ▶ 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 treat all of the information entrusted to us by our clients as confidential information; carrying out handover checks and exercising strict access management.

As a countermeasure against the increase in cybersecurity risk in recent years, we have established the CTC-SIRT*, which conducts the following activities:

- ▶ Cybersecurity drills for targeted e-mail attacks (annually)
- ▶ Vulnerability diagnosis of internal and public websites (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.

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/company/about/governance/security.html>

Risks	Summary of Risks That Could Negatively Impact Earnings	Risk Mitigation Measures
3 Compliance Risk	<ul style="list-style-type: none"> Risk of a decline in the Group's social credibility or deterioration in 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"> We are implementing the following measures to ensure compliance: <ul style="list-style-type: none"> Building a robust compliance system (setting up the Compliance Committee, etc.) Compliance education and training Operating, maintaining, and improving our whistleblowing system
4 Human Resources Risk	<ul style="list-style-type: none"> Risk of personnel departures or a decline in productivity due to failure to secure and train personnel with high technical skills and expertise as planned, loss of growth opportunities, or a deterioration in 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 measures including the following: <ul style="list-style-type: none"> Training and developing diverse professional human resources Establishing a system that gives employees a sense of self-growth and enables them to realize their full potential (career development support system, leading position certification system, etc.) Promoting diversity and inclusion Promoting work-style reforms (development of a workplace environment that allows employees to deliver the maximum performance through teleworking, free choice of work location, etc.)
5 Project Management Risk	<ul style="list-style-type: none"> Risk of unexpected additional costs incurred if planned results and quality cannot be delivered as customer needs, such as DX, have become more diverse and complex. In addition, risk of loss of customer confidence and claims for damage due to delivery delay and poor quality stemming from the above causes 	<ul style="list-style-type: none"> We set up the Project Management Office as a third-party entity and Companywide organization, and instituted project control departments in each business group. We also implement control and support systems including the following to avoid the risk of being unable to complete a critical system integration project on schedule: <ul style="list-style-type: none"> Making preliminary examinations before submitting quotes Monitoring and evaluating the project status Providing individualized support and offering ideas for improvement according to the project status (quality evaluations, etc.)
6 System Failure Risk	<ul style="list-style-type: none"> Risk of a confidence decline and claims for damages in the event that a customer's business activities are affected by failures due to equipment failure or operational errors in our operation services, in a situation where IT systems play an important role as social infrastructure 	<ul style="list-style-type: none"> We are implementing the following measures: <ul style="list-style-type: none"> Regular operational risk assessments Stepping up IT system monitoring and third-party auditing of operational status Investigating and responding quickly to product defect information, and conducting preventive replacement of equipment Acting to improve work quality, including preventing operational mistakes (zero human error activities, rigorous pre-work risk prediction meetings, etc.)
7 Investment Risk	<ul style="list-style-type: none"> Risk of a drop in recoverability, loss of part of or an entire investment, or a need for additional funding due to failure to achieve the expected returns from strategic investments in companies in Japan and elsewhere, data centers, or Cloud services for the purpose of launching new businesses, expanding operations, or boosting competitiveness caused by changes in the market environment, and deterioration in revenues of investment target companies 	<ul style="list-style-type: none"> We carefully consider investment returns and risks in advance and are implementing measures including the following: <ul style="list-style-type: none"> Building an investment management system (updating internal standards for investments and exit criteria, pre-screening before making investments, etc.) Regular monitoring (verifying the achievement status of investment objectives, meeting the exit criteria, etc.) Major consolidated subsidiaries are implementing measures including the following: <ul style="list-style-type: none"> Thoroughly raising awareness of the CTC Group Philosophy and CTC Group Code of Conduct Dispatching managers and other staff to consolidated subsidiaries Ensuring governance through shareholder agreements
8 Exchange Rate Risk	<ul style="list-style-type: none"> Risk of a profitability decline when transactions are conducted in foreign currencies for products and services procured from overseas markets, and cost increases from a sudden change in foreign exchange rates or weakening yen over the medium term that cannot be passed on to customers 	<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 contingency 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, and strengthening disaster prevention drills Maintaining a backup system in the Kansai region in preparation for a potential disaster in the Tokyo metropolitan area
10 Product and Service Procurement and Supply Risk	<ul style="list-style-type: none"> Risk of negative impacts on the CTC Group business performance due to a supply suspension of products and services to customers for the following reasons and other factors: suspension of product or service supply due to business plan changes or business condition deterioration of suppliers, shortages or production delays of semiconductors and other products due to supply chain disruption from pandemics, wars, terrorism, and other global events 	<ul style="list-style-type: none"> To prevent delays in deliveries and optimize supply chains, we are leveraging CTC's strengths of our multi-vendor strategy and full-stack IT technologies to implement measures including the following: <ul style="list-style-type: none"> Optimizing product and service sourcing based on relations of trust with major domestic and overseas vendors Forming relationships with multiple vendors to prevent a dependence on specific vendors Sharing accurate information with customers and proposing ideal response measures

Risk Management

Compliance Initiatives

Basic Stance on Compliance

The CTC Group regards compliance as one of its most important management issues, and is well aware that thorough, Groupwide compliance forms the foundation for running and managing the Group. By ensuring that each and every Group employee observes all laws, regulations, and internal regulations required in the execution of corporate activities, and carries out such activities in a highly ethical

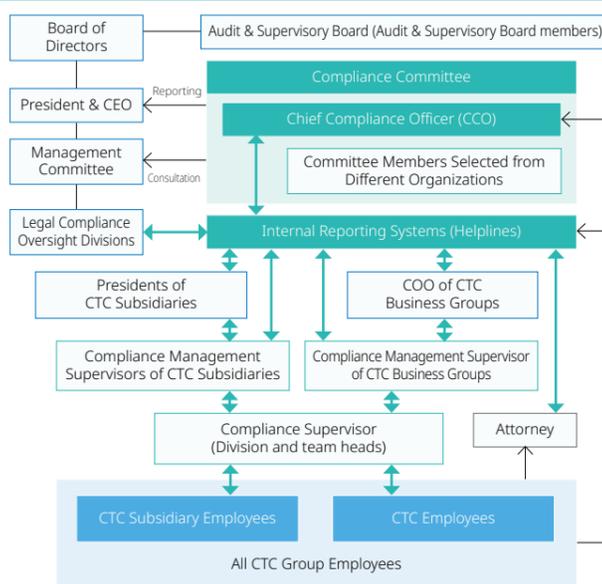
and responsible manner in accordance with social norms and morals, we aim to ensure that we are held in esteem and trusted by society as a consistently fair, highly transparent, sound, and healthy corporate group as we seek to increase the corporate value of the entire CTC Group.

▶ For more information on the CTC Group Code of Conduct, the Group's basic guidelines for implementing compliance management and fulfilling its corporate social responsibilities, please refer to: □□ P.5 CTC Group Philosophy

Compliance Promotion Structure

To promote thorough compliance within the CTC Group, we have established the CTC Group Code of Conduct and a range of internal regulations, appointed a Chief Compliance Officer (CCO), and established a Compliance Committee that acts as an advisory body to the Management Committee. We aim to enhance the functionality of these organizational structures through the appointment of overall compliance management supervisors responsible for specific business groups and CTC subsidiaries, as well as compliance supervisors responsible for individual divisions and teams.

These compliance supervisors check the progress of their organization's compliance initiatives on a quarterly basis and report to the Compliance Committee. In addition, we seek to ensure that compliance awareness is thoroughly instilled by holding ongoing educational training sessions for corporate officers and employees.



Internal Reporting and Consultation Systems

The CTC Group has established internal reporting systems (helplines) that enable corporate officers, employees, and business partners to report and consult regarding compliance violations. We were swift to register a self-declaration of conformity for these helplines under Whistleblowing Compliance Management System*1 certification on April 26, 2019.

Reports can be made via two routes, reporting to an internal point of contact and to an external point of contact (an advisory attorney). Both routes include provisions to protect the privacy of reporters and to ensure appropriate management of reports, and we guarantee that such reporters will not suffer from any detriment or disadvantage as a result of a report through the helplines. In addition, consultations for employees on a range of issues are provided through an employee consultation service. The number of internal reports and consultations for the CTC Group in the past three years is shown in the table below. Appropriate responses to all reports and consultations are pursued in cooperation with the relevant divisions as deemed necessary. No serious violations have occurred in the CTC Group.

Compliance representatives attend annual workshops arranged by a lawyer, to improve their skills and enhance their ability to address reports and consultations through the helplines.

In this way, we continue to operate and maintain the helplines and employee consultation contact points in an appropriate manner. In addition, we are working to bolster compliance management to quickly detect and remedy violations of laws or internal regulations and other acts of misconduct.

	FY2019	FY2020	FY2021
Helplines (External point of contact)	18 (3)	7 (2)	11 (4)
Employee consultations*2	29	15	26
Total	47	22	37

*1 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 a registration organization designated by the Consumer Affairs Agency, with conforming companies being registered. The implementation of this system was suspended in February 2022 based on a revision to the Whistleblower Protection Act.

*2 Figures represent the number of employee consultations concerning harassment and other aspects of the workplace environments.

Compliance Awareness Surveys

Every other year, the CTC Group conducts anonymous questionnaire-based Compliance Awareness Surveys of all of its corporate officers and employees to ascertain the actual state of penetration of compliance awareness and verify the

effectiveness of initiatives. In fiscal 2020, 14,668 people were surveyed, of whom 13,245 responded. The results of such surveys are analyzed and utilized in formulating, implementing, and improving our compliance measures.

Compliance Training and Thorough Circulation of Compliance Information

The CTC Group recognizes education and training as one of the most important priorities for guaranteeing thorough compliance. We seek to ensure that compliance awareness is properly instilled in all corporate officers and employees—including contracted and outsourced employees and personnel—by conducting regular training on an annual basis as well as through other initiatives to raise compliance awareness. For instance, we conduct e-learning for all CTC Group employees and workshops for new and current corporate officers.

In addition, materials regarding compliance issues are disclosed through the Company intranet to allow divisions to arrange their own workshops. Moreover, we conduct awareness-raising activities by disseminating e-mail magazines containing compliance knowledge and video training materials that allow users to learn about compliance in the time between tasks (compliance micro-learning). These materials are prepared by the Compliance Department.

Response to Laws and Regulations

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

The supervisory divisions for laws and regulations cultivate the necessary awareness to ensure compliance

through posting of related materials and manuals on the intranet, e-learning programs, and regular group training. These divisions also make regular reports to the Compliance Committee on the current state of compliance within the organization.

We also confirm the state of practical implementation of such measures within these divisions through internal audits as deemed necessary, and we seek to ensure that proper operational management is being conducted to furnish a more appropriate response to laws and regulations.

Response to Ensure Fairness in Transactions and Prevent Corruption

The CTC Group has established its own CTC Group Policy on Fair Trade and Prevention of Corruption. Based on this policy, the Group works to prevent violations of laws and regulations through the establishment and appropriate implementation of relevant internal rules and engages in sales activities in accordance with sound business practices and commonly accepted social norms. The Group also periodically monitors the state of its compliance with relevant laws and regulations and the implementation state of its internal rules and works to make continuous improvements. To date, the CTC Group has never been investigated by authorities in relation to acts of collusion, cartel activities, or bribery.

Elimination of Anti-Social Forces

In its CTC Group Code of Conduct, the CTC Group has clearly expressed its firm stand against antisocial forces and organizations that threaten the order and safety of civil society. We are working to make this stance thoroughly known among all of our corporate officers and employees.

In addition, internal procedures are in place to check investment and transaction counterparties to avoid any relationship with such antisocial forces and organizations.

CTC Group Policy on Fair Trade and Prevention of Corruption

1. Prohibition of Acts That Impede Fair Competition

We will promote fair trade, and never engage in any conduct that impedes fair competition, such as coordinating orders or adjusting the price of services or products, etc. with competitors, whether in Japan or overseas.

2. Prohibition of Bribery

For the purpose of preventing corruption, we will not provide, propose or promise any entertainment, gifts, or other facilities to public officials or persons in equivalent positions, or other business partners for the purpose of obtaining illegal benefits, whether in Japan or overseas. In addition, we will not cause our business partners to conduct such bribery.

3. Establishment and Operation of Systems

We will appropriately develop and operate a system of personnel, organization, and internal rules, necessary for ensuring the observance of the preceding two clauses, by understanding the risks of each CTC Group company.

4. Monitoring and Revision

We will monitor the system of personnel, organization, and internal rules in the preceding clause on a regular basis, including whether it is appropriately established and operated, and whether its function is effective. In addition, we will review and improve the system as necessary, in light of the status of risks or the revisions of laws and regulations.

5. Full Dissemination

We will implement this policy and ensure that this policy and the related efforts of each CTC Group company are continuously disseminated.

Corporate Governance

Directors and Audit & Supervisory Board Members As of June 16, 2022

*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, Aya Motomura, Yasuhiro Ikeda, and Yumiko Nagai 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.



Ichiro Tsuge

President & CEO



Mamoru Seki

Director & Managing Executive Officer
 CFO; CCO;
 COO, Corporate Administration Group



Hiroshi Kajiwara

Director



Hiroshi Takada

Audit & Supervisory Board Member



Naoko Iwasaki

Director*1



Aya Motomura

Director*1



Yasuyuki Harada

Audit & Supervisory Board Member*2



Toshiaki Tada

Audit & Supervisory Board Member*2



Yasuhiro Ikeda

Director*1



Yumiko Nagai

Director*1



Katsuhiko Hara

Audit & Supervisory Board Member*2

Corporate Governance

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.

Governance-Strengthening Efforts to Date: From Fiscal 2015 to Fiscal 2022

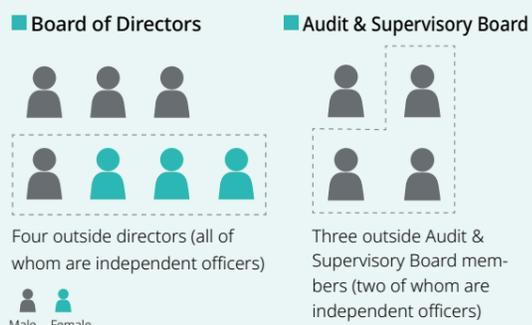
Fiscal 2015	<ul style="list-style-type: none"> Established the Nomination Committee, Remuneration Committee, and Governance Committee as advisory committees to the Board of Directors Commenced evaluation of the effectiveness of the Board of Directors 	<ul style="list-style-type: none"> Established a liaison meeting for Audit & Supervisory Board members and non-executive directors Established an information-sharing meeting for non-executive directors Began providing opportunities for outside directors to take part in training (external seminars)
Fiscal 2016	<ul style="list-style-type: none"> Invited outside speakers to conduct ESG study sessions for directors 	
Fiscal 2017	<ul style="list-style-type: none"> Introduced a performance-linked stock-based remuneration plan 	<ul style="list-style-type: none"> Invited outside speakers to conduct SDGs training sessions for directors
Fiscal 2018	<ul style="list-style-type: none"> Invited outside speakers to conduct compliance study sessions for directors 	
Fiscal 2019	Governance System Renewal <ul style="list-style-type: none"> Established a governance system in which independent outside directors account for at least one-third of directors (two independent outside directors, both women) Established a governance system in which independent outside Audit & Supervisory Board members account for at least half of the Audit & Supervisory Board members <ul style="list-style-type: none"> Arranged on-site visits by outside directors (external seminars, forum attendance, visit to a special subsidiary) 	
Fiscal 2020	Discretionary Committee System Changes <ul style="list-style-type: none"> For the Governance Committee, one of the discretionary committees, an independent officer was appointed as its chairperson Changed the composition of each of the above-mentioned committees so that independent officers constitute a majority 	
Fiscal 2021	Discretionary Committee System Changes <ul style="list-style-type: none"> Appointed an independent officer as chairperson of the Remuneration Committee, thereby establishing a structure like that of the Governance Committee Invited external lectures to provide training for officers on the revision to Japan’s Corporate Governance Code and the disclosure framework recommended by the Task Force on Climate-related Financial Disclosures (TCFD) 	
Fiscal 2022	Governance System Renewal <ul style="list-style-type: none"> Increased the independent outside director ratio of the Board to over 50% (of the four independent outside directors, three directors are female Board members) 	

Composition of the Board of Directors and Audit & Supervisory Board in Fiscal 2022

As of June 30, 2022, the Company had seven directors, of whom four fulfilled the requirements for designation as independent directors stipulated by the Tokyo Stock Exchange, Inc. Among the independent outside directors designated as independent directors are a university professor, a lawyer, an individual with expertise in human resource management and ESG, and an individual with corporate management experience at other companies.

While the Board has no non-Japanese nationals, some of the Board members have resided abroad, worked with overseas vendors, or have extensive overseas business experience and an international perspective. We therefore believe that the Board diversity is sufficiently achieved.

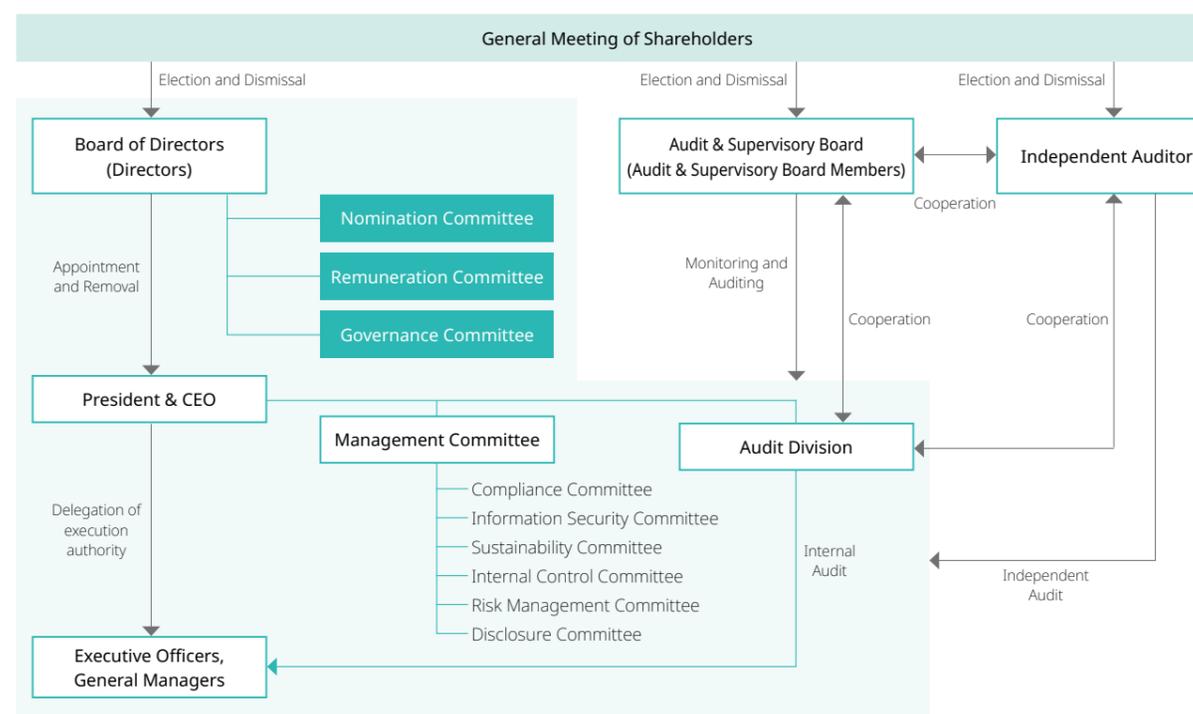
Two of the four Audit & Supervisory Board members are independent officers.



Overview of the Corporate Governance System

Organization type	Company with corporate Audit & Supervisory Board members (Audit & Supervisory Board)
Chairperson of the Board of Directors	President & CEO
Number of directors (of which, outside directors)	7 (4)
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 As of June 16, 2022



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 an Audit & Supervisory Board that includes outside Audit & Supervisory Board members, is functioning effectively.

Corporate Governance

▶ 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, international perspective, and the like. Of the seven outside directors and Audit & Supervisory Board members, six 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	ESG	HR management
Outside Directors												
▶ Naoko Iwasaki	Director	47	Female	3	●				○	○		
▶ Aya Motomura	Director	43	Female	3	●		○	○				
▶ Yasuhiro Ikeda	Director	66	Male	Newly appointed	●	○						○
▶ Yumiko Nagai	Director	63	Female	Newly appointed	●						○	○
Outside Audit & Supervisory Board Members												
▶ Yasuyuki Harada	Audit & Supervisory Board Member	63	Male	3		○			○			
▶ Toshiaki Tada	Audit & Supervisory Board Member	54	Male	10	●			○				
▶ Katsuhiko Hara	Audit & Supervisory Board Member	67	Male	3	●		○		○			

* As of August 31, 2022

▶ Members of Discretionary Committees for Fiscal 2022

Name	Position	Independent officer	Nomination Committee	Remuneration Committee	Governance Committee
Ichiro Tsuge	President & CEO		◎		
Mamoru Seki	Director & Managing Executive Officer CFO, CCO			○	○
Naoko Iwasaki	Outside Director	●	○	◎	○
Aya Motomura	Outside Director	●	○	○	○
Yasuhiro Ikeda	Outside Director	●	○	○	○
Yumiko Nagai	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 59.45% 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 executive officer 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.

▶ Strategic Shareholdings

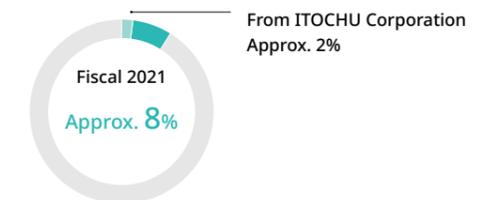
CTC does not hold any shares purely for investment purposes. Investment securities held for purposes other than purely investment purposes fall into two categories: those held for general investment purposes and those held for investment in open innovation. Shareholdings that fall into these two categories are held for strategic reasons such as investment for the purposes of encouraging smooth transactions, maintaining and expanding of such transactions with partners, 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 evaluation 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 holding if a stock issuer is found to meet our 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.

■ Ratio of Revenue from Members of the ITOCHU Group



Investment Criteria

Quantitative Criteria Return on investment \geq Expected rate of return

Qualitative Criteria

• Investment in customers (end-users, etc.)

Securing of business benefits such as exploration of new business areas and acquisition of business know-how in addition to trade benefits.

• Investment in development / technology partners

Securing of business benefits 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 benefits 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

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

Corporate Governance

Messages from Outside Directors



Naoko Iwasaki

Independent Outside Director

- Apr. 2017 Professor, Institute of e-Government, Waseda University (current position)
President, International Academy of CIO Japan (current position)
- Jan. 2019 Project Overseer, APEC project on Smart Silver Innovation (current position)
- Jun. 2019 Director, ITOCHU Techno-Solutions Corporation (current position)
Director, EXEO Group, Inc. (current position)
- Sep. 2019 Member, Administrative Evaluation Bureau, Ministry of Internal Affairs and Communications (current position)
- Apr. 2021 Expert member, Public Records and Archives Management Commission, Cabinet Office (current position)
- Jan. 2022 Member of Research Committee for Local System, Cabinet Office (current position)

I hope to utilize my experience and expertise to help implement CTC's growth strategies, which envision a society where digitalization is key to growth.

Three years have passed since I became an outside director in 2019. Over this period, we have witnessed a rise in increasingly complex political, economic, and social risks around the world. Clear examples of these risks can be seen in the COVID-19 pandemic and Russia's invasion of Ukraine. Even in these challenging times, I believe that CTC has succeeded in getting its business on track toward ongoing growth through the swift and aggressive promotion of new business investment and DX.

I specialize in ICT management strategies, and am involved in research and education at universities. Through these activities, I have come to feel that the current digital technology market is seeing a global transition toward DX, and I think that this transformation will become a source of competitiveness in the years to come. In post-COVID-19 times, it will be crucial for companies to recruit and educate digital-proficient human resources, form global partnerships, take part in collaboration based on service and innovation strategies, and utilize technologies such as 5G and AI.

The social issues facing Japan include population decline and rapid aging, as well as a falling birthrate. Amid these trends, the most important things a company can do to meet its labor requirements are to capitalize on its human resources—a company's greatest asset—and to invest aggressively in digital technologies. In 2022, CTC celebrated the 50th anniversary of its founding, and the Company is thus poised to formulate new growth strategies for the next five decades. As an outside director, I hope to fulfill my duty to contribute to the ongoing growth of CTC.



Aya Motomura

Independent Outside Director

- Oct. 2002 Registered as an attorney (Dai-Ichi Tokyo Bar Association)
Joined Nagashima Ohno & Tsunematsu law office
- Sep. 2008 Worked for Cleary Gottlieb Steen & Hamilton LLP (New York Office)
- Feb. 2009 Registered as a member of New York Bar Association
- Jul. 2009 Worked for Financial Markets Division, Planning and Coordination Bureau, Financial Services Agency
- Oct. 2013 Partner, Inaba & Partners (current position)
- Jun. 2019 Director, ITOCHU Techno-Solutions Corporation (current position)
- Aug. 2019 Executive Director, HEIWA REAL ESTATE REIT, Inc. (current position)
- Jun. 2022 Outside Auditor, Japan Bank for International Cooperation IG Partners (current position)

CTC is an organization that facilitates ongoing improvement and challenge. I hope that the Company will practice management with a greater emphasis on resolving social issues in the years ahead.

In 2022, CTC marked the 50th anniversary of its founding. Taking this as an opportunity to look back at the Company's history, I cannot help but feel respect for the accomplishments of CTC's predecessors, who exercised clear foresight in tackling the challenges of establishing and growing an IT company. This was in a time when social understanding and the dialogue on the potential and role of IT were nowhere near as advanced as they are today. At the same time, I am reminded of the importance of constantly learning and aspiring to tackle new challenges while utilizing the technologies and craftsmanship that CTC has honed over the past, and which will continue to contribute to the future.

As an attorney in corporate law, I have the opportunity to observe a variety of companies. This perspective has made me see that the strength of CTC's organization lies in its culture of acting based on a humble and reflective PDCA (plan-do-check-act) cycle that, under the guidance of top management, begins with the identification of issues and continues on to the assessment of response measures and implementation of improvements. In terms of corporate governance, I have seen a clear improvement in the objectivity and transparency of management at CTC. In fiscal 2020, independent officers were appointed as the chairpersons of the Governance Committee and the Remuneration Committee, sparking brisk discussion on governance and sustainability initiatives based on the revision to Japan's Corporate Governance Code.

Nowadays, people often feel that their peace, health, and environment are under threat. I therefore believe that CTC—which, having celebrated its 50th anniversary, has now joined the ranks of major companies—has an obligation to practice management with a greater emphasis on resolving social issues. At the same time, it will be important for the Company to bolster the human resource development and corporate governance initiatives that support its ability to help resolve such issues.

In my capacity as an outside director, I hope to continue monitoring management to ensure that CTC can keep growing over the next 50 years.



Yasuhiro Ikeda

Independent Outside Director

- Apr. 1979 Joined Nippon Reizo Inc. (current Nichirei Corporation)
- Jun. 2011 Representative Director, President and Executive Officer, Nichirei Foods Inc. Director, Executive Officer, Nichirei Corporation, and Director, Nichirei Fresh Inc.
- Apr. 2017 Director, Chairman, Nichirei Foods Inc.
- Jun. 2021 Counselor, Nichirei Foods Inc. (current position)
- Jun. 2022 Director, ITOCHU Techno-Solutions Corporation (current position)

I am committed to fulfilling my role as an outside director to make sure that CTC is a company on which society continues to depend.

My professional background is established in operational execution and corporate management at a food company. In terms of business activities, I have been involved in processes across the supply chain, encompassing sales, product planning, and marketing as a division member and later as a division manager. I assumed top management role of this company in April 2011, immediately after the Great East Japan Earthquake. I was thus forced to create economic and social value while placing constant emphasis on business continuity. The reinforcement of production systems and coordination of functions in Japan and overseas have contributed to the creation of value. Meanwhile, expansion in overseas markets has driven our growth. I have continued to promote such advances while fulfilling my mission of spreading the understanding of corporate philosophies, empowering employees, and cultivating a healthy and comfortable corporate culture. These factors form the cornerstone on which businesses are built.

Companies are expected to contribute to society while addressing a range of global issues through their business activities. IT solutions, meanwhile, have the potential to contribute to massive improvements in productivity for any business activity, while helping to resolve social issues. I therefore believe that CTC faces increasingly high expectations. As a result of the change in CTC's governance system, independent outside directors now represent a majority of the Board of Directors. As one such director, I have a responsibility to monitor management from my independent standpoint, as management continues its quest for higher levels of corporate value. It would bring me great pleasure to be able to contribute to CTC in this manner.



Yumiko Nagai

Independent Outside Director

- Apr. 1981 Joined Fuji Xerox Co., Ltd. (current FUJIFILM Business Innovation Corp.)
- Aug. 2002 Senior Vice President, Human Resources, Japan and AEF, GE Capital Leasing Corporation
- May 2005 General Manager, Human Resources and General Office Administration, Hermès Japon Co., Ltd.
- Feb. 2010 Regional HR Director, Japan and Korea, Human Resources, Abbott Japan Co., Ltd. (current Abbott Japan LLC)
- Jul. 2014 Executive Director, Japan Philanthropic Association
- Jul. 2019 Director, LIB, Inc. (current position)
Representative Director, Potentia General Incorporated Association (current position)
- Mar. 2022 Director, READYFOR Foundation General Incorporated Foundation (current position)
- Jun. 2022 Director, ITOCHU Techno-Solutions Corporation (current position)

I will utilize my expertise in human resources and my experience in the nonprofit sector to contribute to ongoing improvement of CTC's corporate value.

I am honored to have been selected for the position of outside director of CTC.

In the past, I have found myself overseeing human resource departments at multiple global companies. In these positions, I have sought to secure competitiveness and reform businesses in terms of human resources, organizations, and corporate cultures.

I also have years of experience in the nonprofit sector. I moved to this sector in 2014, where I have been involved in promoting corporate action to achieve the SDGs while facilitating coordination between companies and nonprofit organizations.

In recent years, we have seen rising interest in companies' non-financial information. At the same time, the term "human resources" has been replaced by "human capital," while the goal of companies' social contribution activities has evolved from acting responsibly based on good intentions to creating social value that is directly tied to a company's business. As stakeholders continue to place growing emphasis on non-financial information, I will have greater opportunities to utilize my insight on the SDGs and my expertise in human resource development. I therefore hope to use these capacities to contribute to ongoing improvement of CTC's corporate value.

My role as an outside director is to help stimulate lively discussions at meetings of the Board of Directors. I hope to do this by presenting opposing viewpoints based on the global perspective I have gained at global companies; my perspective fostered through involvement in financial, luxury, medical, and other industries; and my perspective on co-creation in the nonprofit sector. I am committed to fulfilling my role in this manner.

Corporate Governance

Measures to Improve Board Effectiveness

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

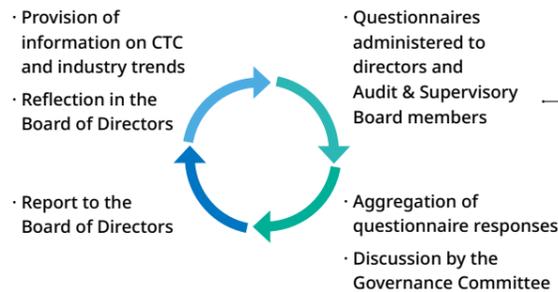
Since fiscal 2015, CTC has been conducting a survey of directors and Audit & Supervisory Board members to analyze and evaluate Board effectiveness.

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.

■ Initiatives to Improve the Effectiveness of the Board of Directors



Category of Questionnaire for Evaluating the Board of Directors

The questionnaires administered to directors and Audit & Supervisory Board members feature questions divided into the five categories listed below. They include matters concerning the operation of the Board of Directors, such as participation in management strategy decisions, monitoring of management strategies, appropriateness of the contents of the distributed materials and the number of proposals, and the deliberation of proposals; matters concerning the composition of the Board of Directors based on consistency with the business strategy; the number of directors and diversity; monitoring of execution of duties by directors; and the status of deliberation by discretionary committees (the Nomination Committee, Remuneration Committee, and Governance Committee) and matters concerning the composition of each committee.

1. Composition of the Board of Directors
2. Roles and qualifications of directors
3. Effectiveness of execution of duties by the Board of Directors
4. Proceedings of the Board of Directors
5. Composition and proceedings of discretionary committees

Responses to Fiscal 2021 Board Evaluation Survey

1. Composition of the Board of Directors

Effective discussions take place at meetings of the Board of Directors, with a Board composition that features an appropriate balance in terms of size, diversity, and expertise.

2. Roles and qualifications of directors

The Board of Directors has members who are qualified to fulfill its intended roles and functions.

3. Effectiveness of execution of duties by the Board of Directors

Information on medium- to long-term management strategies is shared with outside directors, and regular reports on the progress of these strategies are issued.
The execution of duties by directors is monitored appropriately.
Opportunities for sharing feedback gained from investors and information on the expectations directed toward CTC and its industry have been provided, and there are expectations for continuation of such information sharing.

4. Proceedings of the Board of Directors

The proceedings of and discussions at meetings of the Board of Directors have been judged to be satisfactory in general.
There are some agenda items requiring more detailed explanations including their backgrounds.

5. Composition and proceedings of discretionary committees

Discretionary committees are composed primarily of independent officers, making for an environment in which it is easy to voice opinions.
Independent officers serve as the chairpersons of the Remuneration Committee and the Governance Committee, contributing to increased objectivity, impartiality, and transparency.

▶ Future Initiatives Based on Evaluation Results

Initiatives to improve the effectiveness of the Board of Directors will include enhancing discussion through the ongoing arrangement of opportunities for sharing feedback gained from investors and information on the expectations directed toward CTC and its industry.

Further improvements to effectiveness will be pursued by facilitating more in-depth discussion, through means such as providing detailed explanations on the backgrounds for agenda items and other pertinent information.

▶ Follow-Up System for Outside Directors and Audit & Supervisory Board Members

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 major discussion results at the Management Committee meetings and 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 help outside directors and Audit & Supervisory Board members fulfill their functions, we invite internal and outside lecturers to provide training and other opportunities to supply information on the Company, industry trends, and specialized areas.

Main Activities in Fiscal 2021

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

Number of Board of Directors' meetings held	18
Number of Audit & Supervisory Board meetings held	11

Attendance of outside directors at Board of Directors' meetings	100%
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%

▶ Number of Discretionary Meetings Held in Fiscal 2021

Nomination Committee

5 meetings

(attendance: 100%)

Agenda Items

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

- Composition of the Board of Directors
- Term limits for directors and executive officers
- Number of directors and skills required from new outside directors
- Reasons for nomination and expected roles for director candidates
- Response to the revision of Japan's Corporate Governance Code
- New director candidates

Remuneration Committee

1 meeting

(attendance: 100%)

Agenda Items

Review of officer compensation

- Review of officer compensation levels based on a survey of officer compensation by a third-party institution

Governance Committee

5 meetings

(attendance: 100%)

Agenda Items

Deliberation on governance-related agenda items listed below:

- Stance on composition of the Board of Directors
- Evaluation of effectiveness of the Board of Directors
- Response to Japan's Corporate Governance Code
- Selection, application, and disclosure pertaining to the new Prime Market segment of the Tokyo Stock Exchange
- Basic policies for disclosure based on the TCFD recommendations and CTC standards and details of specific disclosures

Corporate Governance

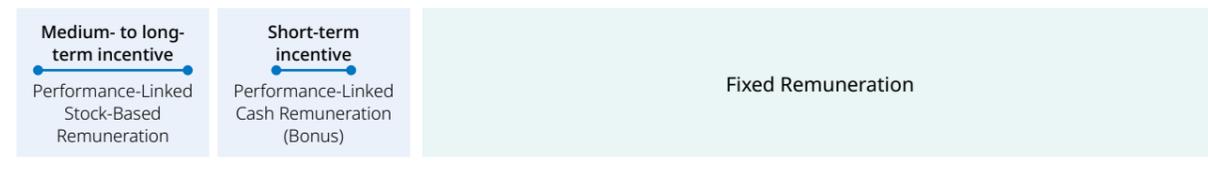
Director Remuneration

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 trust-type performance-linked stock-based remuneration totaling no more than ¥180 million over three target fiscal years. Total remuneration comprises fixed remuneration, which is fixed amount monthly payment, performance-linked bonus paid in cash, 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 and part-time directors, including outside directors, are not paid bonus and performance-linked stock-based remuneration.

* 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.



Calculation Method of Performance-Linked Stock-Based Remuneration and Performance-Linked Cash Remuneration (Bonus)

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.

Performance Indicator Used	Fiscal 2021 Target	Fiscal 2021 Result
Net profit attributable to CTC's shareholders	33,000	35,373

(¥ million)

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
Chairman, president & CEO	70%	30%
Executive vice president	80%	20%
Senior managing executive officer, managing executive officer	85%	15%
Executive officer	90%	10%

Total Remuneration, Etc., of Each Director or Auditor Segment (Fiscal 2021)

Directors: 6 (excluding outside directors)	Outside directors: 2	Audit & Supervisory Board Members: 1 (excluding outside Audit & Supervisory Board members)	Outside Directors and Audit & Supervisory Board Members: 3
Fixed remuneration: ¥131 million Bonus: ¥89 million Performance-linked stock-based remuneration: ¥16 million (Performance linked: approximately 40%)	Fixed remuneration: ¥24 million	Fixed remuneration: ¥26 million	Fixed remuneration: ¥45 million

Communication with Stakeholders

Institutional Investors and Analysts

In addition to financial results briefings 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 2021, we also held a technical study session on telecommunication.



Materials used in the technical study session on telecommunication

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 provide information for individual investors on our Japanese website. Even in conditions where face-to-face meetings are often not possible, we are seeking to heighten the quality of our communication. In fiscal 2021, we continued to use online briefings to communicate our advantages and initiatives. Moreover, during the briefing we accepted and replied to questions via a chat service.



Online briefings for individual investors

General Meeting of Shareholders

Date of the General Meeting of Shareholders
Thursday, June 16, 2022

Number of shareholders who attended **65***

(Ratio of voting rights exercised: **90.6%**)

Number of Participants at Meetings with Institutional Investors and Analysts **420**

Major Events

- Number of financial results briefings **4**
- Number of small meetings **2**
- Number of one-on-one meetings with domestic institutional investors **1**
- Number of one-on-one meetings with overseas investors **3**
- Number of technical study sessions **2**

Number of Presentations for Individual Investors and Participants

Fiscal 2020 **3 times** approx. **4,800 participants**

Fiscal 2021 **2 times** approx. **5,300 participants***

* Due to the COVID-19 pandemic, we changed the venues of briefings from physical sites to a livestreaming format. The number of participants is the number of log-ons to the briefings when they were being livestreamed plus the number of log-ons to the briefings for viewing via an on-demand service.

For more information, please visit our website.
<https://www.ctc-g.co.jp/company/ir/individual/> (in Japanese only)

* 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 2022 meeting was lower than pre-pandemic levels.

Please visit our website for more detailed IR information.
<https://www.ctc-g.co.jp/en/company/ir/>

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.

	JGAAP	IFRS		
	2012	2013	2014	2015
Operating Results				
Net Sales	322.5	Revenue 350.6	381.9	391.6
Cost of Sales	239.2	Cost of Sales (266.9)	(290.7)	(300.1)
Gross Profit	83.3	Gross Profit 83.7	91.3	91.5
(Gross Profit Margin)	25.8%	(Gross Profit Margin) 23.9%	23.9%	23.4%
SG&A Expenses	56.1	Other Income and Expenses (59.9)	(61.9)	(63.6)
Operating Income	27.2	Operating Income 23.8	29.3	27.9
(Operating Income Margin)	8.4%	(Operating Income Margin) 6.8%	7.7%	7.1%
EBITDA*1	33.2	EBITDA*1 31.4	37.5	36.4
Net Income	16.0	Net Profit Attributable to CTC's Shareholders 14.2	17.4	18.0
Orders Received	372.1	Orders Received 369.1	388.1	398.3
Backlog	186.2	Backlog 195.5	201.6	208.3
(Backlog Turnover Ratio)*2	63.4%	(Backlog Turnover Ratio)*7 63.1%	65.4%	65.3%
Financial Position at End of Fiscal Year				
Total Assets	270.0	Total Assets 282.7	302.7	307.9
Total Equity	164.6	Total Shareholders' Equity 163.0	168.9	179.3
Cash Flows				
Cash Flows from Operating Activities	9.7	Cash Flows from Operating Activities 6.4	25.8	21.9
Cash Flows from Investing Activities	(10.3)	Cash Flows from Investing Activities (8.0)	(17.3)	(18.2)
Cash Flows from Financing Activities	(11.1)	Cash Flows from Financing Activities (9.5)	(13.6)	(8.4)
Cash and Cash Equivalents at End of Period	66.1	Cash and Cash Equivalents at End of Period 55.1	50.1	44.9
Capital Investment	10.0	Capital Investment 7.0	8.0	11.1
Depreciation and Amortization	6.0	Depreciation and Amortization 7.6	8.2	8.4
Financial Index / Indicators (%)				
ROE*3	9.9	ROE*8 8.9	10.5	10.4
ROA*4	6.1	ROA*9 5.1	5.9	5.9
Equity Ratio	61.0	Ratio of Shareholders' Equity to Total Assets 57.7	55.8	58.2
Dividend Payout Ratio	39.1	Dividend Payout Ratio 45.8	40.3	44.9
Per Share Data (yen)*5				
Net Income	67	Net Profit Attributable to CTC's Shareholders 60	74	78
Net Assets	692	Shareholders' Equity 692	730	775
Dividend	26.25	Dividend 27.50	30.00	35.00
Per Capita Data (¥ million)*6				
Net Sales	42	Revenue 45	49	49
Operating Income	3.5	Operating Income 3.1	3.7	3.5

*1 EBITDA = Operating Income + Depreciation and Amortization

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

*3 ROE = Net Income / Average Total Shareholders' Equity x 100

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

*5 CTC conducted two-for-one stock splits of 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 Backlog Turnover Ratio = Revenue / (Backlog of the previous fiscal year + Orders received for this fiscal year) x 100

*8 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

*9 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

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

(¥ billion)

	IFRS					2021
	2016	2017	2018	2019*10	2020	
Operating Results						
Revenue	407.8	429.6	452.0	487.0	479.9	522.4
Cost of Sales	(311.1)	(328.0)	(344.2)	(369.0)	(358.4)	(387.7)
Gross Profit	96.7	101.6	107.7	118.1	121.5	134.7
(Gross Profit Margin)	23.7%	23.6%	23.8%	24.2%	25.3%	25.8%
Other Income and Expenses	(65.6)	(69.0)	(71.8)	(76.4)	(77.8)	(84.2)
Operating Income	31.1	32.6	35.9	41.7	43.6	50.5
(Operating Income Margin)	7.6%	7.6%	7.9%	8.6%	9.1%	9.7%
EBITDA*1	39.6	41.4	44.7	57.9	63.3	68.9
Net Profit Attributable to CTC's Shareholders	21.9	23.6	24.6	28.5	30.5	35.4
Orders Received	437.6	435.2	470.2	490.7	522.5	547.0
Backlog	238.1	243.7	262.9	272.3	314.9	339.6
(Backlog Turnover Ratio)*7	63.1%	63.8%	63.3%	64.6%	60.4%	60.6%
Financial Position at End of Fiscal Year						
Total Assets	333.1	353.9	378.9	438.8	462.7	507.7
Total Shareholders' Equity	192.2	206.6	220.7	231.7	254.8	281.1
Cash Flows						
Cash Flows from Operating Activities	25.2	11.0	20.6	50.1	37.3	36.1
Cash Flows from Investing Activities	(14.2)	(2.3)	(3.2)	(17.2)	(10.1)	3.5
Cash Flows from Financing Activities	(7.8)	(6.0)	(9.5)	(17.1)	(21.1)	(27.4)
Cash and Cash Equivalents at End of Period	48.2	51.0	58.8	74.6	80.9	94.1
Capital Investment	10.7	5.2	7.2	16.2	14.6	44.1
Depreciation and Amortization	8.4	8.8	8.8	16.2	19.7	18.4
Financial Index / Indicators (%)						
ROE*8	11.8	11.8	11.5	12.6	12.5	13.2
ROA*9	6.8	6.9	6.7	6.8	6.8	7.3
Ratio of Shareholders' Equity to Total Assets	57.7	58.4	58.2	52.8	55.1	55.4
Dividend Payout Ratio	42.3	44.1	46.9	47.1	48.5	55.5
Per Share Data (yen)*5						
Net Profit Attributable to CTC's Shareholders	95	102	107	123	132	153
Shareholders' Equity	831	894	955	1,003	1,103	1,217
Dividend	40.00	45.00	50.00	58.00	64.00	85.00
Per Capita Data (¥ million)*6						
Revenue	50	53	54	55	53	56
Operating Income	3.8	4.0	4.3	4.7	4.8	5.4

▶ For Consolidated Financial Statements audited by independent auditors, please visit the website below.

🌐 <https://www.ctc-g.co.jp/en/company/ir/library/consolidated.html>

Non-Financial Highlights

Human Resources-Related Data

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

Basic Data (Consolidated)

		Unit	FY2018	FY2019	FY2020	FY2021
Employees	Total	People	8,359	8,808	9,050	9,291
Gender	Men	People	7,032	7,317	7,436	7,530
	Women	People	1,327	1,491	1,614	1,761

Basic Data (Non-Consolidated)

		Unit	FY2018	FY2019	FY2020	FY2021
Employees	Total	People	4,272	4,276	4,451	4,597
Gender	Men	People	3,611	3,569	3,684	3,773
	Women	People	661	707	767	824
Age	Under 30	People	598	708	807	888
	30-39	People	1,260	1,117	1,107	1,095
	40-49	People	1,641	1,641	1,665	1,665
	50-59	People	732	760	829	897
	Over 60	People	41	50	43	52
Turnover* ¹	Men	People	104	140	70	106
	Women	People	29	12	12	28
	Total	People	133	152	82	134
Turnover rate* ¹	Men	%	2.8	3.8	1.9	2.7
	Women	%	4.0	1.6	1.5	3.2
	Total	%	3.0	3.4	1.8	2.8
Average years worked	Men	Year	13.7	13.6	13.7	13.8
	Women	Year	12.9	12.6	12.4	12.2
	Total	Year	13.5	13.5	13.4	13.5

Diversity (Non-Consolidated)

		Unit	FY2018	FY2019	FY2020	FY2021
Number of new graduates hired	Men	People	117	96	101	97
	Women	People	39	58	61	59
	Total	People	156	154	162	156
Number of mid-career hires		People	113	160	156	150
Retiree reemployment rate		%	87.5	70.5	90.1	81.4
Female managers* ¹	Number	People	59	69	70	80
	Percentage	%	4.9	5.7	5.6	6.0
Percentage of disabled employees		%	2.5	2.5	2.6	2.4

Work Style (Non-Consolidated)

		Unit	FY2018	FY2019	FY2020	FY2021
Average annual leave uptake rate		%	75.3	72.6	61.0	64.2
Annual average number of holidays taken		Days	14.5	13.9	11.7	12.3
Average monthly overtime hours per employee		Hours	14	13	16	13
Childcare leave system users	Men	People	59	59	52	56
	Women	People	69	65	55	44
	Total	People	128	124	107	100
Childcare leave uptake rate (male)		%	39.1	44.4	36.3	44.1
Rate of return from childcare leave		%	100.0	100.0	98.8	99.0
Reduced working hours system users		People	97	99	93	72
Nursing care holiday system users		People	212	200	144	147
Nursing care leave system users		People	0	1	0	0
Time off for caregiver system users		People	32	44	35	33

		Unit	FY2018	FY2019	FY2020	FY2021
Volunteer leave* ² number of employees		People	18	74	3	10
Disaster support volunteer special leave* ³ number of employees* ⁴		People	41	23	0	0
Users of disaster support volunteer activity cost subsidies* ⁴		People	104	77	0	0
Morning work* ⁵	Annual total	People	2,907	2,941	3,080	3,135
	Monthly average	People	1,323	1,325	1,519	1,709
Staggered work* ⁶	Annual total	People	1,017	1,515	1,916	1,638
	Monthly average	People	376	497	846	780
Hourly paid leave* ⁷	Annual total	People	1,371	1,453	1,357	845
	Monthly average	People	372	425	327	228

*¹ Figures for the number of retirees, turnover, and female managers refer to employees originally hired by CTC.

*² Figures refer to leave that can be taken for activities approved by the Company, such as community contribution and welfare activities in Japan.

*³ Figures are for special leave that can be taken to undertake activities in disaster-stricken areas in Japan.

*⁴ Due to the COVID-19 pandemic, the disaster support volunteer special leave and disaster support volunteer activity cost subsidies programs have not been used since fiscal 2020.

*⁵ The Company places limits on overtime work at night and on holidays and encourages work in the early morning hours (5:00-9:00 a.m.).

*⁶ This system allows employees to work full-time while selecting their daily starting times from a period between 7:00 a.m. and 10:00 a.m. Since fiscal 2020, certain conditions for using the system were relaxed as part of measures to prevent the spread of COVID-19.

*⁷ This system allows employees to take three days (24 hours) of annual paid leave in hourly units. Since fiscal 2020, certain conditions for using the system were relaxed as part of measures to prevent the spread of COVID-19.

Human Resource Development (Non-Consolidated)

		Unit	FY2018	FY2019	FY2020	FY2021
Number of training participants		People	101,673	129,026	132,388	94,016
Average hours of training per person		Hours	48	53	54	50

Security / Compliance

		Unit	FY2018	FY2019	FY2020	FY2021
Number of serious security incidents* ¹		Cases	0	0	0	0
Number of serious compliance violations		Cases	0	0	0	0
Number of serious environmental law violations		Cases	0	0	0	0

*¹ In September 2021, a leak of personal information collected through online surveys occurred, but this incident is not included in the number of serious security incidents because the number of people whose information was leaked is small and the impact on management was minimal.

Environmental Data from CTC Group Offices and Data Centers

		Unit	FY2018	FY2019	FY2020	FY2021
Offices	Energy used	kL	3,732	3,547	3,251	2,575
	Greenhouse gas	t-CO ₂	6,889	6,352	5,662	4,398
	Specific energy consumption* ¹		0.43	0.41	0.36	0.27
Data Centers	Energy used	kL	27,792	26,094	24,267	24,415
	Greenhouse gas	t-CO ₂	51,185	46,327	41,972	41,195
	Specific energy consumption* ²		1.691	1.669	1.636	1.614
Major Overseas Offices	Greenhouse gas* ³	t-CO ₂	566.5	782.8	879.9	740.3

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

*² Energy used at entire data centers (kL) / Energy used at IT equipment (kL)

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

Quality

		Unit	FY2018	FY2019	FY2020	FY2021
Customer evaluation of system quality* ¹		%	-	89	91	92

*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 and fiscal 2020 figure here because we changed the evaluation criteria in fiscal 2019.

Management Team As of July 1, 2022

Directors

Ichiro Tsuge
President & CEO

Mamoru Seki
Director & Managing Executive Officer
CFO; CCO; COO, Corporate Administration Group

Naoko Iwasaki
Director*1

Aya Motomura
Director*1

Yasuhiro Ikeda
Director*1

Yumiko Nagai
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, Aya Motomura, Yasuhiro Ikeda, and Yumiko Nagai 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.

- CFO (Chief Financial Officer)
- CCO (Chief Compliance Officer)
- CTO (Chief Technology Officer)
- CMSO (Chief Managed Service Officer)
- CPMO (Chief Product Marketing Officer)
- CIO (Chief Information Officer)
- CAO (Chief Administrative Officer)

Executive Officers

Hisashi Eda
Senior Managing Executive Officer
Assistant to the President (Special appointment for Advanced IT Strategy / Chubu Region)
CTO
COO, Business Transformation

Yasuhiko Terada
Senior Managing Executive Officer
COO, Telecommunication Group

Eiji Haraguchi
Senior Managing Executive Officer
COO, IT Services Group
CMSO

Takanori Minatohara
Senior Managing Executive Officer
COO, Enterprise Group
CPMO

Toshiyuki Awai
Managing Executive Officer
COO, Financial Services Group

Noboru Omoto
Managing Executive Officer
COO, Corporate IT Systems Group
CIO

Junji Hirooka
Managing Executive Officer
COO, Distribution Group
COO, Global Business Group

Hirohito Ohashi
Managing Executive Officer
COO, Regional & Social Infrastructure Group

Nagaki Fujioka
Managing Executive Officer
COO, Business Innovation & Digital Transformation Group

Hiroshi Torigoe
Managing Executive Officer
President & CEO, CTCSP CORPORATION
(Direct report to COO, Enterprise Group)

Shinichi Hirayama
Managing Executive Officer
COO, Human Resources Management & General Affairs Group
CAO
General Manager, Corporate Planning Division

Seiji Nagamatsu
Executive Officer
General Manager, Corporate IT Systems Division, Corporate IT Systems Group

Tatsuya Matsumaru
Executive Officer
President & CEO, CTC TECHNOLOGY CORPORATION

Tadaaki Otsuka
Executive Officer
General Manager, Audit Division

Yoshinori Yoshida
Executive Officer
Deputy COO, Financial Services Group

Hisashi Sawanobori
Executive Officer
General Manager, Enterprise Division No. 1

Katsuya Kami
Executive Officer
General Manager, Telecommunication Division No. 3

Kinya Matsuda
Executive Officer
President & CEO, CTC FACILITIES CORPORATION
(Direct report to COO, IT Services Group)

Toshihiro Nakaya
Executive Officer
General Manager, Telecommunication Division No. 1

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

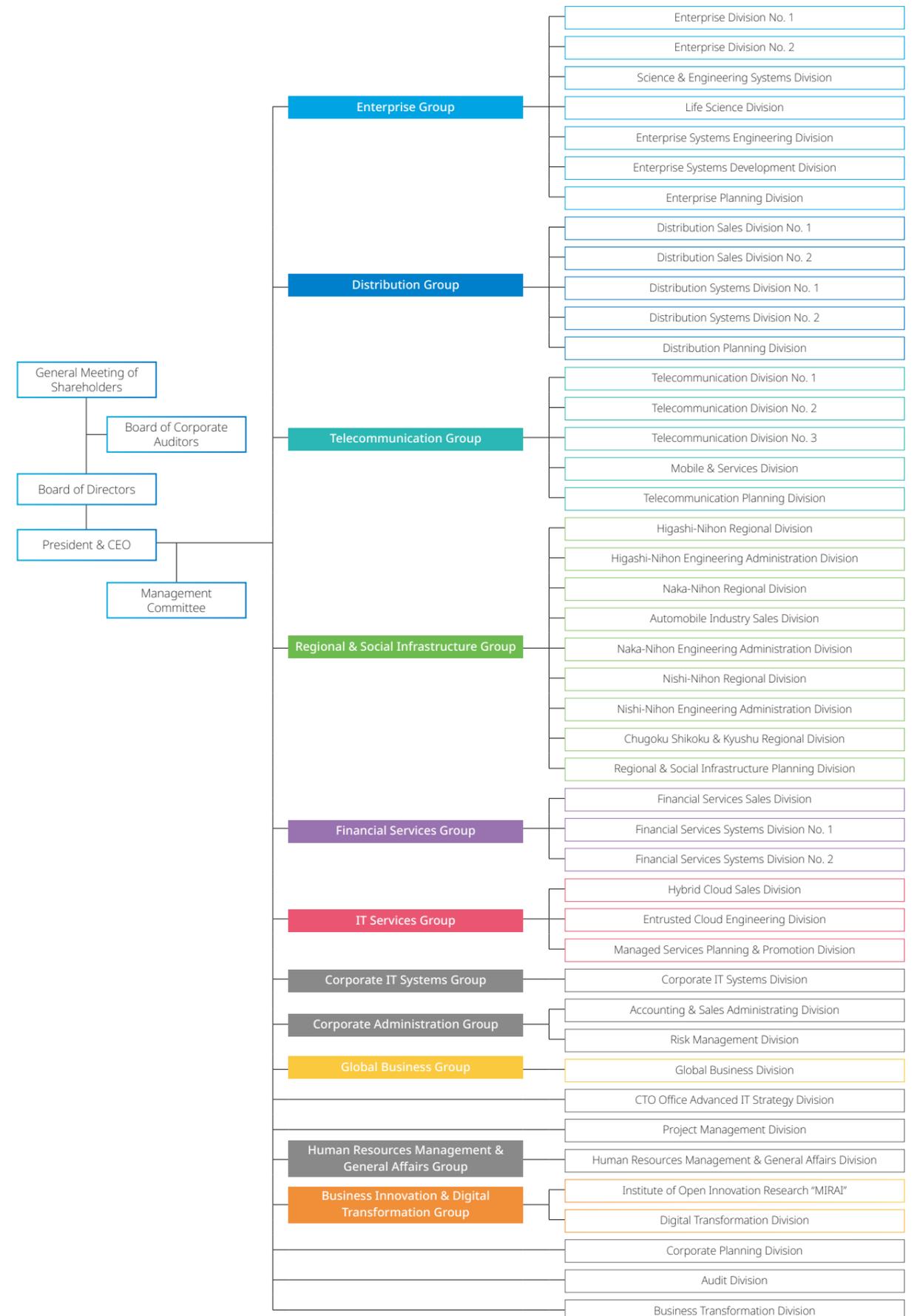
Kazuhiko Nagao
Executive Officer
General Manager, Nishi-Nihon Region
General Manager, Nishi-Nihon Regional Division

Noboru Ueda
Executive Officer
General Manager, Chubu Region
General Manager, Automobile Industry Sales Division

Keiichi Ozawa
Executive Officer
General Manager, Financial Services Sales Division

Tamotsu Oda
Executive Officer
General Manager, Mobile & Services Division

Organization Chart As of April 1, 2022



External Recognition

ESG indices selected by the Japanese Government Pension Investment Fund

▶ FTSE Blossom Japan Index

CTC has been selected for inclusion in the FTSE Blossom Japan Index, a stock market index that comprises Japanese companies demonstrating outstanding ESG-related performance. The index was developed by FTSE Russell, a wholly owned subsidiary of the London Stock Exchange Group.



▶ MSCI Japan Empowering Women Index*

CTC has been selected for inclusion in the MSCI Japan Empowering Women Index, a stock market index comprising Japanese companies in the MSCI Japan IMI Top 700 Index that conduct progressive initiatives to promote gender diversity in their workforces. The index was developed by MSCI Inc., the largest ESG research company in the world.

2022 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

▶ FTSE4Good Index Series

CTC has been selected for inclusion in the FTSE4Good Index Series, a world-leading group of stock market indices comprising companies that are actively strengthening their ESG initiatives. The indices are aimed at ESG investors and developed by FTSE Russell.



▶ ISS ESG Corporate Rating

CTC's information security and environmental management practices have been favorably evaluated and rated as "Prime Status" by Institutional Shareholder Services Inc., one of the world's leading sustainability rating agencies.



▶ Sompo Sustainability Index

CTC has been selected for inclusion in the Sompo Sustainability Index, which is based on a combination of ESG evaluations conducted by research companies and a proprietary equity valuation method (fundamental value). The index was developed by Sompo Asset Management Co., Ltd.



▶ 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. Reflecting favorable evaluation of improvements in its governance system, CTC has received a rating of A.



▶ JPX-Nikkei Index 400

In fiscal 2021, CTC was selected for inclusion in the JPX-Nikkei Index 400, a stock market index comprising 400 companies that are highly appealing to investors and which meet international investment criteria, such as efficient use of capital and an investor-focused approach to business management. The index was developed by the Japan Exchange Group and Nikkei Inc.



▶ 100 Telework Pioneers

CTC has been chosen as one of the 100 Telework Pioneers, companies that have proven track records in the introduction and use of telecommuting and which the Ministry of Internal Affairs and Communications selects to promote the spread of telecommuting.



▶ PRIDE Index 2021: Gold

We received a "Gold" rating, the highest rating of the PRIDE Index. The index reflects evaluations of initiatives for LGBT individuals and other sexual minorities and is prepared by work with Pride, a voluntary organization.



▶ Nadeshiko Brand 2022

Nadeshiko brands are listed corporations selected by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange as enterprises whose empowerment of women in the workplace is outstanding.



▶ Outstanding Enterprises Engaging in Efforts for Health and Productivity Management (White 500)

Under the program for Outstanding Enterprises Engaging in Efforts for Health and Productivity Management, which is conducted by METI and the Nippon Kenko Kaigi (Japan Health Council), we have received certification every year since the program began in fiscal 2017.



▶ "Eruboshi" Certification

CTC has received third-level "Eruboshi" certification, which is the highest level, as a company deemed favorable based on criteria stipulated by the Ministry of Health, Labour and Welfare pursuant to the Act on the Promotion of Female Participation and Career Advancement in the Workplace.



▶ Next-Generation Certification Mark "Kurumin"

In recognition of our track record in implementing action plans to support child-rearing, we have obtained "Kurumin" certification based on the Act on Advancement of Measures to Support Raising Next-Generation Children.



▶ Certification as a Tokyo Metropolitan Government Sports Promotion Company

We have been selected and certified by the Tokyo Metropolitan Government as a company that conducts sports activities for its employees as well as social contribution activities in the field of sports.



* The inclusion of ITOCHU Techno-Solutions Corporation in the MSCI Indexes or the use of the MSCI logo, trademark, service mark, or index name does not constitute sponsorship, endorsement, or promotion of ITOCHU Techno-Solutions Corporation by MSCI or its affiliates. The MSCI Indexes are exclusively the property of MSCI. MSCI and the MSCI Indexes name and logo are trademarks or service marks of MSCI or its affiliates.

Glossary

▶ Agile Development

Agile development is a software development approach entailing a rapid cycle of design, implementation, and testing based on close on-site collaboration with clients, early development of prototypes, and feedback from clients and the market.

▶ Application Programming Interface (API)

Application Programming Interface involves a framework in which portions of software or applications to share software and functions developed by third parties are publicly disclosed to allow for the recognition and other functions to be shared among different services. This approach helps to shorten and streamline system development processes.

▶ CI / CD

Continuous integration (CI) and continuous delivery (CD) are development methodologies that entail creating an environment that allows for continuous testing of software changes and automatic application to the respective system.

▶ Cloud Native

The term "Cloud native" refers to a development methodology that assumes the developed system will be used through a Cloud environment. This methodology contributes to greater ease in developing environments, because it is possible to acquire the necessary resources as needed. Moreover, adjustments to Cloud systems can be conducted frequently, with the expected results, and with minimal effort.

▶ Container

Container design methodologies entail creating application execution environments that are isolated from other processes in an operating system. This approach allows for virtual operating environments to be created using fewer computing resources by sharing the operating system of a physical server.

▶ Dev/Sec/Ops

Dev/Sec/Ops is an approach that involves introducing security at the beginning of the software development cycle, as opposed to the conventional approach of installing security functions at the end, through close coordination among development, operation, and security teams. This approach makes it possible to quickly identify and address security weaknesses and vulnerabilities.

▶ Edge Computing

Edge computing is a network technology that reduces communication lag by installing application servers in close physical proximity to terminal devices. This technology is important for facilitating the use of 5G communications, which are characterized by high frequencies that make it difficult for communications to travel long distances in areas with many physical obstacles which could interfere with communications.

▶ Enterprise Resource Planning (ERP)

Enterprise Resource Planning is 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 package that help companies to achieve such objectives.

▶ Green Transformation (GX)

Green transformation is the process of transforming socioeconomic systems to contribute to carbon neutrality by transitioning to renewable energy or non-carbon gases in place of fossil fuels that emit greenhouse gases.

▶ Line of Business (LOB)

Line of Business refers to the unit of a business within a company, specifically, a line division that is responsible for commercial transactions and therefore directly linked to corporate performance, as opposed to a so-called indirect functional department of a head office. In the case of diversified management companies, the term corresponds to a business division.

▶ Local 5G

A local 5G network is a 5G network that is constructed and used exclusively within the building or premises of a company or local municipality. Compared to public networks, local 5G networks offer the benefits of high security and exclusive access to the entire range of data traffic capacity.

▶ Low-Code Development / No-Code Development

Low-code development and no-code development involve program platforms that allow for applications to be developed with little or no coding. These approaches eliminate the need for coding and enable individuals who are knowledgeable about the associated business processes to develop apps through intuitive interface. In this way, systems development can be performed in-house and applications can be developed more quickly.

▶ Medical Big Data

This refers to massive quantities of electronic medical records and health examination data that are collected based on the condition that data will be anonymized. The implementation of the Next Generation Medical Infrastructure Act in Japan in 2018 paved the way for the use of medical big data. Analyses of medical big data are anticipated to contribute to new drug discovery and more ideal treatments for patients.

▶ Multi-Cloud

Multi-Cloud refers to systems that combine multiple Clouds such as public and private Clouds. Multi-Cloud systems make it possible to combine different Clouds to match specific usage conditions, but they also require a greater degree of technical sophistication to operate.

▶ Observability

Observability refers to the ability to identify, within a complex system environment, which issues have occurred where and when. Good observability makes it possible to pinpoint the causes of issues and improve the performance of systems.

▶ On-Premise

This term refers to a type of system use, in which the necessary equipment including server and network is physically contained with the premises of a company. On-premise systems require significant capital investment, but offer the benefit of increased flexibility and information confidentiality. The term is employed to highlight the difference from Cloud systems, which involve the use of systems and services through networks.

▶ Open Innovation and Open Innovation Investment

Open innovation is an innovation methodology for creating innovative products and business models by combining technologies and ideas from within a company with those of external partners. Open innovation investment refers to investments aimed at facilitating open innovation through financing of startup firms or establishment of joint venture companies to engage in business co-creation with customers.

▶ Proof of Concept (PoC)

Proof of Concept is a test performed before the prototyping phase for the purpose of verifying or demonstrating the viability of a new concept, theory, mechanism, or idea.

▶ Public Cloud

Public Cloud is a form of Cloud service that are open to anyone to use as much as they desire. While customization options are limited, the open accessibility of these Clouds makes maintenance and management processes simpler than those required for on-premise systems. For comparison, private Cloud is developed for the exclusive use of a company or other entity and for which access is provided only to internal divisions or Group companies.

▶ User Experience

User experience refers to the experience and impression that users get from products and services. The term is also used to refer to aspects of the product or system such as the experience that ranges from the first interaction with the product or system to the last in addition to the usability.

▶ User Interface

This express how a system presents and displays information to the user. The term also indicates all of contacts between user and systems, including measures and user-friendliness with respect to operating the system and inputting information.

▶ Virtualization

Virtualization refers to the process of integrating or dividing resources in servers and other hardware without any physical change in the hardware. This approach is used to create multiple virtual servers within a single physical server or to create a single virtual disk from multiple hard disks.

Corporate Data

As of June 16, 2022

ITOCHU Techno-Solutions Corporation (CTC)

▶ Head Office

Kamiyacho Trust Tower, 4-1-1, Toranomon, Minato-ku,
Tokyo 105-6950, Japan
☎ +81-3-6403-6000 🌐 <https://www.ctc-g.co.jp/en/>

▶ Founded

April 1, 1972

▶ Paid-in Capital

¥21,763 million (as of April 1, 2022)

▶ 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

CTC 4,718; CTC Group Total 9,571 (as of April 1, 2022)

Composition of CTC Employees



CTC Group Companies

Subsidiaries

CTC TECHNOLOGY CORPORATION

CTC SYSTEM MANAGEMENT CORPORATION

CTCSP CORPORATION

CTC FACILITIES CORPORATION

Asahi Business Solutions Corp.

CTC Global (Thailand) Ltd.

CTC GLOBAL SDN. BHD.

CTC GLOBAL PTE. LTD.

PT. Nusantara Compnet Integrator

PT. Pro Sistematika Automasi

ITOCHU Techno-Solutions America, Inc.

Five other companies (four in Japan, one overseas)

Associated Companies

MEGAZONE Corp.

CTC First Contact Corporation

IW.DX Partners Inc.

ITOCHU Technology Ventures, Inc.

SYSCOM GLOBAL SOLUTIONS INC.

Cardzone Sdn. Bhd.

Seven other companies
(four in Japan, three overseas)

Stock Information

As of March 31, 2022

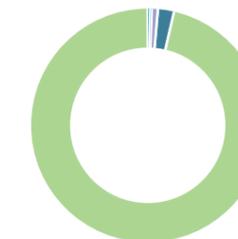
▶ Authorized	492,000,000 shares
▶ Issued	240,000,000 shares (includes 8,772,538 treasury shares)
▶ Shareholders	28,140

Major Shareholders

	Number of Shares	(%)
ITOCHU Corporation	137,409,800	59.43
The Master Trust Bank of Japan, Ltd. (Trust Account)	17,452,300	7.55
Custody Bank of Japan, Ltd. (Trust Account)	10,364,200	4.48
CTC Employee Shareholding Association	4,422,172	1.91
JP MORGAN CHASE BANK 385632	4,084,464	1.77
STATE STREET BANK WEST CLIENT - TREATY 505234	1,907,600	0.82
The Gibraltar Life Insurance Co., Ltd. (General Account Stock D Account)	1,415,500	0.61
JP MORGAN CHASE BANK 385781	1,241,447	0.54
STATE STREET BANK AND TRUST COMPANY 505025	1,230,305	0.53
STATE STREET BANK AND TRUST COMPANY 505103	1,073,087	0.46

Note: The Company holds 8,772,538 treasury shares, and these 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, or BBT) for the Company's directors and officers. In addition, the ownership ratio was calculated after deducting the number of treasury shares.

Breakdown by Number of Owners



Financial institutions	0.34%	Foreign entities, etc.	2.44%
Securities companies	0.20%	Individuals, others	96.12%
Other entities	0.90%		

Ownership by Percentage Shareholding



Financial institutions	14.69%	Foreign entities, etc.	13.84%
Securities companies	1.39%	Individuals, others	12.64%
Other entities	57.44%		

Notes:
1. In the column of "Other entities," 36 units of stocks in the name of Japan Securities Depository Center, Inc. are included.
2. Treasury stock is stated in "Individuals, others."

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

🌐 <https://www.ctc-g.co.jp/en/company/ir/>

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



Sustainability

🌐 <https://www.ctc-g.co.jp/en/company/sustainability/>

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



Corporate Governance

🌐 <https://www.ctc-g.co.jp/en/company/about/governance/corporate-governance.html>



Case Studies / Column

🌐 <https://www.ctc-g.co.jp/en/report/>

■ Project case studies, event reports, and articles



Best Engine

🌐 <https://www.ctc-g.co.jp/en/company/about/pr/magazine.html>

■ The CTC Group's PR magazine on the latest IT trends

