

Integrated Report

2023

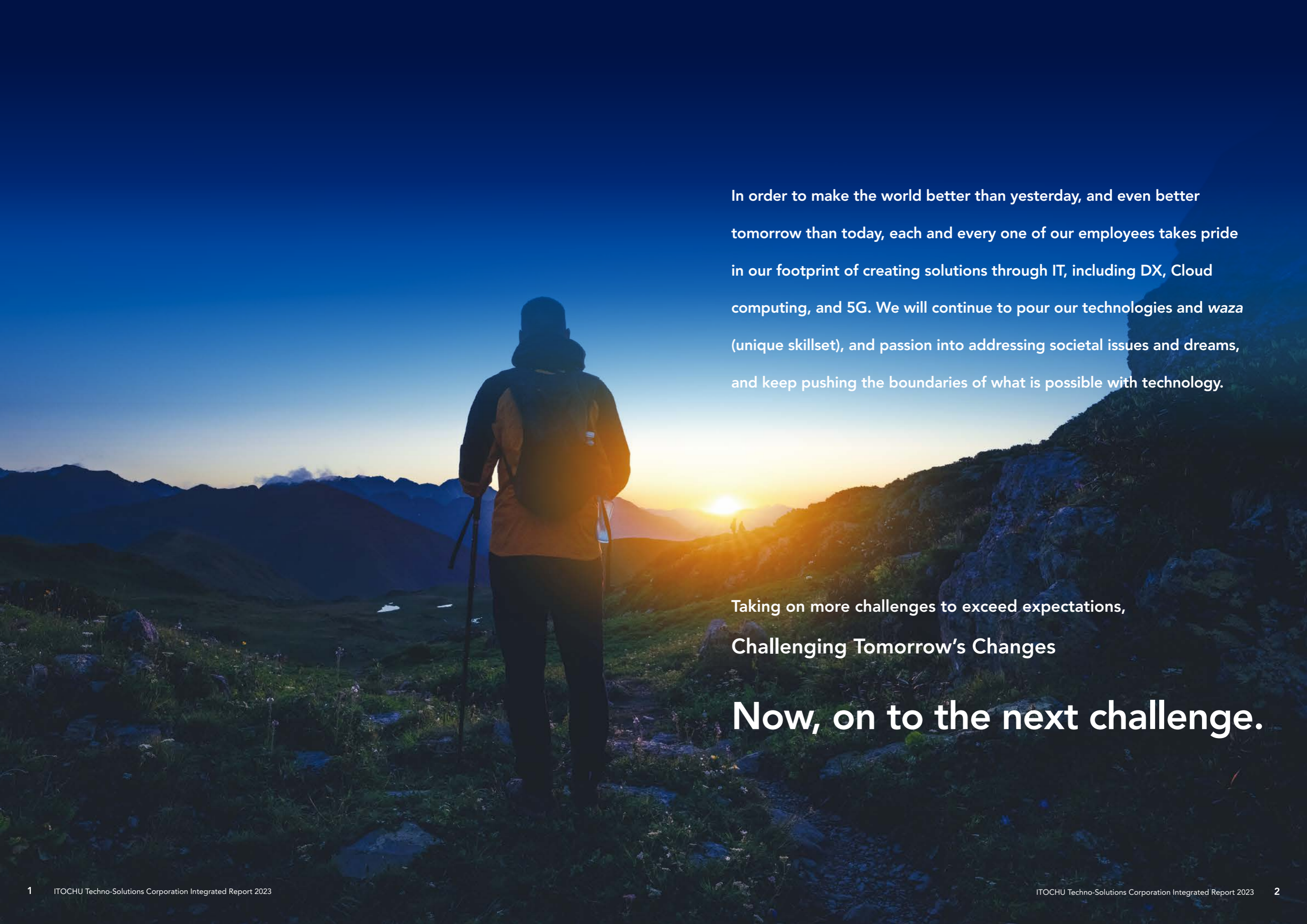
Fiscal Year Ended March 31, 2023

Challenging Tomorrow's Changes

Integrated Report 2023

ITOCHU Techno-Solutions Corporation





In order to make the world better than yesterday, and even better tomorrow than today, each and every one of our employees takes pride in our footprint of creating solutions through IT, including DX, Cloud computing, and 5G. We will continue to pour our technologies and waza (unique skillset), and passion into addressing societal issues and dreams, and keep pushing the boundaries of what is possible with technology.

Taking on more challenges to exceed expectations,
Challenging Tomorrow's Changes

Now, on to the next challenge.

CTC Group Philosophy

Slogan

Challenging Tomorrow's Changes

Mission

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

Values

Action Guidelines

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

Sustainability Policy

Technology and Waza (Unique Skillset) for the Future

Materiality

Solve Social Issues through IT

Cultivate Human Capital to Support the Future

Implement Responsible Corporate Activities

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Editorial Policy

CTC's corporate mission is "Leveraging IT's potential to change future for the Global Good." In Integrated Report 2023, we explain how our value creation process provides the path toward sustainable growth that will enable us to fulfill this mission.

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

Scope of the Report

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

Notes on Financial Amounts

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

Forward-Looking Statements

Statements made in this report with respect to CTC's plans, strategies, and beliefs, and other statements that are not historical facts, are forward-looking statements about the future performance of CTC based on management's assumptions and beliefs in light of information available at the time of publication and involve certain risks and uncertainties.

CTC assumes no obligation to publicly update these forward-looking statements to reflect events, changes in the operating environment, or unforeseen developments that occur after the date of publication.

Message from the CEO

Opens the Door to Take on New Challenges to Deliver Benefits of Digital Technology to People and our Planet Earth

Ichiro Tsuge
President & CEO



Introduction

The Company is expected to go private going forward as a result of a takeover bid (TOB) by ITOCHU Corporation. Throughout the past 24 years since our listing on the First Section of the Tokyo Stock Exchange (TSE) as C.ITOH TECHNO-SCIENCE Co., Ltd., we have made steady progress as a listed company, including our transition to the Prime Market of the TSE. We would like to thank our shareholders once again for their tremendous support. Going forward, we will continue to provide value to our customers and society by leveraging the strengths of the CTC Group. We will continue to move forward with the understanding and support of our suppliers, business partners, and all those directly and indirectly involved with the Company.

Fiscal 2023 marks the final year of the CTC Group's Beyond the Horizons—To the Future Ahead—three-year medium-term management plan. The major theme for fiscal 2023 is to enter the final preparation stage for our next leap forward. Since its founding in April 1972, the

Group has been striving to realize its mission of “Leveraging IT’s potential to change future for the Global Good,” based on its slogan of “Taking on Challenges.” We will remain committed to achieving this purpose by continuing to take on every challenge and demonstrate the significance of our existence in society in the process.

Today, we are standing at the gateway of a stage that very well may be called “CTC 5.0.” CTC 5.0 is a concept that represents not only a stage in our business growth but also management protocol (management thinking and philosophy) that must be renewed and reformed as technology evolves and social issues become more sophisticated and complex. Over the period between now and our next medium-term management plan, we will implement CTC 5.0 and aim to evolve toward the type of company we want to be. Therefore, I will discuss what CTC 5.0 is all about and what we will focus on, implement, and aim to achieve to that end.

CTC to Date

While CTC 5.0 has been adopted as the new protocol to which we will transition to in our aim to become a company that continues to pursue challenges into the future, “5.0” was chosen due to the fact that the Group’s progress to date can be summarized in four stages.

IT has played a central role in bringing about change not only through the streamlining of business processes but also through the connection of people, things, and everything else. The Group has continued to take on challenges in line with the growth of IT and develop based on its network technologies, Cloud technologies, and maintenance support services.

Since its founding in 1972, the Group focused mainly on the introduction of technologies and products from the United States to the Japanese market by capitalizing on its discerning eye for technology. Our sales of WANG products and our partnership with Sun Microsystems, Inc. are prime examples of such efforts and have become the foundation of our business today. (CTC 1.0)

From the mid-1980s, we made full-scale efforts to introduce to the Japanese market the ideologies of information networks and technology focused on the internet from the United States. (CTC 2.0) Subsequently, we took advantage of our extensive network of contacts, technologies, and experience cultivated to date to delve even deeper into areas associated with the construction of mobile phone and other mobile internet services. (CTC 3.0)

Recently, we have been taking advantage of our technologies and track record in network systems to develop a wide range of services, such as Cloud-related businesses or, in other words, shift to the Cloud, Cloud-lift and managed services, our unique Cloud service CUVIC Series, and security measures. In regard to DX, which has now become a commonly used term, we offer a vast array of solutions from consultancy services to the provision of data analysis platforms and digital twin. We have also teamed up with co-creation partners to provide solutions to social issues, such as green transformation (GX) and sustainability transformation (SX). (CTC 4.0)

CTC Going Forward

Moving ahead, we will continue to demonstrate the significance of our existence in society by embracing every challenge as we have done so over the years. Although our vision and concept of CTC 5.0 has yet to be officially decided, from a business standpoint, we would like to focus on providing solutions that help promote DX and enhance the quality of people's lives. For example, through collaboration with NTT Communications Corporation and MOYAI Co., we offer IoT-based camera solutions for monitoring the in-vehicle status. By checking real-time images provided by IoT cameras, train crew members and control centers can quickly and accurately respond to the situation when emergency calls are made inside the train. We will increase these types of solutions going forward.

AI, quantum computing, and other future technological developments may be entering a new stage in history in terms of both hardware and software. We, too, intend on actively adopting new ways of thinking and continuing to learn new techniques and take on challenges.

In particular, while Chat GPT and other generative AI tools can be risky to both overestimate and underestimate, they may have such an impact that we may need to radically redefine our customers' business processes and service content. While we are currently in the preliminary

stages of AI transformation (AX), there are things ahead in the future that we will look back on as important opportunities and risks, indicating that the time has come to demonstrate our collective strengths.

At any rate, in order to figure out even more solutions, we must address issues through not only our existing methods but also the greater cooperation of internal and external businesses and partners.

Design thinking is a way of thinking that I have paid close attention to for some time and would like to incorporate as a technology once again. In dictionary terms, this means "viewing products and services from the perspective of the issues and needs of end-users." In terms of our everyday lives, this means trying to view the issues that our customers, the people who we do business with on a daily basis, are unaware of based on an empathy of the members of society. In the concept of design thinking, there is the idea that "by fulfilling the needs of those in greatest need, we would fulfill the needs of a wider range of people." In order to do so, we must broaden our horizon and enrich our imagination more than ever. I believe it is important that we continue to maintain an open and flexible mindset and take a trial-and-error approach with an eye on the actual issues and their true nature.

Matters to Focus on for CTC 5.0

From a management perspective, we must change our focus from profit and loss management to intellectual capital management. In other words, rather than taking a management approach that places emphasis only on our short-term profits and losses, we must increase our intellectual capital over the medium to long term, understand the types of solutions that lead to financial results, and take measures to provide such solutions and put our business on a growth track. In light of the increasingly complex issues and sophisticated technologies, we must not only enhance the knowledge and skills of each employee, but also develop as an organization by making the best possible use of information and strengthen our relationship with our co-creation partners. These elements of intellectual capital form the foundation of our business and management. It is clear that the market will no longer be simple enough for strategies to be based solely on sales, cost, or market share. We believe that it will become increasingly necessary for management to pay attention to the "invisible" aspects of our business on a daily basis.

In fiscal 2023 and the period covered by the next medium-term management plan, we will focus on the following three pillars in CTC 5.0.

1. Enhancing Intellectual Capital

Based on the view that intellectual capital, consisting of human capital, organizational and structural capital, relationship capital, and information capital, represents the fundamental capital of our business, we will work to continue to monitor and enhance our intellectual capital. In addition to increasing the amount of intellectual capital, we will take into account the quality standards and composition that conform to our new business model and the times.

2. Strengthening Our Waza (Unique Skillset)

(1) Reinforcing Our Social Issue-Setting Capabilities

We work with various co-creation partners to identify issues that delve into the essence of social issues and confront these complex issues with an issue-first mindset by not concerning ourselves over past competitive relationships.

(2) Enhancing Our Problem-Solving Capabilities on a Daily Basis

In regard to known issues, we will provide a wide range of solutions to customer needs by leveraging our strengths in the "art of combination." In particular, we will focus on Application Programming Interface (API) and data

analytics platforms, which are essential to the development of Cloud-native systems and flexible systems while expanding the use of AI and enhancing managed services to eliminate waste, stress, and wastefulness and help transform our customers' business.

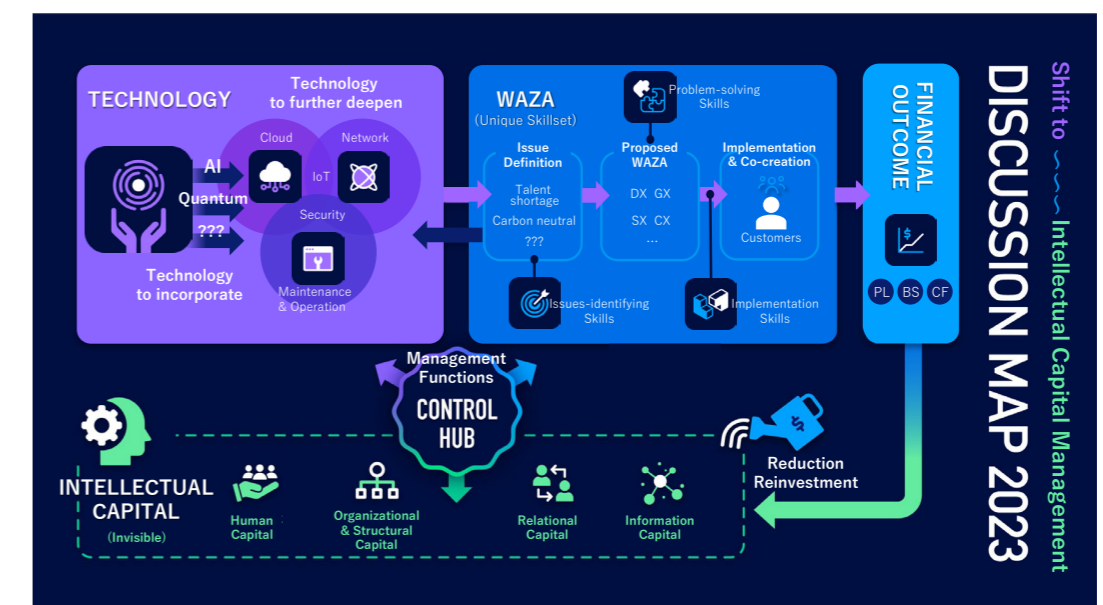
Based on our in-depth knowledge of technology, we will demonstrate our technology implementation capabilities that have been forged through the development of IT systems and continue to hone our waza (unique skillset) to provide pragmatic solutions.

3. Staying Progressive on the Technology Front

To realize 2. above, we will continue to enhance our long-cultivated technological capabilities while expanding our knowledge of AI, quantum computing, Beyond 5G, security, and other core technologies by carrying out research on new technologies that must be incorporated going forward. GPT-4 and other AI technologies are evolving at an astonishing speed. We must think about how they can be combined with security and authentication technology and in what situations they can be used going forward. By enhancing our technological capabilities, we will rapidly proceed with the development of implementable solutions.

I will now explain in further detail regarding the intellectual capital discussed in 1. above and its components: human capital, organizational and structural capital, relationship capital, and information capital.

Intellectual Capital Management under CTC 5.0 (Conceptual Diagram)



This diagram has been provided to facilitate discussions on CTC's intellectual capital management under CTC 5.0 to promote better understanding of our information disclosure and dissemination among society. It provides a birds-eye view of how you think as a manager to connecting and positioning each individual item by presenting our technologies and unique skillset for connecting IT services, a strength of CTC, in a higher resolution. It also serves as a communication tool to monitor where discussions are currently taking place. This diagram was designed based on the idea that it would be updated in accordance with the various opinions and advice from both internal and external sources.

Intellectual Capital: Enhancing the Group's Sustainability

To enhance a company's sustainability, it is necessary to expand its intellectual capital while providing appropriate returns to stakeholders through the financial results generated from its business activities. Despite the fact it can be easily overlooked, it is a matter of course to reinvest in intellectual capital so that it does not get depleted. Because we are not a research institute, we cannot generate financial results unless we understand the technology and turn it into a form that can be implemented and provided as a solution for resolving issues.

Human Capital: Promoting Measures toward Enhancement

To strategically expand our human capital, it is essential that we have an internal human resources management system (first release scheduled for fiscal 2023) in place that visualizes the current situation and that we continue to improve this system. To begin with, the system will be used to monitor our internal human resources and appropriately allocate them for the near future.

While we will not realize a complete system overnight, in the future we hope to make full use of AI and conduct simulations of human resources strategies by repeatedly improving the system. We recognize this as an important management issue we must face, despite its lack of visibility, which we seem to be able to do but have not been able to thus far.

Organizational and Structural Capital: Promoting Diversity

At the CTC Group, diversity is an area we must continue to improve going forward. We have a system in place that promotes gender equality, does not place restrictions on specific nationalities, and provides a comfortable workplace environment that allows everyone, including people with disabilities and preexisting illnesses, to demonstrate their full potential.

However, in the course of day-to-day business activities and recruitment processes, we may distance ourselves from opinions and ideas that differ from those of our own without being aware of it. It will likely be difficult for companies to meet their recruitment targets going forward due to the serious labor shortage we face. This also means that we are nearing the limits of labor-intensive methods.

While it is natural to look outside of Japan or make even greater use of IT, unless we value the limited human capital available and increase diversity, we will be bounded in our social issue-setting capabilities and problem-solving capabilities in an increasingly complex society. Simply

Meanwhile, it is also important that we take on the challenge of conducting research on the technologies that have yet to be utilized so that they can function as solutions in the near future, such as in the case of AI and quantum computing, which will become even more widely used going forward. Continuing to take on this challenge will entail certain costs and may not lead to immediate profits. However, it will continue to be stored as the Group's intellectual capital and there will come a day when it benefits our business, just as it did in the past.

hiring people of different genders, nationalities, and professional backgrounds will not make an organization stronger. As people are naturally different from each other, we must allow our employees to release their individual capabilities and embrace their uniqueness to demonstrate our diversity as an organization. Otherwise, we may all make major oversights. We must ensure that we do not impose an organization's uniform values on individuals and prevent them from expressing their individuality.

In order to promote diversity through to the organizational and structural level, we must redefine and redesign our decision-making processes, organization, and evaluation system, which will require an open mind and an exceptional balance of empathy and logic. When we began discussions on CTC 5.0, the new stage of our management protocol, and the company we aim to be at this stage, we invited not only the current members of management but also mid-level and junior employees, who will shape the future of our company, to participate and launched the NEXT CTC Project in 2022. We believe this project will serve as a stage for all members of the Group to demonstrate their individualities.

Relationship Capital: Entering a New Phase

Our business is built on our various collaborative efforts with customers, suppliers, and co-creation partners. We must strengthen our capabilities to set and resolve social issues through these relationships. We hope to expand our co-creation efforts with companies not only in Japan but also in North America and other parts of Asia that we have yet to work with and enhance our problem-solving capabilities. From the standpoint of discovering new technologies and expanding our network of business partners, we will consider the possibility of business investments, M&As, and business alliances with the aim of forming partnerships with start-up and overseas companies, mainly in North America and Asia.

Information Capital: Data Supply Chain Management

In a broad sense, the CTC Group is a part of the information industry. How can information and the data from which it is derived be distributed so that they benefit people and the planet? We believe that supply chain management exists for data in the same manner as it does for products. Over the past 20 years alone, the

volume and speed of data distribution has increased rapidly, and various data storage technology and methods of accessing information have been developed. It has even become possible to create new information from an unimaginable sea of data in ways that are impossible for humans. Simply amassing information is meaningless, and we must capitalize on it in order to properly utilize information without drowning in it.

In Closing: Taking the Correct Path to Healthy Digital Ethics

Behind the development of digital technology, there is always the issue of environmental impact and high energy consumption. Moreover, AI and other digital technologies can be used maliciously by people. Simply advocating the term "ethics" will not lead to a solution. Laws and regulations have not been able to keep up at all and there are limits to controlling technology with technology. How to reconcile these negative issues with the positive aspects of digital promotion is an extremely important task.

Using energy issues as an example, while reducing the energy use of devices and semiconductors is a major theme for the industry, simply amassing data that is no longer necessary or used is also a significant waste of energy. In addition, multimodal AI models will likely be implemented by many companies to set themselves apart from the competition while the ways in which programmers do their work may change considerably.

Meanwhile, there are concerns that society could deteriorate if many people were to act based on incorrect information as it becomes increasingly difficult to discern what is correct information. When this happens, can it be said that companies are not completely liable? While it is not something that a single company or country can overcome on its own, I believe companies should be held responsible for contributing in a positive manner by making full use of its co-creation partners and their respective expertise.

Delivering the benefits of digital technology to more people and the planet is one of our important missions. In our final year of Beyond the Horizons—To the Future Ahead—and the period of our next medium-term management plan, we intend on continuing to take on challenges by remaining keenly aware of our path to healthy digital ethics in order to open the door to even newer challenges. This is exactly what the CTC Group Philosophy is all about.



Value Creation by the CTC Group

Value Creation Process

With taking on new challenges in its DNA, the CTC Group's mission is "Leveraging IT's potential to change future for the Global Good." Based on this mission and its DNA, and guided by our Sustainability Policy and materiality (material issues), we aim to come up with solutions through our business activities for issues faced by our customers and society.

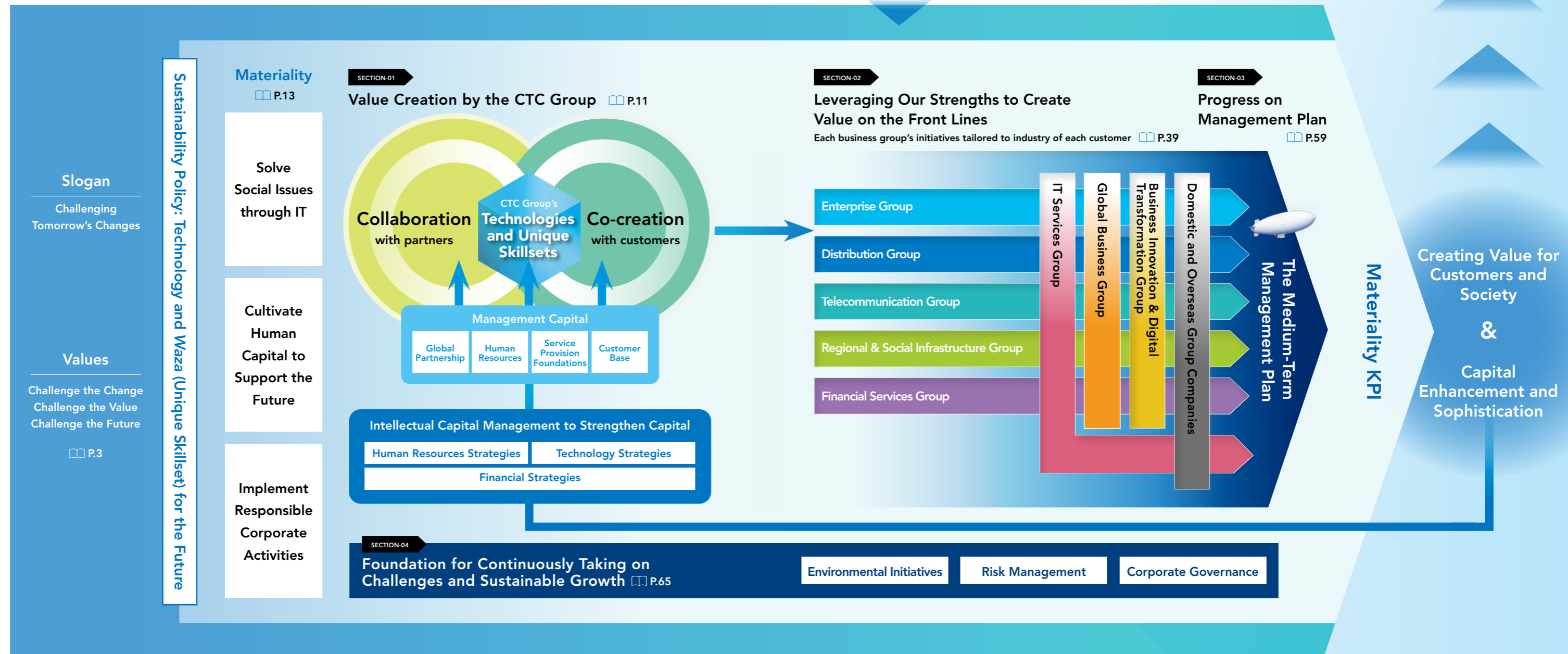
By leveraging our technologies and unique skillsets cultivated through collaboration with partners and co-creation with customers as a source of competitive advantages, we provide optimal solutions to the challenges of our customers and society, creating value for customers and society as an outcome. We aim for continuous improvement in the CTC Group's corporate value and the value we provide to our customers and society by moving spiritedly through this value creation process.

Challenges for the CTC Group

Social Issues	Customer Issues
<ul style="list-style-type: none"> • Climate change countermeasures • Decline in workforce due to falling birthrate and aging population • Concentration of population in cities, depopulation of rural areas • Expansion of digital divide • Increasing information security risks • Building sustainable supply chains ... 	<ul style="list-style-type: none"> • Digitalization and DX for enhancing corporate competitiveness • Needs for workstyle reforms and improvement in labor productivity • Cybersecurity measures • Utilization of new technologies such as 5G, AI, quantum computing ...

Mission

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



Value Creation by the CTC Group

Realization of a Sustainable Society through Our Business Activities

Today's society faces a number of challenges, including increasingly severe natural disasters resulting from climate change, poverty, hunger, growing social discrepancies, international conflict, and birthrate decline and population aging in Japan.

Having taken on the mission of "Leveraging IT's potential to change future for the Global Good" and aiming to realize a sustainable society, the CTC Group has set "Technology and Waza (Unique Skillset) for the Future" as the slogan for its Sustainability Policy, which embodies our most cherished thoughts.

Furthermore, in realizing our mission, we have identified the key issues (materialities) that the CTC Group should address.

Our materialities fall into one of three categories: "Solve social issues through IT," which directly relates to the realization of our corporate philosophy; "Cultivate human capital to support the future," a driving force for continuing to fulfill our corporate mission; and "Implement responsible corporate activities," which forms the foundation of our corporate activities. Additionally, we have designated three material topics in each category, and have linked them to our value creation process and medium-term management plan in order to incorporate them in our daily business activities.

We will contribute to the realization of a sustainable society by earnestly committed to social issues through our business activities in the future.



Sustainability Promotion Structure

The CTC Group has established a sustainability promotion structure with the President & CEO as the highest responsible person. Under the supervision of the Board of Directors, the CTC Group as a whole is promoting initiatives related to sustainability.

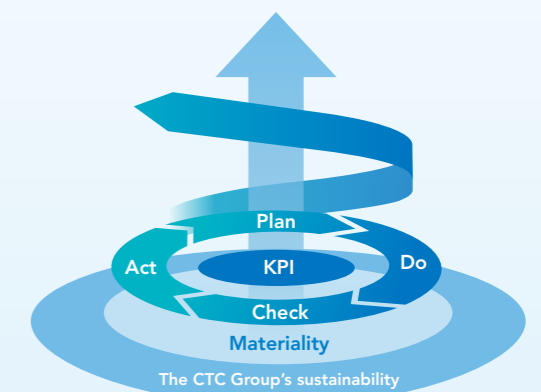
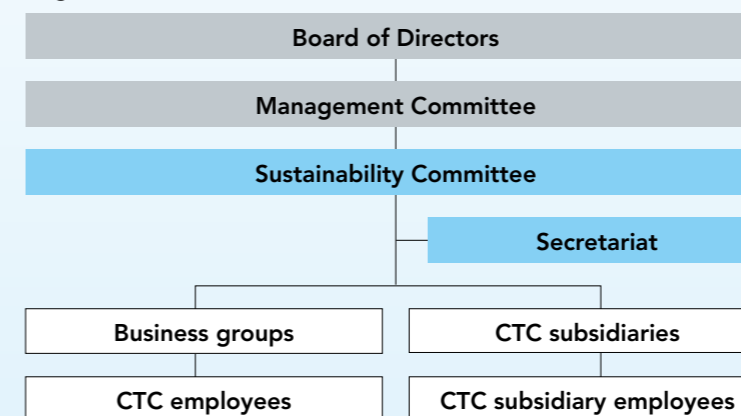
The Sustainability Committee, an advisory council to the Management Committee, is chaired by the executive officer in charge of matters related to sustainability. Members on the committee include department heads responsible for business strategies and human resources strategies for each business group and operating

company, as well as female employees and young employees. They deliberate on important matters, such as initiatives related to materialities, while taking into consideration a wide range of opinions.

Each organization sets its goals and KPIs for materialities, and promotes initiatives based on the PDCA cycle, while also checking the validity of initiatives.

Starting in fiscal 2023, the CTC Group will incorporate the achievement of initiatives related to materialities into the performance evaluation metrics of directors and executive officers, in a bid to further accelerate sustainability management.

Organization Chart



Sustainability Promotion Image

Accelerating Solutions for Social Issues Through Our Core Businesses

One of our materialities, "Solve social issues through IT," is directly linked to the realization of our corporate philosophy, and is a materiality that we, as an IT company, should focus on in particular. The CTC Group as a whole is promoting such initiatives and building up experience.

Specifically, this entails the utilization of advanced technologies, such as AI, quantum computers, and the metaverse; co-creation of business with various partners, including corporations, universities, and local governments; and the deployment of solutions and services that are developed to snuggle up to users with the aim of eliminating the digital divide. Our internal momentum for solving social issues is steadily strengthening, with unique study sessions in each business group and the autonomous formation of communities gaining ground. Since handling advanced technology appropriately requires each employee to have a high sense

of ethics, the CTC Group formulated Ethical Principles for Artificial Intelligence in March 2023, summarizing the appropriate way of thinking and guidelines when deploying AI.



NEXT CTC Project to think about the future of CTC

Participation in the United Nations Global Compact

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

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



Value Creation by the CTC Group

Business Model and Strengths

We will continue to refine our strengths while creating new businesses through our business model that circulates value by connecting with customers and global partners.

Business Model

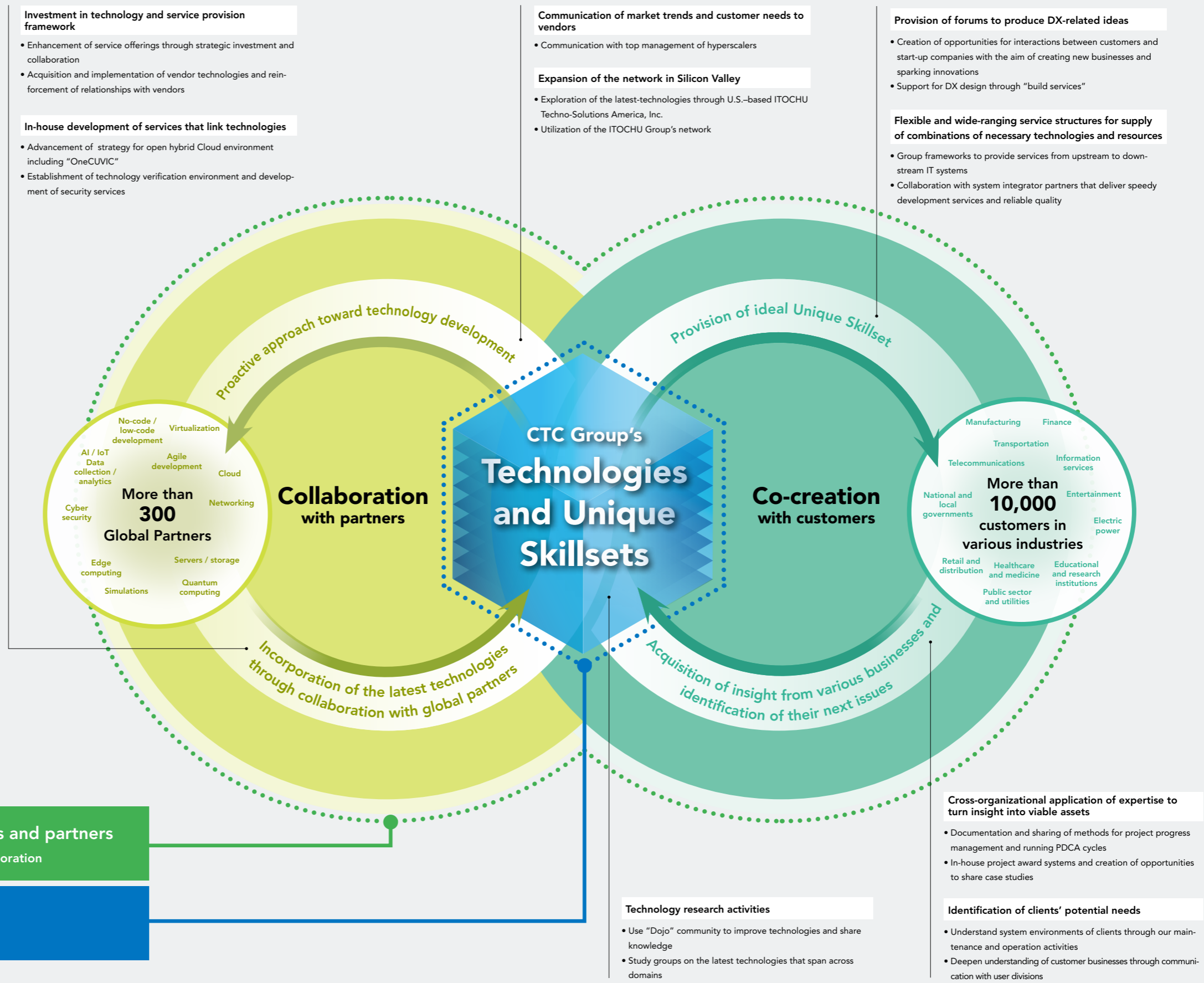
Since our founding, we have worked to optimally match the issues of our customers with products and services that can solve them. We sincerely work on solving our customers' challenges while constantly refining our technologies with our partners. By doing so, we accumulate experience and build a robust relationship of trust that in turn creates more opportunities to start new businesses. This cycle is the source of growth for the Group.

Our business can begin in consultations with customers, or it may be discovered in our maintenance operations. It can also originate from the pioneering of cutting-edge technology or from consultations by our partners. We believe it is important that every employee working in the Group continues to execute each process carefully each day, while keeping their antennae up.

Strengths

Today, as new technologies are constantly being created, we must search for the best technologies among many and combine them in a timely manner to implement the optimal solution.

The CTC Group leverages its strong connections with customers and partners, which enable high-quality co-creation and collaboration, and its technologies and unique skillsets that connect and create, which draw out the best solutions, in order to continuously generate value for its customers and society.



Value Creation by the CTC Group

Strengths and Management Capital

The CTC Group has built up a strong capital foundation over time. By continually strengthening the capital that has supported and expanded our business since our founding, we are building a structure able to respond accurately and timely to the increasingly complex challenges of the future.

Strength 01 Strong connections with customers and partners that facilitate high-quality co-creation and collaboration

Since its founding, CTC has been strong in infrastructure construction, and has responsibly supported its customers' mission-critical operations. This has allowed us to gain trust not only from customers but also from partners. With our customers, we have developed relationships where we can openly discuss strategic directions, and with our partners, we have built relationships that extend beyond collaboration in system building to include discussions of future technological trends.

This realization of high-quality co-creation and collaboration with customers and partners is one of the strengths of the CTC Group.

Global Partnerships

Across a wide range of IT layers, CTC's global partnerships cover everything from start-up companies to the world's leading IT vendors. CTC will capitalize on its discerning eye for technology, its ability to implement technologies, and its network to leverage its strength to connect and create through both technologies and collaborative relationships, in order to provide optimal solutions for issues faced by customers.



Partnerships with Broad Array of Vendors

We are strengthening our implementation capabilities for highly complex system environments by broadening the scope of technologies that can be deployed, building relationships with various IT vendors that have technological capabilities in not only Japan and overseas, but also infrastructure network domains including hyperscalers and areas where the CTC Group excels.

Major Vendors

Vendors Certifying CTC as the Highest-Rank Partner (Received from 38 vendors including the following)

AWS	AWS Premier Tier Services Partner
Cisco	Gold Integrator • Innovation Partner of the Year (Internet of the future)
Dell Technologies	Titanium Black Partner • Excellence in Storage Sales • Deal Registration-Server
Google Cloud	Premier Partner
HPE	HPE Platinum Partner • HPE Japan GreenLake Partner of the Year 2022
NetApp	NetApp Star Partner • Cloud Innovation Award • Support Partner of the Year
NVIDIA	ELITE PARTNER • Best Software Partner of the Year • Best Virtualization Partner of the Year
VMware	Pinnacle Partner • VMware Learning Partner of the Year 2022

Awards Received

- Hewlett Packard Enterprise: HPE Japan GreenLake Partner of the Year 2022**
CTC was recognized with this award for its contributions to increasing use of Hewlett Packard Enterprise's GreenLake hybrid Cloud platform in Japan by providing it to many customers in the manufacturing and financial sectors.
- Microsoft Corporation: Japan Country Award**
CTC received the Japan Country Award in the country/region segment, where only one company is selected from each country, in recognition of its development of applications using Microsoft Azure and its provision of security solutions using Microsoft Sentinel.
- Red Hat Asia Pacific Partner Awards 2022: Top APAC Commercial Partner**
CTC received this award in recognition of joint sales efforts with Red Hat, Inc. in Japan through the development of services and provision of solutions using Red Hat's open source technologies.
- Tanium: MVP Partner of the Year**
CTC received this award as a partner that contributed the most to Tanium's business by building systems that utilize Tanium's integrated endpoint management platform products to support the security measures of customers.

Customer Base

By running alongside various industry-leading companies in the long term, customers and CTC are building relationships that allow us to share and collaborate on underlying challenges.



Building Relationships to Accompany Customers' Management Issues

IT domains envisioned by customers have expanded beyond internal information systems to include data analysis required for management decision-making and the transformation of business models, and these customer needs have also become more sophisticated.

Along with continuing to reliably provide systems and services, we are also attentively listening to the diverse challenges that differ by customer industry and business division, while advancing co-creation and collaboration over the medium and long term, such as joint development and proof of concept (PoC) projects with customers. Through such initiatives, the CTC Group is accumulating know-how for problem-solving that has practical applicability on the front lines.

Broad Portfolio

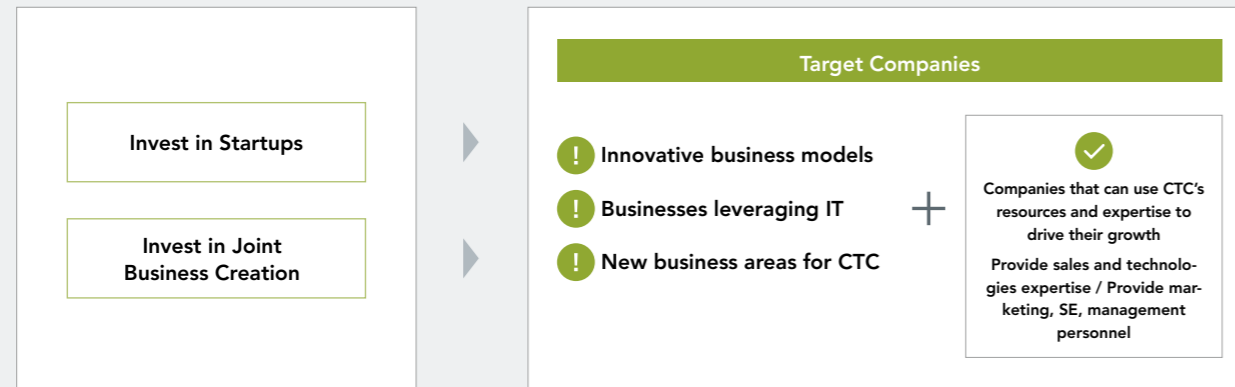
Enterprise	Manufacturing, media, services, transportation, consumer goods, life sciences, healthcare, etc.
Distribution	Distribution, food, wholesale, retail, services, real estate, entertainment, etc.
Telecommunication	Telecom carriers, internet service providers, etc.
Regional & Social Infrastructure	Central government ministries and agencies, local governments, educational institutions, regional banks, utilities, social infrastructure companies, automobile, regionally based companies, etc.
Financial Services	Megabanks, government-affiliated financial institutions, credit card companies, insurers, securities firms, etc.

Value Creation by the CTC Group

Global Partnerships

Creation of New Businesses with CTC Innovation Partners

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



Companies CIP Has Invested In (As of June 2023)

DeCurret

Provision of digital currency transaction and settlement services

CoCooking

Operation of TABETE, a food-sharing service

Cinnamon, Inc.

Development of an AI-based engine for reading documents (AI, OCR)

BIRD INITIATIVE, Inc.

Creator of new businesses through joint R&D with operating companies, financial firms, and academics

Idein Inc.

Provides the Actcast edge computing platform with technology for accelerating deep learning

Quantum Operation Inc.

Production and sale of IoT sensors capable of measuring intravascular substances via photoirradiation

Coralogix LTD.

Provision of SaaS services for real-time analysis for system logs and metrics to optimize maintenance processes

MOYAI Co.

Production and sale of IoTube® high-performance network sensors integrated into LED lights

Strategic Capital Investments to Improve the Quality of Existing Services

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

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

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

Creation of New Businesses with Co-Creation Partners

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

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

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

Initiatives to Expand and Strengthen Partnerships

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

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



Exploration of New Businesses through the ITOCHU Group's Network

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

Strengthening of Collaborative Relationship with CTC Alliance Partners

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

The excellent partners we choose are called CTC Alliance Partners, and we work to strengthen relationships with them by sharing information on cutting-edge technologies and quality-related initiatives, and exchanging opinions on development environments and quality standards.

Message from the CPMO

With bases around the world, centered on North America, the CTC Group strives to develop the latest, optimized solutions by pairing information about the newest trends on seeds obtained from its global network to the challenges and information needs of domestic customers.

To achieve this, strong collaboration with trustworthy partners around the world is essential. We regularly build relationships not only with the representatives of each vendor's subsidiary in Japan, but also with their top executives in their home countries. We build robust partnerships through discussions about the issues and common goals shared with our customers in Japan.

We will continue to approach constantly evolving trends and advanced technologies with a challenging spirit, and provide our customers with better products and services.



Takanori Minatohara

CPMO (Chief Product Marketing Officer)

Value Creation by the CTC Group

Strength 02 Technologies and unique skillsets that connect and create that create and draw out optimal solutions

Since our founding, we have worked along with numerous vendors to deal with issues of various customers. The technology we have cultivated over the years and the waza (unique skillsets) to grasp the essence of challenges from the customer's perspective have become a component of the Group's capital. One source of the Group's value lies in its service provision foundation and personnel that have both the technologies and unique skillsets to bring together separate IT-related services and products and create optimal solutions for its customers' challenges.

Industry-Specific Knowledge and Experience

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

Application development

Develop applications using our knowledge and experience tailored to each industry

Application frameworks

Frameworks that allow flexible application development

Cloud integration

Optimal integration of hyperscalers, CTC's own Cloud services, and business-tailored SaaS

Cloud services

CTC's own high-quality, finely tuned Cloud services

OS / Middleware and security

Software and security that control applications to safeguard production environments

Networking

Services ranging from telecom carrier grade networks to data centers and edge computing

Servers and storage

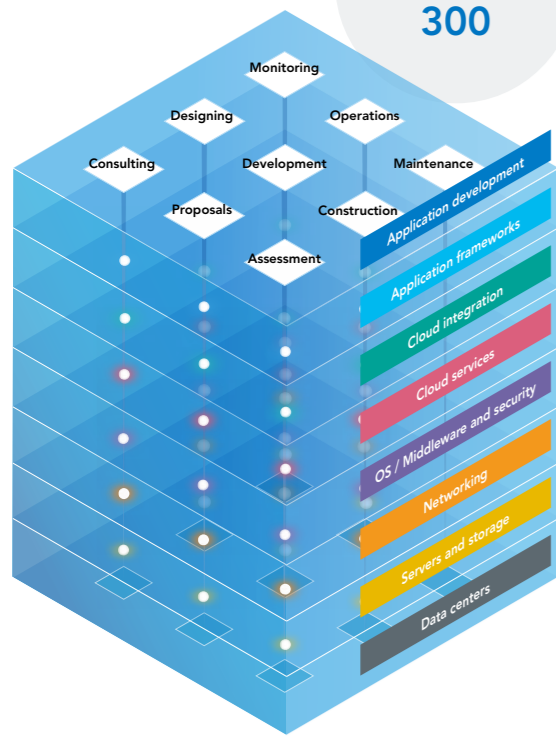
Offerings that include everything from servers and storage for data center operations to products for enterprises

Data centers

Offerings that include from data center designing to operating data centers

CTC FACILITIES CORPORATION

Types of Services and Products Supplied by the CTC Group
More than 300



Human Resources

Human resources are one of our most important capitals that embodies our slogan of "Challenging Tomorrow's Changes" by continuously tackling the challenge of resolving the issues of customers issues and society as a whole based on a forward-looking approach toward needs and changes.

Number of Vendor Certifications held by Engineers
More than 12,000

Average Hours of Training per Person
65 hours

Revenue per Employee
¥59.0 million

Operating Income per Employee
¥4.8 million

Engineers Able to Leverage Technologies and Unique Skillsets

More than 70% of the Group's employees are engineers who hone their technical skills every day to provide full-stack, advanced, and optimal services. Our engineers have certifications from numerous vendors, including Cisco, which is essential for network business, Amazon Web Services (AWS), which is key for Cloud native services, and VMware for virtualization technology.

Group Engineers
Number of the CTC Group
7,234

Number of Vendor Certifications held by Engineers
More than 12,000

Major Vendor Qualifications

Cisco

- CCIE Enterprise Infrastructure
- Cisco Certified DevNet Professional

VMware

- VMware Certified Implementation Expert
 - Data Center Virtualization (VCIX-DCV)
 - Network Virtualization (VCIX-NV)

Oracle

- Oracle Certified Expert, Java EE 6 Enterprise JavaBeans Developer
- Oracle Cloud Infrastructure 2022 Certified Architect Professional

Amazon Web Services

- AWS Certified Professional
 - Solutions Architect/DevOps Engineer
- AWS Certified Specialty
 - Data Analytics/Database/Machine Learning/Security

etc.

Combination and Utilization of Panoply of Skills and Knowledge

To support increasingly complex social systems with IT, in addition to engineers, we have talented employees with backgrounds in diverse business and technical fields who are keen to find comprehensive solutions to issues faced by customers and society.

For instance, our personnel have diverse skills and know-how spanning from experts in wireless technologies needed in 5G business, to technicians focused on large-scale projects highly public in nature, first-class architects who design and supervise facilities, electricians, and specialists supporting financial and management strategies.

The CTC Group provides high-quality solutions by enhancing the diversity of skillsets and specialized knowledge of each employee, and sharing and leveraging these assets organizationally.

Experience

- Front sales representative
- Infrastructure system engineers
- Application system engineers
- Network system engineers
- Product managers
- Human resources, legal affairs, finance and accounting, etc.

Communication Skills

Industry Knowledge

- Manufacturing
- Transportation
- Healthcare and medicine
- Retail and distribution
- Information services
- Telecommunications
- Public projects
- Academia and research
- Finance, etc.

Business Skills

- Certified Public Accountant
- U.S. CPA
- Certified tax accountant
- SME management consultant
- Certified administrative scrivener
- Certified social insurance consultant, etc.

Product Knowledge

- Networking
- Servers, storage
- Software / middleware
- Applications
- Security
- Cloud services, etc.

Specialized Skills

- Vendor certifications
- Special land radio engineers
- Technicians
- Architects
- Electricians
- Weather forecasters
- Financial planners, etc.

Service Provision Foundation

CTC has built a foundation able to provide services through a flexible system that can leverage the Group's technologies and skillsets to the fullest extent, from consulting to maintenance and operation, in response to customer needs, such as for accelerating business co-creation and system development and implementation.

Number of CTC
Group Engineers
7,234

Number of
Service Bases
in Japan
Approx. **100**

Platform for Generating and Realizing Ideas

"tonari" Remote Communication Service for Business Co-Creation

Crossing the boundaries of companies, co-creation is accelerating through open innovation with domestic and foreign venture-backed companies and research institutions. In tune with the post-pandemic creation of workspaces with seamless communications not bound by time, we used the remote communication service provided by tonari Co., Ltd., which we began using in 2022, to facilitate the generation of ideas and industry-transcending collaboration through hackathons, ideathons, and various workshops hosted by CTC, venture-backed companies, and partner companies.



Agile Offices for Rapidly and Flexibly Starting Businesses

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

In agile development, it is essential that customers and engineers build win-win relationships through direct dialogue, to achieve iterative development with flexibility after speedy launch of new businesses. We opened three "agile offices" in Tokyo, Toyota, and Nagoya. In addition to the OutSystems low-code development platform, we provide a range of communication services, such as chat and screen sharing, in these spaces. Each space also has a conference room and training room, where seminars and educational training can be held at any time for customers starting up new businesses.

Multi-Purpose Space for Promoting Co-Creation Communications Villa OKINAWA Produced by CTC

In May 2022, the Okinawa Office was moved into a new location with the aim of creating new businesses and expanding businesses in the Okinawa region. It features the multi-purpose space Villa OKINAWA Produced by CTC, where seminars and workshops are held with customers, partners, start-up companies, and manufacturers.

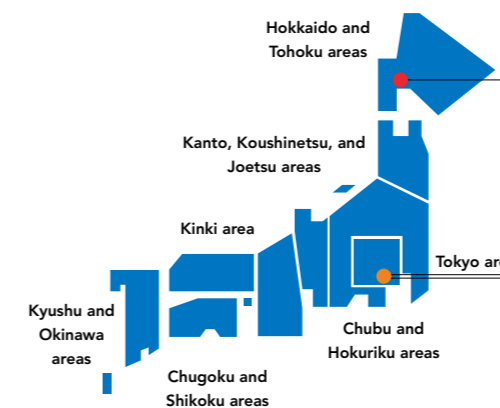
CTC TECHNOLOGY CORPORATION's Okinawa Service Center, which provides maintenance support, operation services, and training for IT systems, also moved into this office, strengthening our structure for providing services.



Service Bases to Provide Peace of Mind to Customers in Japan

Maintenance and Support Network

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



For more information about service bases, please visit our corporate website.
<https://www.ctc-g.co.jp/company/about/corporate/access>
(Japanese only)

● Sapporo Development Center

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



● Remote Operation Center (ROC)

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



● CTC Security Operations Center (CTC-SOC)

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



Open Hybrid Cloud Services Focused on Data Centers

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

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

See page 51: IT Services Group
"OneCUVIC" Open Hybrid Cloud Strategy Promotion

Dedicated Space for the Verification of Local 5G Technologies

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

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

Human Resources Strategies

Message from the CAO

Encouraging Employees to Take on Challenges that Maximally Leverage Their Capabilities to Achieve Their Dreams

Shinichi Hirayama

Managing Executive Officer
CAO
COO, Corporate Planning Group

Put simply, my responsibility as CAO is to guide the CTC Group's future development by strengthening intellectual capital, especially human capital.

Two Human Resources Policies Aimed at Strengthening Human Capital

With regard to human capital, or human resources, the CTC Group must consider two points. The first point is that personnel should be encouraged to have autonomous careers and take on challenges to engage in the type of work they want to do.

We have long developed systems that promote autonomous careers. For example, our human resource systems offer multiple career paths enabling employees to choose whether they want to pursue a career in management, or one in which they can demonstrate their expertise. For the latter, we have also introduced a job-based approach to recruiting personnel with defined job descriptions. We continue to engage in efforts launched in fiscal 2022 with the introduction of in-house job posting and side job systems as well as increasing workplace and working hour flexibility. This will help facilitate an environment in which all employees can work in their own style, according to their personal wishes, values, and skills, while also enabling the CTC Group to further promote the optimal positioning of human resources.

The second point is to retain and develop human resources possessing requisite skills aligned with the Company's direction and strategy. To deepen the discussion, we must further strengthen the linkage between management strategy and human resources strategy. I think we need to move toward CTC 5.0 to link the Human Resources Management Department and

Human Capital Strategy Department, which are responsible for human resources strategies, as well as Corporate Planning and Public Relations, to create a scenario involving frontline divisions.

As preconditions for these human resource-related measures, the CTC Group must develop the knowledge and resourcefulness necessary for allowing all employees to demonstrate their capabilities, and each employee must enhance their individual skills.

Leveraging Diversity

We are now considered to be in the age of VUCA.* At a time when the future is uncertain and opaque, it will be difficult to survive relying solely on past successes. In fact, I think the real risk lies in not being able to change. Given these conditions, various insights, experiences, and perspectives are necessary. To begin with, people have different personalities. It is important that this diverse array of people demonstrate their capabilities to the fullest in accordance with their strengths and skills. I believe this will be the source of the Group's competitiveness. However, while diversity is a source of strength, there are some values that should be shared by all. One of these is a sense of ethics, such as the appropriate use of IT. We strive to share values that underlie our individual thoughts and actions.

As we continue to promote the release of individual employee's capabilities to make the most of diversity, we will also face challenges. In fiscal 2023, we introduced absolute evaluations into our human resource evaluation system, switching to a mechanism that enhances the understanding and acceptance of evaluations and their use in human resource development. However, we must consider organizing evaluations from perspectives other than relative terms, including how to reflect individual circumstances in evaluations and how to evaluate advanced milestone initiatives that do not show up in short-term profits. We want to release individual employee's capabilities as intellectual capital while individual employees mutually help and cooperate as organizational and structural capital to become an organization that is more than just the sum of its individuals.

Toward CTC 5.0

To realize CTC 5.0, we must take steps such as discussing what kind of company we want to become and what kind of world we want in the future, envisioning a dream, and thinking about what is necessary to achieve it. Ideally,

each employee should think back on their aspirations and reasons for choosing the IT industry when joining the CTC Group and engage in serious discussions based on these reasons. However, the reality is that there is work to be done at each site, and that is where efforts must be focused. This is why I believe it necessary to create scenarios by gathering and analyzing information, incorporating assumptions, and making hypotheses to efficiently chart a path toward the dream we have envisioned. As the CTC Group has relationships with industry-leading customers and global partners, we must consider how we can work together with these stakeholders to realize our dream. While we can probably realize some of these dreams focusing only on the future of the Company, I think we must understand social issues and major trends to create something of real value for the world.

From a management perspective, after deciding on a direction a little further down the road, we must also consider what kind of human resources we should retain and develop to get there. This is what I want to discuss while making initial moves toward CTC 5.0.

Unending Challenges

The CTC Group has a grand corporate philosophy: "Challenging Tomorrow's Changes" and "Leveraging IT's potential to change future for the Global Good." Taking on challenges is our unchanging value. Accordingly, it doesn't change the fact that we will tolerate failure. Of course, we will accumulate wisdom to avoid failure, but there is no one-size-fits-all solution to what lies ahead, and there will of course be times when, as we are moving forward, the environment will change. If we do not take on challenges, we will be unable to see the future, and if we are afraid of failure, we will be unable to take on challenges. It is not a simple equation where "failure = mistake." The story of CTC 5.0 is a very challenging one. This is why we must build a foundation that encourages the taking on of challenges and ignites the spirit of our employees. I believe this also is my responsibility as CAO.

* VUCA: Acronym for Volatility, Uncertainty, Complexity, and Ambiguity. It refers to a situation in which all elements and environments surrounding business are changing, making it difficult to predict the future.

Value Creation by the CTC Group

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

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

Human resources are the CTC Group's most important form of capital. Without the growth of our employees, we cannot enhance the corporate value of the Group. As indicated by the "Challenging Tomorrow's Changes" slogan of our corporate philosophy, we implement a human resources strategy for each employee to grow autonomously as they enjoy new challenges. What is more, our human resources strategy is closely linked to our management strategies. As well as providing a range of growth opportunities according to individual aptitudes and goals, we foster a corporate culture in which diverse professionals can improve each other through collaboration.

Strengthening the System for Promoting Our Human Resources Strategies

CTC has established a system to facilitate cooperation between the Human Resources Management Department and the Human Capital Strategy Department to emphasize the importance of quickly implementing measures. Under this system, the two departments are responsible for Companywide measures to promote our human resources strategies. The Board of Directors and the Management Committee determine priority measures based on discussions at meetings of the Human Resources Measures Committee, which was established to enhance the effectiveness of initiatives. Chaired by a business group COO, the Human Resources Measures Committee is primarily composed of employees at the general manager level selected from each business group. Each business group has its own planning and supervisory departments with responsibility for business and human resources strategies. We have built a promotional system that enables these departments to cooperate with the aforementioned departments in charge of Companywide measures to implement human resource management measures of their own that are aligned with their respective business strategies.

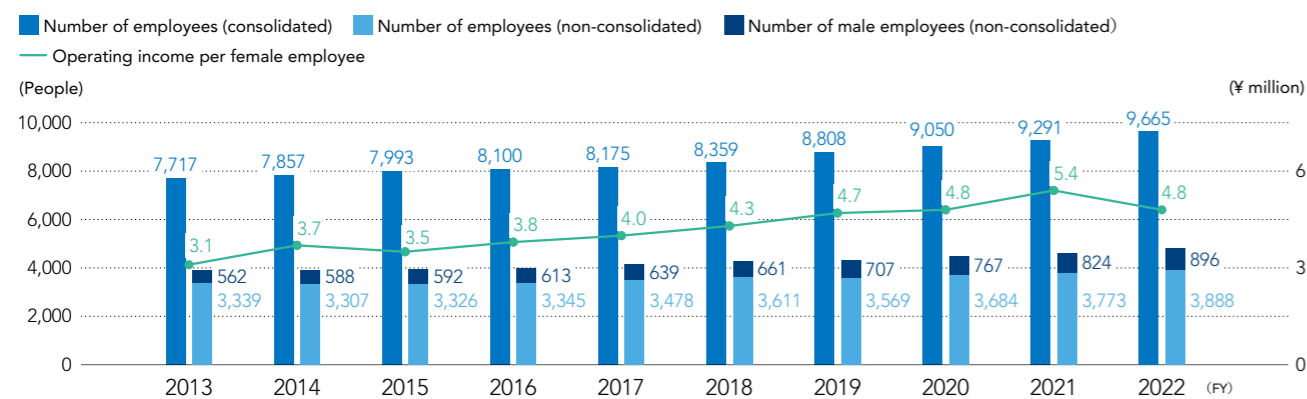
In fiscal 2022, we established the Diversity Committee as an advisory committee to the Board of Directors. The committee has nine members: three outside directors, one executive officer, and five employees. Employees are selected as members for the

purpose of reflecting the opinions of employees. Employee members comprise engineers, sales personnel, corporate staff, those with experience of working overseas, and new graduate and mid-career hires, with a largely equal representation of men and women. Going forward, the committee plans to undertake working group activities. To move toward achieving the Company's ideal state, the Diversity Committee will bridge the gap between said vision and the current circumstances by receiving suggestions and advice from the standpoints of the outside directors and accelerate initiatives aimed at enabling a diverse range of employees to play more active roles.

Basic Concept and Priority Measures of the "Upgrade" Human Resource Management

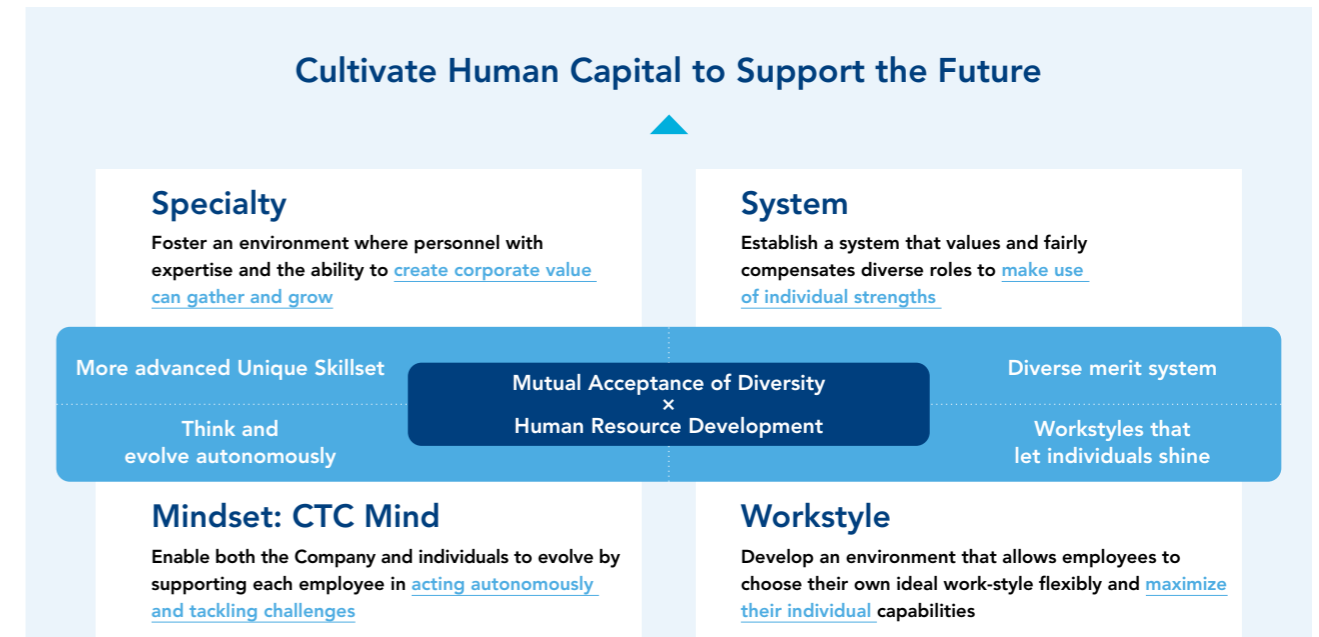
Under "Upgrade," which is one of the pillars of the medium-term management plan and a theme for cementing CTC's foundations for achieving it, the Company has established developing human resources and reinforcing the management base as its priority scenarios. We have formulated a basic concept for our human resource management approach to implement upgrades necessary for realizing the medium-term management plan. Based on the two pillars of mutual acceptance of diversity and human resource development defined in our materiality and medium-term management plan, we are transforming our human resource management approach from four perspectives. Rather than viewing human resource-related programs as a single whole, we work to design programs and raise awareness of them Companywide to align each of them organically and systematically, which helps create and establish an organizational culture and foster a corporate culture. In the new personnel system introduced in April 2023, we formulated our vision based on the basic concept. This vision involves enabling employees to think and act with autonomy, further increasing employees' appetite for growth, and enabling employees to make use of their own strengths and ambitions to play an active role.

Number of Employees (Consolidated and Non-Consolidated) and Operating Income per Employee (Consolidated)



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

Basic Concept of Human Resource Management Aligned with Management Strategies



Highlights of Initiatives Introduced in Fiscal 2022 and Fiscal 2023

More Advanced Unique Skillset

Change to Ratio of Base Salary in Annual Salary

Changed the ratio of base salary and bonuses, raising the base salary by up to approximately 30% compared with before the revision while maintaining annual salary levels. This change gives employees a greater sense of security in their lives and strengthens our ability to recruit human resources.

Companywide Disclosure of the Roles of Specialist Positions in the Multiple Career Path Personnel System

Disclosed the roles of specialist positions who choose the specialist course. Disclosure helps young employees to envisage their future careers and contributes to cross-organizational collaborations.

Promotion of Talent Management

Promoted the utilization of talent management systems in addition to systems for career development and visualization of the engineers' skills. Doing so improves our development and assignment of talent.

Think and Evolve Autonomously

Expansion of In-House Job-Posting System for Key Positions

Expanded the job-posting system introduced in fiscal 2021 to all business groups, inviting applications for all positions that are strategically important for operating businesses. Expansion of the system creates new opportunities for employees to put themselves forward to take on challenges.

Introduction of Systems for Side Jobs and Sabbaticals

Introduced systems for side jobs and extended periods of leave that envisage employees engaging in career development, reskilling, relearning programs, and social contribution and other activities, such as pro bono and volunteer work. These programs and systems support the aspirations of employees for developing their own careers.

Improvement of Opportunities to Receive Advice and Support

Introduced a system for employees to receive routine feedback through one-on-one meetings, in addition to arranging career consulting meetings with qualified, in-house career consultants. This initiative helps employees grow into human resources who think and develop autonomously.

Diverse Merit System

Addition of Job-Based Elements to the Grading System

Adopted a system to quantify the magnitude of the roles of specialists and determine grades. Adopting this system facilitates appropriate matching of roles with the skills and strengths of individuals.

Introduction of Accelerated Promotion of Two or More Grades to the Grading System

Established accelerated promotions (grade skipping) of two or more grades for employees transitioning from general to specialist positions. This move helps develop an environment where employees can play an active role based on their abilities rather than their years of experience.

Revision of the Assessment System from Relative to Absolute Assessments

Revised to absolute assessments by changing from competence to behavioral evaluations with a focus on the actions of individuals. This revision helps improve the quality of the autonomous behavior of individuals (facilitates taking on challenges).

Workstyles That Let Individuals Shine

Expansion of Workstyle Options

Included short-term teleworking outside the commuting range as a workstyle option^{*1}. Introduced care leave that can be used for undergoing fertility treatment, protecting the health of mothers, and other related reasons, and eased requirements and simplified procedures for using childcare and consecutive leave systems. With these initiatives, we are providing options that accommodate the circumstances of individual employees.

Promotion of Diversity, Equity, and Inclusion (DE&I)

Introduced an AI-based pilot program to match sponsors with sponsorship recipients under the Career Sponsorship Program (CSP)^{*2} and regularly held seminars for career support, network development, changing mindsets, and fostering an organizational culture. Through such efforts, we are developing an equitable environment where individuals can play an active role.

Advancement of Well-Being (Health and Happiness) Management

Enhanced health information tools in accordance with different objectives, expanded opportunities for comprehensive cancer screening, held physical activity events, and introduced a health consultation app that can be used by employees and their families. In these ways, we are pursuing the health and well-being of employees and their families.

^{*1} CTC, which defines the commuting range as a distance of less than 100 km by rail from the station nearest to their office, has long given employees the choice of where to telework within the commuting range. We have also expanded options for teleworking location and place of residence to include the whole of Japan for employees with special circumstances. Short-term teleworking outside the commuting range is an initiative that allows employees to telework for stays of up to 10 days with no limits on the number of times the system can be used.

^{*2} The CSP is a measure to empower female employees. With employees at the general manager level as career sponsors and female employees in management positions and female candidates for such positions as the recipients of sponsorship, the CSP creates opportunities for informal communication through roundtable discussions and one-on-one meetings.

Value Creation by the CTC Group

Initiatives for Visualizing Human Capital

CTC emphasizes that the value created by human capital is the creation of innovation and the improvement of productivity. For this reason, we have defined five priority investment themes aimed at heightening the value of human capital: technologies and unique skillset; diversity, equity and inclusion (DE&I); diverse, flexible workplace environment; engagement; and health and well-being.

To visualize our human capital, we set our own indicators to gauge an understanding based on standards in Japan and overseas and conduct basic macro and micro analyses to calculate the cost-effectiveness (the return on investment in human capital) of investment in human capital. In the macro analysis, which is designed to identify themes and elements affecting corporate value, analysis of external environment data and human capital data revealed that DE&I and well-being management

help increase corporate value. In the micro analysis, we conducted a trial with employees in manager positions to analyze and visualize their capabilities with the aim of clarifying measures and factors affecting human capital and building a model for CTC's human resources to play an active role. In these ways, we will use the data we have accumulated to promote data-driven management that will enhance the accuracy of our decision making. We will seek to optimize investment in human capital by steadily going through a cycle of visualization.

Performance Indicators by Priority Issues

The CTC Group has formulated a Basic Policy on Diversity, Well-Being Declaration, and career and human resource development policies matched to the businesses of each Group company, and established performance indicators by priority issues in addition to materiality KPIs and targets.

Today, the role of organizational leaders is changing. Mindful of this, we believe that organizational management using diverse leaders to enable diverse human resources to play an active role is required. To this end, we are promoting measures emphasizing our female human resource pipeline by setting performance indicators, ranging from new hires to those with managerial responsibility, to measure the active participation of women, which is an indicator of human resource diversity.

We recognize that the health, well-being, and motivation of employees are imperative to our ongoing corporate growth. Our medium-term well-being management plan established priority measures, KPIs, and monitoring indicators for these areas and we are strengthening a PDCA for our initiatives. With its emphasis on the outcomes of initiatives to prevent lifestyle-related diseases and maintain and improve health, raise

employee vitality and production levels, and energize our organizations and foster an organizational culture, the current medium-term well-being management plan addresses changes in workstyles and lifestyles. We conduct a variety of surveys to reflect input from employees in such initiatives and make use of it in our measures. In terms of engagement, we keep track of changes by conducting surveys, including pulse surveys, four times a year.

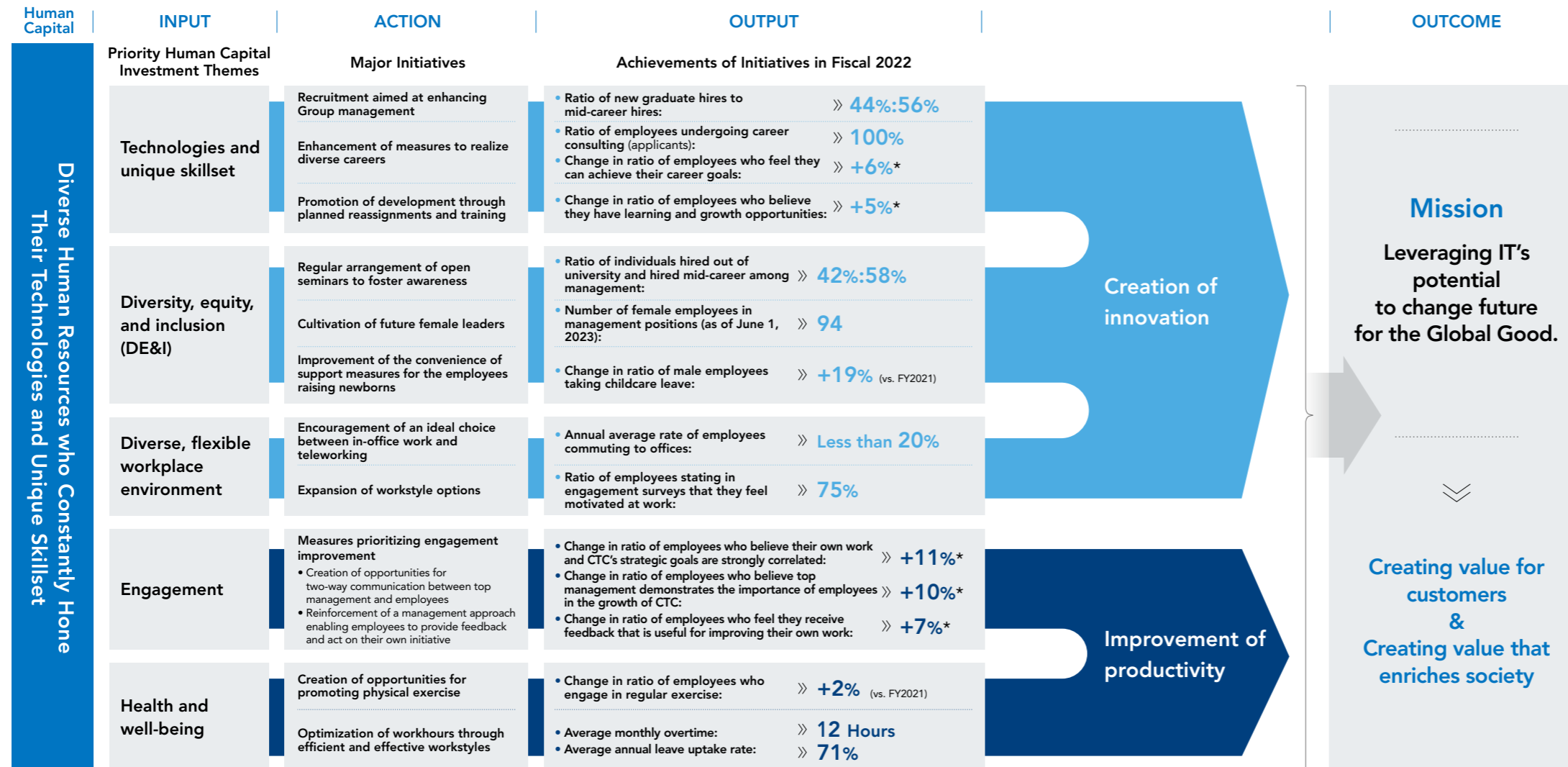
CTC will continue to evolve its human resource management approach while flexibly revising its plans and measures as it seeks to promote understanding of the reality that promoting DE&I and practicing well-being management contributes to the improvement of corporate value.

Initiatives for Addressing Opportunities and Risks

Amid significant change in our operating environment, establishing an environment that allows employees to work autonomously at any location is becoming increasingly important from the perspective of ensuring business continuity and securing human resources. We continuously develop an environment that underpins safe and secure workstyles at any place or time and on any device while maintaining a balance between security and convenience. For our customers, we conduct office tours and provide information on office and work management as well as offering IT solutions. Through these efforts, we cater to the needs of customers to reform workstyles and improve labor productivity. We also offer solutions using the know-how we have acquired through the establishment of diverse and flexible work environments and the implementation of well-being management. In response to growing digital transformation (DX) needs transcending the boundaries of business categories and industries, we offer solutions leveraging the expertise and technologies we have acquired through our internal DX initiatives and customer projects. In addition, we offer a DX human resources training program developed jointly with CTC TECHNOLOGY Corporation by using our human resource development initiatives.

For risks related to human capital, we work to identify and improve issues in cooperation with relevant departments. The CTC Group Code of Conduct stipulates guidelines that include maintaining a high sense of ethics and responsibility, and full commitment to compliance and creating a work environment with respect for human rights. We hold Companywide, job-level specific training, communicate information, and arrange workshops and other activities to instill the code among employees. We also establish individual themes each year—such as well-being and mobility—in accordance with the business environment and our strategies. In accordance with such themes, we are strengthening initiatives for creating workstyles tailored to individuals that accommodate changes in the work environment, the circumstances of each and every employee, and their diversifying aspirations, as well as for career development support. In addition, we are improving on-boarding programs designed to help mid-career hires quickly settle in and become assets to the Group.

Improvement of Corporate Value through the Human Resources Strategy



* Scores from the fiscal 2020 engagement survey are used as benchmarks for comparison.

Performance Indicators

Number of female employees in management positions

FY2016 Launch	FY2022 Result	April 1, 2024 Target
52	83	90

Ratio of women among full-time employees

FY2016 Launch	FY2022 Result	FY2023 Target
15%	19%	20%

Ratio of women among new graduate hires

FY2016 Launch	FY2022 Result	Target Each Year
24%	38%	More than 35%

Ratio of employees undergoing psychological health checkups

FY2019 Launch	FY2022 Result	FY2023 Target
87%	96%	More than 90%

Technology Strategies

Message from the CTO



Transforming from Individual Optimization to Total Optimization with a Focus the Next Decade

Hisashi Eda

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

Pursuing Technologies for the World of AI Transformation

With the spread of machine learning, AI is already being incorporated and utilized in various devices and services. A wave of generative AI has arrived, including OpenAI and ChatGPT, which can be used to facilitate more creative communications. CTC has positioned the acquisition of technologies leading to the development of AI Transformation (AX) and other new solutions as a priority measure in fiscal 2023. AX is a term unique to CTC, referring to using AI to achieve business transformations. We are promoting efforts to utilize new technologies, starting with generative AI. In April 2023, we launched an internal AX task force, and in May, we launched a consulting service incorporating generative AI. As technologies evolve at an exceedingly rapid pace, we must closely monitor global trends to see what form the era of AX will take, then determine feasibility and ideal approach.

There are two themes I am focused on for AX. First, I believe AI chatbots will become key for future advances. In fiscal 2023, the Communication Design Department, which is tasked with formulating strategies and developing businesses using advanced technologies, was established under the CTO Office Advanced IT Strategy Division. The Communication Design Department integrates the contact center business and chatbot-related departments, which were previously three separate entities, and will further accelerate advances by organically linking CTC-AICON,^{*1} an AI voice automated response solution for contact centers; SmartRobot,^{*2} an interactive AI chatbot from Intumit (Taiwan); and Benefitter,^{*3} a proprietary solution developed by CTC.

The second focus is quantum computing, which will be another major technology in the AX world. Although it will require a bit more time for full-scale practical application, the overwhelming computational speed of quantum computers will surely accelerate productivity and growth throughout society. Rather than being engaged in research into underlying technologies, we are exploring how these technologies can be used. For example, in CTC's simulations of wind power generation and other applications that have long utilized advanced computational technologies, the combination of quantum computers and AI can dramatically increase the speed of calculations required for optimal solutions. That being said, high-performance operating environments are necessary for quantum computer use, so we will incorporate leading outside technologies to continue preparing an environment that facilitates the introduction of quantum computing.

There are a variety of other areas where this approach is expected to create value, such as the optimization of delivery routes within logistics operations and areas such as drug discovery and chemistry that require time-consuming research. CTC has accumulated knowledge in these areas through many years of experience in providing solutions, and I think this is a good fit for our business.

The AI market, including generative systems, is attracting attention around the world, especially in North America, where huge amounts of money are being invested and start-up companies utilizing AI technologies are launched on a daily basis. This is why it is necessary to keep an eye on new trends in North America. For example, CTC is searching for startups and building relationships with them through venture capital investments. At present, Silicon Valley is undergoing generational changes and corporate expansions as company managers spin-out and start up new companies. CTC has long-established, high-level relationships with vendor top management in this region, and is able to draw on a comprehensive network of experts who can provide lectures on cutting-edge technologies even amid the advance of these generational changes. It is critical we quickly identify technologies required by CTC and build better relationships with the companies that possess them. In addition to the CPMO and CMSO, the new position of North America Manager was established in fiscal 2023. COOs in charge of business groups concurrently serve in these positions, enabling them to evaluate technologies based on their frontline perspective while strengthening the building of relationships.

^{*1} AI-based automated voice response solution supporting contact center communications

^{*2} Interactive AI chatbot developed by Intumit Inc. (Head office: New Taipei City, Taiwan; CEO: Jen Tien Chiu)

^{*3} CTC's proprietary developed AI chatbot development platform for the rapid creation of sophisticated chatbots

Developing Both Problem-Solving and Social Issue-Setting Capabilities

In the current wave of major changes in technological trends, there are countless cases where new businesses are created through technology-driven initiatives. However, we must be aware that there are areas where CTC excels, and others where we do not. While it is of course important to avoid risks and allocate resources, it is even more necessary to prioritize areas where efforts need to be made based on an understanding of each customer.

What does it mean to understand our customers? In the IT industry, they use the term "requirements definition." This refers to the defining functions and requirements necessary to achieve the objectives of system

development. But before that, the purpose itself must be defined and clarified. We must determine who will benefit and what results should be achieved, then work together with customers to clearly share the purpose and implement solutions. This will enhance our ability to set social issues, which is one of the waza (unique skillset) we will focus on in the next management plan for CTC 5.0.

As IT professionals, up to now CTC has made efforts and gained trust in the "problem-solving capabilities" aspect of its business, which involves the reliable implementation and operation of systems. This will remain unchanged going forward. However, amid high uncertainty and the ongoing emergence of new technologies at present, we must flexibly respond to issues that continuously change on a daily basis and continue to engage in trial and error. We will maintain a broad and comprehensive perspective, ascertain customer issues before they become apparent, and refine our problem-setting capabilities to explore solutions using new technologies. We will also increase the number of areas in which we can implement solutions with the same sense of purpose as our customers. So doing, we will be able to establish a large stock of new technologies that can be used to provide valuable solutions to customers.

The most important driving force for achieving this goal is engineers, who are the source of value creation.

Transformation Starts with Engineers, Our Core Capital

CTC employs approximately 7,000 engineers and over 1,000 external partner companies. As business expands, a growing number of large-scale projects are being conducted in conjunction with external partners, and while engineers are increasingly taking on the upstream aspects of project planning and management, in-house engineers have fewer opportunities to do their own programming. For these less experienced engineers, it is becoming difficult to control large project details.

Both CTC and individual employees grow through practical experience on projects, thus we are also implementing follow-up measures to supplement practical skills that contribute to problem-solving capabilities for CTC 5.0.

We also want to visualize the value that engineers, who are often overwhelmed by the tasks presented to them, are able to provide to society through their own digital technology and waza (unique skillset). By incorporating the visualization of capabilities and evaluations in the Company's human resource development strategy, both the organization and individual employees can grow and maximize their digital technology and waza (unique skillset).

Value Creation by the CTC Group

Creating a Human Capital Management System Combining the Power of Individuals and Positioning the Right Person in the Right Place

In addition to being the CTO, I am in charge of the IT Strategy Group, which has begun creating a Companywide talent management system that will become the basis for human capital management as a foundation for maximizing digital technology and waza (unique skillset). We first visualized the existing value-creating capabilities of each engineer, and learned that there are currently about 37 different types of jobs for engineers alone. From these 37 job types, engineers are further classified into three to five levels according to their skills and work experience, with supervisors determining the level of each engineer.

The key point of this initiative is to make horizontal assessments across the entire Company. In fact, we have engaged in this type of skill management initiative up to now, but due to the wide variety of skills to be acquired by each business group, which are separated by customer industry, and in some cases, the difficulty of sharing specific job descriptions and acquired know-how due to contracts with customers, skills management was entrusted to individual evaluations in each business group. However, to promote innovation and increase productivity by releasing individual employee capabilities as stated in our human resources strategies, it is essential to correctly recognize individual employee capabilities and flexibly assign them to environments where they can play more active roles, thus we have undertaken this initiative.

A Companywide talent management system is the first step toward correctly recognizing individual employee capabilities. As it is not easy to evaluate the know-how of individuals with various experiences, in the near future, we intend to increase the rigor of evaluations by adding qualitative evaluations, including the degree of difficulty of the projects in which employees are involved, in addition to quantitative evaluations such as qualifications and years of experience. From fiscal 2023, we also launched a new human resources system incorporating job-related elements in the grading system for specialist positions. During the next medium-term management plan, we aim to be in a position to reflect the new skills evaluations currently being formulated in the human resource system.

At the same time, we will also develop a system for assigning employees to environments where they can play more active roles. In addition to the cross-organizational rotation platform and internal application system already in place, we are considering the addition of task offers and postings. Knowing which capabilities certain

engineers possess will enable them to take on the challenge of doing what they want to do and playing an active role in a wide range of fields.

Infusing CTC Corporate Culture with Growth Spirals

This initiative, which is currently being implemented for CTC engineers, will be expanded to include salespeople and corporate staff, and eventually Group employees, as well as the contracted and outsourced employees who work with us. Each engineer seeks jobs based on their individual skills, demonstrates their capabilities, acquires new skills, then seeks their next job. In facilitating this growth spiral, we hope to create a corporate culture that makes engineers feel that joining CTC enables them to provide value to society through customers and, in the process, increase their own value as engineers. I think this culture will make CTC stronger. Our work is also supported by companies to which we outsource work. Given the strong sense of urgency regarding future human resource acquisitions due to declining birthrates and other factors, and the increasingly chronic shortage of IT personnel on the horizon, the cultivation of co-creation partners is certain to become increasingly crucial going forward.

Each employee's approach to work and career plans must be restructured from a variety of perspectives, while the environment must be one that does not leave behind employees with childcare, nursing care, or other responsibilities. Further, the current 37 engineer job types previously mentioned will also need to be redefined as time goes by. To develop such a system will require repeated adjustments from a variety of perspectives, and we will work tirelessly over the medium to long term to establish an effective system.

Information Capital Management through In-house DX to Realize Data-driven Management

Another approach that seeks to shift the focus from individual optimization to total optimization involves information capital management. This is an internal DX strategy aimed at reducing operational waste, while at the same time optimizing people, things, and money by linking all information throughout the Company and allocating freed up capital to value creation, thereby doubling the net effect. We aim to create value through our vision of transforming from a System Integrator (SIer) to a DX Integrator (DXIer), and eventually to a Social/Sustainability Integrator (SXIer). We

will promote a basic policy that accelerates internal DX and cultivates a culture of corporate transformation.

These efforts began in fiscal 2021, and in line with management infrastructure reforms to adapt to changes in the environment pursued under the current medium-term management plan, we have begun taking the dual approach of operational improvements and digital technology utilization based on the concept of eliminating waste, stress, and wastefulness.

Priority measures in fiscal 2023 aim to (1) execute measures realizing the transformation vision, (2) accelerate corporate transformation through internal DX, and (3) establish a DX-CoE (Center of Excellence) function. The first two measures are intended to increase the capital value of information by connecting individually optimized systems with all types of information while reducing frontline system operations through automation, using information for management decisions to take an offensive stance in business and a defensive stance in terms of capital utilization. Taking project management as a specific example, we use project management tools to manage project implementation and ensure operational efficiencies, which are linked to tools that manage the skills of engineers assigned to projects, as well as tools that manage costs, products and services, and sales, enabling the visualization of added value and comprehensive status tracking.

The third measure is the one we hope has the greatest impact on overall cost optimization. Up to now, issues facing frontline organizations have been resolved through individual measures, but individual optimization in various organizations has resulted in overlapping investments and the decentralization of knowledge. Individual optimization makes it impossible to understand the consistency of individual measures and see the complete picture. To resolve this issue, we intend to launch a DX-CoE function and accelerate the promotion of internal DX.

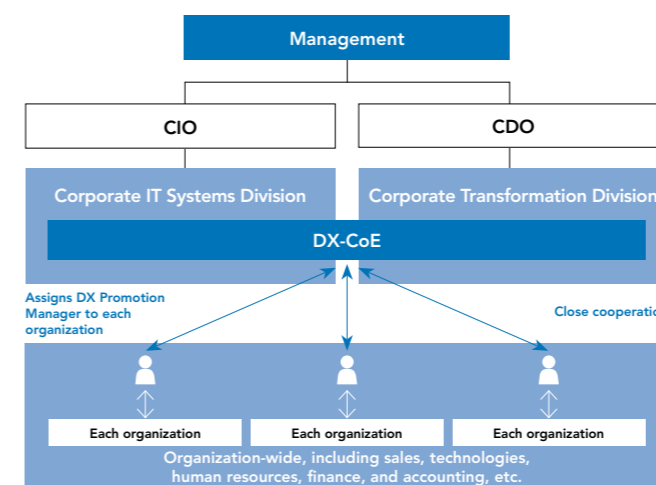
To implement Companywide business transformations and promote internal DX, we naturally require the cooperation and understanding of each organization. The Corporate Transformation Division, a cross-sectional organization, plays a leading role as a control tower for business transformation throughout the Company. Task forces and review meetings are formed for each measure, attended by engineers and sales staff from each business group as well as experts from functional organizations such as human resources and general affairs, accounting, sales administration, and risk management. We believe that by considering solutions while incorporating various opinions, we can optimize measures and maximize their effects. In fiscal 2022, 368 employees, or 7.3% of all employees, attended these meetings. We will continue to increase the number and percentage of participants and involve more employees in these efforts going forward.

Working Together to Rebuild and Advance a Culture of Changes and Challenges

Various initiatives are being promoted concurrently to realize the CTC 5.0 vision, none of which will yield results in the short term. Rather than forcefully changing things that were previously deemed appropriate, we must gradually cultivate this culture over a period of several years, taking time to wait until the time we realize it has already taken root.

We also need to pursue advances in management to understand how to use various forms of capital when they are visualized, and how to meet employee expectations when they are given more autonomy than they have at present. As a Company with the slogan "Challenging Tomorrow's Changes," we are prepared to change ourselves and will work together to realize changes worthy of the challenging spirit embedded in our DNA.

DX-CoE Chart (Structure and Roles)



Role of DX-CoE

- Ascertain frontline measures, determine feasibility of Companywide efficacy, formulate, and establish deployment plan
- Facilitate support functions necessary for Companywide horizontal deployment of individual measures
- Ascertain all IT measures, requirements, costs, and ROI, formulate Companywide optimization plans
- Assume ownership of all IT initiatives in implementing the above (owner role transfer)
- Regularly review progress and ROI, report to management

Financial Strategies

Message from the CFO



Maximizing the Value of Technologies and Our Waza (Unique Skillset), Realizing Steady Enhancement of Corporate Value

Mamoru Seki

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

Building Corporate Strength to Steadily Accumulate Earnings

In fiscal 2022, the second year of the medium-term management plan Beyond the Horizons—To the Future Ahead—we determined the timing of the end to the COVID-19 pandemic while dealing with various external impacts on our business, including geopolitical risks centered on the Ukraine, ongoing yen depreciation, and rising costs, making fiscal 2022 a year that required many difficult management decisions. Although the Telecommunication group struggled due to lingering instability in the supply of some components, including semiconductors, we successfully maintained or expanded growth in the Enterprise, Distribution, Regional & Social Infrastructure, and Financial Services groups, with orders received, revenues, gross profits, and backlogs all reaching record highs.

Additionally, each of the three business models (products, SI development, and services) expanded in terms of both orders and revenue, demonstrating well-balanced growth. Preventing unprofitable projects is an important issue in the SI development business, and we were able to keep unprofitable projects to a record low level thanks to project management efforts that have been underway for some time.

At the same time, in addition to higher SG&A expenses (mainly personnel) in line with ongoing measures aimed at retaining and developing engineers and other employees, which we recognize as an important issue facing CTC, the absence of one-off gains in fiscal 2021 caused declines in operating income and net profit attributable to CTC's shareholders. Nevertheless, even in a business environment with many uncertainties, in our

estimation, we were able to generate steady revenue and orders received in all areas while investing in human capital for future business acquisitions, making fiscal 2022 a very significant year.

Requisite Considerations for the Next Medium-term Management Plan

In fiscal 2023, the final year of the current medium-term management plan, we will proceed to steadily achieve targets and continue taking on the challenge of achieving further growth while discussing and formulating the next medium-term management plan.

Amid accelerating progress in cutting-edge IT-related technologies, uncertain social and economic environments, and major challenges facing humanity on a global scale, it is difficult to form a reliable vision of the future. To achieve sustainable corporate growth in times like these, it is important to visualize the future environment surrounding CTC and imagine our ideal positioning within it.

The strength of the CTC Group is that we are a multi-vendor engaged in strong partnerships with numerous vendors. Experience gained through projects with customers from a wide variety of industries, the highly skilled engineers who support them, and full-stack IT services ranging from infrastructure development to maintenance and support utilizing the Cloud, security, 5G, AI, and IoT lead to the resolution of issues faced by customers and society. To further advance and augment these strengths, we will share a future vision of new technologies and waza (unique skillset) that connects them, while looking forward to a vision of 10 years from now and identifying what must be done now to enhance intellectual capital (defined

by the Group as human capital, organizational and structural capital, relational capital, and information capital).

Heightening Sensitivity, Extracting Wisdom

The CTC Group must utilize new digital technologies involving the use of AI and quantum computing to change conventional IT thinking and resolve issues facing customers and society. For this reason, waza (unique skillset) is critical for resolving issues and overcoming obstacles, as well as for integrating conventional and new digital technologies.

It is also important to consider that valuable solutions are not technologically oriented, but come from ascertaining needs from the customer's point of view. This means that, in addition to the waza (unique skillset) required to master them, DX, 5G, and other new technologies expected to spread rapidly will not become big business for CTC unless we understand what is required and what the challenges are.

The ability to identify opportunities and risks inherent in cutting-edge technologies, and intrinsic social challenges beyond issues that must be resolved, as well as how best to combine these technologies to derive optimal solutions, will become increasingly important going forward. For this reason, it is imperative to develop human resources who can think independently and extract wisdom. Having sorted out the skills possessed by each engineer, we are investing in human resources by introducing measures to promote education and training efforts aimed at the acquisition of an even wider range of skills, while placing engineers in positions that provide them with multifaceted experiences.

	Medium-Term Management Plan (FY2018-2020)		Medium-Term Management Plan (FY2021-2023)		
	FY2020 results		FY2022 results	FY2023 targets	FY2023 initial targets
Operating income margin	9.1%		8.1%	9.3%	10%
Net profit attributable to CTC's shareholders	¥30.5 billion		¥34.2 billion	¥40.0 billion	¥40.0 billion
ROE*	12.5%		11.8%	13.0%	13% or above

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

Value Creation by the CTC Group

In order to secure and develop human resources, it is also important to create a workplace environment in which employees can work comfortably and engage in free thinking. At CTC, which views people as capital, two years after moving to our current office, amid subsiding pandemic conditions, we are creating an environment for a new future.

Reinvesting the Results of Technologies and Waza (Unique Skillset) to Enhance Corporate Value

The CTC Group is keenly aware that in order to expand intellectual capital and change the future for the Global Good, we will need to steadily accumulate profits. We will allocate the future financial results to necessary and appropriate investments taking into account the cost of capital. I think that appropriately repeating this investment cycle will be useful for enhancing corporate value.

Further expansion of relational capital is also important for the enhancement of intellectual capital. We need to increase partners through M&A and business alliances, and acquire human resources, technologies, and new solutions. Our basic investment policy is to combine the

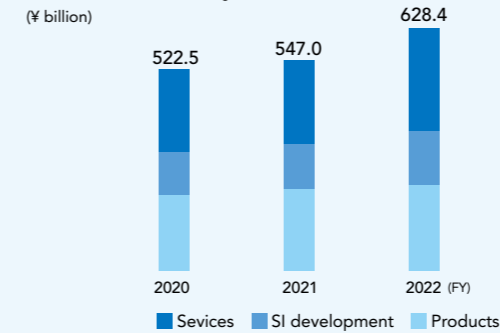
technologies and areas of expertise of our partners with those of our own to generate returns that exceed investments, create new business opportunities, and lead to sustainable business growth. We aim to multiply, rather than add.

To further accelerate growth achieved thus far, I think we need to identify and exploit investment opportunities for inorganic growth, including M&A. The time has come to proactively engage in capital investments to secure engineer resources, expand into new business areas, and introduce new technologies. To become a wholly owned subsidiary of ITOCHU Corporation enables us to invest more boldly and flexibly from a variety of perspectives, fields, and positions than ever before. The CTC Group and ITOCHU Corporation will work together to expand overall earnings.

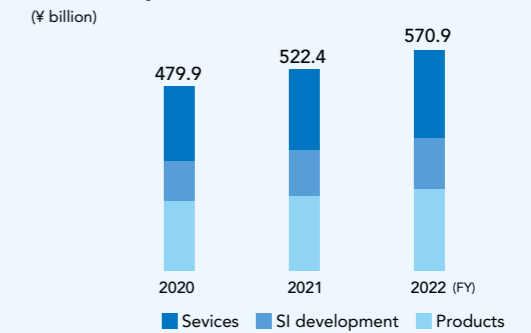
The business environment remains uncertain, and the evolution of advanced technologies appears to be entering a new phase. The CTC Group will continue to augment the strength of its technologies and waza (unique skillset) and contribute to the resolution of issues facing customers and society, by meeting the expectations of customers and all other stakeholders, contributing to the realization of the Global Good, and realizing steady earnings growth and the sustainable enhancement of corporate value.

Related Financial and Non-financial Data

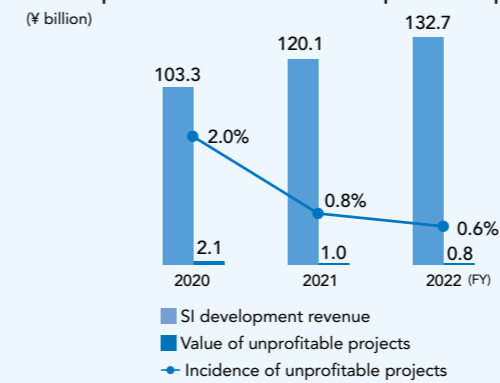
Orders received by business model



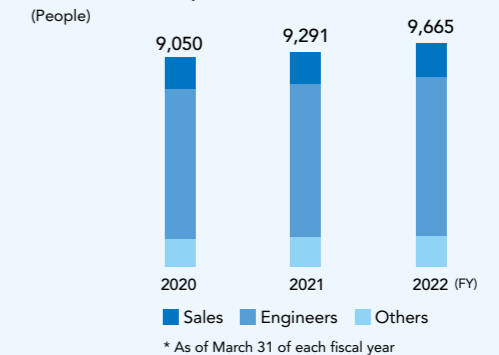
Revenue by business model



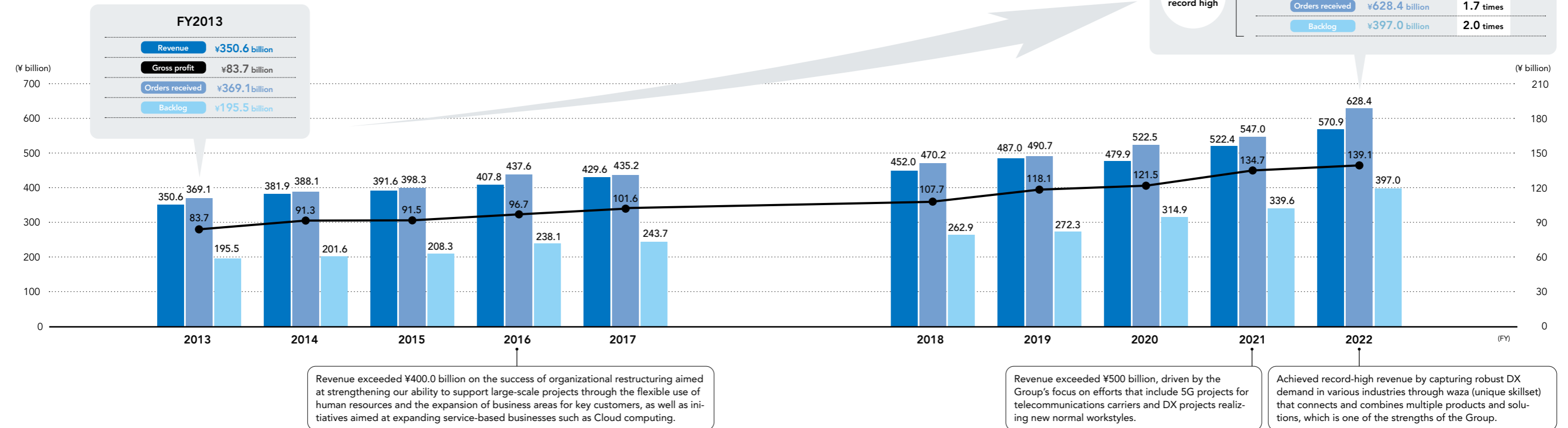
Development / SI revenue and unprofitable projects



Number of employees



Business Performance Over the Past 10 Years



Leveraging Our Strengths to Create Value on the Front Lines

— Each Business Group’s Initiatives Tailored to Industry of Each Customer

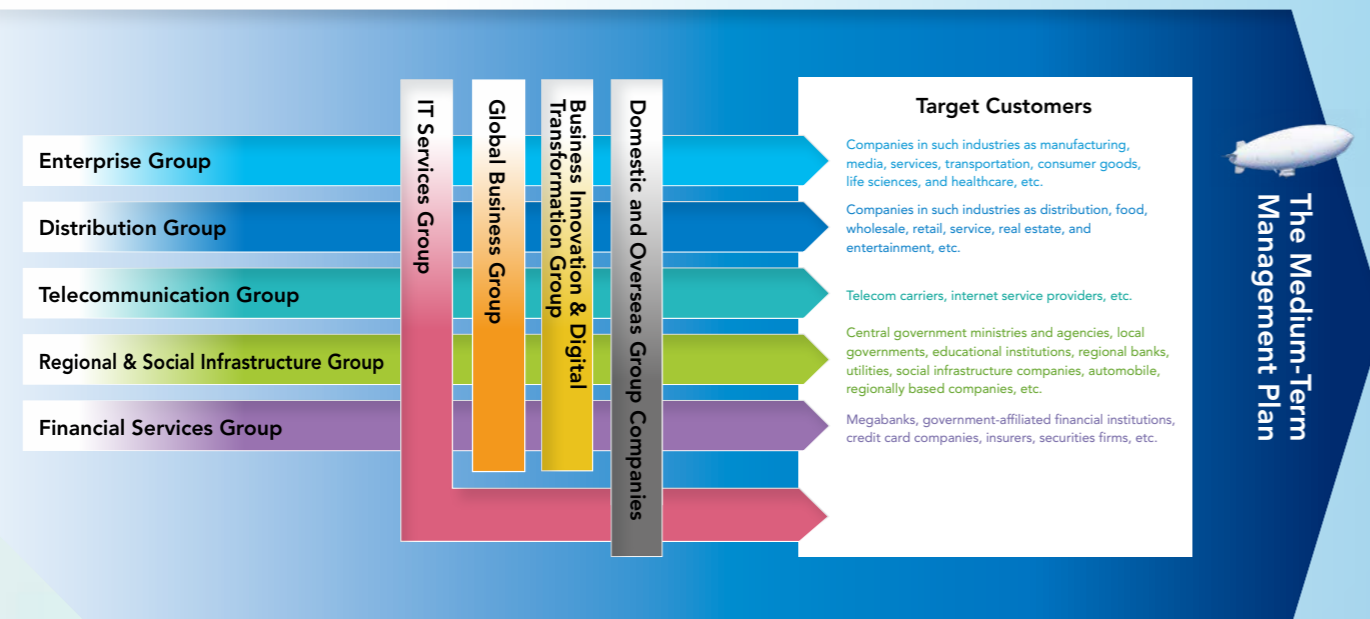
Vertical and Horizontal Organizational Structure and Functions

Since our founding in 1972, we have held “customer satisfaction” as our creed, and every one of our employees has seriously confronted the issues faced by customers and provided solutions based on IT technology. This, in other words, is a challenge to create the future for our customers, and this mode of behavior has not changed in the 50 years since our founding.

Even today, when various IT technologies are emerging one after the other, our business groups, which are separated according to the respective industries of our customers, continue to take on the challenge of squarely

confronting their issues and providing solutions that cater to such needs. Our cross-sectional organization is underpinning this challenge by our business groups by planning businesses in the areas of Cloud computing, managed services, DX, and global business.

While both success and failure can result from challenges, the trust of our partners and customers that are gained from such countless experiences is a source of capital for the Group, and helps improve our employees’ digital technology and *waza* (unique skillset). This repetition forms the foundation for further challenges.



Enterprise Group

Target Customers

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

PICK UP!

Establish an IT Infrastructure to Properly Manage Intellectual Assets and Develop an Operational Governance Structure

Relevant material issues
Promoting business co-creation with various partners

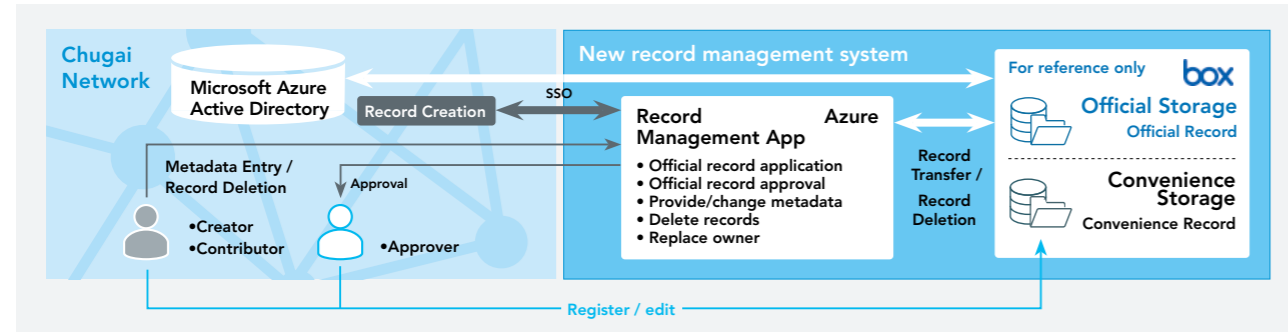
Chugai Pharmaceutical Co., Ltd., which engages in the business of research, development, manufacturing, and sales of pharmaceuticals, is actively promoting digital shifts and the use of internal data. Meanwhile, the amount of data that expands along with these activities must be properly managed to reduce various risks, and the development of management rules and IT infrastructure has become an urgent task.

CTC assisted in establishing an IT infrastructure to properly manage the critical assets (Record) held by the Group and realize a Companywide governance system.

The system that was previously used by the Chugai Group to

manage records had issues, such as with the legal hold function and the management of data disposal deadlines. However, by using a secure Cloud storage "box" as a system infrastructure, we implemented the functions to effectively and efficiently control various Record and develop a system focused on user interface and user experience. The system can also be flexibly expanded and is slated to offer additional functions.

We will continue to work in tandem with Chugai Pharmaceutical by drawing on our abundant experience while supporting them as a partner that supports its DX efforts.



**Developed a Design That Can Be Easily Used by 10,000 People
Unlocking New Horizons for Information Governance (IG)**

Yuji Kuwahata
Life Science Sales
Department No.2



The hurdles associated with information governance (IG), the appropriate management of all information belonging to a company, continue to get higher as they become more and more important with the increasing volume of information. For CTC, this project is a new initiative that makes full use of its cutting-edge scratch development.

In the pharmaceutical industry, pharmaceutical companies hold information that is essential to their businesses, including information on drug manufacturing, such as research and development, information on safety and side effects that are reported to authorities, and personal information related to such information. In addition, with the increasing number of opportunities in recent years to conduct joint research with universities and hospitals to create innovative drugs and exchange information, it was necessary to develop a system that properly manages such information while protecting it. Furthermore, because the system is used by more than 10,000 people, we devoted a lot of effort into designing user interfaces and user experiences that are easy to use for everyone.

With the new system, although the document must be updated as necessary according to the status of each file, it can assign such information as the administrator, the storage period, and the storage expiration date, providing a mechanism for preventing the tampering of finalized files. As a result, there is now a system that can manage a series of lifecycles from document creation to disposal.

With the recent development of information protection laws and the increasing risk of lawsuits, it will become necessary in other industries as well to develop a system that realizes IG, and we will aim to expand our business to other industries by drawing on the experience we gain from implementing this project.

Message from the Executive Officer in Charge

Turn the Increasing Volume of Massive Data into Customer Value and Develop CTC's New Business Model

As companies pull even further ahead with their DX efforts and advance to the digital business era, there will be increasing expectations for them to create a new business model that addresses the changes in society. The Enterprise Group will create value-added business models, such as support for data-driven management and GX, by focusing on a data-first approach based on data use and DX plus-One, which adds new value to DX, and strive to further expand business.

Strengthen Organizational Responsiveness and Profitability by Leveraging Cutting-Edge Technology and Expertise

Along with our technological capabilities for Cloud-based development and infrastructure construction, which is a strength of the Enterprise Group, and knowledge cultivated from our extensive customer base, we will continue to strengthen relationships with external vendors and partners to expand our technological and development structure that can provide comprehensive support for Cloud journeys, with the aim of improving profitability.



Takanori Minatohara
Senior Managing Executive Officer
COO, Enterprise Group; CPMO

Strengths, Issues, and Risks in the External Business Environment

Strengths

- Strong customer base covering a wide range of business fields
- Operational know-how derived from our broad customer base
- DX capabilities leveraging advantages as a multi-vendor and full-stack technologies
- Establishment of large-scale system through collaboration and cooperation with various partners
- Sustainability initiatives utilized by analysis and simulation technologies

Issues

- Improve ability to make sales proposals that expand customer value
- Lack of engineer resources to respond to DX needs
- Ensure profitability through the growth of Cloud business

Risks in the External Business Environment

- Economic slowdown due to yen depreciation, rising raw material costs, etc.
- Shortage of IT-proficient human resources due to population aging and decline in the birthrate
- Global economic recession as a result of the Ukraine crisis, etc.

Fiscal 2022 Initiatives and Results

To accelerate our DX business, as set forth in the medium-term management plan, we focused on acquiring digital shift (business innovation-type DX) projects and model shift (business transformation-type DX) projects aimed at expanding business while co-creating with and working alongside customers. We also launched a co-creation scheme with railway companies using IoT camera solutions. In addition, we systematized and received orders for GX services as we worked to develop new businesses and uncover profit-earning opportunities for the next fiscal year and beyond.

We addressed the strong customer demand for DX through our technological capabilities, such as the development of large-scale infrastructure and the provision of hybrid Cloud services, in which we hold a competitive edge, and our related businesses grew significantly as a result.

In addition, a CPMO liaison conference was established and began operations for the purpose of understanding the business status of the products we handle and formulating policies to maximize our business. Through QBR with major vendors, we continued to strengthen cooperation and information sharing, and worked to strengthen vendor relations.

In an effort to develop highly skilled personnel, we held DX training for sales personnel and a training program to strengthen the sales capabilities of our younger employees, mainly to further increase the value we provide to customers, as well as training on focused solutions and reskilling for system engineers to raise the level of their overall skills.

In addition, we continued to collaborate with CTC TECHNOLOGY which boasts technological capabilities in infrastructure construction and expanded the scope of collaboration to the DX domain, in order to resolve the chronic shortage of system engineering human resources and expand the SI domain.

Initiatives for Fiscal 2023

- Strengthen and develop key accounts that drive our business while uncovering and developing new key accounts
- Execute GX strategies by anticipating the speed of market growth
- Promote discussions on the establishment of co-creation schemes with customers

Accelerate

- Strengthen and expand our technological and development structures to comprehensively support the becoming Cloud-native for customer systems
- Strengthen relationships with vendors and partners with a view to promoting collaboration and co-creation over the medium to long term
- Achieve revenue growth through high-value-added engineers and services

Expand

- Promote design of the development program aimed at further strengthening our DX human resources by considering and developing themes to focus on from a technical perspective
- Enhance collaboration with partners to strengthen system engineering human resources
- Achieve mutual growth through stronger communication between sales personnel and engineers and improve their overall skills through collaboration with Group companies

Upgrade

Distribution Group

Target Customers

Companies in such industries as distribution, food, wholesale, retail, service, real estate, and entertainment

PICK UP!

Collaboration to Help Support the DX of "Smart Receipt"

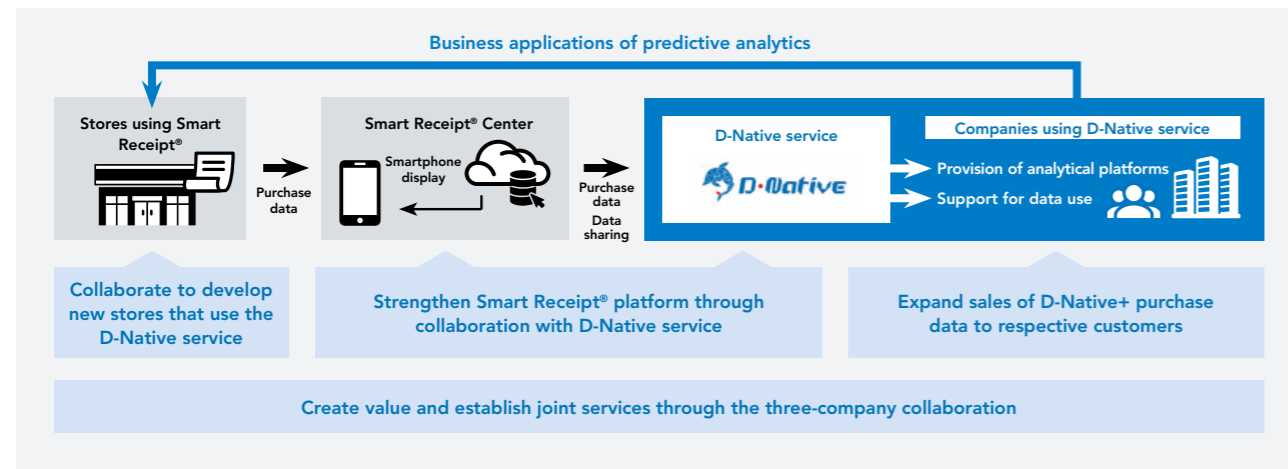
Relevant material issues
Promoting business co-creation with various partners

Toshiba Data Corporation, Toshiba Tec Corporation, and CTC have teamed up to launch an initiative that links purchase data obtained from Toshiba Tec Corporation's Smart Receipt® electronic receipt service to D-Native (an accompanying service that supports the entire lifecycle of data utilization).

Smart Receipt® is a service that digitizes product receipts so that they can be viewed on smartphones. Toshiba Data processes the vast amount of real-time purchase data obtained from Smart Receipt® into statistical purchase data with the user's permission and deploys it on the D-Native

service contains industry-specific AI and machine learning templates and a wealth of use cases, and provides a platform for a wide range of predictive analytics, including demand forecasting, appropriate inventory, retention (churn analysis), marketing, and sales promotion planning.

In order to promote DX in various industries, such as retail distribution and consumer goods manufacturers, we will promote the data service business to identify issues and solutions for each company while keeping abreast of rapidly changing consumer behavior in a timely manner.



**D-Native
The Strengths of CTC Also Lie in Its Support Services**

Hisayuki Sato
Data Business
Department



Through the D-Native data utilization service, CTC is developing support services that enable customers to actually use data, in addition to its framework for storing data and tools for using them. The Smart Receipt®-based analysis template is a part of this service.

I have been involved in data-related businesses for more than 20 years since my fourth year with the Company. At first, there was very little understanding of the significance of data. However, it began to be spread more and more from around 10 years ago and now, even terms like data-driven management has become a part of our daily life.

However, it is not uncommon for companies and organizations to have problems such as not being able to use data and tools effectively even if they are at their disposal. A typical example is when problems arise due to the lack of data shared between the DX department and the sales department. The data business department, to which I belong, addresses such customer concerns and helps them effectively utilize data. Although this is still a new initiative, I hope that by building on our accomplishments, our customers will realize that the strengths of CTC lie not only in its infrastructure but in its support as well.

Message from the Executive Officer in Charge

Addressing Constantly Changing Issues and Needs

The Group has accumulated knowledge of various industries through its ongoing business with customers in such industries as distribution, food, wholesale, and retail. However, the issues and needs of our customers are changing on a daily basis in line with evolving consumer behavior and lifestyles. While quickly identifying signs of such changes, we will draw on our cross-sectional in-house knowledge, collaborate with external partners, and engage in co-creation with customers, with the aim of becoming a solutions group that is a true business partner.

Improving Technology and Promoting Workstyle Reform

In order to meet the diverse needs of our customers, it is essential that we develop human resources with a variety of skills. The Distribution Group is focused on developing human resources through in-house engineer training programs and other means to enhance their technologies suited to the value sought after by customers and promote workstyle reforms that enable each employee to demonstrate their capabilities in a vibrant manner. We will also optimally combine our human resources and products for each project to provide solutions that cater to the diverse needs of our customers.



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

Strengths, Issues, and Risks in the External Business Environment

Strengths

- Operational knowledge accumulated through continuous development of relationships with customers in the distribution and retail industries
- Proprietary solutions that contribute to customers' DX initiatives
- Synergy with ITOCHU Group companies

Issues

- Difficulty in acquiring engineers
- Dealing with increasingly complex and large-scale projects

Risks in the External Business Environment

- Decline in consumer spending due to the economic slowdown
- Shortage of human resources in the distribution industry

Fiscal 2022 Initiatives and Results

We began providing our D-Native data management platform, which was created through our co-creation business with customers, as a service. This service, which supports the entire lifecycle of data utilization while accompanying customers, was released in May 2022, which was followed by the launch of D-Native on AWS, a service that supports small start-up projects, in November 2022.

We also expanded our product sales business by focusing on the entertainment and other industries in an effort to widen our trading area.

We focused on the next-generation core system projects of our existing customers and helped promote our customers' DX efforts and expand their overseas network.

We also moved aggressively to deploy Figues, an ERP peripheral solution, and promoted its implementation to existing customers. In addition, we expanded our services by acquiring SAP S/4HANA Cloud license sales rights and began offering them to new customers.

After visualizing the skills of both engineers and sales personnel, we worked to strengthen our organizational capabilities through individual growth and the placement of the right people in the right positions.

Moreover, a task force was put in place to examine our approach to the issues that are common to all divisions of the Distribution Group, and we also looked into consolidating our business sites with a view to realizing more efficient ways of working.

Initiatives for Fiscal 2023

- Continue to strengthen the DX co-creation business and LOB business
- Create GX projects for customers in response to social needs
- Develop new customers and strengthen product sales

Accelerate

- Expand the XaaS and infrastructure businesses
- Create and expand sales of solutions in the Cloud, network, and security fields
- Contribute to the phasing out of legacy modernization of core systems

Expand

- Further promote individual growth through a variety of education and training programs
- Strengthen collaboration with development partners and product vendors, and develop new businesses through collaboration and co-creation
- Add greater value to the business by transforming development methods, enhancing quality, and streamlining the maintenance and operation businesses

Upgrade

Telecommunication Group

Target Customers

Telecom carriers, internet service providers, etc.

PICK UP!

Helping Invigorate Local Communities Cohesively by Dispatching Employees

Relevant material issues

Promoting business co-creation with various partners

Located on Awashima, a small island off the coast of Niigata Prefecture, Awashimaura Village in Iwafune-Gun, Niigata Prefecture, has two main industries: tourism-related industries that attract approximately 20,000 tourists a year to the island, and the fishing industry that takes advantage of its rich marine resources. In recent years, the village has been working to utilize IT and to acquire and train IT personnel in order to further promote and revitalize the industry.

CTC has concluded an Agreement on Employee Dispatch under the Regional Revitalization Entrepreneur System* with Awashimaura Village. We will help promote DX and revitalize the local economy of the village by (1) dispatching CTC employees to establish and upgrade the information and telecommunications environment, (2) creating a new local economy through information sharing and exchange with those outside the island,

and (3) identifying local issues and providing support for planning measures.

Aiming to provide greater convenience to the residents of the island, promote carbon neutrality, and create a recycling-oriented society, we will contribute to the long-term development of Awashimaura Village as an accompanying partner and continue to pursue data utilization and DX frameworks that we can propose to other regions based on the know-how we have accumulated through our support to Awashimaura Village.

* The Regional Revitalization Entrepreneur System: A program conducted by the Ministry of Internal Affairs and Communications under which private companies in the three major metropolitan areas of Japan, upon request of local governments, dispatch employees for a certain period of time to share their know-how and expertise with these local governments. The aim of this program is to attract more people to regional areas through cooperation between local governments and private companies.



From left:
Mr. Rokkaku, CTC First Contact Corporation, on duty as a village office staff;
Mr. Ishizuka, manager, general affairs division; Mr. Ogawa, General Manager of the team (CTC); Mr. Wakikawa, village chief; Mr. Lopez (CTC); Ms. Takada (CTC);
Mr. Fujita, policy coordination supervisor

Ryoma Claudio Lopez

Telecommunication Carrier Business
Sales Planning Team



Our Commitment to Regional Development

Since September 2022, CTC has been working with Awashimaura Village to promote DX in major industries and this initiative is gradually taking shape through the establishment of online reservations for facilities and the support of sales of fresh seafood in collaboration with a start-up company.

This project is a co-creation business model that enriches the village, which in turn, leads to the growth of our business. Through our efforts in Awashimaura Village, we aim resolve social issues through IT services that are unique to CTC.

Meanwhile, IT alone will not be enough to resolve the challenges of regional development. We believe that a role resembling that of a regional trading company will be necessary in the future to realize sustainable regional societies, and to that end, we are promoting initiatives in collaboration with ITOCHU Corporation and regional partners.

Through regional development initiatives, we will create new value for CTC and help further expand the scope of business.

Message from the Executive Officer in Charge

Establishing an Overwhelming Presence in the Telecommunications Infrastructure Business

The volume of data in mobile communications is increasing on a daily basis due to the increasing number and complexity of the contents being processed by mobile terminals. In order for CTC to continue to play a key role in telecommunications carrier services going forward, it is essential that it not only develops stable telecommunications infrastructure that can handle massive amounts of data but it provides solutions that incorporate new technologies, such as AI and edge computing for increasingly complex networks. Moreover, in addition to expanding the use of 5G, we must engage in O-RAN and other areas of the RAN field that allow us to flexibly select products and improve the cost efficiency of telecommunications carriers.

The Telecommunication Group has been driving our telecommunications business in line with the development of increasingly sophisticated mobile communication systems. Going forward, we will continue to draw on our capabilities in construction and operation of large-scale infrastructure and product procurement, which we have developed over many years in business, to establish an overwhelming presence in the telecommunications infrastructure business.

Ambitiously Pursuing New Areas of Business

As telecommunications carriers strengthen their non-telecommunications services, such as point services, content distribution, and electronic payment, the Telecommunication Group will also direct its efforts to the service platform domain of telecommunications carriers as an area with growth potential. In addition, our co-creation business for corporate customers involving telecommunications carriers is steadily showing results, further expanding our coverage area. We will continue to promote and expand our co-creation business as a business partner of telecommunications carriers.



Yasuhiko Terada
Senior Managing Executive Officer
COO, Telecommunication Group

Strengths, Issues, and Risks in the External Business Environment

Strengths

- Large-scale infrastructure building capabilities that support telecommunications networks
- Ability to develop and manage mission-critical systems
- Ability to discover, acquire, and provide next-generation technologies and the latest products

Issues

- Achieving rapid responses and differentiation in relation to the introduction of new technologies
- Securing and developing high-value-added human resources

Risks in the External Business Environment

- Intensification of competition for businesses for telecom carriers
- Loss of business opportunities due to a shortage of semiconductors
- Rapid foreign exchange rate fluctuations

Fiscal 2022 Initiatives and Results

We saw steady growth in the number of service platform projects for telecommunications carriers and joint corporate business projects. We also began engaging in regional development and regional revitalization projects.

In the RAN field, we continued to expand our line of RAN products and services and strengthen our support for MEC construction in order to tap into the business.

We developed support and construction systems for next-generation communications standards, such as local 5G and Wi-Fi6, and expanded our in-house training programs.

In the XaaS business, we achieved steady growth through the expansion of our service lineup.

We proceeded with efforts to strategically acquire human resources and enhance their added value and knowledge for our next stage of growth.

We increased the number of training opportunities and expanded our team of qualified experts in AI and advanced technologies.

We also remained actively involved in various external organizations promoting the use and development of advanced technology to continue to expand our pool of knowledge.

Initiatives for Fiscal 2023

- Expand service platform projects in line with customers' promotion of DX
- Strengthen initiatives for smart city-related and other projects aimed at resolving regional and social issues
- Strengthen collaborative businesses with telecommunications carriers and promote co-creation business with CTC's other business groups

Accelerate

- Continue to acquire 5G-related projects for telecommunications carriers
- Promote business toward the full-scale development of new fields, such as O-RAN, vRAN, and MEC

Expand

- Strengthen the development of personnel with expertise in multiple fields by promoting the acquisition of wireless, virtualization technology, and other qualifications
- Promote measures to secure and retain personnel in line with growth strategies, such as diversity recruitment strategies, the strengthening of relationships with partner companies, and collaborations with various organizations

Upgrade

Regional & Social Infrastructure Group

Target Customers

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

PICK UP!

Providing Total Services Covering Design, Construction, Maintenance, and Operation of Cloud Service-Based Systems

Relevant material issues
Providing safe and reliable IT services

CTC has renewed the Ministry of the Environment's network system, establishing a hybrid system that combines on-premise and Cloud computing and transferring the communication tools, including email and groupware, to the public Cloud. Systems handling highly sensitive data are set up at our data center and monitored 24 hours a day, 365 days a year by CTC TECHNOLOGY.

Based on the Japanese government's Cloud-by-Default Principle,* the Ministry of the Environment considered the use of Cloud services to enhance remote work methods and communication systems that do not hinge on direct contact.

Based on the customer's request, we provided total services covering design, construction, transfer, maintenance, and operation of systems, including disaster recovery measures, and

established a remote work environment for all employees on a secure network connecting the Ministry of the Environment's headquarters and 122 regional offices across Japan, while enhancing the security of this system.

We will continue to expand our services to help people work securely in remote work environments and contribute to the Ministry of the Environment's efforts to improve operational efficiency and promote new ways of working.

* Principle that makes the adoption of Cloud services the default (first choice) in government information systems from the perspective of cost reduction and flexible increase/decrease of resources. (Stipulated in the Basic Policy for the use of Cloud Services in the Government Information System in the Standard Guidelines for the Promotion of a Digital Society issued by the Digital Agency)



Regional Environmental Office, Ministry of the Environment
(in Japanese only)

<https://www.env.go.jp/region/>

Realizing the Significance of My Role through Negotiations in My Fifth Year

Takumi Yoshizawa
Higashi-Nihon Sales
Department No.1



Since joining the Company in 2017, I have been working as a sales representative for a customer in the central government administration.

This project involved the construction of a large-scale system that is used daily by all employees of the Ministry of the Environment and meets strict security standards. We took advantage of our multi-vendor capabilities to combine products from over 30 vendors. As a sales representative, I have been responsible for not only proposals but also for negotiating with vendor personnel and other stakeholders, monitoring the status of projects, and presenting policies.

That is why I was so delighted when the system was launched. Being in charge of such a large-scale project in just my fifth year with the Company was a valuable experience, and I take to heart the significance of being able to engage in a system that is necessary for running a country.

While I had experience in programming from studying industrial engineering at university, since joining the Company, I have been working to acquire IT-related qualifications each year and conversing with system engineers to develop the skills necessary for making proposals.

Going forward, I will strive on a daily basis to continue to propose the best solutions to our customers' issues and to be able to promote projects from the same vantage point as SEs.

Message from the Executive Officer in Charge

Contributing to the Innovation of Local Communities That Will Drive the Country's DX

The Regional & Social Infrastructure Group serves customers in the social infrastructure sector throughout Japan, as well as central and local government agencies, educational institutions, regional banks, and serves companies with headquarters outside the Tokyo metropolitan area. Our customers face a wide range of issues, including the declining birthrate and aging population, the outflow of young people to urban areas, and the stagnation of local economies that result from the hollowing-out of industries through these issues. They also face a number of other challenges due to the COVID-19 pandemic, such as the need to promote diverse and flexible ways of working. By addressing these issues through the use of cutting-edge technology, we will concentrate on supporting regional development and contributing to the innovation of local communities that will steer the country's DX efforts forward.



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

Aiming to Become the Leading Solution Provider in Regional Businesses

The Regional & Social Infrastructure Group boasts knowledge and expertise in all of the industries that we serve throughout Japan. We will promote our customers' DX businesses and aim to become the leading solution provider in all regions. To that end, we will combine our regional axis, in which we engage closely with our customers in each region from Hokkaido Prefecture to Okinawa Prefecture; our industrial axis, in which we utilize our knowledge of various industries, including central agencies, public sector, local governments, educational institutions, regional banks, electric power companies, railway companies, postal service companies, and general corporations; and our technological axis, in which we draw on CTC's unique advanced technologies and the skills we have acquired through our industrial approach.

We will link and combine our technologies and knowledge and swiftly respond to the diversifying issues and needs of businesses, such as the need to revitalize local communities and support regional innovation, by enhancing the strengths of our regional, industrial, and technological approaches. In doing so, we will contribute to the development of our customers' businesses and continue to expand our own business.

Strengths, Issues, and Risks in the External Business Environment

Strengths

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

Issues

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

Risks in the External Business Environment

- Reining in of IT investment due to the economic slowdown
- Shortage of IT personnel due to working population decline

Fiscal 2022 Initiatives and Results

Recognizing the urgency with which we must enhance our ability to propose solutions to the issues of local communities, we have strengthened relationships with key customers and local governments through personnel exchanges and by sharing knowledge on an organizational basis and continuing to flexibly deploy personnel and conduct various training programs. These efforts proved to be a success, as we acquired projects in a wide range of industries, including local governments, electric power, construction, and manufacturing.

We received new orders for information system upgrades from customers, including local governments, as well as for XaaS projects, ranging from the construction to maintenance of common infrastructure for customers in the railroad and transportation industries. As a result, in addition to upselling Cloud services, we have built a successful track record that contributes to the enhancement of CTC's presence. While collaborating with the Global Business Group, we are supporting the automotive manufacturing industry in improving operational efficiency at business sites in Asia and Latin America and assisting in the design and construction of production bases.

We focused on developing human resources with not only the knowledge of advanced technologies but also the ability to identify regional and social issues through reciprocal secondments with key customers and local governments and the strengthening of employee collaborations by means of industry-academia partnerships.

We worked to strengthen measures to maximize the abilities of our human resources by flexibly allocating system engineering human resources between other business groups through information sharing, introducing a mechanism to improve communication, and launching cross-divisional activities for each industry.

Initiatives for Fiscal 2023

- Enhance our provision of solutions for the DX and LOB domains in line with the strategies and issues of key customers
- Utilize the tangible and intangible assets we have accumulated to strengthen existing projects with major clients, acquire new projects, and pursue entry into untapped domains
- Form new business partnerships and strengthen collaborations in order to improve and refine technological capabilities and acquire new customers

Accelerate

- Further improve and refine technological capabilities with a focus on design and construction capabilities for hybrid and multi-cloud operations, in anticipation of the increased adoption of the Cloud by private companies and local governments
- Expand revenue opportunities by building a successful track record through solid relationships with new business partners

Expand

- Comprehensively expand the number of engineers, who are the source of our technological capabilities, including through external recruitment
- Improve profitability by increasing the added value of our engineering services
- Revitalize workplace environments by providing training programs and actively sharing information to improve communication between and within divisions and industry-related knowledge

Upgrade

Financial Services Group

Target Customers

Megabanks, government-affiliated financial institutions, credit card companies, insurers, securities firms, etc.

PICK UP!

Creating Value and Facilitating Corporate Change with Data Management Platform Building and DX Internalization Support

Relevant material issues
Relentless pursuit of advanced technology

“Creating a sustainable future through the power of investment” is the corporate message of Asset Management One Co., Ltd. It aims to be the most trusted asset management company for its clients by offering products and services of the highest caliber. While advancing DX, the company introduces systems that help make products more sophisticated and improve operational productivity through data utilization, and trains IT personnel.

CTC supports the company’s DX initiatives by designing and

building a data management platform that collects and analyzes data using multi-cloud technology. This platform enables the rapid and secure utilization of data both within and outside its organization. In addition, CTC provided DX personnel training services and DX study sessions for cultivating DX culture.

We will continue to support Asset Management One in the realization of data-driven management that facilitates the creation of new business models.



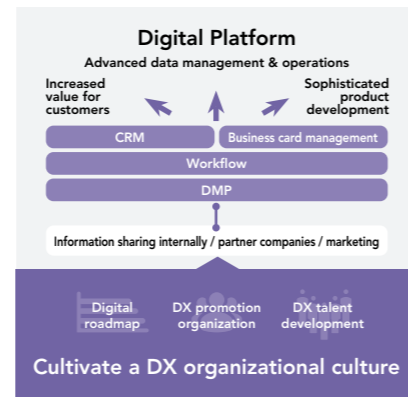
Yurie Ito
Financial Services Development
Department No. 1

Professionals Everywhere What I Learned in the Unfamiliar World of Asset Management

For approximately two years until the end of May 2022, I was seconded to Asset Management One Co., Ltd. This coincided with the period when the company began to focus on data-driven management and embark on digital transformation (DX).

In my first year, my job included drafting the DX roadmap and introducing multiple SaaS solutions in sales divisions that have institutional investors as customers. Specifically, the company switched to Salesforce for CRM and linked the account-opening processes to Salesforce. I also worked on the company-wide rollout of this solution. In addition, I was involved in the introduction of SanSan and Box. In my second year, my job shifted more toward operations and maintenance. I was responsible for hosting study sessions on AI chatbots, for example, and implementing new features in the services we had introduced.

Prior to this assignment, I had been involved in new development projects for banking data aggregation platforms within the financial services group, and had no experience on the asset management side. It was only after my assignment that I realized the company is filled with professionals in research, market analysis, economics, and systems. From CTC’s perspective, Asset Management One is a customer. Being directly exposed to customer needs and being able to take action on the spot was an invaluable experience for me.



Ryuta Ojima
Business Innovation & Digital
Transformation Group
Digital Innovation Department

Power of Teams Built on Open and Free-Spirited Discussions

In our business dealings with Asset Management One Co., Ltd., we were able to swiftly provide optimal solutions suited for modern times by drawing up a DX roadmap from scratch and concurrently implementing several Cloud services. Running numerous projects in parallel, we advanced the implementation of the solutions while working with the customer to respond to a multitude of inquiries.

In the areas I covered, we adopted agile development practices and frequently conducted sprints and reviews of plans while talking directly with customers. Pursuing agile development in tandem with the customers proved effective. Over the course of two years starting in July 2021, there were very few differing opinions or misunderstandings regarding the deliverables. We were also able to openly solicit suggestions for improvements.

Within the development team, I felt the importance of morale boosts. By having team members themselves evaluate and plan, and by engaging in open and candid discussions as a group, I believe we were able to make sound collective decisions. This project was a rewarding experience for me, reaffirming the importance of team-based development.

Message from the Executive Officer in Charge

Maintaining and Expanding Existing Markets While Reaching New Customers

We are aggressively pursuing horizontal business development by leveraging our strengths derived from our expert knowledge of financial markets, risks, and laws and regulations. We support the business development of our customers with speed and flexibility, packaging solutions together through Cloud-native development. In addition to our existing strengths in infrastructure design and construction, we will reach out to new customers and continue to support business growth in the financial industry.

Creating New Solutions for Customer DX Projects and Added Value Enhancement

In response to business changes and growth in the financial retail sector, we will support our customers’ offensive DX initiatives by developing AI-powered solutions in the multi-channel and data utilization domains. In the realm of workstyle reforms, we will deploy new technologies, including zero trust security, to contribute to safe and secure business continuity as a part of our customers’ defensive DX initiatives.



Toshiyuki Awai
Managing Executive Officer
COO, Financial Services Group

Strengths, Issues, and Risks in the External Business Environment

Strengths

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

Issues

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

Risks in the External Business Environment

- Cuts in IT investment at customers due to geopolitical risks

Fiscal 2022 Initiatives and Results

CTC advanced projects focused on building data management platforms that help its customers increase operational efficiency. Additionally, we strengthened zero trust security by expanding offered services. Progress was also made in collaboration and co-creation with vendors and DX partners that have new technologies, as we accumulated insights in digital marketing and DX consulting.

There was an increase in projects for building out IT infrastructure and Cloud platforms. CTC also built safe and secure remote work environments as workstyles changed.

Business expanded on a global scale, including the construction and modification of information systems at the overseas locations of financial institutions.

CTC also entered into a contract for offering solutions developed by Deep Instinct Ltd., an overseas vendor of the Financial Services Group.

We established a dedicated team for recruiting career professionals and worked tirelessly to secure talent.

Furthermore, we strengthened the overall organizational structure by accumulating expertise and know-how in priority domains through collaboration with partners.

Initiatives for Fiscal 2023

- Create new strengths by promoting AI-driven digital marketing and enhancing sophistication of solutions
- Create new Cloud-native packaged services and expand services from a global perspective
- Launch ESG data services

Accelerate

- Continue to expand Cloud business, focusing on system building and platform modifications
- Strengthen Cloud-native application development capabilities

Expand

- Cultivate high-value-added engineers with an eye on developing new businesses and solutions in areas like Cloud-native, security, and digital marketing
- Continue to acquire talent and fine-tune systems for placing the right person in the right job

Upgrade

IT Services Group

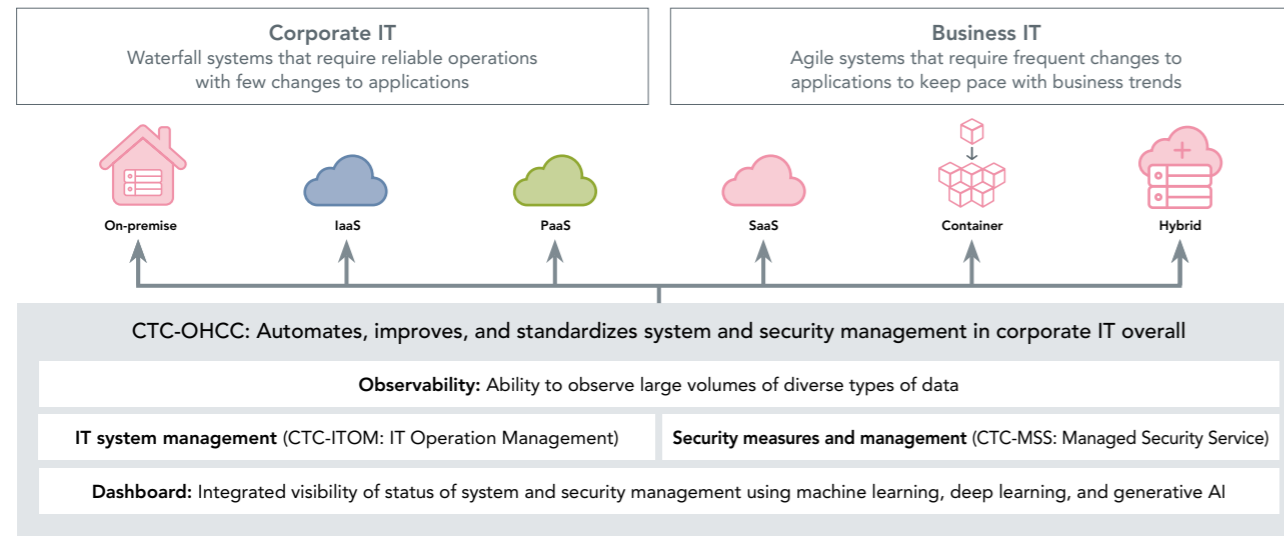
PICK UP!

CTC Open Hybrid Control Center (CTC-OHCC), Integrated Managed Services for Integrated Management of IT Systems and Security, an Essential Aspect of Corporate IT

Relevant material issues
Relentless pursuit of advanced technology
Promote business co-creation with various partners

Corporate IT environments are increasingly becoming hybrid Cloud environments. While there is a mix of positives of on-premise and Cloud-based computing resources, setting, managing, operating, and securing such hybrid Cloud environments can be a complex challenge. CTC-OHCC facilitates the integrated management of IT systems and security, enhancing visibility of overall hybrid Cloud environments by using observability tools. Each year, there is an increasing mix of IT systems that

require reliable operations with few modifications, and IT systems that require frequent changes to keep pace with business trends. By incorporating site reliability engineering (SRE), a methodology and approach to the best way of managing high-frequency changes to systems, we are further improving the quality of hybrid Cloud environment management. With this, CTC is able to simplify and secure increasingly complex and advanced corporate IT environments.



Aiming to Solve Major Issues Shared by More Than 2,000 Customers

OHCC is the unified, integrated management both of IT systems and security for the varied and diverse services offered through the "OneCUVIC" hybrid Cloud environment.

CTC has focused efforts on the development of "OneCUVIC," but a service did not exist for the integrative management of the individual services in each domain. Since the beginning of 2022, CTC began to examine the concept and inner workings of OHCC, and took nearly a year to release the first version of it.

As use of the Cloud gains traction, the need for security has also increased. There are many companies that excel at managing either Cloud or security services, but the market needs companies able to integrate both. OHCC has been studying the requirement to achieve integrated operation of IT systems and security.

Hybrid Cloud environments are likely to become mainstream in corporate IT for the foreseeable future, with some fluctuations in the on-premise versus cloud ratio. IT systems are constantly evolving while accepting trade-offs between convenience and security, but they must be managed safety and security. In order to more effectively utilize the Cloud, IT systems will become Cloud native, and this will require a different style of management. CTC has more than 2,000 corporate customers that use its Cloud services and security services. Given that our customers are moving toward hybrid Clouds in earnest, we anticipate a major swell of which we have not experienced before. Please stay tuned for future developments at OHCC.

Takahiro Ueda
Managed Services
Engineering Department



Message from the Executive Officer in Charge

Fiscal 2023: Aiming for leap in growth of "OneCUVIC"

We moved forward with our systematic reorganization in fiscal 2022, we now have a more solid picture of our future areas of focus. "OneCUVIC" continues to advance by leaps and bounds.

- Strengthen competitiveness of "OneCUVIC" by using AI (AI transformation)
- Improve productivity of system integration by evolving Cloud native initiatives
- Incorporating quantum computers into OneCUVIC to accelerate their dissemination to society and businesses
- Contribute to solutions for social issues by participating in medical Big Data projects

As the CMSO (Chief Managed Service Officer), I will strive to make the managed services of the CTC Group more sophisticated.



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

Fiscal 2022 Initiatives and Results

Promote open hybrid Cloud "OneCUVIC" strategy

(1) Systemized and visualized "OneCUVIC" services

We systemized services and integrated management, from the infrastructure layer to DX, GX, and SX layers. This visualizes CTC's readiness for hybrid Cloud environments and areas for future enhancement.

(2) Launched OHCC

With SRE as the basic concept, we have started providing managed services for integrated operation and management of increasingly complex hybrid Cloud environments.

(3) Advanced Cloud native

We established a service to help customers launch and operate Cloud native services, while understanding their current conditions and issues in their transition to cloud native applications.

(4) Reinforced security

We augmented managed security services, centered on CTC-SOC. CTC released managed services for internet threat intelligence and endpoint security.

(5) Global development

CTC began to offer "OneCUVIC" on IBM Cloud, enabling the provision of "OneCUVIC" through IBM's datacenters to Japanese companies with a global presence.

Initiatives for Fiscal 2023

Promote open hybrid Cloud "OneCUVIC" strategy

(1) AI transformation: AI x Managed Services

We will proactively apply AI Ops, including machine learning, to improve the quality and productivity of managed services.

(2) AI transformation: Generative AI x Security

We aim to further enhance CTC-SOC's security analysis capabilities and alleviate burdens on customers by promoting the use of generative AI.

(3) AI transformation: Generative AI x IaC

We will promote the use of generative AI to enable more engineers to quickly and reliably build infrastructure in the Cloud using Infrastructure as Code (IaC).

(4) Cloud native

We aim to improve productivity in system integration by creating libraries of code, such as using containers and IaC, generated through customer projects.

(5) Healthcare

We will realize the provision of personalized and attentive healthcare services by promoting the integration of usage environment for personal health records (PHR), which also lead to the sustainability of social security.

(6) Quantum computing and quantum-resistant cryptography

We will accelerate the provision of quantum computing environments, along with applications, managed services, and personnel training courses. We are also taking steps to prepare for the security threats posed by quantum computing.

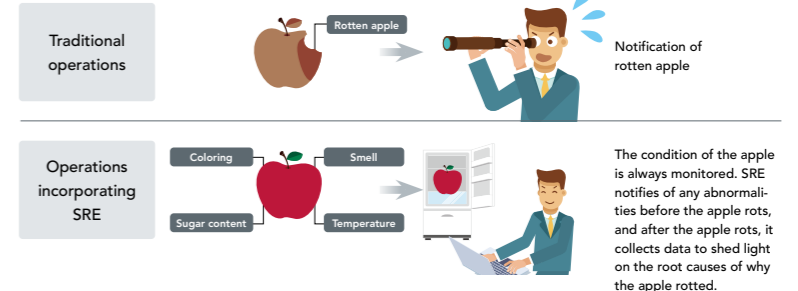
Expand

Term Explanation:

What does "operations incorporating SRE" mean?

Traditional systems and services focus on post-mortem responses when services fail because they do not change much over extended periods. With the increased adoption of Cloud computing, however, systems and services have evolved to have close ties with business operations, resulting in more frequent rollouts of new services or additional functions. Against this backdrop, such systems and services are increasingly adopting site reliability engineering (SRE) practices in their operations. The focus of SRE is to increase the reliability of services by automating and standardizing the analysis of and fixes for root causes in service failures in order to detect early signs of potential failures and prevent them from occurring.

Differences between traditional operations and operations incorporating SRE



Global Business Group

PICK UP!

Promotion of Japan-U.S. Collaboration to Realize CTC 5.0 Aimed at Creating New Business

Relevant material issues
Relentless pursuit of advanced technology
Promote business co-creation with various partners

CTC has launched the North America Partnership Program (NAPP) with the aim of co-creating with market-leading startups in North America. At the end of fiscal 2022, CTC became a limited partner (LP) in OSS Capital, a U.S. venture capital firm that scouts out cutting-edge startups.

NAPP serves as a framework for achieving our next stage, CTC 5.0. It is a collaborative initiative involving our U.S. subsidiary, ITOCHU Techno-Solutions America, Inc., and our Business Innovation & Digital Transformation Group. We have formed a

team of approximately 10 members from both Japan and the U.S.

Having dispatched personnel to Silicon Valley since the 1990s, CTC has established a track record of scouting market trends in the latest technologies, as well as discovering promising services and products. We aim to enhance this function in order to bolster intellectual capital that supports CTC's future business endeavors and also drive alliances with cocreation partners and search for cutting-edge technologies.



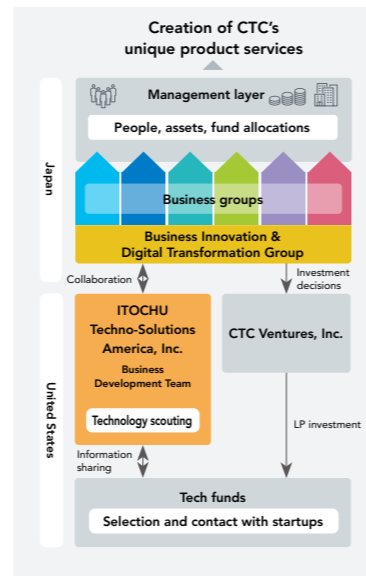
Kouki Takahashi
ITOCHU Techno-Solutions America, Inc.

Selective Focus on Companies and Technologies Advanced in U.S. Market Keen Eye for Cutting-edge Innovations to Bring to Japan

The business development team at ITOCHU Techno-Solutions America, Inc. is responsible for overseeing NAPP in the United States.

The business development team primarily focuses on discovering and promoting products and services that are already well-established in the United States, but have not yet penetrated the Japanese and ASEAN markets. This business model involves not only moving quickly to sell such products and services in the Japanese market, but also comprehensive proposals for their operation and maintenance. With the current NAPP initiative, a new business model for creating intellectual capital was added to CTC by partnering with companies in the United States that have cutting-edge technologies still in the initial stages of business development. With this, we can move forward with technologies that had previously been considered "too early for Japan." A team has been established in Japan to explore the commercialization of these cutting-edge technologies, facilitating negotiations with individuals and start-up companies with advanced technologies.

While the total amount of venture capital investment in the United States is projected to decrease by approximately 35% this year, investment selection has advanced, with funds focusing on generative AI in particular. Companies that are able to secure investment in this market environment invariably possess technical advantages. This year being my fifth stationed in the United States, and having had spent many years working to bring overseas products to the Japanese market, I find NAPP to be a completely new challenge and more rewarding than ever.



Tomohiro Igarashi
Business Innovation & Digital Transformation Group
DX Planning & Administration Department



Adding In-house Development to Existing Business Boost from LP Investment

NAPP aims to create unique intellectual capital for CTC. It involves sketching out business models based on cutting-edge technologies discovered in North America. This process includes CTC utilizing these technologies as well, and can be described as CTC's own attempts at open innovation to possibly create new businesses itself.

If the U.S. team serves as the pitcher, serving balls of information after communicating with venture capital funds and start-up companies, then we, the Japan team, play the role of catchers. While a small team of fewer than 10 members across Japan and the United States, I am the coordinator of the Japan-side team.

OSS Capital is a tech fund specializing in the seed round of startups. We have already started receiving information about startups from our pitchers in the United States. Along with corporate information about investment candidates, auxiliary information can also be promising, so we have initiated a process for examining collaboration that involves other internal organizations. While CTC has been discovering new startups for many years, we are now feeling encouraged by our LP investment as a new sourcing channel.

Message from the Executive Officer in Charge



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

Enhancing Our Global Quality Delivery Capabilities and Expanding Global Super Accounts

The Global Business Group aims to expand revenue by deploying business models developed in Japan to overseas operating companies. Utilizing our vendor relations, which is also a strength at our overseas operating companies, we are committed to delivering services based on CTC's quality standards.

We have also identified customers that have multinational businesses as Global Super Accounts, and with CTC's quality standards, we support their IT investments in Japan, North America, and ASEAN countries with coordinated efforts across our group locations. We will further expand such initiatives.

Strengthening Discovery Capabilities Overseas and Exploring New Partners

The Global Business Group contributes to expanding added value for its customers in the ASEAN region and Japan by searching for advanced technologies and new products in North America and Asia. In addition to new technologies and products, we will also advance co-creation with partners that possess innovative business models and intellectual capital.

Executing Initiatives to Strengthen Profitability in Overseas Business

CTC operates overseas businesses primarily in the ASEAN region, including Malaysia, Singapore, Thailand, and Indonesia, as well as in North America. While recovering from the impact of COVID-19, we acknowledge the uncertainties ahead, such as inflationary pressures, rising interest rates, and geopolitical risks around the world. While business environments vary by country, we sense a strong propensity for IT investment among our customers. We aim to latch onto this momentum and strengthen the earnings power of our overseas operating companies by reinforcing recurring business, expanding the managed services business, and entering growth markets through co-creation with external partners and vendors.

Fiscal 2022 Initiatives and Results

In anticipation of future expansion of managed services in the ASEAN region, we have worked together with CPMO to develop products in the security, Cloud, and data management fields. Furthermore, we are developing new features through strengthened collaboration with ITOCHU Techno-Solutions America, Inc. and CMSO. CTC continues to conduct market research in Shenzhen, China, explore new business models in North America, and develop new products and services through venture capital investments.

The Global Business Group has steadily carried out upstream systems integration and infrastructure construction at its customers' plants and bases in Asia, as a part of expansion in Global Super Accounts that provide support to customers through cross-regional collaboration in Japan, Asia, and the United States. Deepening sales activities with local companies, we have successfully expanded orders by leveraging our strengths in managed services and vendor relations. With an eye on future service development, we are improving cooperative systems with vendors tailored to each country's market.

The Global Business Group bolstered its business management structure through reorganizing and rebuilding business process, profit management process, and customer management system at each base. Security measures at individual companies have been enhanced, taking inspiration from information security initiatives undertaken in Japan.

Furthermore, we continue to cultivate global talent through new hires both locally and in Japan, and by dispatching personnel to venture companies in which we have invested.

Initiatives for Fiscal 2023

- Initiate strategies to strengthen Japan-U.S. collaboration for realizing CTC 5.0, and support the development of original CTC services like the observability business
- Continue to enhance R&D functions in Cloud, security, and data fields
- Identify vendors with advanced technologies and new business models, and invest in their businesses

Accelerate

- Acquire new Global Super Accounts by strengthening domestic sales and business development activities, expand transactions with existing customers
- Expand Cloud, infrastructure solutions, and application businesses, and introduce new services in tune with characteristics of each ASEAN market
- Broaden service offerings through stronger relationships with North American vendors

Expand

- Ongoing review and improvement of management structures for overseas operating companies, and reinforce capital policy
- Acquire and train CTC global talent through internal recruitment, mid-career hiring, and secondments from cooperative companies, strengthen Global Business Group's Organizational structure.
- Expand educational and training programs for locally hired employees at overseas operating companies

Upgrade

Business Innovation & Digital Transformation Group

PICK UP!
Generative AI Project for ASAHYAKI in Collaboration with Qosmo, Inc. and ASAHYAKI

 Relevant material issues
 Relentless pursuit of advanced technology

CTC launched a proof-of-concept experiment in November 2022 that uses AI models to generate new designs for ASAHYAKI, a traditional kind of pottery from Uji in Kyoto that has a history dating back approximately 400 years to the Keicho era. ASAHYAKI is one of the Enshu Seven Kilns (a list of Japanese pottery kilns whose products were considered among the favorites of the Japanese tea ceremony master Kobori Enshu) that have existed since the early Edo period, and is currently used primarily to produce Utsuwa (containers) for tea ceremonies and Utsuwa for steeping sencha and gyokuro teas.

Since 2022, generative AI technologies capable of creating images and text, such as Stable Diffusion and ChatGPT, have been rapidly gaining traction. At CTC, we quickly began applying generative AI technology to solve social issues, and have been promoting the NeuCraft project as an initiative to utilize

generative AI technology in traditional crafts. This project is the first of its kind and is being carried out in collaboration with Qosmo Inc., known globally for its creative use of AI, as well as the ASAHYAKI.

In the proof-of-concept experiment, we began by looking for AI technologies suitable for generating ASAHYAKI designs. After collecting and processing training data, we began to build a generative AI model. While aiming to construct an AI model that can generate new designs inspired by ASAHYAKI from past eras or designs based on specific keywords, we ultimately plan to create and publicly release actual pottery pieces.

Based on our track record in building systems that utilize generative AI for companies in the manufacturing and service sectors, we will continue to advance initiatives aimed at applying generative AI technology in various fields.

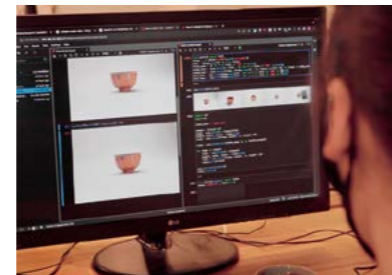


ASAHYAKI pottery from the Uji in Kyoto area carry on traditions from the Keicho era

For more information about NeuCraft, please visit the following link:
<https://neucraft.ai/>



Data collection using photographs of historical pottery pieces



Create generative AI model trained on photograph data with deep learning algorithms

**400 Years of Tradition with Kirei Sabi
AI Inspires Craftsmen in New Works of Art**
Kenta Watanabe
 AI Business Department


The ASAHYAKI project began with photography, capturing images of 1,000 pieces of pottery created by ASAHYAKI, from the first generation to the current sixteenth generation, represented by Mr. Housai Matsubayashi. Professional photographers took pictures from three different angles—front, upper diagonal, and top—and this image data was then fed into the AI training system.

Our goal is to generate designs that could serve as inspiration for new works created by Mr. Matsubayashi. We set parameters for shape, color, and texture, and deviation from past ASAHYAKI pieces to experiment with various design possibilities. Even within the category of ASAHYAKI pottery, such characteristics differ depending on the era, so the “ASAHYAKI-ness” of the generated designs are left to the judgment of Mr. Matsubayashi. Going forward, we aim to create designs that inspire ASAHYAKI creations using on language-based instructions, such as “create a design that resembles the works of a certain generation.”

The aesthetic feeling at the core of ASAHYAKI is known as “Kirei Sabi,” a worldview that has long been representing a simple yet glamorous beauty and elegance. The challenge of utilizing AI, arguably the symbol of the latest digital technology, to “Kirei Sabi” represents a true fusion of traditional and modern technologies. This project may well open up new horizons for CTC as well.

We will continue to contribute to not only the development of traditional crafts through the application of AI, but also to solutions for various social issues.

Message from the Executive Officer in Charge

Nagaki Fujioka

 Managing Executive Officer
 COO, Business Innovation & Digital Transformation Group
 and R&D in North America

Launch of New Businesses for Future Problem-Solving

In the Business Innovation & Digital Transformation Group, we are researching digital solutions for the vital social issues of labor shortages and carbon neutrality. We will focus such efforts in the business domains of smart towns (regional revitalization) and smart logistics / GX in order to realize a sustainable society.

Digital Support for All Customer Transformation

We support our customers' digital transformation (DX) initiatives with AI and IoT and also help create new businesses through co-creation with them. The Business Innovation & Digital Transformation Group aims to be a DX partner that accompanies its customers to help them succeed in their DX initiatives.

Discovering and Promoting Collaboration with Co-creation Partners

We manage the Corporate Venture Capital (CVC) structure, investing in and promoting collaboration with venture partners to create new businesses, while building relationships and discovering new technologies with venture firms through investments in domestic and international venture funds.

Fiscal 2022 Initiatives and Results
Launch of New Businesses for Future Problem-Solving

In collaboration with TAKADA Co., Ltd., we are moving to launch a DX business that utilizes a comprehensive logistics platform for shippers, consumers, and delivery service providers to efficiently offer joint delivery services. We have also conducted pilot tests for providing community transportation services (MaaS) in Nogata City, Nasu Town, Sukagawa City, and Nagasaki City.

Digital Support for All Customer Transformation

The Business Innovation & Digital Transformation Group has launched DX Pit-In, an assessment and planning service for supporting the restart of DX projects for business model transformation and service enhancement. The Business Innovation & Digital Transformation Group has also entered into a business partnership agreement in the field of optimization technology with LTS Inc., with the aim of further strengthening AI-related service businesses.

Discovering and Promoting Collaboration with Co-creation Partners

We operate CTC Innovation Partners, a corporate venture capital fund aimed at supporting the growth of start-up companies and encouraging business co-creation. Through CTC Innovation Partners, we searched for partner companies with strengths in cutting-edge technologies.

Initiatives for Fiscal 2023
Launch New Businesses for Future Problem-Solving

- Examine and launch new businesses that contribute to solutions for environmental issues by utilizing digital technologies, such as recycling logistics platforms and carbon credits
- In addition to MaaS operation businesses, we plan to develop initiatives that utilize various advanced technologies like NFTs (non-fungible tokens) and AR/VR with an eye on regional revitalization

Digitally Support All Customer Transformation

- Help customers launch new services and expand accompanying support services paired to business transformations by leveraging our design consulting, agile development, and IoT technology
- Plan to develop various services to support business use cases for generative AI, such as ChatGPT

Discover and Promote Collaboration with Co-creation Partners

- Promote co-creation business with overseas technology venture companies through investments in leading venture capital funds overseas, especially in North America.

Accelerate

Leveraging Our Strengths to Create Value on the Front Lines

Major Domestic and Overseas Group Companies

Domestic

Maintenance and operations service business

CTC TECHNOLOGY CORPORATION

System Maintenance and Support Business

CTC TECHNOLOGY CORPORATION provides a range of services including building, installation, and transition of system environments, and 24-hour maintenance. This company also offers comprehensive training services for IT engineers, and systems integration and operation services across on-premise, Cloud, and/or hybrid environments. It contributes to the continuity of its customers' businesses and supports the society of the future with IT.

CTC SYSTEM MANAGEMENT CORPORATION

System Operations and Support Business

CTC SYSTEM MANAGEMENT CORPORATION engages in business that emphasizes customer interactions, centered on systems operations and maintenance. It trains and provides human resources that connect IT systems to people, as well as people to people. Responding to diversifying systems, this company builds and operates a broad range of infrastructures, including Cloud, security and 5G, implements operations middleware that supports these infrastructures, and can also engage in nimble development from no-code to pro-code environments. Connecting people to technology, CTC SYSTEM MANAGEMENT CORPORATION will maintain the necessary presence for the operation of IT systems.

CTC FACILITIES CORPORATION

Data Center Facility Management Business

This company's main businesses are facility management, operations, construction and supervising, centered on data centers. While maintaining reliable operations of data centers, which are key social infrastructure, CTC FACILITIES CORPORATION is focusing on expanding sales of Facility Integration Services, which represent all of its accumulated experiences and know-how, through collaboration and partnerships with Digital Edge Japan, Kanden Energy Solution, and CTC front. In a first for Japan's data center industry, CTC FACILITIES CORPORATION obtained ISO/JIS Q41001 certification specifically for facility management. It will boldly take on challenges in the planning and development of new businesses and services, and contribute to the realization of a sustainable society.

Development of business tailored to clients and industries

Asahi Business Solutions Corp.

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

Solutions business using unique products

CTCSP CORPORATION

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

CTC's special subsidiary that employs people with disabilities

CTC HINARI Corporation

CTC HINARI Corporation provides various services for the CTC Group. It operates HINARI CAFÉ, provides massage services as a part of benefits packages, cleans offices, supplies office work proxy services, provides PC office support, and engages in agriculture-welfare collaboration projects in Hamamatsu City, Shizuoka Prefecture based on the HINARI MODEL. Collaborating with CTC, this company also provides AI data preparation services that help advance AI. It aims to explore new work areas with the aim of creating workplaces where diverse individuals can excel and always take on new challenges.

Overseas

Discovery and research of new technologies, SI business

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

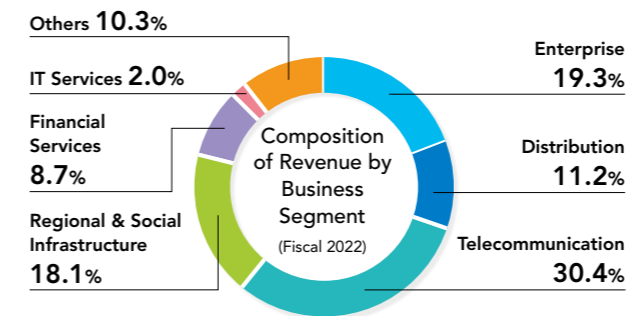
In North America, CTC not only engages in research of cutting-edge technologies, and discovers related new products, but also develops, maintains, and operates systems for financial institutions, and builds large-scale infrastructure foundations for internet service providers. To grow the SI business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

Global SI Structure in the ASEAN Region

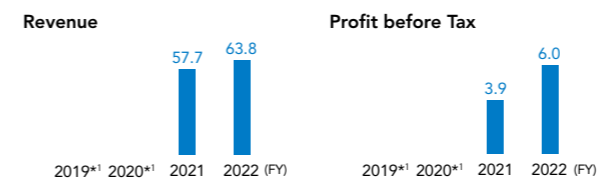
CTC GLOBAL SDN. BHD. (Malaysia)
CTC GLOBAL PTE. LTD. (Singapore)
CTC Global (Thailand) Ltd. (Thailand)
PT. Nusantara Compnet Integrator (Indonesia)
PT. Pro Sistimatika Automasi (Indonesia)

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

Business Segments At a Glance

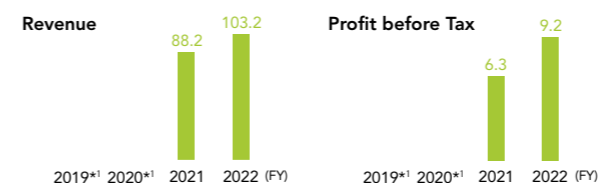


Distribution



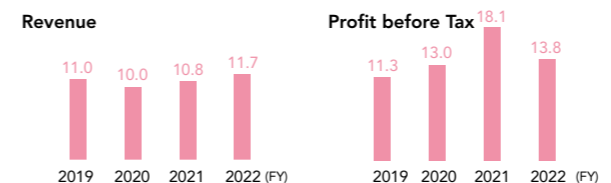
Factors Behind Changes in Fiscal 2022
Revenue rose due to an increase in development projects for distribution companies and infrastructure projects for entertainment companies

Regional & Social Infrastructure



Factors Behind Changes in Fiscal 2022
Revenue grew due to an increase in infrastructure projects for utility companies

IT Services



Factors Behind Changes in Fiscal 2022
Revenue increased but profit decreased due to the absence of one-off gains on the sale of data center assets booked last year

*1 The segment's revenue and profit before tax in fiscal 2019 and fiscal 2020 have not been included because a reorganization implemented on April 1, 2021, has made it difficult to compare fiscal 2019 and fiscal 2020 with subsequent fiscal years based on the same conditions.

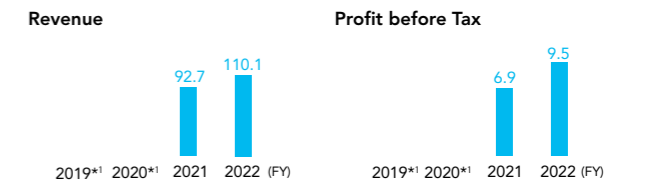
*2 The segment's revenue and profit before tax in the financial statements for the said fiscal year have been included because the effect of a reorganization implemented on April 1, 2020, was minimal.

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

- Business segments and business units comprising the segment are as of fiscal 2022.
- Revenue represents revenue from transactions with external customers.

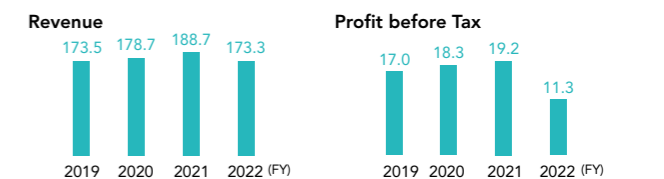
(¥ billion)

Enterprise



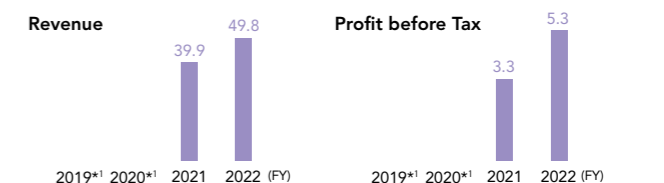
Factors Behind Changes in Fiscal 2022
Revenue grew due to improvement in business conditions at customers and an increase in digital shift projects related to DX

Telecommunication



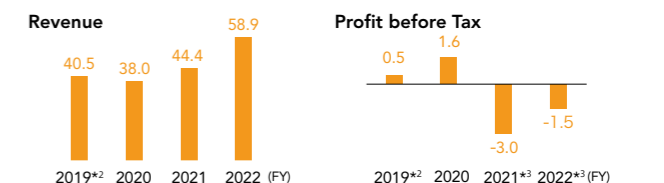
Factors Behind Changes in Fiscal 2022
Revenue fell due to a decrease in infrastructure projects for telecoms

Financial Services



Factors Behind Changes in Fiscal 2022
Revenue increased due to growth in infrastructure projects for megabanks, government-affiliated financial institutions, and cooperative financial institutions

Others



Factors Behind Changes in Fiscal 2022
Revenue rose due to higher revenue at overseas subsidiaries

Progress on Management Plan

The Medium-Term Management Plan (2021 to 2023)

Beyond the Horizons

➤ To the Future Ahead

Policies of Current Medium-Term Management Plan

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

CTC will continue to tackle the challenges to shape tomorrow.

Review of Fiscal 2022 and Future Outlook

CTC's business grew as a result of tapping into brisk DX demand by exploring the Cloud-based infrastructure business that leverages its accumulation of unique skillsets for connecting wide-ranging products and technologies, and the horizontal development of this know-how. It was a successful year with balanced growth in both new and existing businesses, as testing and proof-of-concept (PoC) projects increased for new technologies in co-creation with customers.

In fiscal 2023, we will continue to strengthen human resources and build relationships with co-creation partners as a foundation for advancing activities to accelerate customer understanding and the uptake of technologies, with the objective of developing new solutions for next-generation DX, AX, GX, and SX, as an offramp for the current medium-term management plan, while laying the foundations for the next medium-term management plan. We will also update our internal information platforms in order to more efficiently deploy capital.



Progress Toward Quantitative Targets and Financial Performance Analysis

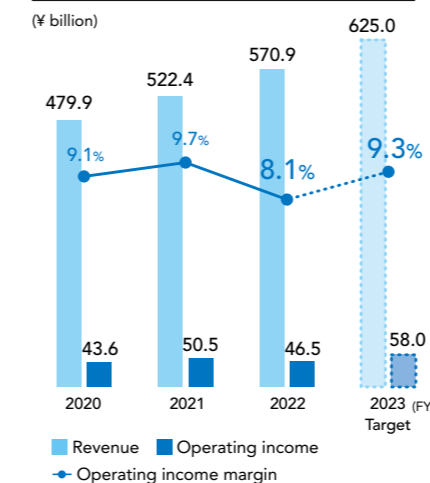
CTC's orders and revenue steadily grew as it latched onto brisk DX demand at customers. Although orders and revenue declined in the Telecommunication Group due to delays in the delivery of some products amid semiconductor shortages, overall orders and revenue expanded. Revenue, gross profit, orders received, and backlogs all reached record highs.

In fiscal 2023, CTC aims to further increase revenue by steadily transforming its large order backlog into revenue and tapping into robust DX demand. Management is committed to

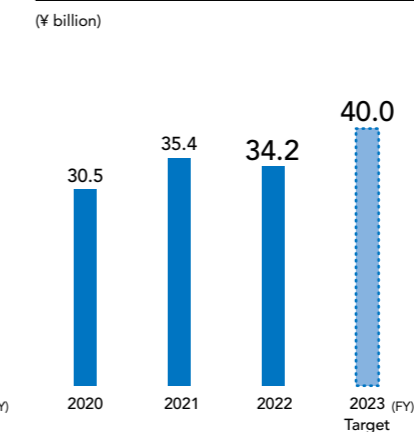
achieving its quantitative targets for fiscal 2023. To this end, CTC will continue to invest in the development of human resources and partners, while optimally allocating investments in a timely manner in measures to improve the motive force and productivity of its organization. In light of recent conditions, management lowered the target for the operating income margin in fiscal 2023, from 10%, the initial target under the medium-term management plan, to 9.3%.

Quantitative Targets for Fiscal 2023

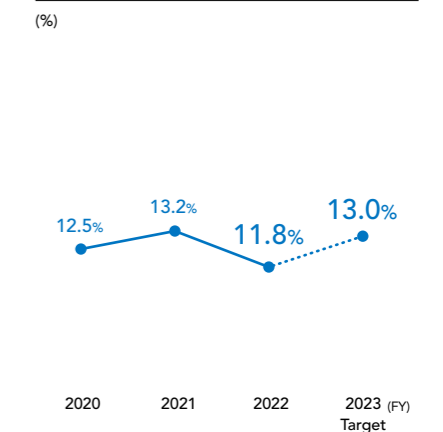
Operating income margin



Net profit attributable to CTC's shareholders



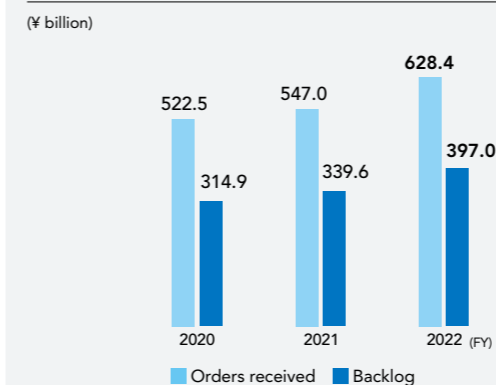
ROE*



* Net Income / Average Total Shareholders' Equity x 100

Reference

Orders received and backlog



Medium-Term Management Plan FY2023 Initial Targets

Operating income margin	10%
Net profit attributable to CTC's shareholders	¥40.0 billion
ROE	13% or above

Progress on Management Plan

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

Progress on Priority Scenarios in Fiscal 2022

In the second year of our three-year medium-term management plan, we implemented and steadily ramped up measures planned in the first year of the plan. CTC has put into place a foundation for accelerating collaboration and coordination among business groups, and for monetizing new businesses. In fiscal 2023, the final year of the medium-term management plan, CTC will further advance these initiatives with the aim of building a bridge to reach five and ten years into the future.

Accelerate Pick up Accelerating New Initiatives to Help Customers Transform with the CTC Digital Platform

Customer needs for IT over the past few years has evolved beyond its use as a means to increase business efficiency to include the deployment of offensive IT as a tool for transforming existing businesses and creating new businesses. In a world of growing uncertainty, companies are expected to address increasingly complex business challenges, and this has strengthened demand for the development of highly flexible digital platforms. Against this backdrop, the proactive use of business data has become increasingly important.

The CTC Digital Platform is responding to these needs and helping customers with their DX projects through the more effective use of their data. CTC offers Cloud services based on IT platforms that help companies manage their data centrally and share and use them among employees. CTC also offers a variety of technical support services to help customers transform their businesses with more effective data use.

To more effectively use data, it is important to obtain not only data from internal systems, but also data from sensors in manufacturing equipment and data from edge devices, such as cameras in retail stores. In fiscal 2022, CTC began to offer a PoC starter pack for edge AI solutions, which combines our digital

platform to Actcast, an edge AI platform provided by Idein Inc. By packaging together cameras and edge devices with AI-driven image analysis functions, Cloud services for collecting and managing data, and graphical dashboards, we are able to react quickly, from testing to rollout, and build PoC environments in a short time.

In fiscal 2023, CTC is keen to grow these services into a DX business for the next medium-term management plan.



Business-use case of cameras and AI-driven image analysis

Upgrade Pick up Development of Personnel with Advanced Skills

The CTC Group has established training systems and internal work environments for the betterment of its human resources, its most important capital. Since the technologies needed to solve issues faced by customers vary by customer, each business group provides employees with training on the technologies deployed to meet the needs of each customer. Employees also take companywide training to raise their basic skill levels for taking advantage of next-generation data technologies. In fiscal 2022, we implemented measures to train up AI engineers, such as giving

new employees training in AI technology.

In order to train the next generation of engineers with the composite skills needed to keep up with rapid advances in technology, it is essential that we update our education and training systems to facilitate the diverse career ambitions of our employees. We endeavor to upgrade our human resources by encouraging each employee to grow while stepping up their skills through our learning platforms, an environment that facilitates their growth toward their career goals.

Expand Pick up Sharpening Our Competitiveness by Expanding “OneCUVIC”

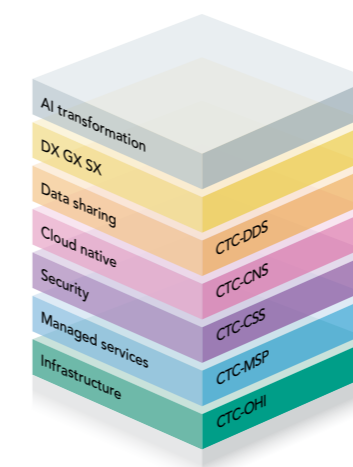
The IT environments of corporations have evolved to a hybrid Cloud environment, a mix of on-premise and Cloud-based resources. While there are positives to having a mix of on-premise and Cloud-based computing resources, managing and operating such hybrid environments can be complicated. Using disparate Cloud-based resources presents its own set of complications in terms of implementing security and managing data and costs.

The strategy behind “OneCUVIC” is to enable simple and

secure use of customers’ increasingly complex and sophisticated IT environments with more ease and rapidity as we establish long-running relationships with customers. This is an area where the CTC Group can consistently leverage its competitive edge.

In fiscal 2022, we systematically organized hybrid Cloud environments made from diverse technologies and strengthened services in each domain from a bird’s-eye view.

Hybrid Cloud Support Service “OneCUVIC”



• CTC-OHI (Open Hybrid Infrastructure)

In addition to on-premises and public Cloud offerings, we provide a comprehensive service lineup that includes network and connectivity solutions. Our lineup of major public clouds is among the best in the domestic market.

• CTC-MSP (Managed Service Platform)

We offer an expanded range of managed services, not only CTC’s original hosted private Cloud with managed services, but also major public Clouds, containers, and even applications and data. The breadth and depth of our target domains are the source of our competitive strength.

• CTC-CSS (Cybersecurity Services)

We combine a wide range of security products with professional services and CTC’s own managed security services to offer more effective cybersecurity measures. While maintaining a service level equivalent to that of dedicated security service providers our understanding of Cloud technologies and responsiveness sets us apart from rivals.

• CTC-CNS (CTC Cloud Native Service)

For customers moving to cloud-native, in addition to tools that enable Cloud-native, we offer support for environment construction, launch, and operation. Our deep understanding of both on-premise and Cloud-native solutions has enhanced customer trust in our services.

• CTC-DDS (Data-Driven Services)

Expectations for data utilization are on the rise. In a hybrid Cloud environment, data circulates between on-premise and Cloud platforms in various ways. We help customers maintain data coordination platforms that enable secure and effective data utilization.

• DX GX SX (Digital Green Sustainable Transformations)

We are improving services such as process mining that realizes DX from business process visualization, solutions that achieve GX from visualization of GHG emissions and environmental impact, as well as services that play a role in solving various social issues.

• AX (AI Transformation)

We use AI to improve service quality and productivity in each domain.

• CTC-OHCC (Open Hybrid Control Center)

We offer integrated managed services with enhanced observability.

For more information about AX and CTC-OHCC, please refer to the following

[Page 51 Initiatives in Each Business Group “IT Services Group”](#)

Fiscal 2023 Priority Measures

Accelerate

Customer operations, customer businesses, and DX in people’s daily lives Deepen understanding of customer operations, acquire technologies for developing new solutions for DX, AX, GX, and SX	Community building and expanding business co-creation Accelerate value creation activities with co-creation partners in order to address increasingly complex social issues	Providing high-value-added services and advanced technologies Incorporate digital technologies to keep pace with the speed of social change and technological innovation
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Expand

5G business expansion based on “creation” Maintain and expand existing 5G business and explore new telecommunications technology areas	Strengthening XaaS businesses Further expand revenue in XaaS-related business with “OneCUVIC”	Global expansion of domestic business models Strengthen earnings power with comprehensive Group capabilities
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Upgrade

Strengthening overall capabilities by combining individual growth and the right person in the right place Encourage the growth of diverse individuals (Wake Up!) and expand diversity as an organization.	Management infrastructure reform to adapt to changes in the environment Update structural capital and information capital through constant transformation in response to trends in business conditions	Co-existence with various stakeholders Reinforce relationship capital with internal and external stakeholders
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Progress on Management Plan

Progress on Materiality

In fiscal 2022, the second year since we updated our materiality, we reviewed our initiatives, targets, and KPIs based on validity checks, and began with designating up organizations responsible for achieving each target in our initiatives. A four-level self-evaluation was carried out to assess our progress on materiality, in addition to individual interviews and verifying the content of department reviews of the medium-term management plan.

CTC has designated up organizations in charge of achieving each materiality target, and initiatives undertaken by these organizations have resulted in overall progress on almost all of its materiality targets compared with the previous fiscal year. While we were able to confirm progress on collaborative initiatives across individual organizations in charge, we also recognize the need to better understand what needs to be achieved in the medium to long term

with an eye on the future, and the current status of those achievements.

Looking ahead, to closely align management with materiality, we will not only tightly coordinate materiality with the formulation of the next medium-term management plan, but also partially revise the evaluation system for directors and executive officers. Aiming to improve the system, we will incorporate the degree of achievement in materiality initiatives as one of our performance evaluation metrics. We will continue to promote materiality initiatives across the Group with the intention of contributing to the realization of a sustainable society through efforts aimed at solving social issues and increasing corporate value.

Evaluation criteria
 ◎: Noteworthy results
 ○: Target achieved / mostly achieved
 △: Results seen, but inadequate
 ×: No results



Solve Social Issues through IT

Material topic	Target	KPI	Fiscal 2022 Progress
Relentless pursuit of advanced technology	Provision of cutting-edge technologies*1 that contribute to the resolution of social and customer issues	Number of press releases issued and progress of measures	<ul style="list-style-type: none"> Provided advanced technologies and services, such as AI, DX, and metaverse Conducted demonstration experiments for digital verification services and MaaS, aimed at solving social issues Implemented measures to train engineers with a focus on social needs and business opportunities
Promote business co-creation with various partners	Development of co-creative businesses*2	Number of press releases issued and progress of measures	<ul style="list-style-type: none"> Co-developed and began providing services to support hybrid Cloud environments and advance DX along with various partner companies Realized joint venture agreements and entered into business tie-ups with partner companies for the co-provision of services
Provide safe and secure IT services	Provision of user-friendly and easy-to-use IT services (user interface, user experience, security, etc.)	Number of press releases issued and progress of measures	<ul style="list-style-type: none"> Offered people-friendly and easy-to-use solutions and services, such as migration consultation desks using the metaverse and IoT camera solutions Formulated and disclosed Ethical Principles for Artificial Intelligence as part of our corporate stance on pursuing safe and secure IT services
	Improvement of Companywide project quality, operational quality, and service quality	Progress of measures and results of customer satisfaction surveys	<ul style="list-style-type: none"> Increased the frequency of customer surveys related to quality and conducted customer satisfaction surveys in a more timely manner. Implemented improvement measures based on the survey results Customer satisfaction survey results showed a year-on-year improvement
	Support stable and reliable go live and operation of customer systems	Progress of measures and number of serious system failures*3 attributable to CTC	<ul style="list-style-type: none"> Supported stable operation and management of customers' systems through the expansion of hybrid Cloud support, security monitoring services, and the launch of integrated managed services Continued to have zero serious system failures originating from within the Company since fiscal 2021

Notes:

*1 Advanced products and services for which uptake and use cases have been rare in Japan

*2 Collaboration with customers and partners on equal terms to create new products, services, and platforms

*3 System failures that might have a significant impact on future business activities due to administrative or criminal penalties, claims for damages, litigation, or reputational harm

For more information about materiality, please visit the materiality (material topics) section of our corporate website

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

Cultivate Human Capital to Support the Future



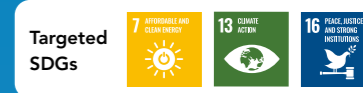
Material topic	Target	KPI	Fiscal 2022 Progress
Develop various professionals	Job rotations that contribute to career development	Progress of measures	○ Expanded in-house job posting system and created Talent Management System to facilitate career formation
	Development of programs to accelerate the cultivation of human resources with DX	Progress of measures	◎ Planned and implemented training programs for personnel with advanced skills and specializations in order to answer diverse customer needs related to DX
Foster a culture of mutual respect and growth	Holding of seminars and provision of information based on the Basic Policy on Diversity	Progress of measures	○ Established the Diversity Committee (an advisory body to the Board of Directors), continued to implement measures aimed at empowering women in the workplace, and held seminars about diversity
	Improvement of employee engagement	Progress of measures	◎ Introduced new ways of working and personnel systems that help employees take on challenges and fulfill their potential
Contribute to education of human capital that creates the future	Coordination with outside partners to train IT personnel	Progress of measures	◎ Collaborated on education for the next generation with Kamiyama Marugoto College of Design, Technology, and Entrepreneurship and Kidzania, among others. Also exchanged personnel with prefectural governments and universities
	Expansion of support for the ITOCHU Techno-Solutions Future Foundation	Growth of financial contribution and progress of measures	○ Increased donations by 36% year on year to support initiatives
	Continuation of the Children's Technology Challenge IT workshop classes*4	Number of workshops	○ Held new workshops for children of employees on nine occasions

*4 Programming classes for elementary school students

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

[P.25 Human Resources Strategies: Detailed Report:](#)
<https://www.ctc-g.co.jp/en/company/ir/library/annual/index.html>

Implement Responsible Corporate Activities



Material topic	Target	KPI	Fiscal 2022 Progress
Strengthen effective governance	Improvement of the effectiveness of corporate governance	Results of effectiveness analysis and evaluations	○ Continued to improve effectiveness and evaluations found the Board has been appropriately operating since fiscal 2021
	Oversight of and support for domestic and overseas consolidated subsidiaries	Progress of measures	○ Supported M&A / commercialization investigation projects, reviewed investments
Contribute to address climate change	Climate change countermeasures (identification of and response to climate change-related risks and opportunities)	Progress of measures	○ Endorsed TCFD recommendations. Created 2050 CTC Group Environmental Declaration with new targets for reducing GHG emissions
Practice responsible behavior by each individual	Engagement with employees (town-hall meetings, etc.)	Number of engagement activities	○ Continued to hold town-hall meetings as a venue for managers and employees to have dialogues. Launched NEXT CTC Project to think about the future of the CTC Group. Held SDGs seminars presented by external lecturers
	Conducting of Companywide training (to improve understanding and awareness on compliance, information management, and the environment)	Training participation rates	○ Achieved a 100% participation rate for Companywide training
	Implementation of new initiatives to improve employee awareness	Progress of measures	○ Carried out initiatives related to 50th anniversary of founding

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

[P.65 Environmental Initiatives "Climate Change Countermeasures" and the "Response to climate change" page of our corporate website:](#)
<https://www.ctc-g.co.jp/en/company/sustainability/environment/climate-change.html>

Foundation for Continuously Taking on Challenges and Sustainable Growth

Environmental Initiatives

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

Environmental Activities Policy

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

1 Solution of Environmental Issues Faced by Customers

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

2 Reduction of Environmental Footprint in Business Processes

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

3 Compliance with Relevant Laws, Regulations, Etc.

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

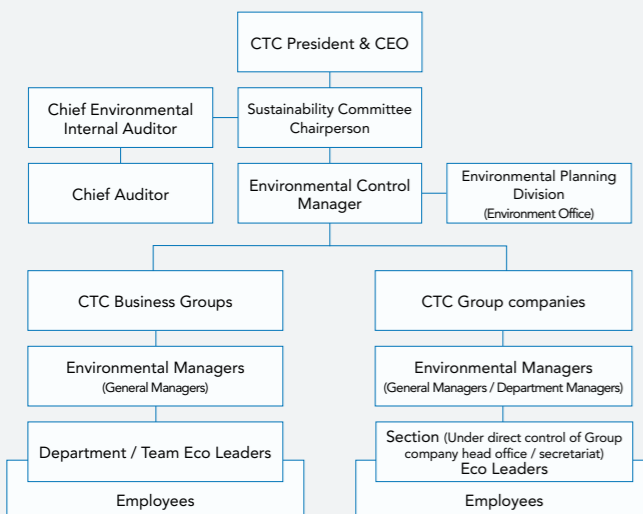
4 Enhancement of Environmental Awareness

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

Environmental Management Structure

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

The officer responsible for sustainability-related matters is the Chairperson of the Sustainability Committee. The Chairperson, along with the Environmental Managers and Eco Leaders of respective organizations, play a central role in advancing environmental improvement activities across the entire Group. Domestic Group companies (excluding affiliates) have obtained ISO 14001 certification.



Environmental Education

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

Environmental Conservation Activities

The CTC Group supports the preservation of the environment and biodiversity. Such support includes donations to initiatives whose aims the Group endorses. Examples of such initiatives are Biodiversity Conservation projects by WWF Japan (as of July 2023); the Keidanren Nature Conservation Fund; the Morino Project, which seeks to preserve natural capital by cultivating forests that protect people from disasters; and more trees, an organization for preserving forests by forming connections between forests and cities.

For more information about our other activities and environmental initiatives, please refer to: <https://www.ctc-g.co.jp/en/company/sustainability/environment/>

Climate Change Countermeasures



The impacts of climate change, such as adverse weather events, have been growing ever more serious in recent years, directing increasingly more attention toward the role of IT as a tool for mitigating the gravest threats to the global environment. "Contribute to address climate change" has been designated as one of the CTC Group's materiality (material issues). Moreover, in April 2022, we expressed support for the Task Force on Climate-related Financial Disclosures (TCFD). CTC will properly disclose information based on the TCFD recommendations.

Governance Structure

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

Major Items Deliberated

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

Risk Management

Through the sustainability promotion system, we clarify, identify, and assess climate change risks (assess the level of their impacts by using various parameters based on multiple future forecast scenarios) based on Companywide risk control methodologies and the TCFD framework. We then draw up countermeasures to these risks. The Board of Directors supervises the management of climate change and other important Companywide risks.

Metrics and Targets

In 2022, CTC incorporated its environmental targets into the 2050 CTC Group Environmental Declaration with the aim of contributing more to countering global warming. The entire CTC Group falls within the scope of our efforts to reduce GHG emissions. As short-term targets for Scope 1, 2, and 3*1 emissions, by fiscal 2030, we aim to reduce Scope 1 and 2 emissions by 50%, and Scope 3 emissions by 22.5% compared with the fiscal 2021 level. Our

long-term targets entail net zero emissions in Scope 1 and 2 by fiscal 2040, and net zero Scope 3 emissions by fiscal 2050.

In line with its mission of "Leveraging IT's potential to change future for the Global Good," CTC has designated "Contribute to address climate change" as one of its materiality issues, and is keen to continue contributing to countermeasures for global warming.

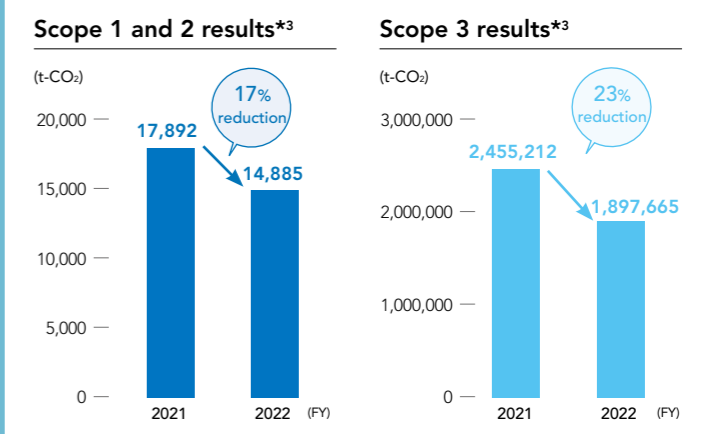
2050 CTC Group Environmental Declaration

Scope 1+2*1

Fiscal 2030 50% reduction (vs. fiscal 2021)
Fiscal 2040 Net zero emissions*2

Scope 3*1

Fiscal 2030 22.5% reduction (vs. fiscal 2021)
Fiscal 2050 Net zero emissions*2



*1 Scope 1: Greenhouse gases emitted directly by the reporting company itself (fuel combustion and industrial processes)
Scope 2: Indirect emissions resulting from the use of electric power, heat, and steam supplied by other companies
Scope 3: Indirect greenhouse gas emissions which do not fall under Scope 1 or 2 (emissions of other companies associated with the activities of the reporting company)
*2 Net zero: Reducing total Scope 1, 2 and 3 emissions by 90% or more and neutralizing the remaining emissions by investing in absorption, storage, etc. (complies with the SBT Initiative's net zero standard)
*3 In order to enhance credibility, data for Scope 1, 2, and 3 emissions in fiscal 2021 and fiscal 2022 has received third-party verification by Socotec Certification Japan

Foundation for Continuously Taking on Challenges and Sustainable Growth

Environmental Initiatives

Scenarios and Strategies

CTC has analyzed the potential impacts of climate change on its business activities and revenue, covering its entire supply chain. These analyses used scenarios that projected rises in average global temperatures of 1.5°C and 4°C above preindustrial levels. Based on these scenario analyses, the Company quantitatively and qualitatively assessed the financial impacts of the opportunities and risks identified leading up to 2030 and 2050. The scenarios CTC referenced are the Intergovernmental Panel on Climate Change's (IPCC) RCP8.5 / RCP2.6 scenarios, and

the International Energy Agency's (IEA) STEPS/NZE2050 scenarios.

A summary of the results of this analysis and the CTC Group's main policies targeting climate change are as follows.

We position climate change countermeasures as opportunities for growth, and we are actively expanding our GX business to contribute to a decarbonized society as a way to address social issues and achieve sustainable growth.

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

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

*1 "Short term" means up to five years from now. "Medium term" means within six to ten years. "Long term" means eleven or more years later.

*2 Financial impacts: small: less than ¥300 million, medium: ¥300 million to less than ¥2 billion, large: more than ¥2 billion

Initiatives to Address Risks Related to Climate Change

CTC has endorsed of the TCFD recommendations and is committed to proactively disclosing information across various media. In fiscal 2022, we formulated the 2050 CTC Group Environmental Declaration, which sets higher targets for GHG emission reductions and broadens the scope of these targets to include the entire CTC Group.

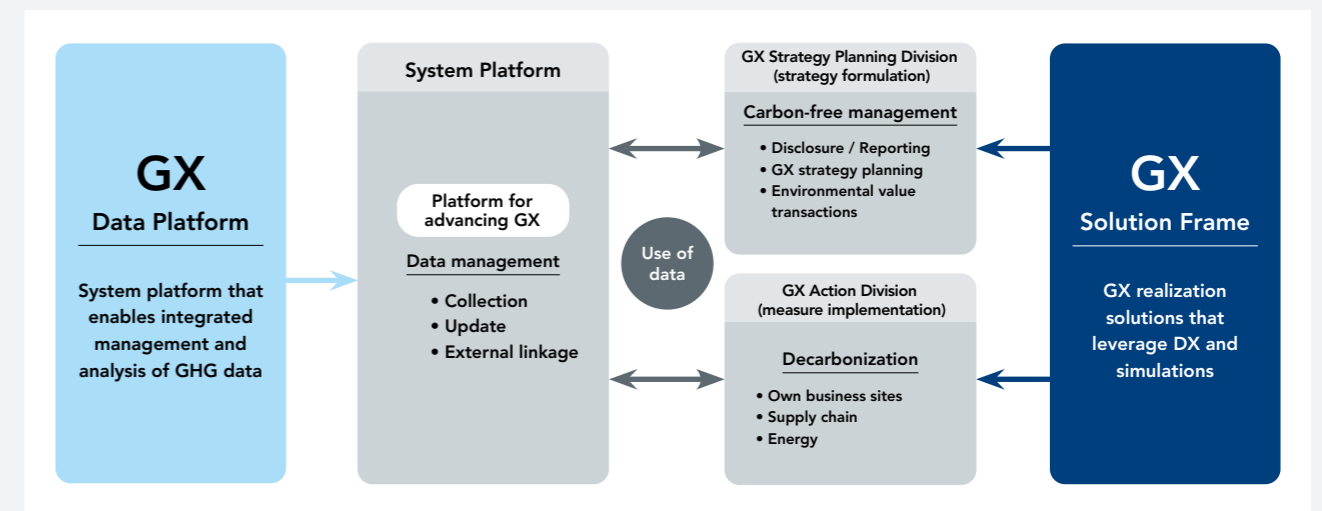
In November 2022, CTC submitted a commitment letter to the Science Based Targets (SBT) Initiative, which certifies GHG emission reduction targets that align with the scientific requirements of the Paris Agreement, and declared its intention to obtain SBT certification within two years of from the date of submission.

Initiatives to Address Opportunities Related to Climate Change

CTC aims to contribute to a carbon-neutral society by utilizing its strengths in digital technology (IT x simulation) in areas such as GHG visualization, promotion of clean energy, and supply chain transformation, not only to advance our customers' GX initiatives but also to contribute to GX business in collaboration with various partners.

In fiscal 2022, the Company began offering the GX Solution Frame for translating initiatives into GHG emissions reductions, and the GX Data Platform for managing data essential for GX, systematizing the solutions and services that it had previously provided separately to support companies' GX initiatives.

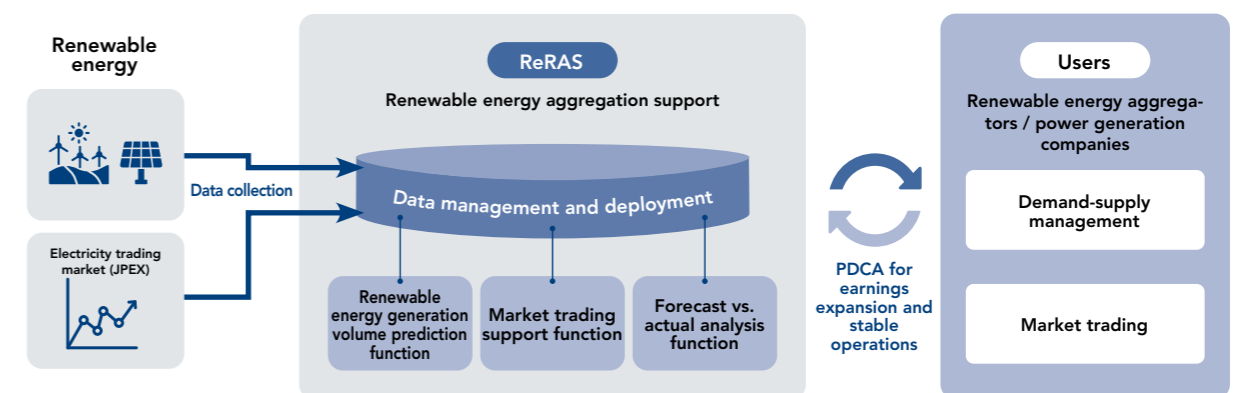
GX Service Structure



Example of GX Solution:

Development of Cloud-Based Platform ReRAS to Support Predictions of Renewable Energy Generation and Supply-Demand Management

ReRAS (Renewable Resource Aggregation System) is a Cloud-based service that predicts renewable energy generation and supports demand-supply management and electricity trading for aggregators that bundle together and resell electricity and for power generation companies. Backed by its technical expertise in renewable energy, the Company has built a power generation prediction model using machine learning, trained on actual and forecast data for solar and wind power plants, as well as weather forecast data. This model provides power generation forecasts suitable for electricity trading schedules. By accumulating and analyzing daily electricity trading information based on forecast data, we support the management of variable risks in renewable energy while moving through a PDCA cycle for the aggregation business.



Foundation for Continuously Taking on Challenges and Sustainable Growth

Risk Management

To deal with various risks including the material risks listed below, the Group created the Risk Management Committee and oversight division to take a comprehensive approach to risks that should be managed on a Groupwide basis, resulting in a risk management system capable of responding to future changes in the operating environment and contingency circumstances by establishing management systems and rules, assessing effectiveness (monitoring), and recommending corrective measures.

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

Ensuring Rigorous Information Security

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

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

Against this backdrop, the CTC Group has developed an information security and personal information protection management system in compliance with ISO/IEC 27001 (JIS Q 27001) and Privacy Mark (JIS Q 15001) that incorporates the National Institute of Standards and Technology (NIST) framework to respond to the latest cyber security issues, and is responsible for conducting the following operations on an annual basis:

- Implementing management reviews
- Establishing information security objectives
- Conducting information asset and system risk assessments
- Conducting education and awareness activities related to information security and personal information protection
- Confirming the information security management status of outsourcing contractors
- Confirming management system compliance through internal audits and third-party organizations

As a countermeasure against the increase in cybersecurity risk in recent years, we have established the CTC-SIRT* to promote the following operations:

- 24/7 monitoring against cyberattacks on internal systems by CTC-SOC
- Vulnerability scanning of division-managed Internet-connected network devices
- Vulnerability diagnosis of various websites and web services that are open to the public
- Drills for targeted e-mail attacks and BCP

We have obtained ISO/IEC 27017 (JIS Q 27017) certification for CUVICmc2, a Cloud service specializing in mission-critical systems, and TechnoCUVIC, a virtualized hosting service, and have developed security operation services such as CTC-MDR and CTC-SOC to promote the creation of services that allow customers to continue their business with peace of mind.

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

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

For more information about our information security efforts, please visit our corporate website.

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

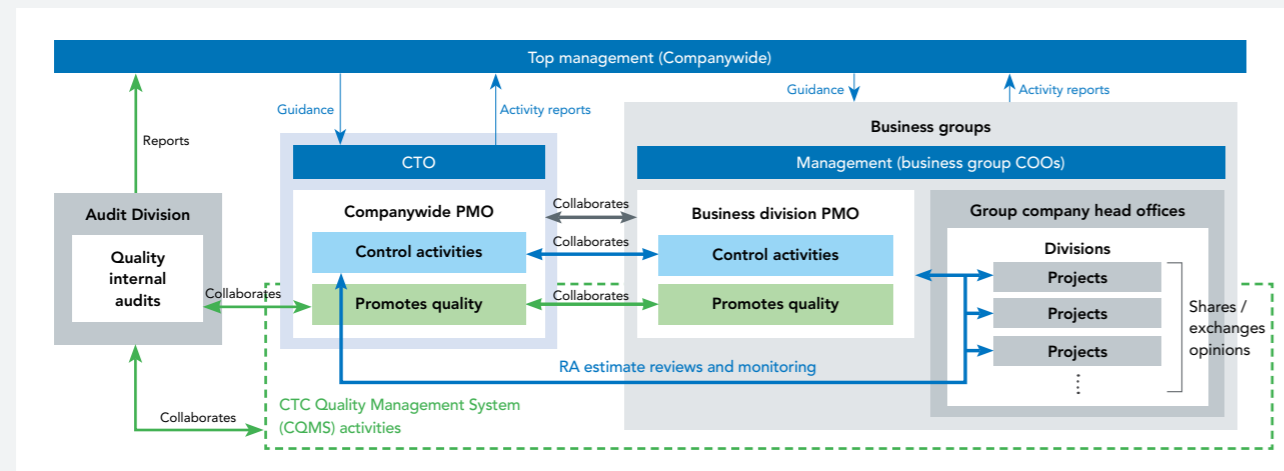
Risks	Summary of Risks That Could Negatively Impact Earnings	Risk Treatment Measures
3 Compliance Risk	<ul style="list-style-type: none"> Risk of a decline in the Group's social credibility or deterioration in the Group's earnings due to the infringement of laws and regulations related to the development of business activities, or engagement in fraudulent activities and other serious compliance violations 	<ul style="list-style-type: none"> We are implementing the following measures to ensure compliance: <ul style="list-style-type: none"> Building a robust compliance system (setting up the Compliance Committee, etc.) Compliance education and training, etc. Operating, maintaining, and improving our whistleblowing system
4 Human Resources Risk	<ul style="list-style-type: none"> Risk of personnel departures or a decline in productivity due to failure to secure and train personnel with high technical skills and expertise as planned, loss of growth opportunities, or a deterioration in the labor environment, affecting the Group's earnings and business development 	<ul style="list-style-type: none"> With "Challenge and growth" as our personnel strategy policy, we engage in human resource management with the aims of improving employee motivation, encouraging self-growth, and further fostering a culture of human resource development. We are implementing measures including the following: <ul style="list-style-type: none"> Training and developing diverse professional human resources Establishing a system that gives employees a sense of self-growth and enables them to realize their full potential (career development support system, internal job application system, multiple career path system, etc.) Promoting diversity, equity, and inclusion Establishing a diverse and flexible working environment (promoting expanded work options, including workhours and location, under the slogan "Upgrade the CTC Workstyle") <p>P.25 Human Resources Strategies</p>
5 Project Management Risk	<ul style="list-style-type: none"> Risk of unexpected additional costs incurred if planned results and quality cannot be delivered as customer needs, such as DX, have become more diverse and complex. In addition, risk of loss of customer confidence and claims for damage due to delivery delay and poor quality stemming from the above causes 	<ul style="list-style-type: none"> We set up the Project Management Office as a third-party entity and Companywide organization, and instituted project control departments in each business group. We also implement control and support systems including the following to avoid the risk of being unable to complete a critical system integration project on schedule: <ul style="list-style-type: none"> Making preliminary examinations before submitting quotes Monitoring and evaluating the project status Providing individualized support and offering ideas for improvement according to the project status (quality evaluations, etc.) <p>P.71 Risk Treatment Related to Project Management</p>
6 System Failure Risk	<ul style="list-style-type: none"> Risk of a confidence decline and claims for damages in the event that a customer's business activities are affected by failures due to equipment failure or operational errors in our operation services, in a situation where IT systems play an important role as social infrastructure 	<ul style="list-style-type: none"> We are implementing the following measures: <ul style="list-style-type: none"> Regular operational risk assessments Stepping up IT system monitoring and third-party auditing of operational status Investigating and responding quickly to product defect information, and conducting preventive replacement of equipment Acting to improve work quality, including preventing operational mistakes (zero human error activities, rigorous pre-work risk prediction meetings, etc.)
7 Investment Risk	<ul style="list-style-type: none"> Risk of failure to achieve expected returns resulting in an inability to recover strategic investments in companies in Japan and elsewhere, data centers, or Cloud services for the purpose of launching new businesses, expanding operations, or boosting competitiveness caused by changes in the market environment, and deterioration in revenues of investment target companies, resulting in a partial or total loss of said investment, or the need for additional funding 	<ul style="list-style-type: none"> We carefully consider investment returns and risks in advance and are implementing control activities including the following: <ul style="list-style-type: none"> Building an investment management system (developing internal standards for investments and exit criteria, pre-screening before making investments, etc.) Regular monitoring (verifying the achievement status of investment objectives, conflicts with exit criteria, etc.) In addition to the implementation of control activities by major consolidated subsidiaries, we also engage in the following: <ul style="list-style-type: none"> Thoroughly raising awareness of the CTC Group Philosophy and CTC Group Code of Conduct Dispatching of CTC managers and other staff to consolidated subsidiaries Ensuring governance through shareholder agreements
8 Exchange Rate Risk	<ul style="list-style-type: none"> Risk of a profitability decline when transactions are conducted in foreign currencies for products and services procured from overseas markets, and cost increases from a sudden change in foreign exchange rates or weakening yen over the medium term that cannot be passed on to customers 	<ul style="list-style-type: none"> Utilizing foreign exchange contracts and foreign currency deposits according to specific transaction types
9 Risk of Large-Scale Disasters	<ul style="list-style-type: none"> Risk of damage to facilities and infrastructure or injuries due to large-scale natural disasters such as earthquakes and terrorist attacks, as well as infectious diseases, such as COVID-19, resulting in a threat to business continuity 	<ul style="list-style-type: none"> To prepare for contingency circumstances, we are implementing the following measures: <ul style="list-style-type: none"> Formulating a business continuity plan (BCP) Creating a safety confirmation system Establishing an emergency response headquarters and crisis management headquarters, and strengthening disaster prevention drills, etc. Maintaining a head office function backup system in the Kansai region in preparation for a potential disaster in the Tokyo metropolitan area
10 Product and Service Procurement and Supply Risk	<ul style="list-style-type: none"> Risk of negative impacts on the CTC Group business performance due to a supply suspension of products and services to customers for the following reasons and other factors: suspension of product or service supply due to business plan changes or business condition deterioration of suppliers, shortages or production delays of semiconductors and other products due to supply chain disruption from pandemics, wars, terrorism, and other global events 	<ul style="list-style-type: none"> To prevent delays in deliveries and optimize supply chains, we are leveraging CTC's strengths of our multi-vendor strategy and full-stack IT technologies to implement measures including the following: <ul style="list-style-type: none"> Optimizing product and service provision based on relations of trust with major domestic and overseas vendors Forming relationships with multiple vendors to prevent a dependence on specific vendors Sharing accurate information with customers and proposing ideal response measures

Foundation for Continuously Taking on Challenges and Sustainable Growth

Risk Management

Risk Treatment Related to Project Management

Top management, the Companywide PMO, and business division PMO each work and collaborate from their respective roles and perspectives to reduce project-related risks. To enhance Companywide management and support, in fiscal 2021, the Companywide PMO was placed under the control of the CTO, and we have begun to strengthen the strategic foundation of our organization. Starting with control activities to complete projects as planned, we will promote quality enhancements in the systems we provide along with strategic indicators to further raise the level of service and business quality throughout the Company.



Main Functions of the Companywide PMO

Control activities	Project control activities Enhances project and operational governance and controls, contributes to reducing risks and promotes sound project activities.	Management foundation creation and operation Presides over PJNAVI project management system CITRUS disability issue management system Quality results database
Promotes quality	Quality promotion activities Promotes proactive activities in each division through continuous improvements to the CTC Quality Management System (CQMS), data accumulation, and knowledge sharing.	
Strengthens relationships and shares information	Promotes collaborations with partners Promotes the development of systems and rules and the building of relationships to promote the cultivation and retention of quality partners and human resources.	

Oversight Activities

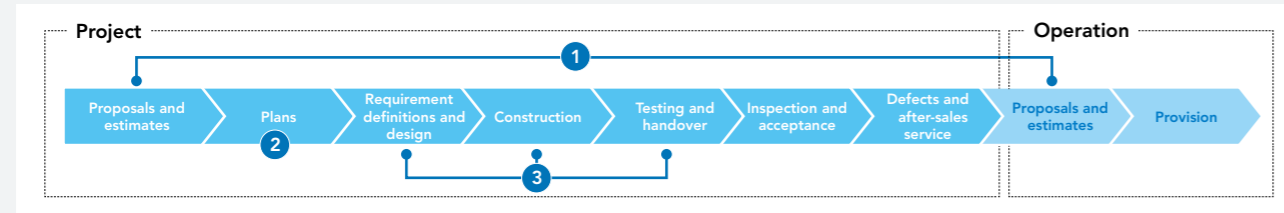
Project Oversight Activities

Reviews and monitoring are conducted in each process, from proposals to implementation and operations. Business division PMOs review projects in each division under their jurisdiction, and Companywide PMOs review projects deemed to have a particularly large impact mainly on management. Additionally, the Companywide PMO, as a third-party organization within CTC, reviews the status of projects during the estimate and planning stages, as well as while projects are being implemented, to confirm the status of the project and whether business division PMO project oversight activities are functioning properly.

Further, as business risks change in response to changes in the business environment, the Companywide PMO occasionally reviews and designs the functions of oversight activity rules.

Main Activities

- 1 RA reviews: Conducted before estimates are submitted**
Reviews details pertaining to proposals, estimated manhour calculation methods, work schedules, risk countermeasures, and other items, to determine the appropriateness of estimate details.
- 2 Planning reviews: Conducted when work begins**
Confirms project plan viability and quality management adequacy.
- 3 Project monitoring: In principle, once a month**
Confirms project implementation and management status from a third-party perspective to detect signs of problems at an early stage. Business division PMO and Companywide PMO reports project status to management.



Promoting Quality

In response to an external environment with increasingly sophisticated needs and technologies, the Group views quality management as an important business foundation. Aiming to prevent failures and errors while increasing frontline productivity

and providing higher quality IT services with Group strengths in digital technologies and waza (unique skillset), we will transform risks into opportunities and continuously support the vigorous taking on of challenges on the frontline.

Companywide Quality Policy

We Support Customer's DX by Upgrading IT into Takumi-no-Waza (Craftmanship)

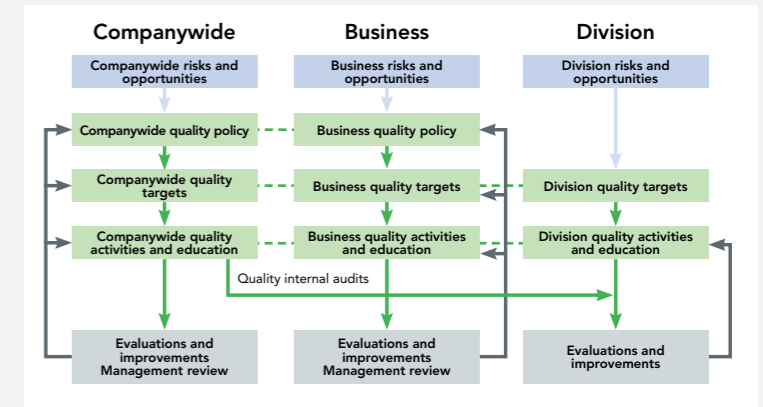
1. Do we fully understand customer needs and do our actions, structures, quality, and craftsmanship sufficiently address these needs?
2. Are we delivering value that surpasses customer expectations?

Hisashi Eda Senior Managing Executive Officer, CTO

Promoting Quality Activities

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

To improve quality, CTC is taking steps to prevent similar problems from recurring in project activities and operational services by setting targets and implementing PDCA review and improvement activities at three levels: Companywide, business, and division, while enhancing quality education through the provision of seminars and self-study content.



Strengthening Relationships and Sharing Information

Promoting Partner Collaborations

CTC has identified alliance partners and strengthens its relationship with them to continue retaining outstanding IT talent.

Alliance partners are those who support the core business of each business group as project outsourcers, and those with whom we aim to create future business, with both agreeing to proactively cooperate with prioritizing the securing personnel

for the Group and efforts to improve quality.

At present, alliance partners comprise approximately 50% of order placements, and we promote enhanced relationships with outstanding partners by disclosing partner information within the Company and promptly sharing project information, as well as closely coordinating information including the development of rules and education content.

Management Infrastructure Construction and Operation

CTC is engaged in the creation and operation of various management foundations supporting project oversight activities and the promotion of quality.

In terms of project oversight activities, we operate the PJNAVI project management system for the early detection of problems and issues in system development and infrastructure construction projects. We use Earned Value Management (EVM) to quantitatively ascertain and monitor as needed the progress of everything from sales activities to defects and support the

development of a recovery plan in the event problems occur.

To promote quality, we created and operate a data base to accumulate project quality performance data that can be utilized for estimates, formulating work plans, and evaluating the quality of subsequent projects. We also operate the CITRUS disability issue management system to share knowledge for the purpose of preventing recurrence and preventing barrier problems.

Corporate Governance

Directors and Audit & Supervisory Board Members As of June 16, 2023



Ichiro Tsuge

President & CEO



Mamoru Seki

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

Hiroshi Takada

Audit & Supervisory Board Member



Yasuyuki Harada

Audit & Supervisory Board Member*2



Toshiaki Tada

Audit & Supervisory Board Member*2



Katsuhiko Hara

Audit & Supervisory Board Member*2



Naoko Iwasaki

Director*1



Aya Motomura

Director*1



Yasuhiro Ikeda

Director*1



Yumiko Nagai

Director*1



Hiroshi Kajiwara

Director

Skill Matrix of Outside Directors and Outside Audit & Supervisory Board Members As of September 1, 2023

Name	Position	Age*	Gender	Term of office (years)	Skills / experience						
					Corporate management	Finance / accounting	Legal affairs and risk management	Global	Industry knowledge	ESG	HR management*3
Directors											
Ichiro Tsuge	President & CEO	65	Male	3	○			○			
Mamoru Seki	Director & Managing Executive Officer	62	Male	2		○	○	○			
Naoko Iwasaki	Outside Director	48	Female	4				○	○		
Aya Motomura	Outside Director	44	Female	4		○	○				
Yasuhiro Ikeda	Outside Director	67	Male	1	○						○
Yumiko Nagai	Outside Director	64	Female	1						○	○
Hiroshi Kajiwara	Director	56	Male	3	○			○	○		
Audit & Supervisory Board Members											
Hiroshi Takada	Audit & Supervisory Board Member	65	Male	7	○	○			○		
Yasuyuki Harada	Outside Audit & Supervisory Board Member	64	Male	4	○			○			
Toshiaki Tada	Outside Audit & Supervisory Board Member	55	Male	11			○				
Katsuhiko Hara	Outside Audit & Supervisory Board Member	68	Male	4		○		○			

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

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

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

*3 HR Management: Human Resources Management

Foundation for Continuously Taking on Challenges and Sustainable Growth

Corporate Governance

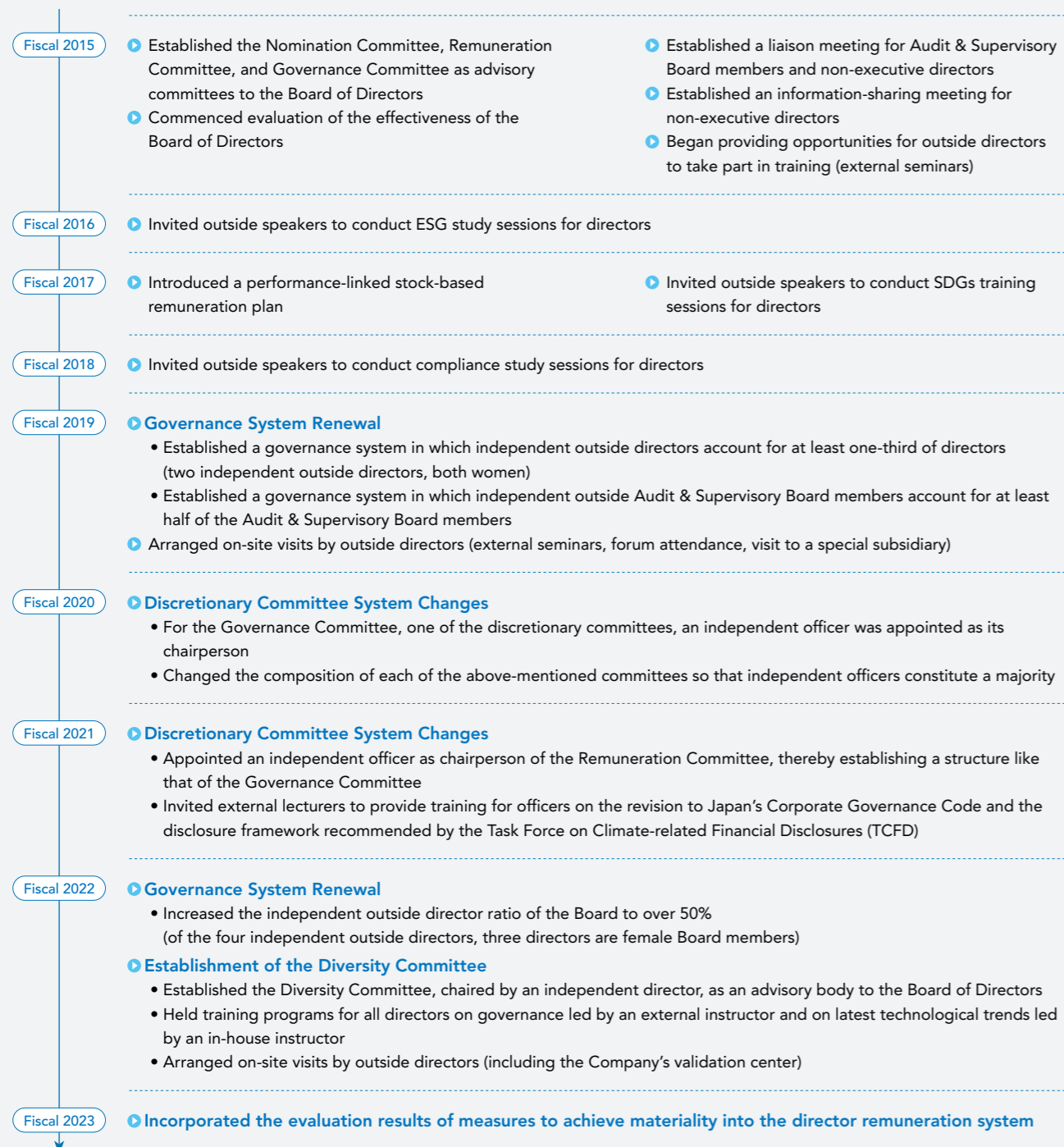
Overview of the Corporate Governance System

Basic Stance on Corporate Governance

Guided by the slogan, "Challenging Tomorrow's Changes," and the CTC Group Philosophy, which sets out our mission of "Leveraging IT's potential to change future for the Global Good," we are working to reinforce

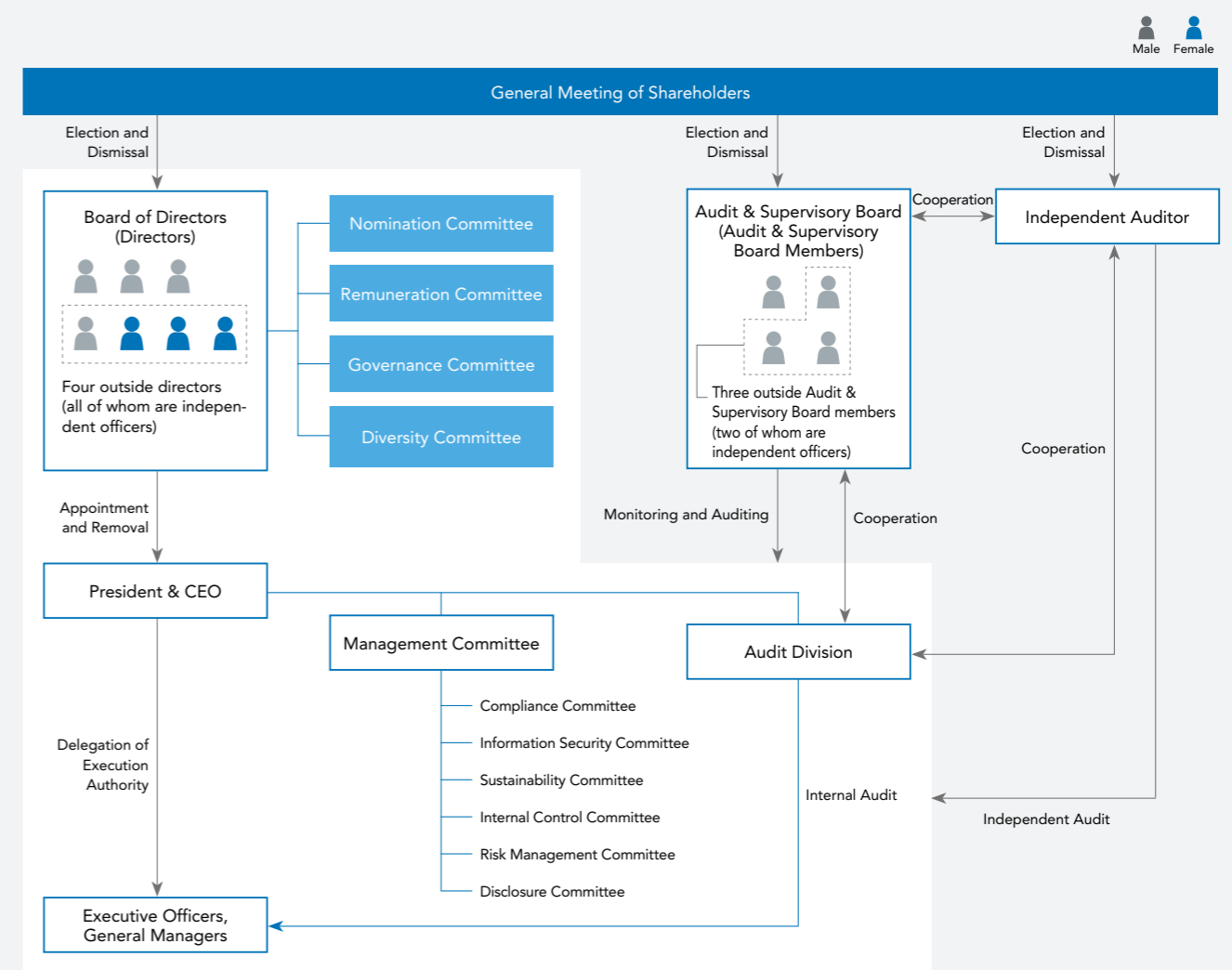
corporate governance in order to enhance management transparency and fairness as part of our efforts to maximize the Group's corporate value.

Governance-Strengthening Efforts to Date From Fiscal 2015 to Fiscal 2023



Overview of the Corporate Governance System

Organization type	Company with corporate Audit & Supervisory Board members (Audit & Supervisory Board)
Chairperson of the Board of Directors	President & CEO
Number of directors (of which, outside directors)	7 (4)
Number of Audit & Supervisory Board members (of which, outside Audit & Supervisory Board members)	4 (3)
Executive officer system	Adopted
Existence of discretionary advisory bodies to the Board of Directors	Yes (Nomination Committee, Remuneration Committee, Governance Committee, Diversity Committee)



Composition of the Board of Directors and Audit & Supervisory Board in Fiscal 2023

As of June 30, 2023, the Company had seven directors, of whom four fulfilled the requirements for designation as independent directors stipulated by the Tokyo Stock Exchange, Inc. Among the independent outside directors designated as independent directors are an academic expert, a lawyer, an individual with expertise in human resource management and ESG, and an individual with corporate management experience at other companies.

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

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

Foundation for Continuously Taking on Challenges and Sustainable Growth

Corporate Governance

Reasons for Selecting the Current Corporate Governance System

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

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

Outside Director and Audit & Supervisory Board Member Nominations

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

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

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

Members of Discretionary Committees for Fiscal 2023

Name	Position	Independent officer	Nomination Committee	Remuneration Committee	Governance Committee	Diversity Committee
Ichiro Tsuge	President & CEO		◎			
Mamoru Seki	Director & Managing Executive Officer CFO; CCO; COO, Corporate Administration Group			○	○	
Naoko Iwasaki	Outside Director	●	○	◎	○	○
Aya Motomura	Outside Director	●	○	○	○	○
Yasuhiro Ikeda	Outside Director	●	○	○	○	
Yumiko Nagai	Outside Director	●	○	○	○	◎
Hiroshi Kajiwara	Director		○	○	○	
Hiroshi Takada	Audit & Supervisory Board Member					
Yasuyuki Harada	Outside Audit & Supervisory Board Member					
Toshiaki Tada	Outside Audit & Supervisory Board Member	●	○		◎	
Katsuhiko Hara	Outside Audit & Supervisory Board Member	●		○		

◎ Chair ○ Member

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

To ensure that directors and Audit & Supervisory Board members can fully perform their management supervision and auditing functions, CTC has set up an information-sharing meeting for non-executive directors and a liaison meeting between Audit & Supervisory Board members and non-executive directors. In addition to distributing materials and providing explanations as necessary before Board meetings, we share major discussion results at the Management Committee meetings and information based on requests from outside officers. In these ways, we

aim to enhance the discussions at the Board of Directors' meetings while ensuring collaboration between Audit & Supervisory Board members and non-executive directors.

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

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

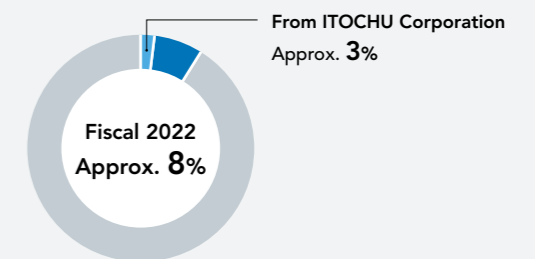
CTC is a consolidated subsidiary of its parent company ITOCHU Corporation, which holds 61.26% of CTC's voting rights. CTC aims to increase Groupwide corporate value by leveraging its strengths and the strengths of its parent company in the information industry.

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

When conducting business transactions with ITOCHU Corporation, CTC establishes transaction conditions fairly and

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

Ratio of Revenue from Members of the ITOCHU Group



Strategic Shareholdings

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

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

to maintain these holdings based on the qualitative and quantitative investment criteria set forth in the Company's investment management regulations. In principle, the Company will reduce such holding if a stock issuer is found to meet our predetermined exit criteria.

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

Investment Criteria

Quantitative Criteria Return on investment \geq Expected rate of return

Qualitative Criteria

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

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

- Investment in development / technology partners

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

- Investment in suppliers

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

- Investment in startup companies

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

Exit Criteria

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

Foundation for Continuously Taking on Challenges and Sustainable Growth

Corporate Governance

Director Remuneration

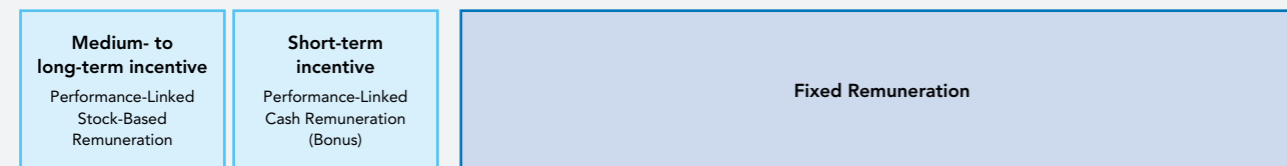
Director Remuneration and Calculation Method

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

The amount of Audit & Supervisory Board member remuneration is determined for each Audit & Supervisory Board

member based on a discussion among Audit & Supervisory Board members. Audit & Supervisory Board members and part-time directors, including outside directors, are not paid bonus and performance-linked stock-based remuneration.

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



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

Total Remuneration

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

(¥ million)

Performance Indicator Used	Fiscal 2022 Target	Fiscal 2022 Result
Net profit attributable to CTC's shareholders	38,000	34,208

Individual Remuneration

- Total remuneration is apportioned to directors, etc., based on performance evaluations for duties performed individually during the relevant fiscal year and is the total of performance-linked individual bonuses and performance-linked stock-based remuneration. Individual performance-linked bonuses and performance-linked stock-based remuneration amounts are determined by multiplying this total by the proportional division ratio.
- Measures taken to achieve materiality (key issues to be addressed by the Company over the long term in relation to social issues) will be incorporated into performance evaluations from fiscal 2023 from the perspectives of ESG and the SDGs.

Position	Bonus	Performance-Linked Stock-Based Remuneration
Chairman, president & CEO	70%	30%
Executive vice president	80%	20%
Senior managing executive officer, managing executive officer	85%	15%
Executive officer	90%	10%

Calculation Method of Fixed Remuneration

Calculated by using the predetermined remuneration table for each position based on consideration of responsibilities and evaluations of the conduct and performance of each individual. The total amount to be paid is decided by the Board of Directors and the President & CEO determines the amount to be paid to each individual.

Total Amount of Remuneration by Segment, by Type, and Number of Officers Receiving

Segment	Total amount of remuneration (¥ million)	Total amount of remuneration by type (¥ million)			Number of officers receiving*
		Fixed remuneration	Performance-Linked Remuneration	Performance-linked stock-based remuneration	
Directors					
Directors (excluding outside directors)	160	103	52	6	4
Outside directors	42	42	—	—	4
Total	202	145	52	6	8
Audit & Supervisory Board Members					
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board members)	26	26	—	—	1
Outside Directors and Audit & Supervisory Board Members	45	45	—	—	3
Total	70	70	—	—	4

* Directors (excluding outside directors) above include a director Hisashi Eda who resigned as of the end of the 43rd Ordinary General Meeting of Shareholders, held June 16, 2022.

Message from an Outside Director

I will promote discussions from multiple perspectives to establish a more appropriate remuneration system.

As an outside director, I have been serving as the chairperson of the Remuneration Committee since 2021. The rapid pace of ESG investments around the world is creating a need for management strategies that focus on the areas of the environment, society, and governance.

With revisions to the Corporate Governance Code, we see companies evolving in regard to the executive remuneration system in order to create new corporate value over the medium to long term. One such measure is the emphasis on reflecting non-financial indicators in the remuneration system, in addition to the disclosure of existing performance indicators.

According to one survey of the 500 companies with the highest market capitalization listed on the Prime Market of the Tokyo Stock Exchange, the number of companies that have adopted or are planning to adopt ESG and other non-financial performance indicators as part of their performance indicators for executive remuneration in 2022 almost tripled in the three years since 2019, which is a clear indication that more and more companies are adopting such indicators.

In light of these trends, I believe we as outside directors have a significant role to play in establishing a better remuneration system, clarifying the evaluation criteria, and disclosing indicators while setting goals that entail contributions from each organization and officer, such as deploying measures for achieving KPIs in key measures and developing diverse highly proficient personnel. I will continue to fulfill my mission as the chairperson of the Remuneration Committee, with the aim of achieving greater objectivity, fairness, and transparency.



Naoko Iwasaki

Independent Outside Director

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

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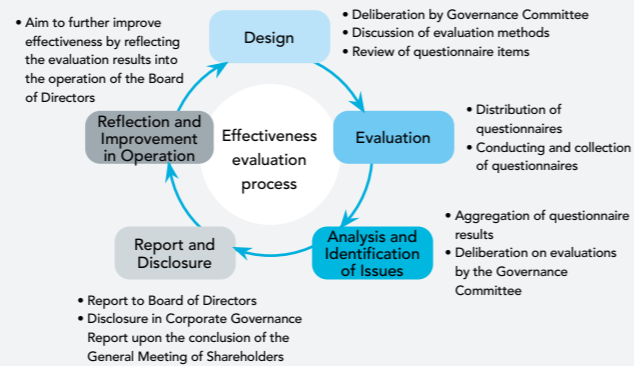
Corporate Governance

Future Initiatives to Improve Board Effectiveness

Process for Evaluating the Effectiveness of the Board of Directors

In order to make the Board of Directors' meetings a forum for discussion from a longer-term and strategic perspective, the Company evaluates the effectiveness of the Board of Directors on an annual basis and uses these meetings as an opportunity for further improvement, implementing a cycle of design, evaluation, analysis and identification of issues, reporting and disclosure, and improvement and reflection in operations. By repeating this cycle, we strive to continuously improve the effectiveness of the Board of Directors.

In order to elicit candid opinions, all directors and Audit & Supervisory Board members conduct self-assessments, and the results of the assessments are submitted to the Governance Committee for deliberation. Based on such analysis and evaluation, we use this process to encourage the Board to take a longer-term and more strategic perspective in discussions.



Results of the Evaluation of Board of Directors Effectiveness

Overview of the Results of Analysis and Evaluation of Board of Directors Effectiveness

In order to analyze and evaluate the effectiveness of the Board of Directors, a questionnaire on the operation of the Board of Directors was conducted with all directors and Audit & Supervisory Board members and thereby obtain their various opinions.

The evaluation of effectiveness was conducted for the six categories below in regard to the status of participation in management strategy decision-making; the status of monitoring of management strategies; the appropriateness of the content of

agenda items and the number of agenda items; matters related to the operations of the Board of Directors, including the status of deliberation of proposals; matters related to the number and diversity of directors and the composition of the Board of Directors based on consistency with business strategy; the status of monitoring the execution of duties by directors; and the status of deliberations by the Nominating Committee, Compensation Committee, and Governance Committee, which are discretionary committees, as well as the composition of each committee. The aggregate results were discussed by the Governance Committee and reported to the Board of Directors.

1. Composition of the Board of Directors

- With the addition of new outside directors, the Board of Directors is appropriately balanced in terms of size, gender, experience, and areas of expertise.

2. Roles and qualifications of directors

- The Board of Directors has members who are qualified to fulfill its intended roles and functions.
- Issues are analyzed and raised from a variety of angles based on the wide-ranging expertise of each Board member.

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

- The execution of duties by directors is monitored appropriately.
- Opportunities for sharing feedback gained from investors and information on the expectations directed toward CTC and its industry have been provided, and there are expectations for continuation of such information sharing.
- Further discussions and exchange of opinions are desired in regard to sustainability and medium- to long-term management strategies in order to achieve sustainable growth and medium- to long-term improvements in corporate value.

4. Operation of the Board of Directors

- The operation of and discussions at meetings of the Board of Directors have been judged to be satisfactory in general.
- Maintain an open atmosphere that encourages members to freely explain, ask, respond, and discuss.
- To further invigorate discussions at the Board of Directors' meetings, it would be effective to provide a forum for exchanging opinions not only among the Board of Directors but also with executive officers and employees.

5. Composition and operation of discretionary committees

- Discretionary committees are composed primarily of independent officers, making for an environment in which it is easy to voice opinions.
- Need to devise ways to report and share information in order to further improve information exchanges between committees and the Board of Directors.

6. Comprehensive evaluation

- Based on the results of the annual effectiveness evaluation questionnaire, improvements are being made to the operation and the effectiveness of the Board of Directors.

Future Initiatives Based on Evaluation Results

Based on the above analysis and evaluation, it has been deemed that improvements are continuously being made to the effectiveness of the Board of Directors according to the annual evaluation results. However, measures will be taken to further improve effectiveness in order to provide a forum for discussion from a longer-term and strategic perspective.

Messages from Outside Directors



Aya Motomura

Independent Outside Director

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

I will continue to promote discussions and monitor management by focusing on the important themes for CTC's sustainable growth.

In light of the global environmental issues, human rights and inequality issues, the shrinking working population, and a variety of other social issues taking place around the world, the needs and expectations for IT continue to increase as industries seek to transform. In order for CTC to grow sustainably in this rapidly changing society, it is essential that we play a leading role in accurately identifying and assessing the issues of society and customers and provide advice and help resolve them in a timely manner. From this perspective, the Board of Directors has been discussing issues that CTC must address. Among the various topics of discussion, one of the most important issues from a management capital aspect is the development of diverse human resources who can take on challenges. In this past year, the Company focused on various measures to develop highly skilled technical personnel and upgrade the skills of its engineers and has implemented strategies to organically grow its digital technology and waza (unique skillset). In addition to reforming the human resources system to remain in step with changing times, the Diversity Committee, which includes outside directors, has been established to actively promote discussions on diversity, equity, and inclusion (DE&I).

From a management foundation point of view, in addition to CTC's response to drastic changes in the financial environment, such as the recent depreciation of the Japanese yen and increases in interest rates, and supply chain issues, strategies related to climate change, human rights, and other sustainability-related issues as well as risk management are among the important matters to be addressed. We will promote discussions and monitoring at the Board of Directors' meetings to ensure the continuous implementation of a PDCA cycle.

I fulfill my role as outside director to ensure that CTC continues to benefit society.

A year has passed since I became an outside director at CTC. Although I already had a general idea of the CTC Group prior to my appointment through information disclosures, this past year has renewed my understanding in several areas. The first is the number of clients it does business with and the breadth of the industries it serves. The value it provides extends to customers in all types of industries and business categories. The second is that even in the IT industry, which is considered to be at the forefront of the times, the source of our vitality and our differentiation from competitors is our people. While all companies aim to resolve social issues and contribute to society through their business, their business activities themselves can also have a negative impact in terms of creating social issues.

In this environment, what customers in all industries are relying on as a way to reduce these negative factors and develop activities that contribute to the realization of the SDGs is DX, GX, and other IT-based transformations, which are raising the expectations for CTC even higher. What will underpin CTC in meeting these expectations is none other than its employees who think independently, grow autonomously, and pursue new challenges. For that reason, CTC is promoting measures to maximize the individual strengths of its employees. As an independent outside director, I recognize that my role is to monitor management from an independent standpoint as well as from the perspective of management, with the aim of enhancing corporate value over the long term. I hope I can play a prominent role in this regard.



Yasuhiro Ikeda

Independent Outside Director

- Apr. 1979 Joined Nippon Reizo Inc. (current Nichirei Corporation)
- Jun. 2011 Representative Director, President and Executive Officer, Nichirei Foods Inc. Director, Executive Officer, Nichirei Corporation, and Director, Nichirei Fresh Inc.
- Apr. 2017 Director, Chairman, Nichirei Foods Inc.
- Jun. 2021 Counselor, Nichirei Foods Inc. (current position)
- Jun. 2022 Director, ITOCHU Techno-Solutions Corporation (current position)
- Feb. 2023 Director, Lacto Japan Co., Ltd. (current position)

Foundation for Continuously Taking on Challenges and Sustainable Growth

Corporate Governance

Key Activities in Fiscal 2022

▶ Board of Directors' Meeting

Number of times held: 19

Attendance rate of outside directors: 100%

Attendance rate of outside Audit & Supervisory Board members: 98%

Major Items Deliberated

Items Related to Management Strategies

- Management plan
- Matters related to financial statements and reports
- Matters related to capital policies
- Materiality-related measures and targets
- Matters related to climate change
- Matters related to investments
- Reports of business execution and other matters, etc.

Items Related to Governance

- Matters related to the General Meeting of Shareholders
- Matters related to internal controls
- Matters related to human resources
- Internal audit plan and reporting of results thereof
- Status of risk management and compliance measures and other matters, etc.

▶ Audit & Supervisory Board Meeting

Number of times held: 11

Attendance rate of outside directors: 100%

▶ Nomination Committee

Number of times held: 2

Major Items Deliberated

Deliberation on proposals for the selection and rejection of candidates for executive officers, directors, and Audit & Supervisory Board members

- Proposal of candidates for executive officer for fiscal 2023
- Proposal of candidates for Audit & Supervisory Board members (annual general meeting of shareholders held in June 2023)
- Reasons for the selection of director and Audit & Supervisory Board member candidates and expected roles thereof, etc.

▶ Remuneration Committee

Number of times held: 1

Major Items Deliberated

Deliberations on Officer Remuneration Amounts and System

- Review of officer compensation levels based on a survey of officer compensation by a third-party institution
- Inclusion of non-financial performance indicators (materiality) in officer remuneration system

▶ Governance Committee

Number of times held: 3

Major Items Deliberated

Deliberation on the Following Governance-Related Items

- Response to the Revised Corporate Governance Code
- Policy concerning Board of Directors' composition
- Analysis and evaluation of Board of Directors' effectiveness
- Deliberations on disclosures
- Officer-related systems

▶ Diversity Committee

Number of times held: 1

Major Items Deliberated

Deliberations on Diversity-Related Matters

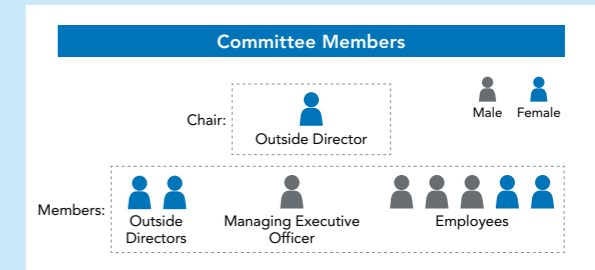
- Comprehensive view of the Company's diversity promotion goals (analysis of current situation and perspective on issues)

TOPIC

Establishment of New Advisory Body: the Diversity Committee

In January 2023, the Diversity Committee was established as an advisory body to the Board of Directors.

The Company is working to create an environment and systems that enable diverse employees to make the most of their personality in improving its human capital and intends to discuss and address the obstacles to this end as a management issue. The outside directors involved are expected to promote internal reforms based on the recommendations they provide from an expert perspective.



Messages from Outside Directors



Yumiko Nagai

Independent Outside Director

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

Establishment of New Advisory Body: the Diversity Committee

I serve as the chairperson of the Diversity Committee, which was established in January 2023 as a discretionary advisory body to the Board of Directors. Consisting of nine members, including three outside directors and six internal officers and employees, the Diversity Committee was formed to deliberate on management issues and measures related to diversity promotion.

Since the establishment of an organization dedicated to diversity promotion in 2006, CTC has actively promoted various initiatives, including the creation of a comfortable workplace environment and the adoption of human resources policies and training programs, and the systems and mechanisms are now fully in place. The Basic Policy on Diversity was formulated in 2020, and progress is steadily being made in developing female managers in line with the Company's action plans. However, the number of male employees taking long-term childcare leave, for example, is still low, and I believe that the next step is to establish diversity as part of the organizational culture.

In line with various data analyses and the activities of other companies, members of the Diversity Committee with diverse backgrounds and expertise share their experiences and knowledge and learn together while strengthening discussions on realistic and effective measures that look ahead to the future.

By continuing to promote diversity management, we aim to not only help address society's needs for diversity, but also help create an organizational climate in which diverse human resources can realize their full potential to increase CTC's corporate value through the creation of innovation.

Foundation for Continuously Taking on Challenges and Sustainable Growth

Corporate Governance

Communication with Stakeholders

At CTC, we strengthen awareness of the values and strategies we create by promoting two-way dialogue with various stakeholders, including investors and shareholders, customers and vendors, local communities, and employees, in

addition to providing information, while incorporating the feedback we receive from our internal and external stakeholders into our day-to-day business activities.

Communication with Institutional Investors and Analysts

In addition to quarterly financial results briefings, we also hold small meetings for institutional investors and analysts to explain the strategies of each business group and one-on-one meetings with our top management. We also hold

technical study sessions on a regular basis and, in fiscal 2022, these study sessions were held based on themes of GX, security, and telecommunications.

For Institutional Investors and Analysts

▶ Meetings with Institutional Investors and Analysts
Number of Participants: **541**

▶ Major Events

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

▶ General Meeting of Shareholders

Date: Friday, June 16, 2023
Number of shareholders who attended: 59
Ratio of voting rights exercised: 90.9%



Technical study session on telecommunication



The 44th General Meeting of Shareholders



Small meeting

Logistics Center Facility Tour

In December 2022, a facility tour of the CTC's Heiwajima distribution center was conducted for analysts and institutional investors who wished to visit. This facility not only supports the Group's logistics activities but also features a dedicated area for the verification of local 5G technology. Our telecom engineers also took part in the tour, actively exchanging views with the participants.

Going forward, we will continue to provide opportunities for dialogue through a variety of formats to strengthen understanding of our innovative efforts.



TOPIC

Communication with Employees

We hold town hall meetings to deepen employees' understanding of our business and management through direct dialogue between the Company's management and employees. These town hall meetings have been held a total of 12 times since fiscal 2021, when this initiative was launched.

A variety of topics were covered, including an introduction to the activities of each business group and company, explanations of our initiatives to develop the next generation of human resources, and an introduction to the NEXT CTC Project, which looks ahead to our next 10 to 30 years.

Going forward, we will continue to hold town hall meetings regularly to deepen each employee's understanding of the CTC Group and improve employee engagement.



Communication with Local Communities

As a part of our efforts to "Contribute to the education of human capital that creates the future," we hold programming classes for children—the Children's Technology Challenge IT workshop classes—. These workshop classes include a visiting lecture for fifth and sixth grade elementary school students, titled "Let's try! IT engineer" in which children learn computational thinking. Through these and other efforts, we continue to contribute to the development of those who will shape the future of our society through the use of IT.

These classes have been held a total of 80 times on 39 separate occasions from fiscal 2018 to fiscal 2022, with a total of 2,192 children attending.

In addition to contributing to the education of human capital that creates the future, we continue to foster communication with schools and children through the classroom to gain a better understanding of the role of IT going forward.



Communication with Customers

In November 2022, CTC Forum 2022 was held in a hybrid format, allowing participants to attend the event both on-site and online. In addition to case studies presented by customers, CTC and partner companies presented and exhibited solutions to the business- and system-related issues faced by customers, serving as a venue for discovering insights into business growth.

The event was a tremendous success, as we obtained sponsorships from 52 partner companies and over 1,000 customers attended over the course of six days.



On-site venue



On-site venue



Online venue

Corporate and Other Information

Financial Highlights

	FY2013	FY2014	FY2015
Operating Results			
Revenue	350.6	381.9	391.6
Cost of Sales	(266.9)	(290.7)	(300.1)
Gross Profit	83.7	91.3	91.5
(Gross Profit Margin)	23.9%	23.9%	23.4%
Other Income and Expenses	(59.9)	(61.9)	(63.6)
Operating Income	23.8	29.3	27.9
(Operating Income Margin)	6.8%	7.7%	7.1%
EBITDA*1	31.4	37.5	36.4
Net Profit Attributable to CTC's Shareholders	14.2	17.4	18.0
Orders Received	369.1	388.1	398.3
Backlog	195.5	201.6	208.3
(Backlog Turnover Ratio)*2	63.1%	65.4%	65.3%
Financial Position at End of Fiscal Year			
Total Assets	282.7	302.7	307.9
Total Shareholders' Equity	163.0	168.9	179.3
Cash Flows			
Cash Flows from Operating Activities	6.4	25.8	21.9
Cash Flows from Investing Activities	(8.0)	(17.3)	(18.2)
Cash Flows from Financing Activities	(9.5)	(13.6)	(8.4)
Cash and Cash Equivalents at End of the Year	55.1	50.1	44.9
Capital Investment	7.0	8.0	11.1
Depreciation and Amortization	7.6	8.2	8.4
Financial Index / Indicators (%)			
ROE*3	8.9	10.5	10.4
ROA*4	5.1	5.9	5.9
Ratio of Shareholders' Equity to Total Assets	57.7	55.8	58.2
Dividend Payout Ratio	45.8	40.3	44.9
Per Share Data (yen)*5			
Net Profit Attributable to CTC's Shareholders	60	74	78
Shareholders' Equity	692	730	775
Dividend	27.50	30.00	35.00
Per Capita Data (¥ million)*6			
Revenue	45	49	49
Operating Income	3.1	3.7	3.5

*1 EBITDA = Operating Income + Depreciation and Amortization

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

*3 ROE = Net Profit Attributable to CTC's Shareholders / Average Total Shareholders' Equity (which is based on total shareholders' equity at the beginning and end of the year) x 100

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

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

*6 Figures are calculated on March 31.

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

	FY2016	FY2017	FY2018	FY2019*7	FY2020	FY2021	FY2022
(¥ billion)							
	407.8	429.6	452.0	487.0	479.9	522.4	570.9
	(311.1)	(328.0)	(344.2)	(369.0)	(358.4)	(387.7)	(431.9)
	96.7	101.6	107.7	118.1	121.5	134.7	139.1
	23.7%	23.6%	23.8%	24.2%	25.3%	25.8%	24.4%
	(65.6)	(69.0)	(71.8)	(76.4)	(77.8)	(84.2)	(92.6)
	31.1	32.6	35.9	41.7	43.6	50.5	46.5
	7.6%	7.6%	7.9%	8.6%	9.1%	9.7%	8.1%
	39.6	41.4	44.7	57.9	63.3	68.9	62.1
	21.9	23.6	24.6	28.5	30.5	35.4	34.2
	437.6	435.2	470.2	490.7	522.5	547.0	628.4
	238.1	243.7	262.9	272.3	314.9	339.6	397.0
	63.1%	63.8%	63.3%	64.6%	60.4%	60.6%	59.0%
	333.1	353.9	378.9	438.8	462.7	507.7	528.0
	192.2	206.6	220.7	231.7	254.8	281.1	298.7
	25.2	11.0	20.6	50.1	37.3	36.1	31.8
	(14.2)	(2.3)	(3.2)	(17.2)	(10.1)	3.5	(5.9)
	(7.8)	(6.0)	(9.5)	(17.1)	(21.1)	(27.4)	(27.9)
	48.2	51.0	58.8	74.6	80.9	94.1	92.5
	10.7	5.2	7.2	16.2	14.6	44.1	10.5
	8.4	8.8	8.8	16.2	19.7	18.4	15.6
	11.8	11.8	11.5	12.6	12.5	13.2	11.8
	6.8	6.9	6.7	6.8	6.8	7.3	6.6
	57.7	58.4	58.2	52.8	55.1	55.4	56.6
	42.3	44.1	46.9	47.1	48.5	55.5	54.7
	95	102	107	123	132	153	148
	831	894	955	1,003	1,103	1,217	1,292
	40.00	45.00	50.00	58.00	64.00	85.00	81.00
	50	53	54	55	53	56	59
	3.8	4.0	4.3	4.7	4.8	5.4	4.8

Corporate and Other Information

Non-Financial Highlights

Human Resources-Related Data

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

Basic Data (Consolidated)

		Unit	FY2019	FY2020	FY2021	FY2022
Employees	Total	People	8,808	9,050	9,291	9,665
Gender	Men	People	7,317	7,436	7,530	7,748
	Women	People	1,491	1,614	1,761	1,917

Basic Data (Non-Consolidated)

		Unit	FY2019	FY2020	FY2021	FY2022
Employees	Total	People	4,276	4,451	4,597	4,784
Gender	Men	People	3,569	3,684	3,773	3,888
	Women	People	707	767	824	896
Age	Under 30	People	708	807	888	980
	30-39	People	1,117	1,107	1,095	1,118
	40-49	People	1,641	1,665	1,665	1,661
	50-59	People	760	829	897	971
	Over 60	People	50	43	52	54
Turnover*1	Men	People	140	70	106	100
	Women	People	12	12	28	27
	Total	People	152	82	134	127
Turnover rate*1	Men	%	3.8	1.9	2.7	2.5
	Women	%	1.6	1.5	3.2	2.9
	Total	%	3.4	1.8	2.8	2.6
Average years worked	Men	Year	13.6	13.7	13.8	13.8
	Women	Year	12.6	12.4	12.2	11.9
	Total	Year	13.5	13.4	13.5	13.5
Wage difference between genders*2	All employees	%	—	—	—	78.3
	Permanent employees	%	—	—	—	78.8
	Contract employees	%	—	—	—	73.0

Diversity (Non-Consolidated)

		Unit	FY2019	FY2020	FY2021	FY2022
Number of new graduates hired	Men	People	96	101	97	100
	Women	People	58	61	59	61
	Total	People	154	162	156	161
Number of mid-career hires		People	162	156	155	207
Retiree reemployment rate		%	70.5	90.1	81.4	74.1
Managers (female)*1	Number	People	69	70	80	83
	Percentage	%	5.7	5.6	6.0	5.9
Percentage of disabled employees*3		%	2.5	2.5	2.4	2.3

Work Style (Non-Consolidated)

		Unit	FY2019	FY2020	FY2021	FY2022
Average annual leave uptake rate		%	72.6	61.0	64.2	70.7
Annual average number of holidays taken		Days	13.9	11.7	12.3	13.5
Average monthly overtime hours per employee		Hours	13	16	13	12
Childcare leave system users*4	Men	People	55	49	58	95
	Women	People	31	23	26	20
	Total	People	86	72	84	115
Childcare leave uptake rate (male)*4		%	42.0	35.8	46.8	65.5
Rate of return from childcare leave		%	100.0	98.8	99.0	100.0
Reduced working hours system users		People	99	93	72	70
Nursing care holiday system users		People	200	144	147	101

		Unit	FY2019	FY2020	FY2021	FY2022
Nursing care leave system users		People	1	0	0	0
Time off for caregiver system users		People	44	35	33	34
Volunteer leave*5 number of employees		People	74	3	10	12
Disaster support volunteer special leave*6 number of employees*7		People	23	0	0	0
Users of disaster support volunteer activity cost subsidies*7		People	77	0	0	5
Morning work*8	Annual total	People	2,941	3,080	3,135	3,356
	Monthly average	People	1,325	1,519	1,709	1,835
Staggered work*9	Annual total	People	1,515	1,916	1,638	1,658
	Monthly average	People	497	846	780	775
Hourly paid leave*10	Annual total	People	1,453	1,357	845	969
	Monthly average	People	425	327	228	266

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

*2 The ratio of average annual wages of women to average annual wages of men is calculated in accordance with the regulations under the Act on the Promotion of Women's Active Engagement in Professional Life.

*3 Figures include special subsidiaries and companies considered part of the Group.

*4 Figures have been calculated based on the number of users of childcare leave in accordance with regulations under the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members.

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

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

*7 Due to the COVID-19 pandemic, the disaster support volunteer special leave has not been used since fiscal 2020 while the disaster support volunteer activity cost subsidies programs were not used in fiscal 2020 and fiscal 2021.

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

*9 This system allows employees to work full-time while selecting their daily starting times from a period between 5:00 a.m. and 11:30 a.m.

*10 This system allows employees to take five days (40 hours) of annual paid leave in hourly units.

Human Resource Development (Non-Consolidated)

		Unit	FY2019	FY2020	FY2021	FY2022
Number of training participants		People	129,882	135,889	98,252	108,375
Average hours of training per person		Hours	54	60	56	65

Security / Compliance (Consolidated)

		Unit	FY2019	FY2020	FY2021	FY2022
Number of serious security incidents		Cases	0	0	0	0
Number of serious compliance violations		Cases	0	0	0	0
Number of serious environmental law violations		Cases	0	0	0	0

Greenhouse Gas Emissions (Consolidated)*1

		Unit	FY2019	FY2020	FY2021	FY2022
Scope 1*2		t-CO ₂	—	—	262	345
Scope 2*3		t-CO ₂	—	—	17,630	14,540
Scope 1+2		t-CO ₂	—	—	17,892	14,885
Scope 3*4		t-CO ₂	—	—	2,455,212	1,897,665

*1 The scope of coverage was changed from CTC parent to consolidated in fiscal 2021. Moreover, in order to improve the reliability of this value, a third-party guarantee was obtained from SOCOTEC Certification Japan

*2 Scope1: Direct greenhouse gas (GHG) emissions from company-owned or -controlled sources (fuel combustion, industrial processes)

*3 Scope2: Indirect emissions from electricity, steam, and heating supplied by other companies

*4 Scope3: Indirect emissions other than Scope 1 and Scope 2 (emissions from other companies related to our activities)

Quality (Non-Consolidated)

		Unit	FY2019	FY2020	FY2021	FY2022
Customer evaluation of system quality*		%	89	91	92	89

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

Corporate and Other Information

Management Team As of June 16, 2023

Directors

Ichiro Tsuge

President & CEO

Mamoru Seki

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

Naoko Iwasaki*1

Director

Aya Motomura*1

Director

Yasuhiro Ikeda*1

Director

Yumiko Nagai*1

Director

Hiroshi Kajiwara

Director

Audit & Supervisory Board Members

Hiroshi Takada

Audit & Supervisory Board Member

Yasuyuki Harada*2

Audit & Supervisory Board Member

Toshiaki Tada*2

Audit & Supervisory Board Member

Katsuhiko Hara*2

Audit & Supervisory Board Member

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

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

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

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

Executive Officers

Hisashi Eda

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

Yasuhiko Terada

Senior Managing Executive Officer
COO, Telecommunication Group

Eiji Haraguchi

Senior Managing Executive Officer
COO, IT Services Group
CMSO

Takanori Minatohara

Senior Managing Executive Officer
COO, Enterprise Group
CPMO

Toshiyuki Awai

Managing Executive Officer
COO, Financial Services Group

Junji Hirooka

Managing Executive Officer
President & CEO, CTC SYSTEM MANAGEMENT CORPORATION

Hirohito Ohashi

Managing Executive Officer
COO, Regional & Social Infrastructure Group

Nagaki Fujioka

Managing Executive Officer
COO, Business Innovation & Digital Transformation Group and R&D in North America

Hiroshi Torigoe

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

Shinichi Hirayama

Managing Executive Officer
CAO
COO, Corporate Planning Group

Kiyoshi Imagawa

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

Seiji Nagamatsu

Executive Officer
General Manager, Corporate IT Systems Division, IT Strategy Group

Tatsuya Matsumaru

Executive Officer
President & CEO, CTC TECHNOLOGY CORPORATION

Yoshinori Yoshida

Executive Officer
Deputy COO, Financial Services Group

Hisashi Sawanobori

Executive Officer
General Manager, Enterprise Division No. 1

Katsuya Kami

Executive Officer
General Manager, Telecommunication Division No. 3

Kinya Matsuda

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

Toshihiro Nakaya

Executive Officer
General Manager, Telecommunication Division No. 1

Kazuhiko Nagao

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

Noboru Ueda

Executive Officer
General Manager, Chubu Region
General Manager, Automotive Industry Sales Division

Keiichi Ozawa

Executive Officer
General Manager, Financial Services Sales Division

Tamotsu Oda

Executive Officer
General Manager, Mobile & Services Division

Manabu Igarashi

Executive Officer
CDO, CIO

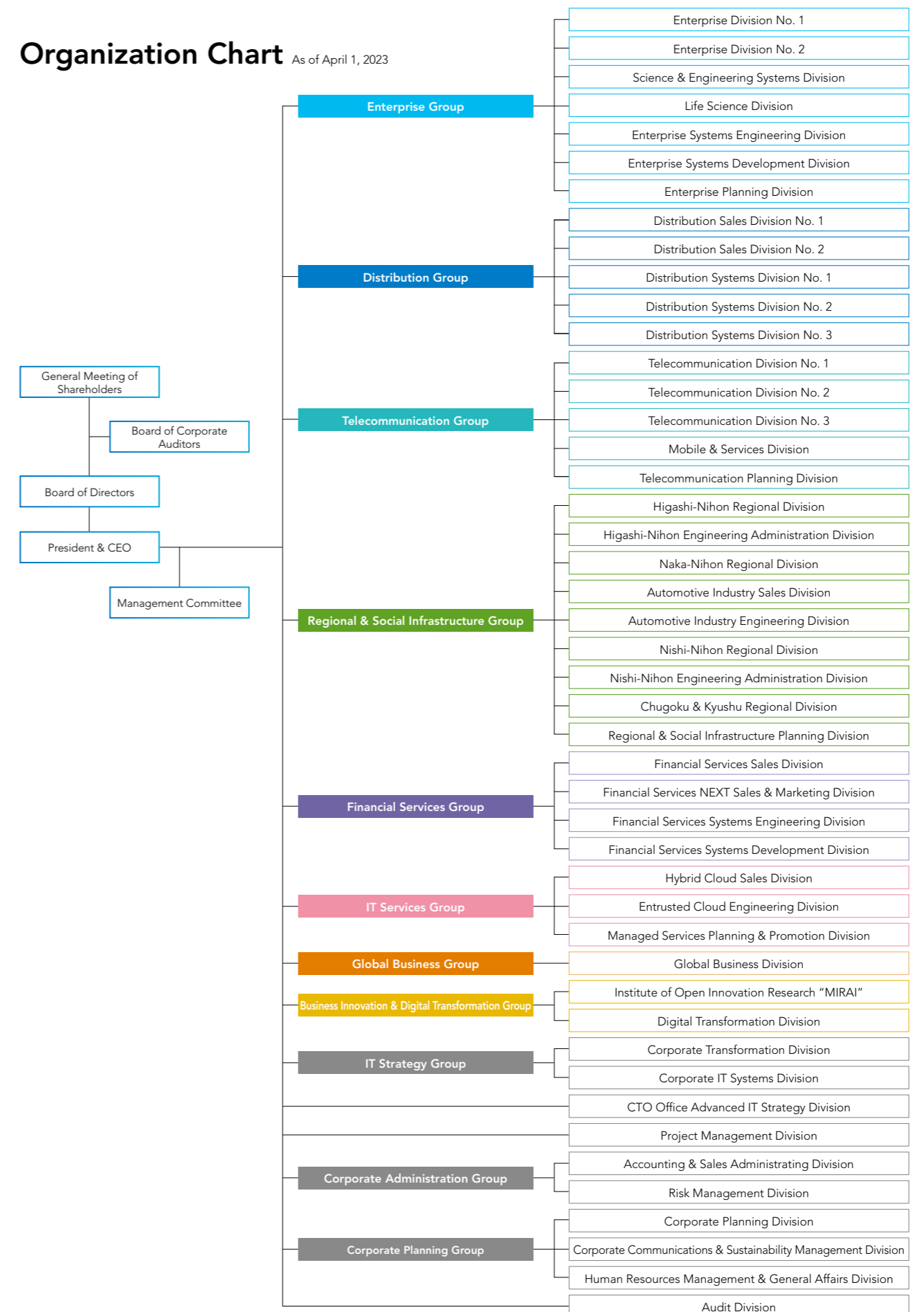
Akira Yamamoto

Executive Officer
General Manager, Higashi-Nihon Regional Division

Masanori Tanaka

Executive Officer
President & CEO, ITOCHU Techno-Solutions America, Inc.

Yoshihiko Ito

Executive Officer
General Manager, Global Business DivisionOrganization Chart As of April 1, 2023

External Recognition

ESG indices selected by the Japanese Government Pension Investment Fund

FTSE Blossom Japan Sector Relative Index

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



FTSE Blossom
Japan Sector
Relative Index

MSCI Japan Empowering Women Index*

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

2023 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

MSCI Japan ESG Select Leaders Index*

Selected by MSCI, a major ESG research firm, for an index consisting of companies with high ESG ratings

2023 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

S&P/JPX Carbon Efficient Index

Selected by the S&P Dow Jones Indices, the largest index provider in the U.S., and the Japan Exchange Group, Inc. for an index that determines the weighting of TOPIX constituent stocks based on the status of environmental information disclosure and the level of carbon efficiency (carbon emissions per unit of sales)



ISS ESG Corporate Rating

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



Sompo Sustainability Index

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



MSCI ESG RATINGS*

MSCI issues ratings, ranging from AAA to CCC, based on the degree of ESG risk and how well risks and other issues are managed. Reflecting favorable evaluation of improvements in its governance system, CTC has received a rating of AA.



JPX-Nikkei Index 400

In fiscal 2022, CTC was selected for inclusion in the JPX-Nikkei Index 400, a stock market index comprising 400 companies that are highly appealing to investors and which meet international investment criteria, such as efficient use of capital and an investor-focused approach to business management. The index was developed by the Japan Exchange Group and Nikkei Inc.



PRIDE Index 2022: Gold

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



The 2023 Certified Health & Productivity Management Outstanding Organizations (White 500)

Under the Certified Health & Productivity Management Outstanding Organizations Recognition Program, which is conducted by METI and the Nippon Kenko Kaigi (Japan Health Council), we have received certification for seven consecutive years since the program began in fiscal 2017.



"Eruboshi" Certification

CTC has received third-level "Eruboshi" certification, which is the highest level, as a company deemed favorable based on criteria stipulated by the Ministry of Health, Labour and Welfare pursuant to the Act on the Promotion of Women's Active Engagement in Professional Life



Next-Generation Certification Mark "Kurumin"

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



Tokyo Sports Promotion Company

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



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

Glossary

Agile Development

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

Cloud Journey

Transferring existing systems to the Cloud and making business models and processes Cloud-ready requires careful planning and multiple approaches. The term "journey" is used to describe this ongoing effort to move to the Cloud.

Cloud Native

The term "Cloud native" refers to a development methodology that assumes the developed system will be used through a Cloud environment. This methodology facilitates the creation of a system development environment, because it is possible to acquire the necessary resources as needed. Moreover, amendment to Cloud systems can be conducted frequently, with the expected results, and with minimal effort.

Data Driven

Data driven is a method of analyzing a vast amount of data of various types collected and held by companies and using the results for management decision-making in order to respond to changes in the competitive environment surrounding companies, such as increasingly diverse and complex consumer needs.

Edge Computing

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

Generative AI

Generative AI uses models learned from large amounts of data to quickly and automatically generate new text, images, and other content based on user instructions. Problems may arise in areas such as fairness, safety, and privacy, and appropriate ethical standards must be maintained when utilizing generative AI.

Hybrid Cloud

A Cloud environment that is created and used by combining public and private Clouds and on-premise systems. By complementing each other's disadvantages while enjoying the advantages of each environment, it is possible to both reduce costs and diversify risks.

Legacy Modernization

Optimizes aging black box legacy systems according to the latest technologies and trends to transform them so that they can create new value.

Local 5G

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

Managed Services

A service that provides IT system management, operation, and monitoring services in an integrated manner. The service can be used as necessary without the need for in-house IT experts.

Multimodal

Multimodal is a word meaning multiple, in multiple forms, or by multiple means. Multimodal AI refers to AI systems that collect information from two or more different modalities (types of data), such as text, voice, images, video, and sensor information, to integrate and process them.

Observability

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

On-Premise

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

Quantum Computers

A computer that uses quantum mechanics and can perform computational processing at ultra-high speed. Due to its ability to perform massively parallel processing, which was not possible with conventional computing, it offers the potential for use in various fields, including finance and life sciences.

RAN (Radio Access Network)

Wireless access networks are a component of mobile networks used in smartphones and other devices. They convert wireless signals sent and received by mobile devices into digital signals and serves as a bridge to connect to the internet and the Cloud.

O-RAN: Aims for RAN to become an open source based on the standard specifications of the O-RAN Alliance, a telecommunications industry organization, in order to develop an open and flexible network. Since it does not depend on a specific vendor's proprietary technology, it is expected to invigorate the market and reduce introduction costs.

vRAN: vRAN is an abbreviation for Virtual RAN. To virtually realize functions that are similar to dedicated machines used for RAN, using software on general-purpose hardware. As with O-RAN, they enable the deployment of services that do not hinge on the proprietary technologies of specific vendors.

Zero Trust

An approach to security measures without placing trust in all users, networks, and devices. Zero trust security is gaining interest as a result of the fact that perimeter protection measures for internal and external networks are becoming no longer sufficient for security as corporate systems become increasingly Cloud-based and the number of access routes to these systems increases.

Corporate and Other Information

Corporate Data As of April 1, 2023

ITOCHU Techno-Solutions Corporation (CTC)

Head Office

Kamiyacho Trust Tower, 4-1-1, Toranomon, Minato-ku,
Tokyo 105-6950, Japan

+81-3-6403-6000 <https://www.ctc-g.co.jp/en/>

Founded

April 1, 1972

Paid-in Capital

¥21,764 million

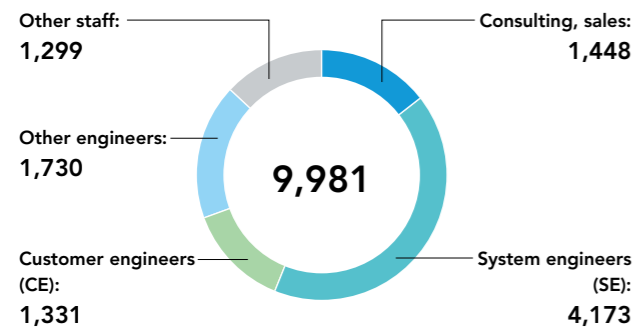
Business Lines

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

Employees

CTC 4,962; CTC Group Total 9,981

Composition of CTC Employees



CTC Group Companies

Subsidiaries

CTC TECHNOLOGY CORPORATION
CTC SYSTEM MANAGEMENT CORPORATION
CTCSP CORPORATION
CTC FACILITIES CORPORATION
Asahi Business Solutions Corp.
CTC Global (Thailand) Ltd.
CTC GLOBAL SDN. BHD.
PT. Nusantara Compnet Integrator
CTC GLOBAL PTE. LTD.
PT. Pro Sistimatika Automasi
ITOCHU Techno-Solutions America, Inc.
Six other companies (four in Japan, two overseas)

Associated Companies

MEGAZONE Corp.
CTC First Contact Corporation
IW.DX Partners Inc.
ITOCHU Technology Ventures, Inc.
SYSCOM GLOBAL SOLUTIONS INC.
Cardzone Sdn. Bhd.
Seven other companies (four in Japan, three overseas)

Stock Information As of March 31, 2023

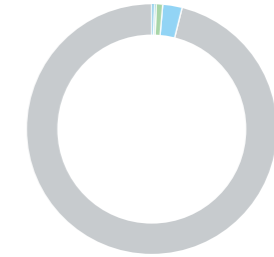
Authorized	492,000,000 shares
Issued	240,000,000 shares (includes 8,772,586 treasury shares)
Shareholders	24,883

Major Shareholders

Shareholder	Number of Shares	Ownership Ratio (%)
ITOCHU Corporation	141,601,600	61.24
The Master Trust Bank of Japan, Ltd. (Trust Account)	18,013,400	7.79
Custody Bank of Japan, Ltd. (Trust Account)	10,928,000	4.73
CTC Employee Shareholding Association	4,500,972	1.95
STATE STREET BANK WEST CLIENT - TREATY 505234	2,022,400	0.87
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	1,512,235	0.65
The Gibraltar Life Insurance Co., Ltd. (General Account Stock D Account)	1,415,500	0.61
JP MORGAN CHASE BANK 385781	1,269,767	0.55
STATE STREET BANK AND TRUST COMPANY 505025	1,268,544	0.55
SSBTC CLIENT OMNIBUS ACCOUNT	1,160,615	0.50

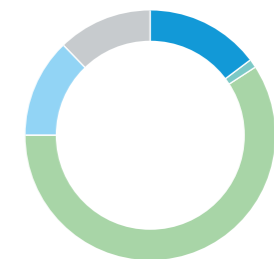
Note: The Company holds 8,772,586 treasury shares, and these shares are excluded from the above list of major shareholders. These treasury shares do not include shares owned by the trust account related to the stock-based compensation program (Board Benefit Trust, or BBT) for the Company's directors and officers. In addition, the ownership ratio was calculated after deducting the number of treasury shares.

Breakdown by Number of Owners



Financial institutions	0.40%	Foreign entities, etc.	2.58%
Securities companies	0.18%	Individuals, others	95.98%
Other entities	0.86%		

Ownership by Percentage Shareholding

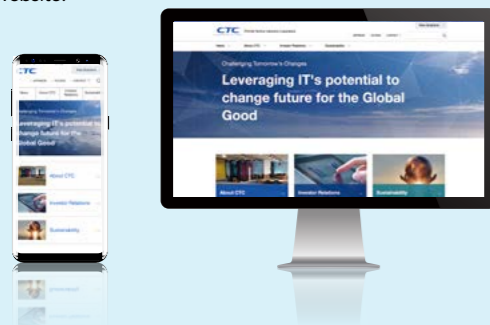


Financial institutions	14.98%	Foreign entities, etc.	12.66%
Securities companies	1.00%	Individuals, others	12.20%
Other entities	59.17%		

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

CTC's Corporate Website

This report is designed mainly to provide in-depth information about CTC's management strategy, management messages to stakeholders, and other topics. For the latest financial data and information on our sustainability initiatives and various projects, please refer to our corporate website.



IR Information

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

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



Sustainability

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

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



Governance

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

Detailed information about the Group's corporate governance and risk management initiatives



Case Studies / Column

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

Project case studies, event reports, and articles



Best Engine

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

CTC's approach about the latest IT trends and IT technology

