

Message from the President



Yoichi Okuda, President & CEO

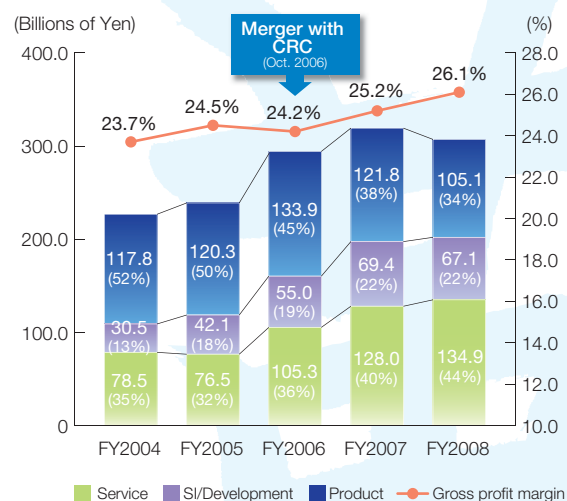
Through our endeavors under the slogan of “evolution,” fiscal 2008—despite being witness to a once-in-a-century financial crisis—proved to be a milestone year in which we steadily advanced toward a next-generation business model in each business area. Moving forward, “change” will be our keyword to achieve further growth in fiscal 2009.

Business Model Changes Are Progressing Steadily

With the global economy in the midst of such severe difficulties, fiscal 2008 ended March 31, 2009 proved to be extremely adverse for the Company, with revenue and profits declining, mainly due to shrinking product sales. Despite this environment, business model changes progressed steadily, thanks to allocation of resources to the service and SI development businesses. With relatively high profitability, service businesses that had the potential to provide a stable revenue base grew favorably, allowing us to record our highest ever gross profit margin. At the same time, an increase in long-term projects helped us expand backlog to a record high at year-end.

As a concrete measure taken to expand the service business, we commenced operations at “Mejirozaka Data Center,” our fifth data center. We also aimed to increase sales of TechnoCUVIC, a flexible, shared hosting service

Evolving Our Business Model



Fiscal 2008 Highlights

- The service business steadily expanded in both sales and orders received
- Order backlog at year-end was highest since our shares went public, reflecting rising orders for long-term projects, mainly in our service business
- Gross profit margin achieved a record high due to the increasing proportion occupied by the service business
- Achieved record highs on a six-month basis for all measures of profit in the second half by rigorously reining in unprofitable projects and controlling SG&A expenses

that combines virtualization technology and data service equipment so as to accurately respond to outsourcing demand trends. In addition to establishing a joint venture company with Idemitsu Kosan Co., Ltd to operate their POS settlement and call center duties, we established CTC System Operations Corporation, a company that specializes in infrastructure systems operation, to reinforce

competitiveness in the service businesses. In our SI development businesses, in addition to launching a cooperative project team combining CTC's ERP Solutions Division and India's IT vendor, Wipro Ltd., we streamlined SI development through the strengthening of cooperative relations with partner companies and disseminated SINAVI, our standardization method for software development.

Shift to Business Structure Designed for Profit Growth, Even When Revenue Is Slack

Cutbacks in corporate IT investments and cost reductions continue to reflect a severe economy. Furthermore, because an improvement in business conditions is not expected soon, we believe top line revenues will continue to be sluggish for some time. Nevertheless, unchanged is the fact that IT investments are essential; indeed, there is even a growing trend toward that realization with regard to increasing operational efficiency and responding to ecological concerns. A poor economic environment provides all the more opportunity for us to achieve differentiation, and it is by no means an exaggeration to say that what we do in times such as these will prove decisive for future continued stable growth. Reflecting this, at CTC we are making all-out efforts to accurately grasp customer needs, and such efforts encompass improvements to system operation efficiency, environment-oriented "green IT" that includes






electric power conservation, and system virtualization or integration.

One trend in IT is a further increase in outsourcing and service-type businesses owing to an approach that seeks to enhance corporate IT efficiency. We are truly at a stage where we can fully demonstrate our strength as a "Total IT Solution Provider" capable of offering all-around IT services and, as an open multi-vendor, able to mix and match leading partner vendor products. It is our firm belief that further acceleration of business model changes will open up possibilities for continuous growth. In an environment where revenue growth is difficult, we must work to build a more robust earnings structure, reduce selling, general and administrative expenses and rein in unprofitable projects. At the same time, we must reexamine our cost structure and minimize profit decline, while addressing future growth.

Management Policies for Fiscal 2009

- 1. Accelerate business model changes** Expand service, SI development, product solution businesses
- 2. Fortify profit structure** Raise profitability and efficiency
- 3. Improve business infrastructure** Enhance personnel training and business infrastructure

Business Outlook for Fiscal 2009

Business areas	Overall trends	Promising areas/Key points
Telecoms		Although large-scale projects are decreasing, expansion to target such new technology fields as NGN and WiMAX
Finance		Despite restrained investments in IT, expectations are for sales to be on par with previous year, partly due to the booking of large-scale development projects
Manufacturing		Focus mainly on product sales, although demand in the automobile, semiconductor, electronic appliance and other sectors is expected to remain weak
Transportation/ Distribution		Anticipate increase in projects for general trading companies and convenience stores
Public Utilities Sector		Anticipate expansion through increased demand owing to economic revitalization policies and booking of large-scale public works development projects

* Outlook as of beginning of the fiscal year ending March 31, 2010

Aiming for a Business Model That Works in Any Environment

One specific business development that we have undertaken is the strengthening of service businesses that utilize data centers. We will expand sales of our outsourcing businesses by creating a service menu that leverages the Group's collective strengths, covering operation and maintenance and the constructing of infrastructure. Specifically, we will demonstrate our strengths in services that combine SaaS and ASP with data center services, such as TechnoCUVIC, an "IT Integrated Backbone Service" that couples data center functions with virtualization technology.

Next, in the SI business, by taking such measures as working closely with Wipro Ltd. of India in the ERP business, we will strengthen our initiatives in backbone systems, and will also intensively cultivate our fields of expertise, including CRM, BI and DWH. At the same time, we will

promote SI business-related consulting services through our new Solutions Business Promotion Department.

Beyond that, in products and solutions we aim to acquire business opportunities that take advantage of the latest trends in technology such as integration, virtualization and cloud computing. To that end, we will build stronger relations with influential vendors and upgrade and expand our solutions lineup.

Amid the current economic environment, it is our goal to be chosen as a partner by more customers and to secure a reputation as a "leading company in the IT service industry."

Yoichi Okuda
President & CEO

