

# 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.

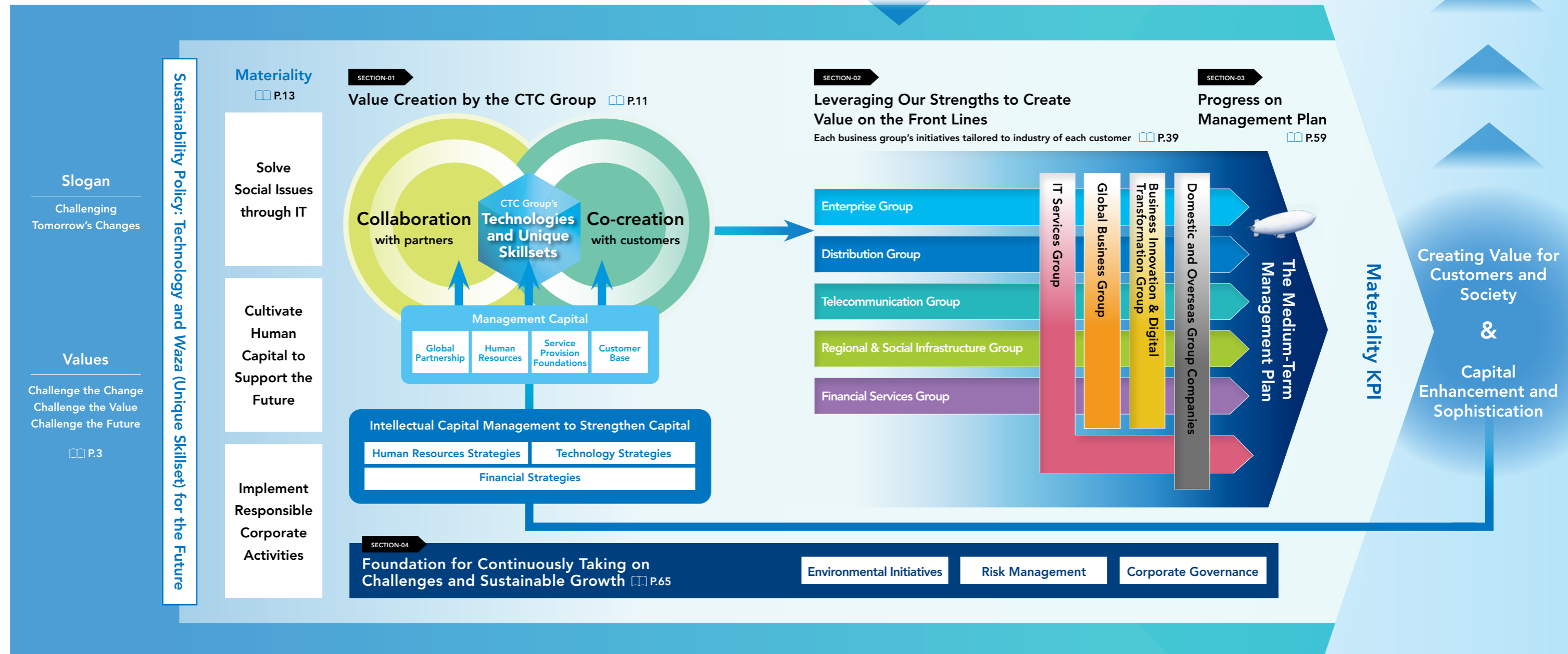
By leveraging our technologies and unique skillsets cultivated through collaboration with partners and co-creation with customers as a source of competitive advantages, we provide optimal solutions to the challenges of our customers and society, creating value for customers and society as an outcome. 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"> <li>• Climate change countermeasures</li> <li>• Decline in workforce due to falling birthrate and aging population</li> <li>• Concentration of population in cities, depopulation of rural areas</li> <li>• Expansion of digital divide</li> <li>• Increasing information security risks</li> <li>• Building sustainable supply chains ...</li> </ul>	<ul style="list-style-type: none"> <li>• Digitalization and DX for enhancing corporate competitiveness</li> <li>• Needs for workstyle reforms and improvement in labor productivity</li> <li>• Cybersecurity measures</li> <li>• Utilization of new technologies such as 5G, AI, quantum computing ...</li> </ul>

### 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.

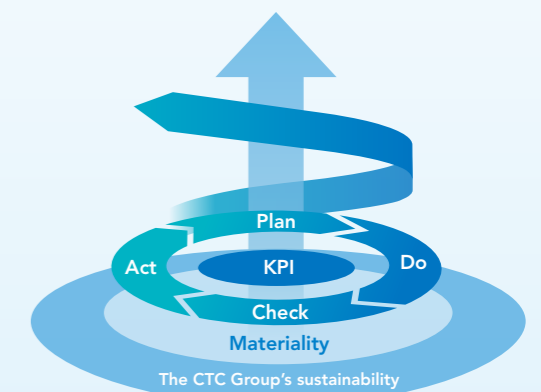
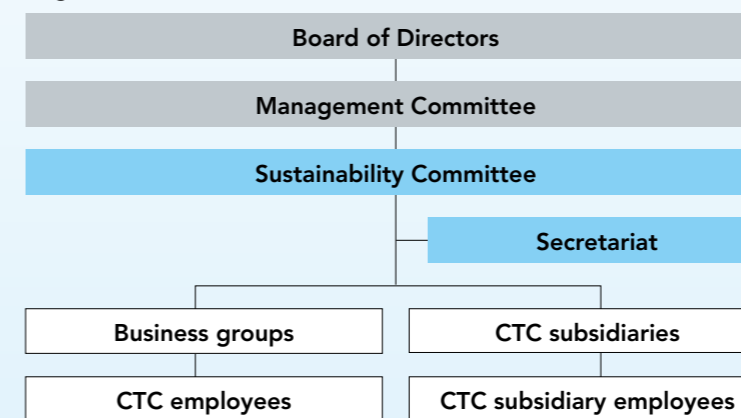
The Sustainability Committee, an advisory council to the Management Committee, is chaired by the executive officer in charge of matters related to sustainability. Members on the committee include department heads responsible for business strategies and human resources strategies for each business group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

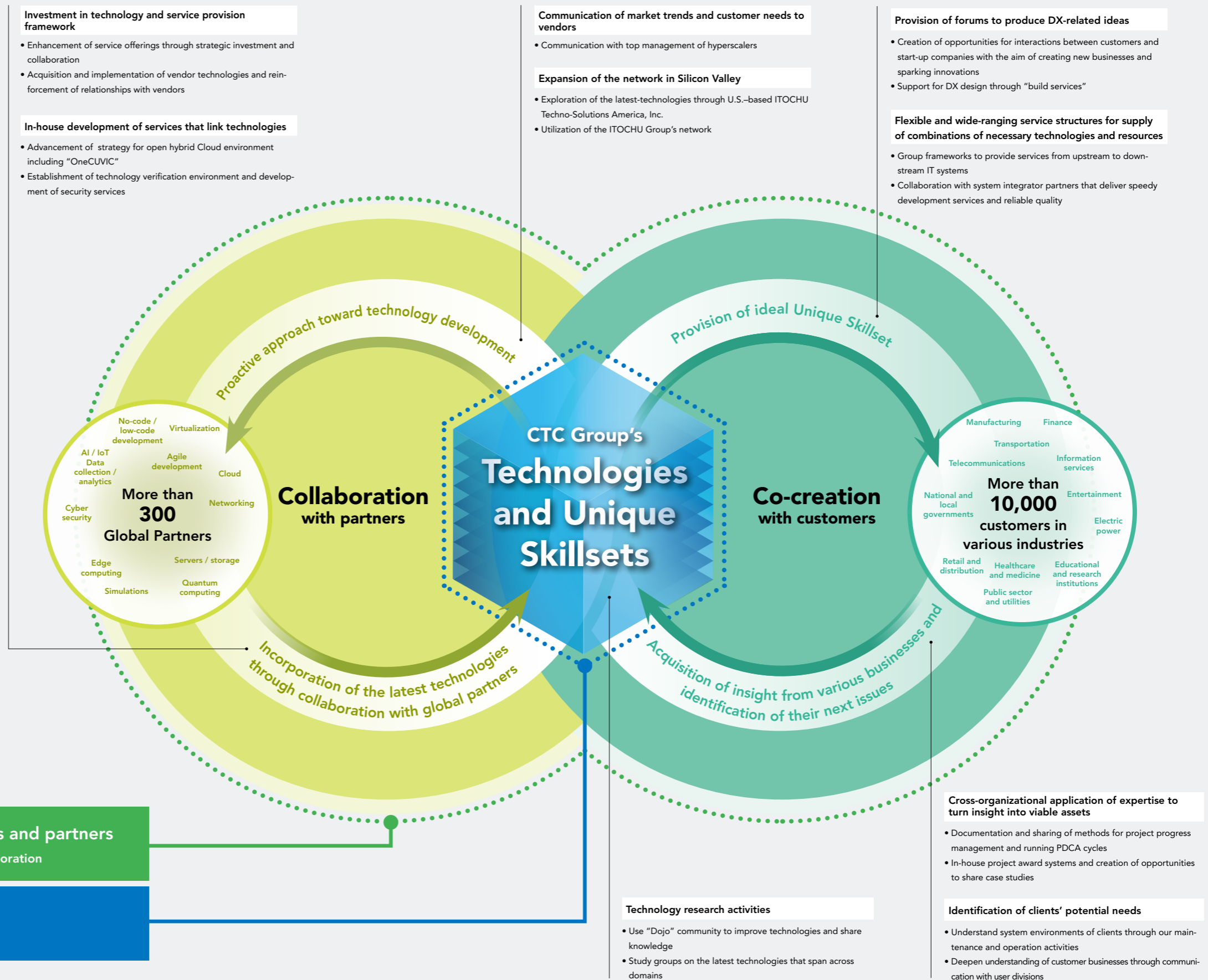
Since our founding, we have worked to optimally match the issues of our customers with products and services that can solve them. We sincerely work on solving our customers' challenges while constantly refining our technologies with our partners. By doing so, we accumulate experience and build a robust 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)

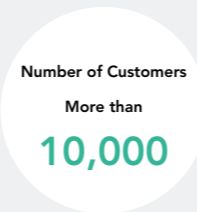
AWS	AWS Premier Tier Services Partner
Cisco	Gold Integrator • Innovation Partner of the Year (Internet of the future)
Dell Technologies	Titanium Black Partner • Excellence in Storage Sales • Deal Registration-Server
Google Cloud	Premier Partner
HPE	HPE Platinum Partner • HPE Japan GreenLake Partner of 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

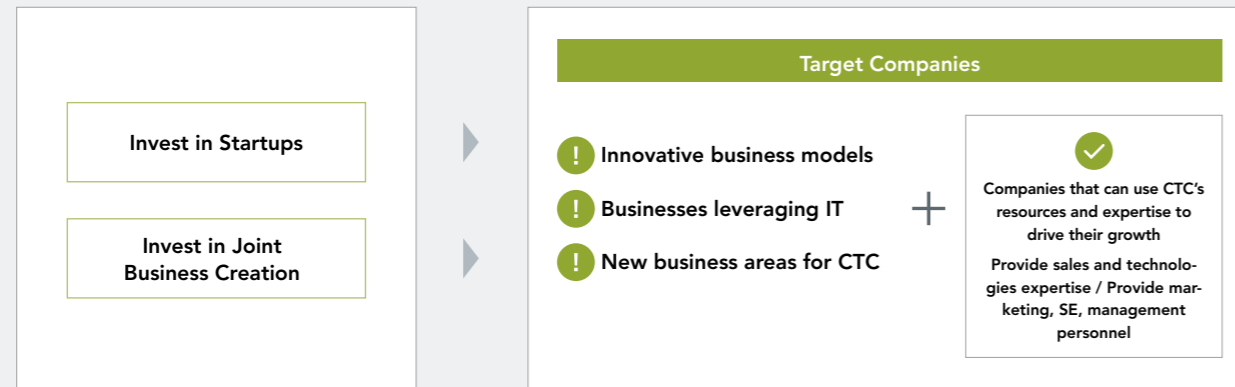
Enterprise	Manufacturing, media, services, transportation, consumer goods, life sciences, healthcare, etc.
Distribution	Distribution, food, wholesale, retail, services, real estate, entertainment, etc.
Telecommunication	Telecom carriers, internet service providers, etc.
Regional & Social Infrastructure	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

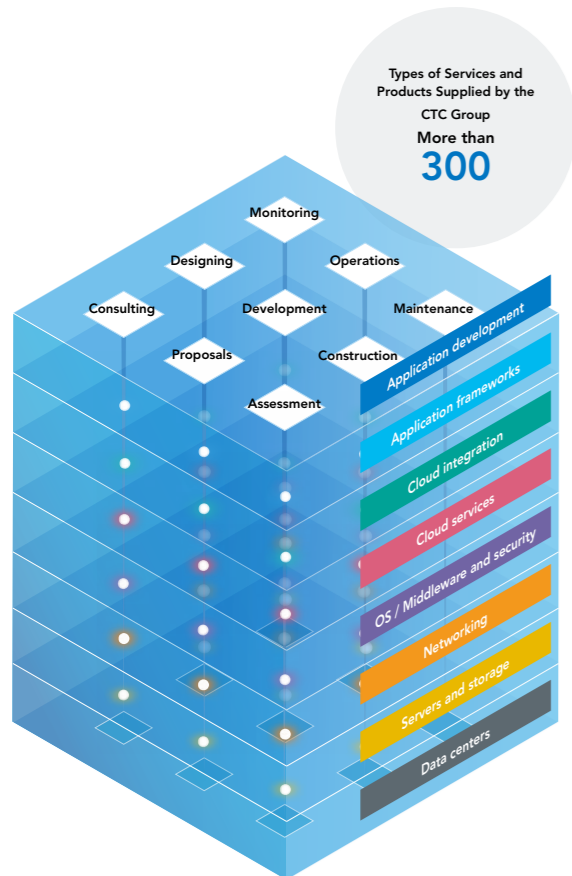
**Servers and storage**

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



# 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

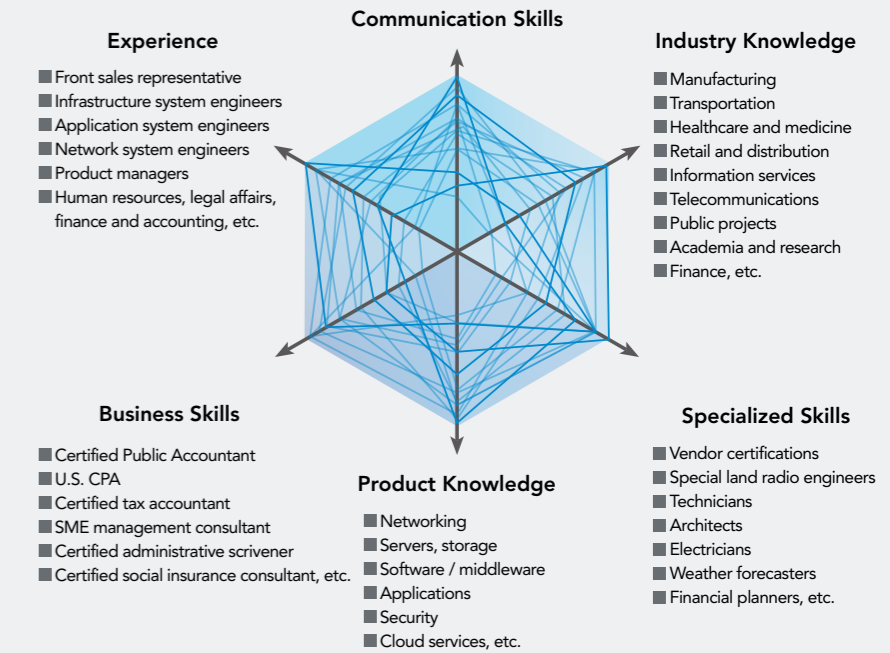
etc.

## 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.





## 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.

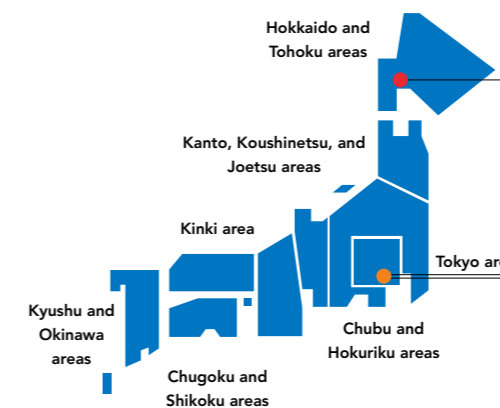
CTC TECHNOLOGY CORPORATION's Okinawa Service Center, which provides maintenance support, operation services, and training for IT systems, also moved into this office, strengthening our structure for providing services.



## 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.

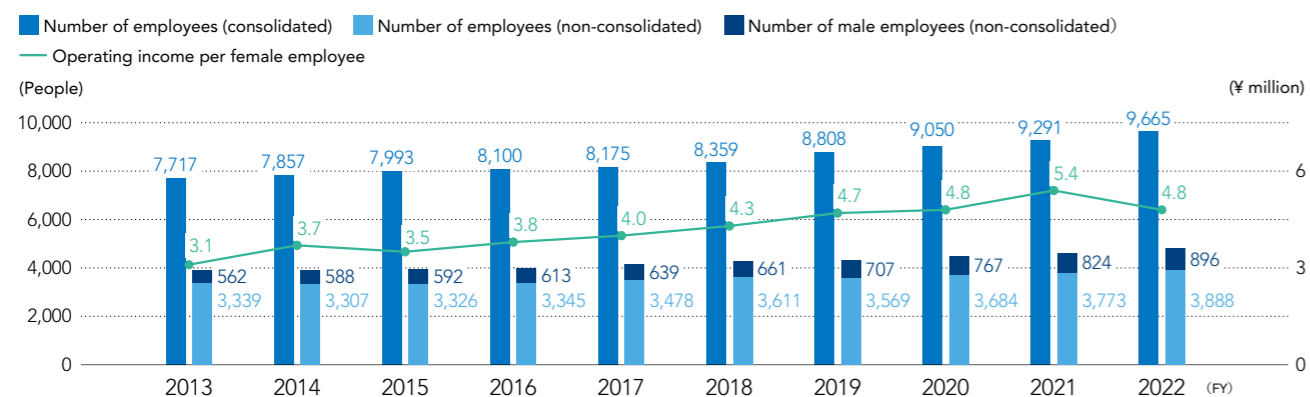
In fiscal 2022, we established the Diversity Committee as an advisory committee to the Board of Directors. The committee has nine members: three outside directors, one executive officer, and five employees. Employees are selected as members for the

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

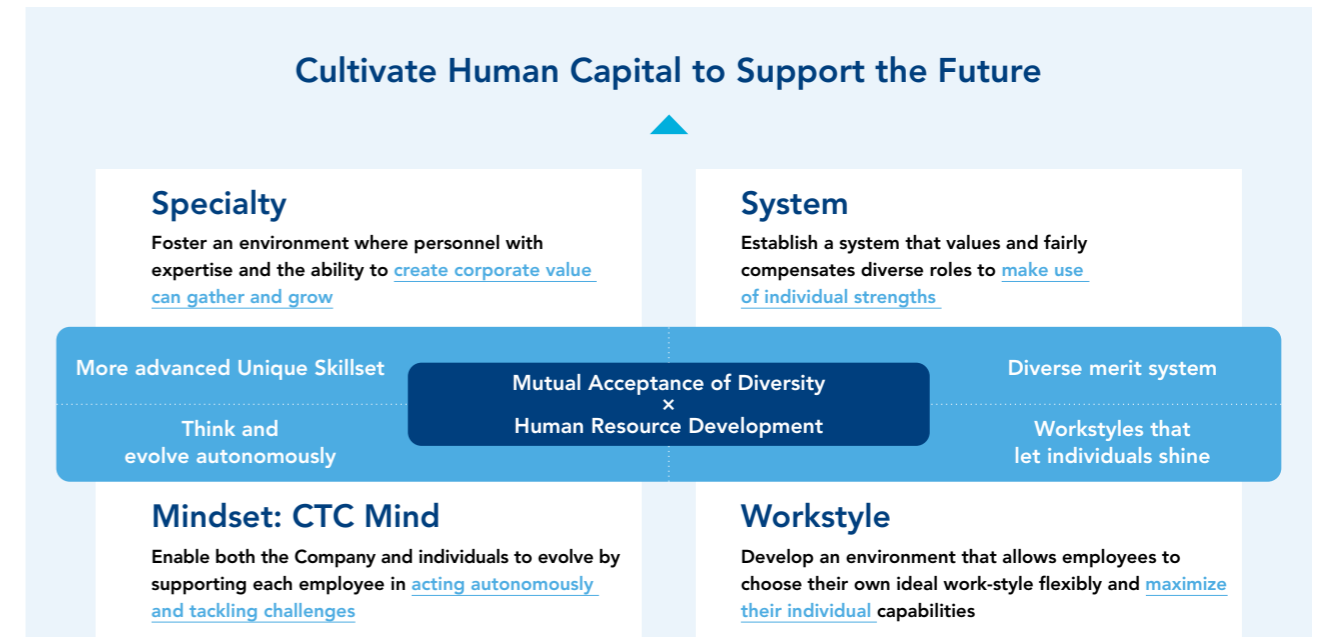
Under "Upgrade," which is one of the pillars of the medium-term management plan and a theme for cementing CTC's foundations for achieving it, the Company has established developing human resources and reinforcing the management base as its priority scenarios. We have formulated a basic concept for our 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<sup>\*1</sup>. 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&amp;I)

Introduced an AI-based pilot program to match sponsors with sponsorship recipients under the Career Sponsorship Program (CSP)<sup>\*2</sup> 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.

<sup>\*1</sup> 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.

<sup>\*2</sup> 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.

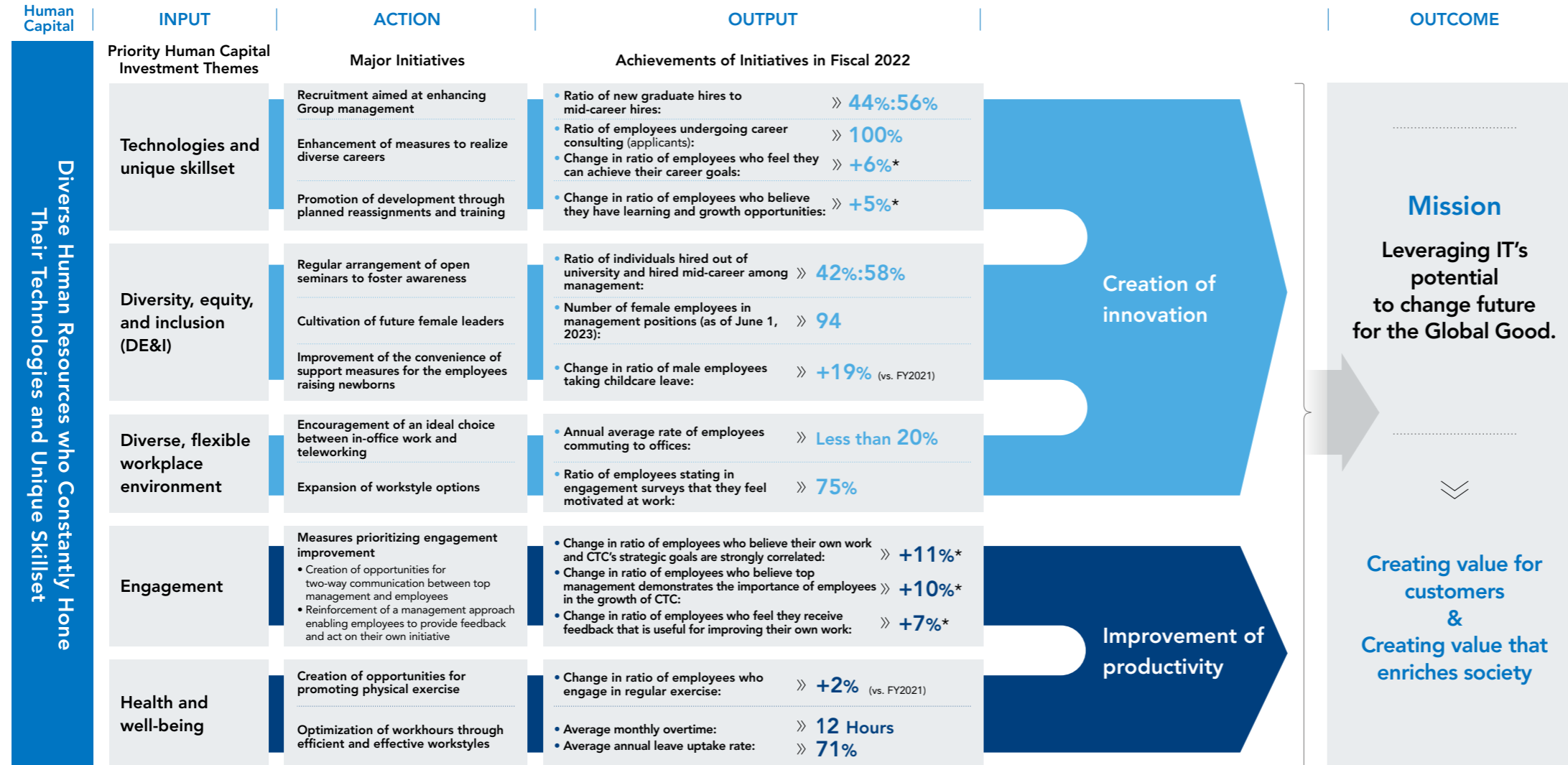
CTC will continue to evolve its human resource management approach while flexibly revising its plans and measures as it seeks to promote understanding of the reality that promoting DE&I and practicing well-being management contributes to the improvement of corporate value.

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,<sup>\*1</sup> an AI voice automated response solution for contact centers; SmartRobot,<sup>\*2</sup> an interactive AI chatbot from Intumit (Taiwan); and Benefitter,<sup>\*3</sup> 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.

<sup>\*1</sup> AI-based automated voice response solution supporting contact center communications

<sup>\*2</sup> Interactive AI chatbot developed by Intumit Inc. (Head office: New Taipei City, Taiwan; CEO: Jen Tien Chiu)

<sup>\*3</sup> CTC's proprietarily 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 implementation 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.

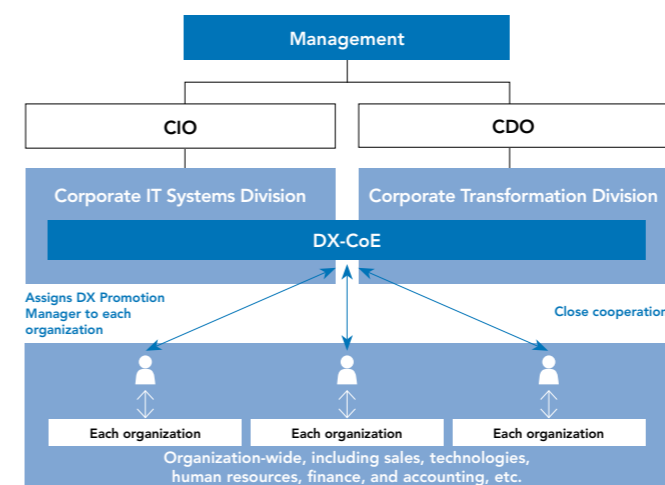
To implement Companywide business transformations and promote internal DX, we naturally require the cooperation and understanding of each organization. The Corporate Transformation Division, a cross-sectional organization, plays a leading role as a control tower for business transformation throughout 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

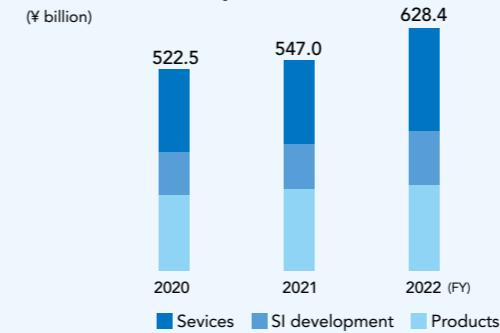
technologies and areas of expertise of our partners with those of our own to generate returns that exceed investments, create new business opportunities, and lead to sustainable business growth. We aim to multiply, rather than add.

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.

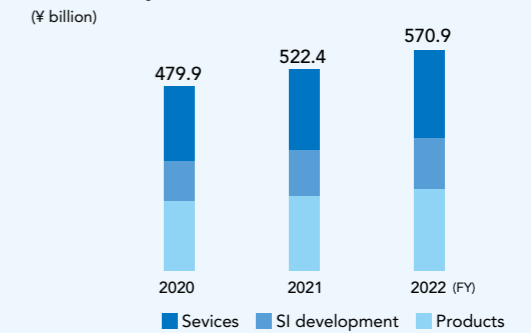
The business environment remains uncertain, and the evolution of advanced technologies appears to be entering a new phase. The CTC Group will continue to augment the strength of its technologies and waza (unique skillset) and contribute to the resolution of issues facing customers and society, by meeting 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

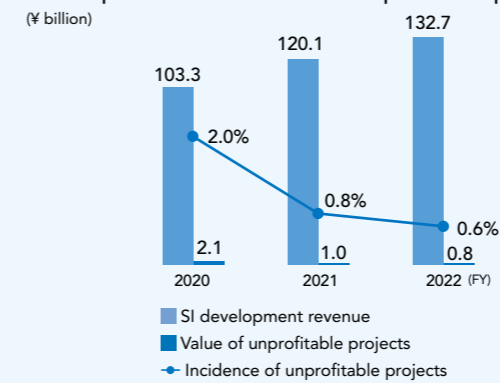
#### Orders received by business model



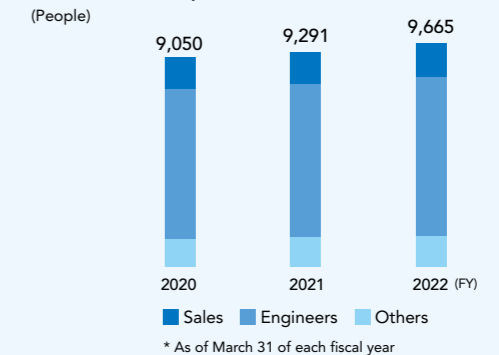
#### Revenue by business model



#### Development / SI revenue and unprofitable projects



#### Number of employees



\* As of March 31 of each fiscal year

### Business Performance Over the Past 10 Years

