

# 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.



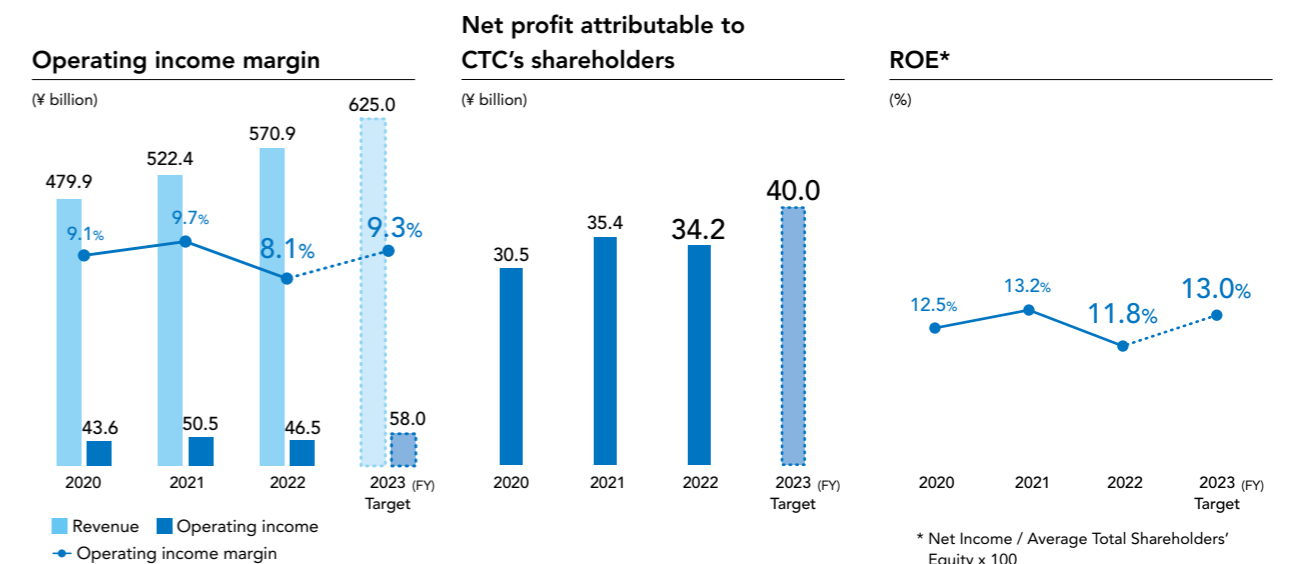
### Progress Toward Quantitative Targets and Financial Performance Analysis

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

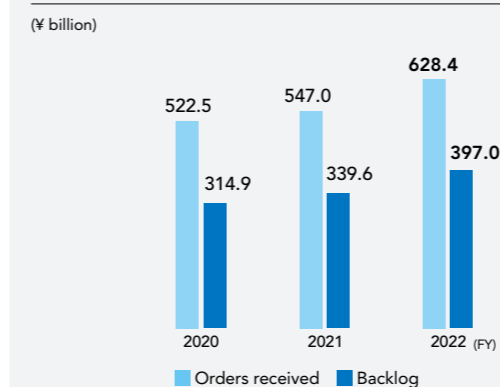
achieving its quantitative targets for fiscal 2023. To this end, CTC will continue to invest in the development of human resources and partners, while optimally allocating investments in a timely manner in measures to improve the motive force and productivity of its organization. In light of recent conditions, 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



### 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”

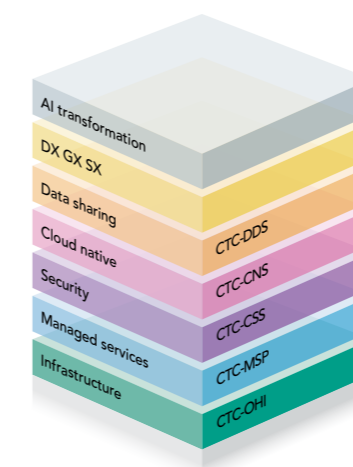
The IT environments of corporations have evolved to a hybrid Cloud environment, a mix of on-premise and Cloud-based resources. While there are positives to having a mix of on-premise and Cloud-based computing resources, managing and operating such hybrid environments can be complicated. Using disparate 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



#### Expand



#### Upgrade



## 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
<b>Relentless pursuit of advanced technology</b>	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"> <li>Provided advanced technologies and services, such as AI, DX, and metaverse</li> <li>Conducted demonstration experiments for digital verification services and MaaS, aimed at solving social issues</li> <li>Implemented measures to train engineers with a focus on social needs and business opportunities</li> </ul>
<b>Promote business co-creation with various partners</b>	Development of co-creative businesses*2	Number of press releases issued and progress of measures	<ul style="list-style-type: none"> <li>Co-developed and began providing services to support hybrid Cloud environments and advance DX along with various partner companies</li> <li>Realized joint venture agreements and entered into business tie-ups with partner companies for the co-provision of services</li> </ul>
<b>Provide safe and secure IT services</b>	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"> <li>Offered people-friendly and easy-to-use solutions and services, such as migration consultation desks using the metaverse and IoT camera solutions</li> <li>Formulated and disclosed Ethical Principles for Artificial Intelligence as part of our corporate stance on pursuing safe and secure IT services</li> </ul>
	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"> <li>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</li> <li>Customer satisfaction survey results showed a year-on-year improvement</li> </ul>
	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"> <li>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</li> <li>Continued to have zero serious system failures originating from within the Company since fiscal 2021</li> </ul>

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



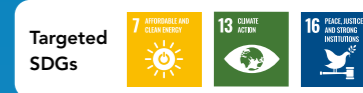
Material topic	Target	KPI	Fiscal 2022 Progress
<b>Develop various professionals</b>	Job rotations that contribute to career development	Progress of measures	○ Expanded in-house job posting system and created Talent Management System to facilitate career formation
	Development of programs to accelerate 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
<b>Foster a culture of mutual respect and growth</b>	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
<b>Contribute to education of human capital that creates the future</b>	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
<b>Strengthen effective governance</b>	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
<b>Contribute to address climate change</b>	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
<b>Practice responsible behavior by each individual</b>	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>