Fiscal 2018–2020 Medium-Term Management Plan:

Opening New Horizons

Plan Overview and Progress

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

Horizon 1

Go Upwards!:
Challenge Business Transformation

- Co-Creation of Digital Transformation Businesses with Major Clients
- Expand Businesses in Application Services Layer

Horizon 2

Go Forwards!:
Sharpening our Advantages

- No. 1 Cloud-Computing Integrator
- No. 1 IT Infrastructure & Network Environment Provider
- Accelerate Expanding of Recurring Businesses

Horizon 3

Go Outwards!:
New Coverage, New Region in Globe

- Expand Global Activities
- Create Open Innovation Activities as New Business Models

Horizon 4

Consolidate Footholds!:
Stabilize Management Infrastructure

- Skill Transition & Work-Style Transformation
- Consolidate CTC Group Governance
- Quality First & Customer-Centric
- Keep Shareholders' Value & Returns

Numerical Targets

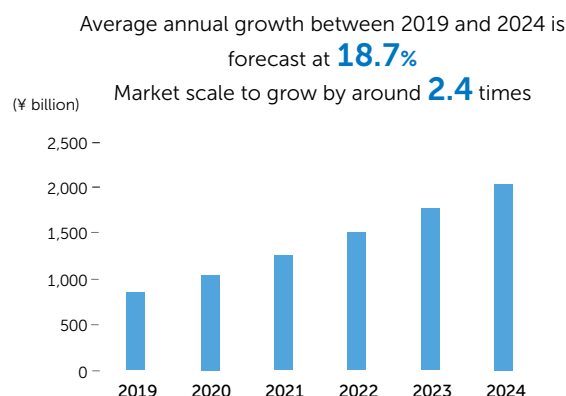|	
▶ Net Profit Attributable to CTC's Shareholders	¥30.0 billion
▶ ROE	12% or more
▶ Recurring Business	¥60.0 billion
▶ Global Business	¥60.0 billion

Market Trends

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

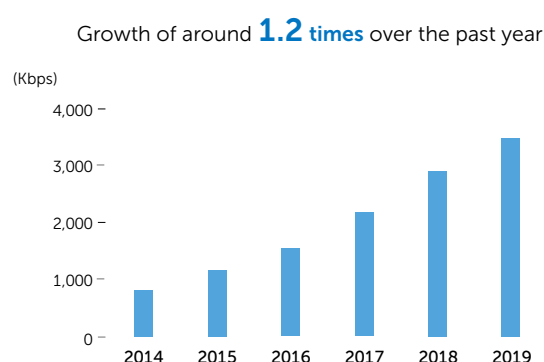Average annual growth between 2019 and 2024 is forecast at **1.5%**

(¥ billion)

- ■ Finance
- ■ Manufacturing
- ■ Distribution
- ■ Information services
- ■ Services
- ■ Government agencies
- ■ Other

Source: IDC Japan Press Release in May 2020
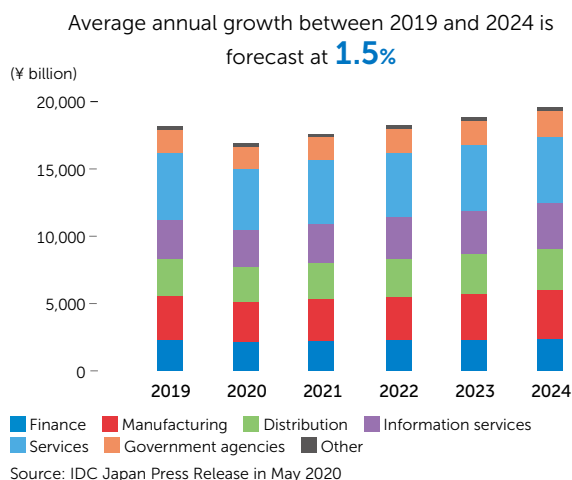
▶ Forecast for the Japanese Public Cloud Services Market (2019–2024)

Average annual growth between 2019 and 2024 is forecast at **18.7%**
Market scale to grow by around **2.4** times

(¥ billion)

Source: IDC Japan Press Release on March 18, 2020

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

Average annual growth between 2019 and 2024 is forecast at **33.4%**.

(¥ billion)

Source: IDC Japan Press Release on June 1, 2020
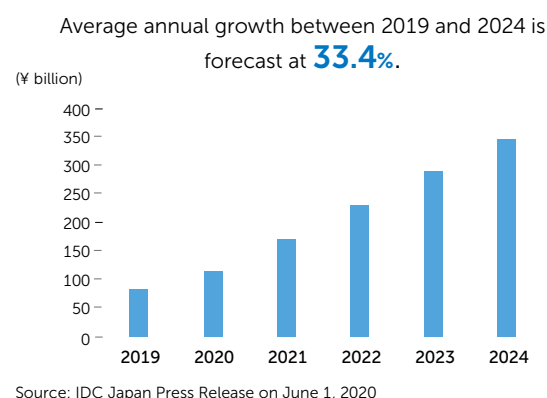
▶ Mobile Data Traffic Volumes (2014–2019)

Growth of around **1.2 times** over the past year

(Kbps)

Source: ICT Statistics Database, Ministry of Internal Affairs and Communications
Scope: Five mobile communications (mobile phone) carriers (NTT Docomo, Inc.; KDDI Corporation; SoftBank Corp.; UQ Communications Inc.; and Wireless City Planning Inc.)

Market Analysis

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

▶ PEST Analysis

	Opportunities	Factors Limiting Growth
P (Political)	▶ Introduction of laws and regulations related to information security ▶ Establishment of finance-related laws and regulations and growth of cashless payments ▶ Demand for higher labor productivity in keeping with work-style reforms	▶ Restrictions on the use of specific products due to worsening relations between countries ▶ Restrictions in movements of people and commodities due to the impacts of the global COVID-19 pandemic
E (Economical)	▶ Growth in emerging-market economies, centered on the ASEAN region ▶ Acceleration of DX	▶ Limited IT investment following the global economic slowdown ▶ Curtailment and delays in IT investment due to the impacts of the global COVID-19 pandemic
S (Social)	▶ Need to respond to the "new normal" ▶ Demand for improved productivity stemming from the declining birthrate, population aging, and contraction in the workforce ▶ Demand for regional innovation and revitalization of local economies ▶ Globalization of business	▶ Decline in the workforce and engineer shortages
T (Technological)	▶ Full-fledged commercialization of 5G ▶ Utilization of cloud-native technologies ▶ Response to the "2025 digital cliff" and reinvention of core systems	▶ Product commoditization ▶ Shortage of highly skilled IT personnel, rising human resource expenses

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

Plan Progress and Final Year Outlook

Intro

Breakthrough

Summary

Review of Priority Measures for Fiscal 2018

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

Review of Priority Measures for Fiscal 2019

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

Horizon1: Go Upwards!

▶ **Expanded the DX Businesses**
Advance of proof of concept projects to develop full-fledged digital transformation (DX) businesses together with clients; smooth acquisition of orders for IoT projects

▶ **Strengthened Agile Development Capability**
Acceleration of cultivation of engineers able to take part in swift, highly efficient, agile development projects

▶ **Promoted DX with Major Clients**
Growth through development of service platforms for big data analysis for trading companies and manufacturers, new retail businesses, and carriers

▶ **Developed of Cloud-Native Technologies**
Smooth growth in application development projects through agile development and transformation of container, microservice, and other technologies into projects

Horizon2: Go Forwards!

▶ **Strengthened Next-Generation Network Technology**
Reinforcement of 5G technologies and growth in orders in preparation for commencement of commercial services

▶ **Expanded Recurring Businesses**
Growth in system and application maintenance and cloud service orders, contributing to management stability and expansion of cloud and IT outsourcing businesses

▶ **Acquired 5G Projects and Expansion in the Network Field**
Acquisition of orders for projects from carriers in preparation for commencement of commercial 5G services, and expansion of new network businesses to support full-fledged rollout of 5G services

▶ **Expanded Recurring Business**
Growth in cloud services continuing on from fiscal 2018 and increase in application maintenance and service contract businesses

Horizon3: Go Outwards!

▶ **Business Partnership in the U.S. and Europe**
Reinforcement of U.S. system integration (SI) business centered on Japanese companies through capital participation in U.S. company SYSCOM (USA) INC., and strengthening of enterprise resource planning (ERP) field operations through a capital and business alliance with London-based Newton Information Technology Ltd.

▶ **Invested in four Open Innovation Projects**
Investment by CTC Innovation Partners in preparation for expansion of operations pertaining to AI-optical character recognition (AI-OCR), sharing services, settlement services, and online distribution platforms

▶ **Acquired Indonesian SI Companies**
Acquisition of two Indonesian SI companies capable of providing comprehensive services through coordination, making for a system that covers four ASEAN countries and allows for flexible responses

▶ **DX-Oriented Capital Alliances**
Investment in form business intelligence company WingArc1st Inc., edge computing company Volterra Inc., and AI chatbot development platform supplier Intumit, Inc.

Horizon4: Consolidate Footholds!

▶ **Controlled and Reduced Unprofitable Projects**
Reduction in the occurrence ratio of unprofitable projects from 2.8% in fiscal 2017 to 1.2% in fiscal 2018

▶ **Increased Dividends for 10 Consecutive Years**
Increase in dividend payments of ¥2 per share from the initially planned ¥48 per share, to ¥50 per share

▶ **ITOCHU Techno-Solutions Future Foundation**
Establishment of a general incorporated foundation to foster future IT personnel as a form of social contribution, with conversion to a public interest incorporated foundation under consideration

▶ **Inceased Dividends for 11 Consecutive Years**
Increase in dividend payments of ¥3 per share from the initially planned ¥55 per share, to ¥58 per share

Accel

Fiscal 2020 Plan

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

▶ **Expansion of the DX Field**
Application of successes in the DX business to wide-ranging industries and fields

▶ **Promotion of Cloud-Native Projects Targeting Lines of Business**
Promotion of development of profit-generating frameworks for lines of business using cloud native technologies

▶ **Development of Mission-Critical System Projects**
Capitalization on 2027 SAP issues to acquire orders for comprehensive mission-critical system projects that encompass infrastructure, application layers, and operation

▶ **Lift and Shift Cloud Migration Approach**
Emphasis on the Company's clouds and integration services of hyperscale cloud vendors as a multi-cloud vendor

▶ **Ongoing Expansion of 5G Business**
Commencement of commercial 5G services and continuation of the 5G project order acquisition efforts of fiscal 2019

▶ **Reinforcement of Overseas Business Systems**
Establishment of overseas business systems through fiscal 2019 acquisitions and stabilization of management through close coordination

▶ **Ongoing Promotion of Open Innovation**
Creation of new businesses to generate synergies with companies boasting innovative business models

▶ **Strengthening of Group Management**
Reinforcement of administrative management functions of domestic and overseas operating companies and further stabilization of the management foundation

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

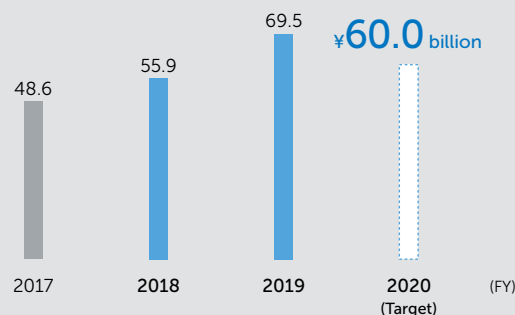## Progress in Numerical Targets in the Medium-Term Management Plan

▶ Net Profit Attributable to CTC's Shareholders
(¥ billion)

¥**30.0** billion

2017	2018	2019	2020 (Target)	(FY)
23.5	24.6	28.4	30.0	
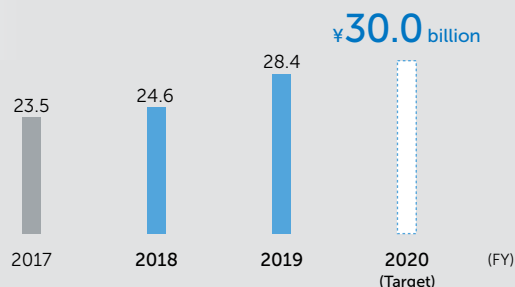
▶ Recurring Business
(¥ billion)

¥**60.0** billion

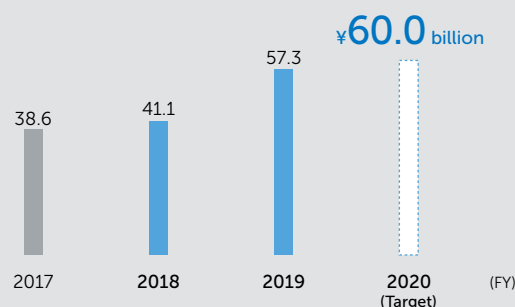| 2017	2018	2019	2020 (Target)	(FY)
48.6	55.9	69.5	60.0	

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

▶ Global Business
(¥ billion)

¥**60.0** billion

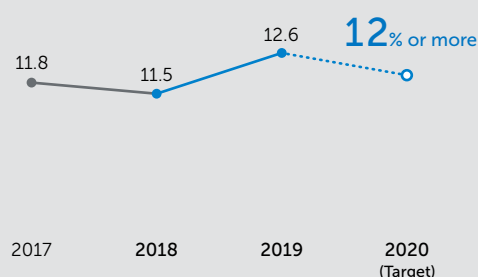| 2017	2018	2019	2020 (Target)	(FY)
38.6	41.1	57.3	60.0	

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

▶ ROE
(%)

12% or more

2017	2018	2019	2020 (Target)	(FY)
11.8	11.5	12.6		

Medium-Term Management Plan — Opening New Horizons —

Horizon 1

Go Upwards!:
Challenge Business Transformation

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

Telecommunication

Case01 **Offering OMNIedge, an IoT Service for Manufacturers, through a Four-Company Alliance**

Related Materiality

1-2 Improve quality

3-1 Address issues related to an aging society

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

This packaged service combines THK's sensing system*, Cisco Systems G.K.'s edge computing router, NTT Docomo Inc.'s highly reliable communication circuits, and CTC's expertise in the configuration and operation of IoT infrastructure.
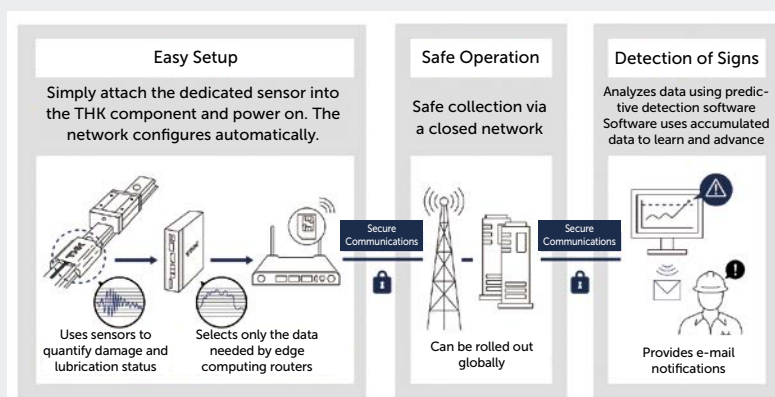
With this service, sensors are attached to machine elements, and IoT technology is used to quantify and visualize the data they gather. This information then passes through highly reliable communication circuits to be analyzed in a cloud environment and used in failure prediction. In the past, such prediction depended on checking and decisions made by experienced and skilled on-site personnel. The new service eliminates this requirement, making maintenance work more efficient, reducing the need for excess inventories, and lowering the cost of infrastructure configuration and maintenance.

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

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

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

Easy Setup

Simply attach the dedicated sensor into the THK component and power on. The network configures automatically.

Uses sensors to quantify damage and lubrication status

Selects only the data needed by edge computing routers

Safe Operation

Safe collection via a closed network

Secure Communications

Can be rolled out globally

Detection of Signs

Analyzes data using predictive detection software Software uses accumulated data to learn and advance

Secure Communications

Provides e-mail notifications

1-2 Improve quality

Case02

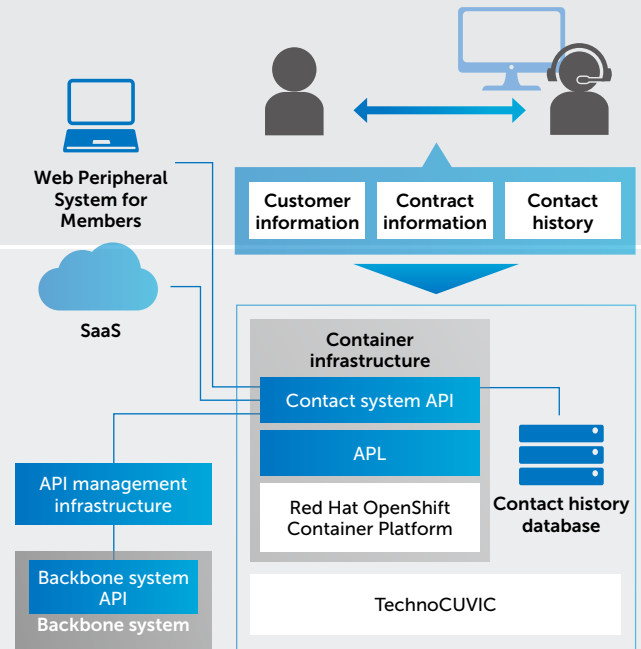## Building a Contact Information Integration System to Boost Customer Satisfaction and Increase Business Efficiency

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

Increasing convenience across the user life cycle, boosting customer satisfaction, and reducing the burden of system development and operation are issues that go beyond credit companies and extend to all industries. We plan to use this as an early case study to roll out our offering across a wide range of sectors.

Web Peripheral System for Members

SaaS

Customer information | Contract information | Contact history

Container infrastructure

Contact system API

APL

Red Hat OpenShift Container Platform

Contact history database

API management infrastructure

Backbone system API

Backbone system

TechnoCUVIC

2-1 Conduct personnel development and training

3-1 Address issues related to an aging society

Case03

Reinforcing Our Agile Development System through a Business Alliance

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

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

While maintaining contacts with client companies in Japan through this alliance, CTC has built a remote agile development system whereby the design, implementation, review, and other functions are handled in Vietnam. By collaborating with FPT Japan, we aim to further expand our agile development business, focusing on the manufacturing sector. At the same time, we aim to respond to Japanese demand for application development, as well as a shortage of engineers.

OutSystems Remote agile development

CTC Customer response

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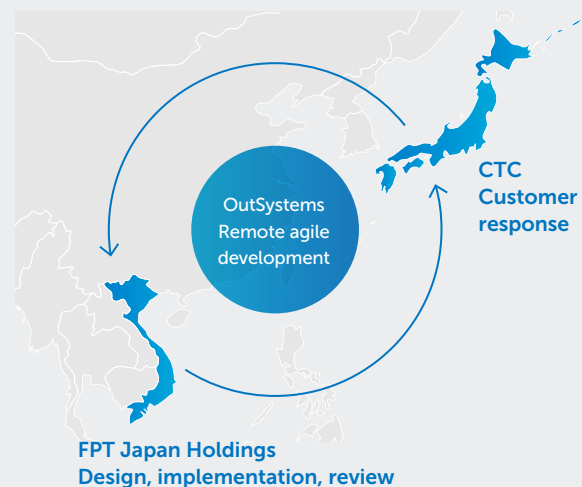
* Capability Maturity Model Integration (CMMI) is a concept developed by the Software Engineering Institute of Carnegie Mellon University of the United States. The model identifies five maturity levels by measuring the efficiency of development, procurement, and service processes.

Medium-Term Management Plan — Opening New Horizons —

Enterprise

Related Materiality

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

Case04

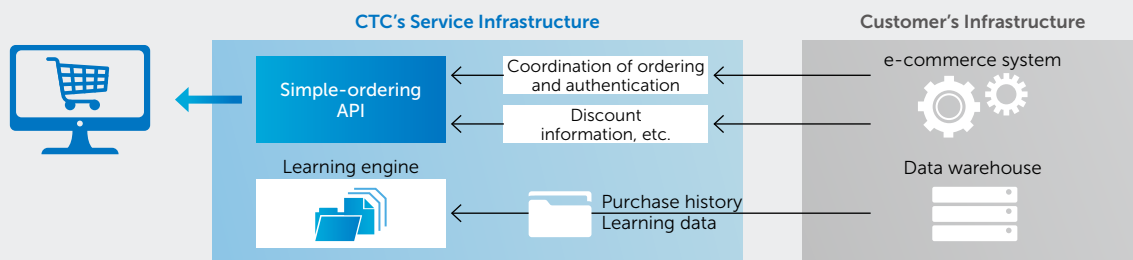## Developing an Order System for the Distribution Sector That Uses Client and Purchasing Data to Conduct Scoring

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

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

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

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

CTC's Service Infrastructure

Customer's Infrastructure

Simple-ordering API

Coordination of ordering and authentication

Discount information, etc.

e-commerce system

Learning engine

Purchase history Learning data

Data warehouse

Regional & Social Infrastructure

Related Materiality

3-3	Contribute to regional economies

Case05

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

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

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

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

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

Infrared sensor

Smartphone / Signage

Obtain data on the flow of pedestrian traffic at stations and stadiums

Predicting congestion at Kaihin Makuhari Station up to 30 minutes in the future

Providing predictive information on congestion

Go Forwards!:
Sharpen Our Advantages

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

Telecommunication

Case01   **Helping Yahoo! Japan Enhance Its Services through Open Networking Solutions**

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

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

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

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

Global Business

Case02   **Creating Value with Leading-Edge Cloud Infrastructure Technologies That Meet Global Standards**
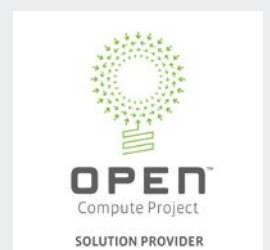
As data centers have grown larger in scale, around the world demand has risen for design specifications that help reduce power consumption and lower costs. CTC aims to help address these needs as quickly as possible, such as by participating in OCP.

At a data center operated by Actapio, Inc., a U.S. subsidiary of Yahoo! Inc., we at first supported the introduction of OCP. We then participated in Gimbal, a cloud infrastructure integration control software project to move Actapio to open-source specifications, helping it enhance service. Going forward, we plan to provide strong support to enhance the efficiency and sophistication of cloud infrastructure.

OPEN Compute Project
SOLUTION PROVIDER

Medium-Term Management Plan — Opening New Horizons —

Enterprise

Case03

Stabilizing Infrastructure and Optimizing Costs with CUVICmc2

Related Materiality

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

In 2019, Fuji Pharma Co., Ltd. adopted for its IT infrastructure CUVICmc2, a cloud service CTC developed specifically for backbone systems. Fuji Pharma had considered a number of public clouds, some of which were supplied by overseas vendors. The company selected CTC's service because of the system stability and reliability afforded by a domestic service. Another deciding factor in Fuji Pharma's switch to this system was the pay-as-you-go system format, which would also enable the company to lower costs. Due to the stability of its infrastructure, Fuji Pharma aims to augment its SAP ERP usage level and create an environment to incorporate the system more fully into management decision-making. CTC plans to take what it has learned about Fuji Pharma's needs to remain a partner that provides optimal solutions.

Horizon 3

Go Outwards!:
New Coverage, New Region in Globe

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

Related Materiality

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

Global Business

Case01

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

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

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

1-2 Improve quality

Distribution

Case02

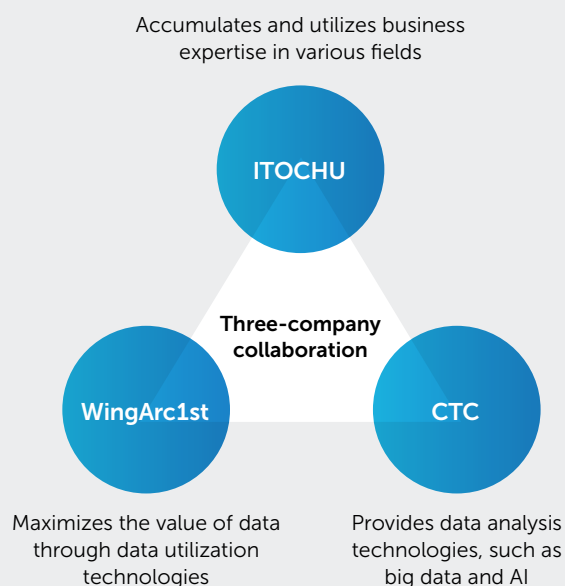## Supporting the Acceleration of DX through Data Analysis and Utilization via a Three-Company Effort

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

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

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

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

Accumulates and utilizes business expertise in various fields

ITOCHU

Three-company collaboration

WingArc1st

CTC

Maximizes the value of data through data utilization technologies

Provides data analysis technologies, such as big data and AI

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

Medium-Term Management Plan — Opening New Horizons —

Financial Services **Global Business**

Related Materiality

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

Case03

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

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

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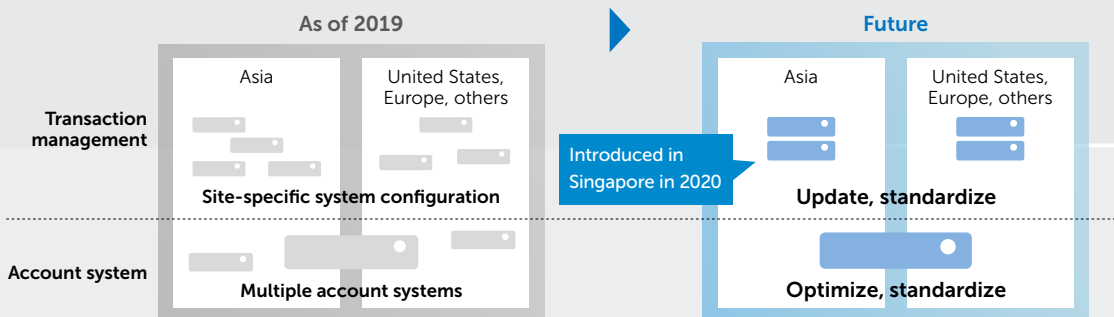
Telecommunication **Global Business**

Related Materiality

1-2 Improve quality

Case04

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

BBIX, Inc., a subsidiary of SoftBank Corp., is active in the Internet eXchange (IX)*1 business. BBIX provides international IX connectivity, centered on Asia, via its SmartIX service. In February 2020, BBIX also began offering this service in the United States and Europe. Through this expansion in fiscal 2019, the company is responding to growing demand for networks that can handle large data volumes at high speeds while maintaining stable operations.
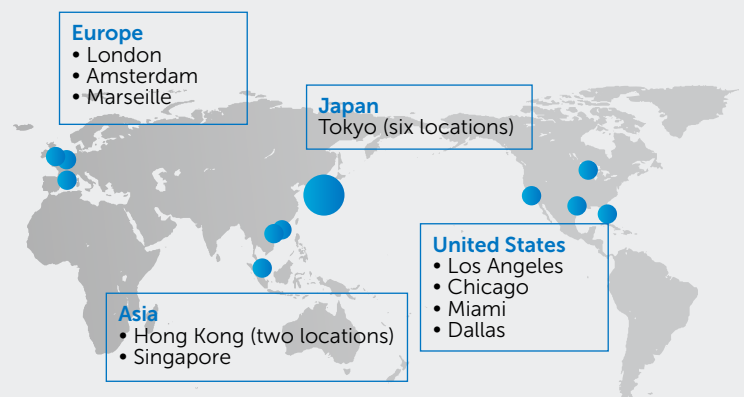
BBIX also provides RPX*2. Different from conventional platforms that provide mobile roaming services via multiple relay operators, RPX enables direct communications in over the shortest possible distance. By introducing this service, customers can expect to reduce costs and experience better communication quality. As of April 1, 2020, more than 1.6 billion mobile phone subscribers around the world were connected indirectly via these broad-area platforms.

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

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

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

Europe
• London
• Amsterdam
• Marseille

Japan
Tokyo (six locations)

Asia
• Hong Kong (two locations)
• Singapore

United States
• Los Angeles
• Chicago
• Miami
• Dallas

Consolidate Footholds!:
Stabilize Management Infrastructure

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

Case01 **Establishing the ITOCHU Techno-Solutions Future Foundation to Nurture the Next Generation of People**

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

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

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

Programming workshop

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

CTC未来財団

Case02 **Creating an Environment Where People Can Make the Most of Their Capabilities: Formulating a Basic Policy on Diversity**

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

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

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

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

[1] LGBT stands for lesbian, gay, bisexual, and transgender. It is a collective term for sexual minorities.
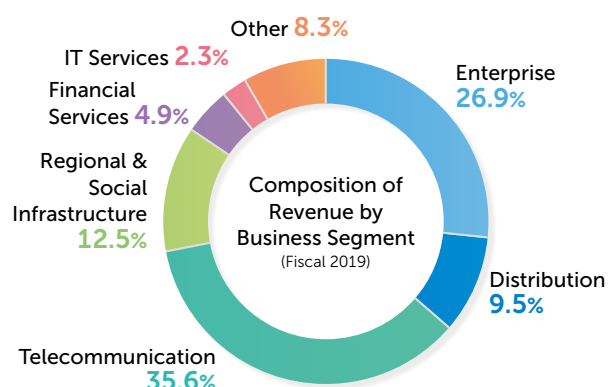[2] SOGI stands for sexual orientation and gender identity.

Main Business Strategies

Business Segments at a Glance

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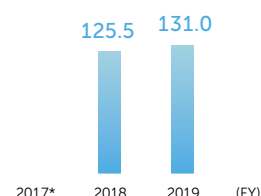• Revenue represents revenue from transactions with external customers.

(¥ billion)

Composition of Revenue by Business Segment (Fiscal 2019)

- Other **8.3%**
- IT Services **2.3%**
- Financial Services **4.9%**
- Regional & Social Infrastructure **12.5%**
- Telecommunication **35.6%**
- Enterprise **26.9%**
- Distribution **9.5%**

Enterprise ▶ P46

Business units comprising the segment:

Enterprise Group   Asahi Business Solutions Corp.
CTCSP CORPORATION

▶ Revenue
125.5 (2018)   131.0 (2019)
2017*   2018   2019   (FY)

▶ Profit before Tax
7.6 (2018)   9.4 (2019)
2017*   2018   2019   (FY)
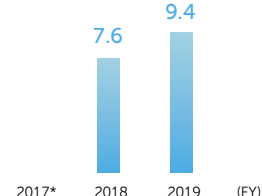
Distribution ▶ P47

Business unit comprising the segment:

Distribution Group

▶ Revenue
43.2 (2018)   46.2 (2019)
2017*   2018   2019   (FY)

▶ Profit before Tax
4.1 (2018)   5.1 (2019)
2017*   2018   2019   (FY)
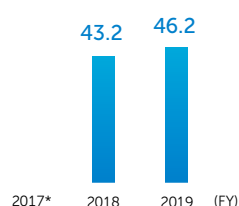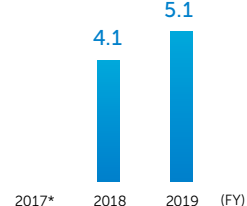
Telecommunication ▶ P48

Business unit comprising the segment:

Telecommunication Group

▶ Revenue
151.1 (2017)   168.9 (2018)   173.4 (2019)
2017   2018   2019   (FY)

▶ Profit before Tax
12.5 (2017)   15.0 (2018)   17.0 (2019)
2017   2018   2019   (FY)
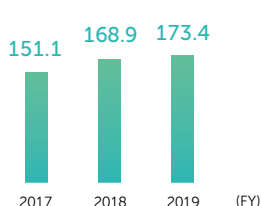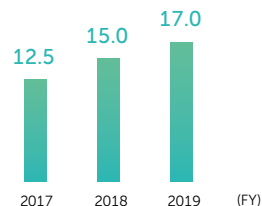
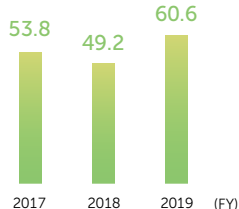### Regional & Social Infrastructure ▶ P49

Business unit comprising the segment:

Regional & Social Infrastructure Group

▶ Revenue
53.8 (2017)   49.2 (2018)   60.6 (2019)
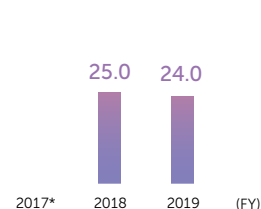2017   2018   2019   (FY)

▶ Profit before Tax
1.8 (2017)   1.0 (2018)   2.4 (2019)
2017   2018   2019   (FY)
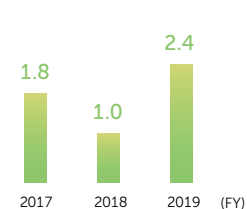
Financial Services ▶ P50

Business unit comprising the segment:

Financial Services Group

▶ Revenue
25.0 (2018)   24.0 (2019)
2017*   2018   2019   (FY)

▶ Profit before Tax
1.4 (2018)   1.2 (2019)
2017*   2018   2019   (FY)
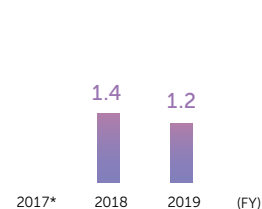
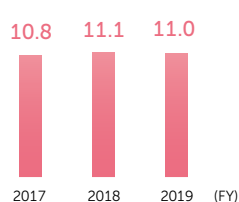### IT Services ▶ P51

Business units comprising the segment:

IT Services Group   CTC SYSTEM MANAGEMENT
CTC TECHNOLOGY   CORPORATION
CORPORATION   CTC FACILITIES CORPORATION

▶ Revenue
10.8 (2017)   11.1 (2018)   11.0 (2019)
2017   2018   2019   (FY)

▶ Profit before Tax
7.4 (2017)   9.1 (2018)   11.3 (2019)
2017   2018   2019   (FY)
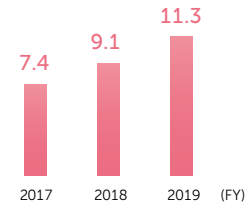
Other ▶ P52–53

Business units comprising the segment:

Service Design Group   Overseas Group Companies
Global Business Division   etc.

▶ Revenue
33.3 (2017)   28.7 (2018)   40.4 (2019)
2017   2018   2019   (FY)

▶ Profit before Tax
0.9 (2017)   1.3 (2018)   0.6 (2019)
2017   2018   2019   (FY)
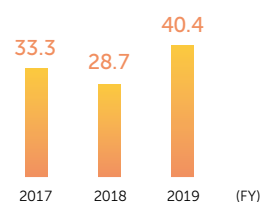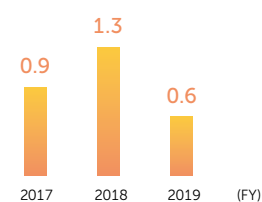
* Revenue and profit before tax for fiscal 2017 are not shown, as the reorganization conducted on April 1, 2019 has made it impossible to compare performance for this segment in fiscal 2017 under the same conditions.

Enterprise Group

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

Takanori Minatohara
Managing Executive Officer
COO, Enterprise Group

▶ Strengths and Challenges

▶ Strengths

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

▶ Challenges

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

▶ Business Climate

▶ Opportunities

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

▶ Factors Limiting Growth

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

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▶ Medium- to Long-Term Vision

Operating Environment Changes /
Fiscal 2019 Initiatives and Results
Contribution to Evolution of Client Businesses by Steadily Capitalizing on the Opportunities Created by Growing Digital Transformation (DX) Investment

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

▶ Fiscal 2020 Strategies

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

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

Distribution Group

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

Noboru Omoto
Managing Executive Officer
COO, Distribution Group

▶ Strengths and Challenges

▶ Strengths

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

▶ Challenges

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

▶ Business Climate

▶ Opportunities

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

▶ Factors Limiting Growth

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

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

▶ Medium- to Long-Term Vision

Operating Environment Changes /
Fiscal 2019 Initiatives and Results
Contributions to the Creation of Earnings Opportunities for Clients by Fully Capitalizing on the Distribution Group's Collective Strength

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

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

▶ Fiscal 2020 Strategies

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

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

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

Telecommunication Group

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

Yasuhiko Terada
Managing Executive Officer
COO, Telecommunication
Group

▶ Strengths and Challenges

▶ Strengths

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

▶ Challenges

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

▶ Business Climate

▶ Opportunities

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

▶ Factors Limiting Growth

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

▶ Medium- to Long-Term Vision

Operating Environment Changes /
Fiscal 2019 Initiatives and Results
Transformation into a Business Partner Connecting Carriers and Other Industries

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

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

▶ Fiscal 2020 Strategies

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

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

Regional & Social Infrastructure Group

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

Hisashi Eda
Managing Executive Officer
COO, Regional & Social
Infrastructure Group

Strengths and Challenges

Strengths

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

Challenges

- Improving management efficiency over a range of business domains

Business Climate

Opportunities

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

Factors Limiting Growth

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

Medium- to Long-Term Vision

Operating Environment Changes /
Fiscal 2019 Initiatives and Results
Contributions to Resolution of Customer and Social Issues
While Guaranteeing Management Efficiency

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

Fiscal 2020 Strategies

Profitable Growth and Business Expansion

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

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

Financial Services Group

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

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

Strengths and Challenges

Strengths

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

Challenges

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

Business Climate

Opportunities

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

Factors Limiting Growth

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

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

Medium- to Long-Term Vision

Operating Environment Changes /
Fiscal 2019 Initiatives and Results
Evolution of Existing Business and Exploration of New Fields Incorporating Digital Technologies

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

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

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

Fiscal 2020 Strategies

Creation of Future Major Accounts and Expansion of Global Businesses

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

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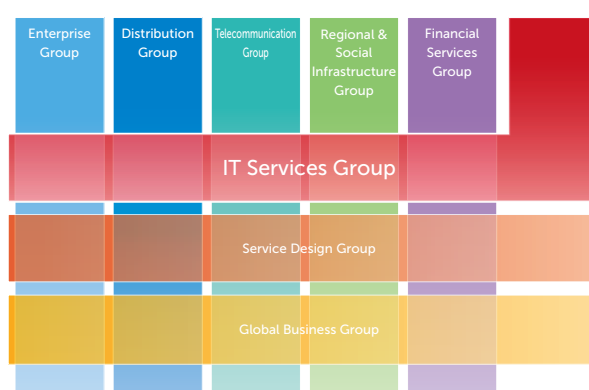
IT Services Group

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

Toshiyuki Awai
Managing Executive Officer
COO, IT Services Group

▶ Organizational Positioning

Enterprise Group	Distribution Group	Telecommunication Group	Regional & Social Infrastructure Group	Financial Services Group

IT Services Group

Service Design Group

Global Business Group

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

▶ Mission

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

▶ Medium- to Long-Term Vision

Operating Environment Changes /
Fiscal 2019 Initiatives and Results
Response to and Preemptive Addressing of Market Changes and Development of Strategic Businesses
The market presence of system integrators that proactively engage in cloud-native SI and DX businesses is growing. In order for CTC to proactively address the changes in clients' IT needs arising from development of the digital society, it will continue to enhance its conventional on-premise SI business while expanding its partnerships with promising DX and cloud service companies and fostering in-house engineers. Accordingly, we must advance strategies that embrace the breadth and quality of the IT services CTC provides.

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

▶ Fiscal 2020 Strategies

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

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

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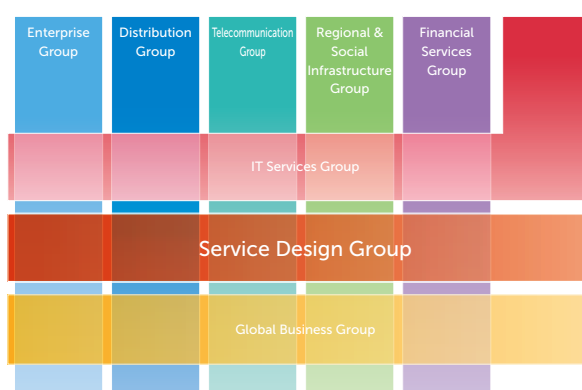
Service Design Group

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

Eiji Haraguchi
Managing Executive Officer
COO, Service Design Group
CIO

▶ Organizational Positioning

Enterprise Group	Distribution Group	Telecommunication Group	Regional & Social Infrastructure Group	Financial Services Group

IT Services Group

Service Design Group

Global Business Group

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

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

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

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

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

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

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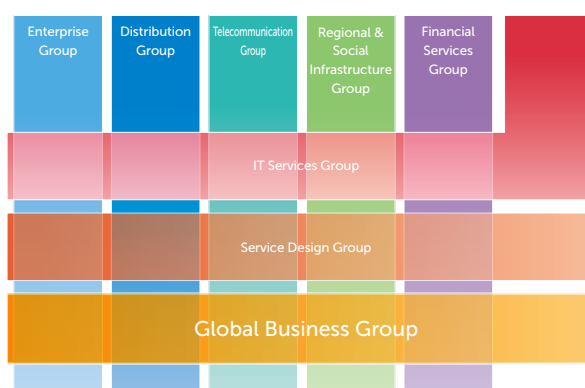
Global Business Group

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

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

Organizational Positioning

Enterprise Group | Distribution Group | Telecommunication Group | Regional & Social Infrastructure Group | Financial Services Group

IT Services Group

Service Design Group

Global Business Group

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

Mission

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

Medium- to Long-Term Vision

Operating Environment Changes /
Fiscal 2019 Initiatives and Results
Global Expansion of CTC Group Earnings
and Improvement of Value

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

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

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

Fiscal 2020 Strategies

Steady Enhancement of Earnings Power and Functionality
of Overseas Operating Companies

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

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

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

Major Group Companies in Japan

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

▶ Maintenance & Operations Services

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

CTC TECHNOLOGY CORPORATION
System Maintenance and Support Business
Established: April 6, 1990

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

CTC SYSTEM MANAGEMENT CORPORATION
System Operations and Support Business
Established: July 1, 2008

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

CTC FACILITIES CORPORATION
Data Center Facility Management Business
Established: July 7, 2000

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

▶ Developing Businesses Specialized for Client Companies and Industries

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

Asahi Business Solutions Corp.
Established: January 5, 1989

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

▶ Solutions Business Using Distinct Products

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

CTCSP CORPORATION
Established: April 1, 1990

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

▶ Special CTC Subsidiary Promoting Employment of People with Disabilities

CTC HINARI Corporation
Established: April 1, 2010

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

Message from the CFO

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

Mamoru Seki

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

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

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

▶ The Pursuit of Quality 📖 **P63**, Risk Management 📖 **P83**

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

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

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

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

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

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

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

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

▶ **Accurately Identifying Changes in the Operating Environment and Accurately Meeting the Needs of the Times for All Stakeholders**
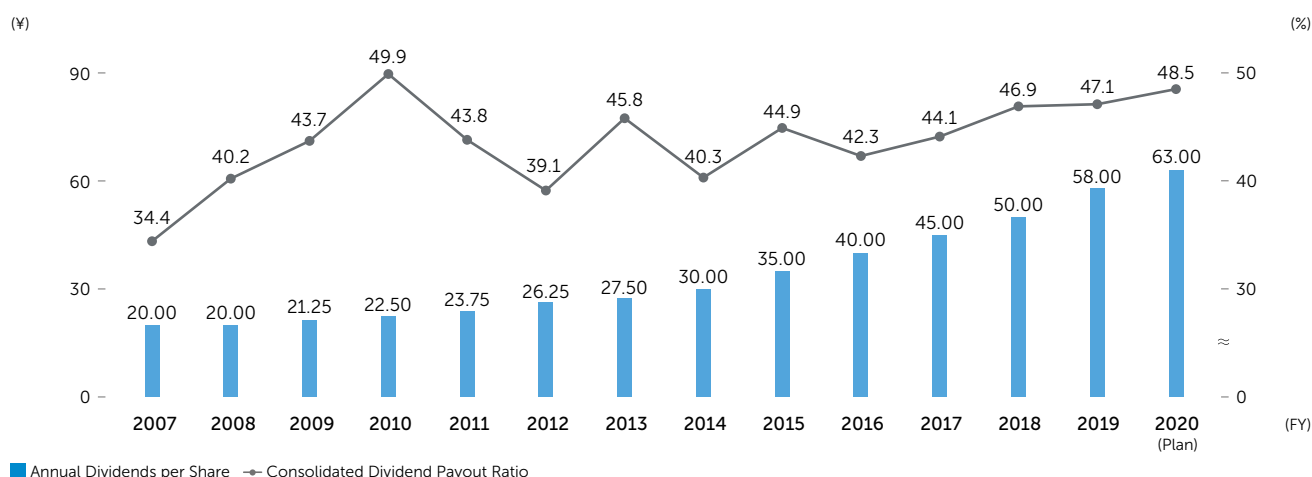Sontoku Ninomiya (a prominent 19th-century Japanese agricultural leader) is credited with the saying that "Economy without morality is a crime, and morality without economy is like talking in your sleep." The idea here is that seeking only one's own gain while disdaining customers, employees, or society is out of the question. At the same time, a company that simply touts morals and fails to generate profits has no reason for existing. In other words, corporate activity needs to have two starting points: increasing profits and providing value to society. A similar idea is expressed in Japanese as *sampo yoshi* (good for the seller, good for the buyer, and good for society). In a true sense, I believe these sayings describe a "good company" that contributes appropriately according to the times. I take this to be our goal, and aim to contribute accordingly through my work.

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

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

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

FY	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 (Plan)
Annual Dividends per Share (¥)	20.00	20.00	21.25	22.50	23.75	26.25	27.50	30.00	35.00	40.00	45.00	50.00	58.00	63.00
Consolidated Dividend Payout Ratio (%)	34.4	40.2	43.7	49.9	43.8	39.1	45.8	40.3	44.9	42.3	44.1	46.9	47.1	48.5

■ Annual Dividends per Share　—●— Consolidated Dividend Payout Ratio

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