

## Message from the President

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



### Ichiro Tsuge

President & CEO

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

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

### The Creed I Wish to Uphold

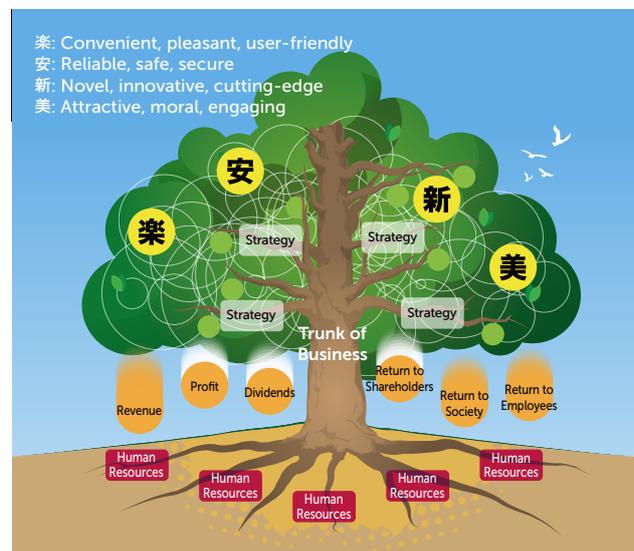
▶ I will buttress CTC's strong ability to propel itself forward through "management that reverse-calculates to on-site capabilities."

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

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

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

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



Schematic Showing President Tsuge's Vision of Management



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

## Technology and CTC's Direction of Travel

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

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

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

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

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

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

## The Strengths CTC Has Nurtured

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

In the category of “Consolidate Footholds!: Stabilize Management Infrastructure,” we established the ITOCHU Techno-Solutions Future Foundation to nurture next-generation IT talent. We also raised our dividend amount for the 11th consecutive fiscal year. To address global warming and help achieve the SDGs, we formulated the 2050 CTC Environmental Declaration, which sets a target of zero CO<sub>2</sub> emissions by 2050. In fiscal 2020, we will move forward with ongoing initiatives to enhance Group management and governance. We also aim to further increase shareholder returns.

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



### Management Based on an Integrated Understanding

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

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

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

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

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

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

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



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

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

## Challenging Tomorrow's Changes

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

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

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

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

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

President & CEO