

Business and Financial Update for the Fiscal Year 2024

ITOCHU Techno-Solutions Corporation

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Financial Results for FY2024

- Orders received increased by 10.1% to 763.8 billion yen, while revenue rose by 12.5% to 728.2 billion yen.
- Orders received, backlogs, revenue, and all income items reached record highs.
- Gross profit margin and operating income margin increased for two consecutive years.

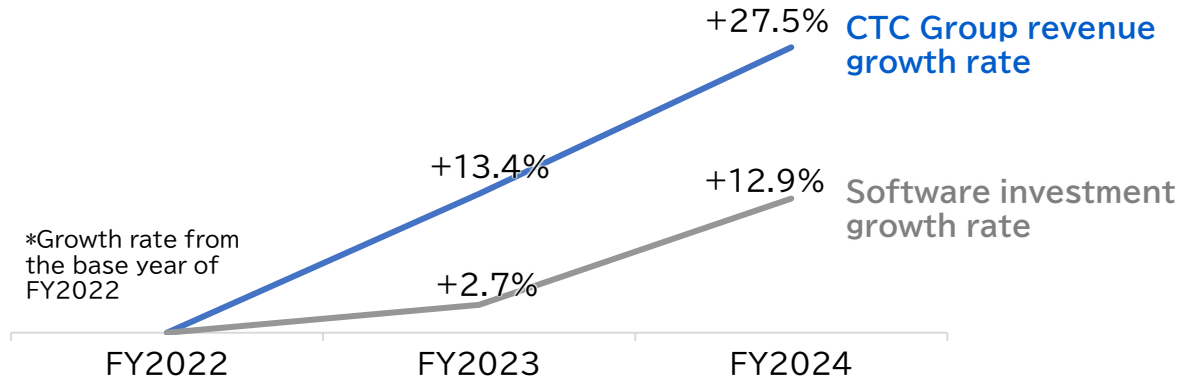
(in billion yen)

	FY2023 Results	FY2024 Results	YoY change	YoY change (%)
Revenue	647.5	728.2	+80.7	+12.5%
Gross profit	162.6	187.7	+25.2	+15.5%
Gross profit margin	25.1%	25.8%	+0.7p	-
Other income and expenses	(105.3)	(120.2)	(14.9)	+14.2%
Operating income	57.3	67.6	+10.2	+17.8%
Operating income margin	8.9%	9.3%	+0.4p	-
Net profit attributable to CTC's shareholders	41.3	50.3	+9.1	+21.9%
Orders received	693.9	763.8	+69.9	+10.1%
Backlogs	443.4	479.0	+35.6	+8.0%

Financial Results for FY2024

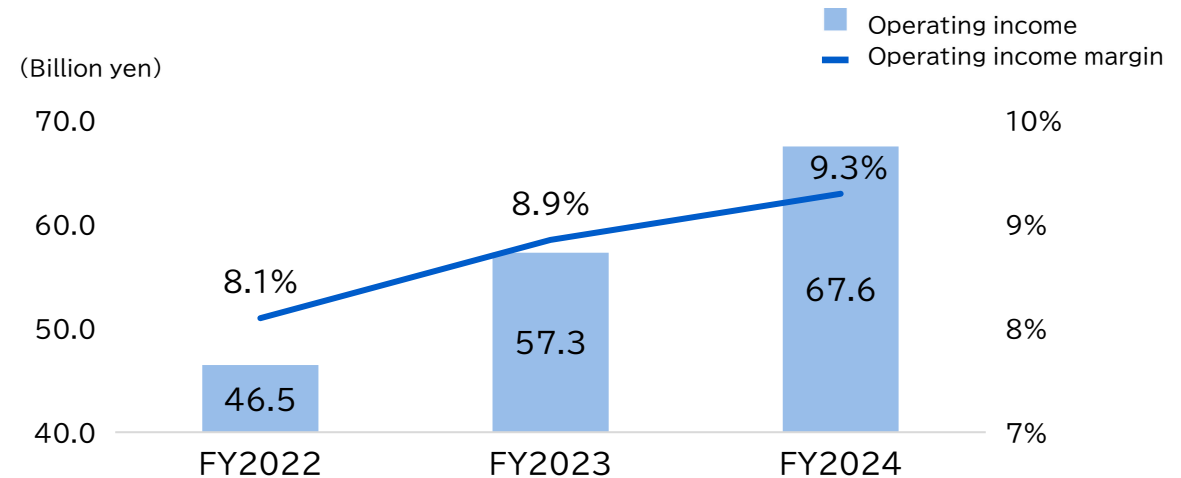
- By leveraging our Group's extensive customer base and capturing the rising demand for digital transformation from all segments, our revenue in FY2024 grew at a rate that exceeded the growth in enterprise software investment in Japan (see Graph 1.)
- Operating income and operating income margin also rose from gross margin growth, contributed by high value-added projects leveraging our Group's strengths and expertise and profitability improvement in development projects (see Graph 2.)

(Graph 1) Growth Rate Comparison:
CTC Group Revenue vs. Software Investment
from the Bank of Japan's Tankan Survey*



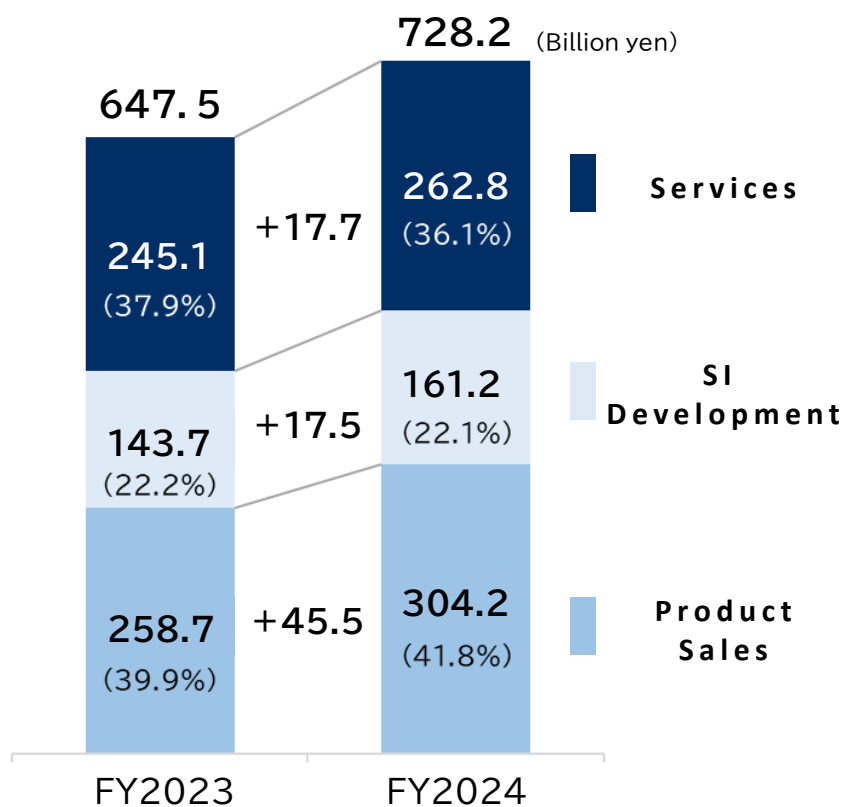
(Created by CTC based on BOJ Tankan Survey released in April 2025)

(Graph 2) Historical CTC Group Operating Income/
Operating Income Margin



Revenue by Business Model

- Revenue grew in all business models of Services, SI Development and Product Sales mainly contributed by the following projects: GenAI platform construction support to accelerate digital transformation, security enhancement, network advancement, cloud service and system development.
- Revenue grew also from projects requiring combination of CTC Group’s implementation capabilities, maintenance and operation services and product sourcing capabilities.



Major initiatives

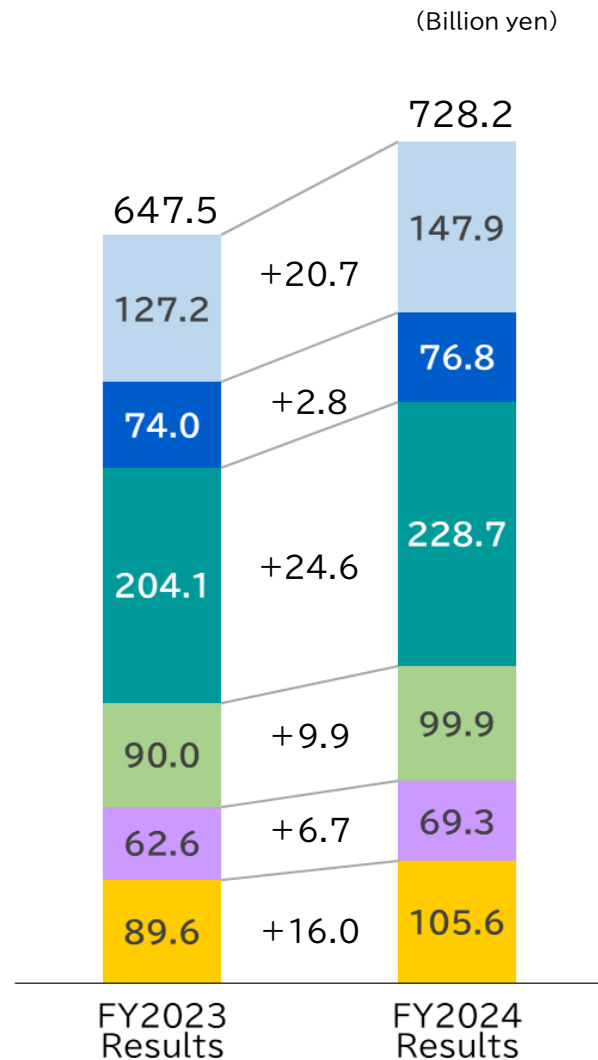
- ✓ Provided a private cloud platform to a manufacturer as its common platform used by all of its group companies
- ✓ Supported central and local governments for their digital transformation with cloud migration of their systems
- ✓ Provided a railway operator with support along every step for development of vehicle operating system for efficient operational framework
- ✓ Supported system development for web-based services of a transportation company to streamline customer support operations and enhance customer experience
- ✓ Supported construction of GenAI platforms that contribute to new businesses creation and business model transformation for telecommunications carriers
- ✓ Provided security solution software to customers in a wide range of industries to address increasing security threats posed to them
- ✓ Provided network equipment for establishment and advancement of communication environments for manufactures and telecommunications carriers

(Reference) Consolidated Balance Sheet at the End of FY2024

(Billions of yen)

		End of FY2023	End of FY2024	YoY Change
	Cash and cash equivalents	118.1	144.1	+26.0
	Trade and other receivable	183.8	209.2	+25.4
	Inventories	61.0	55.4	(5.6)
	Other current assets	109.3	109.1	(0.3)
	Current assets	472.2	517.8	+45.6
	Non Current assets	118.9	122.1	+3.2
Total assets		591.2	640.0	+48.8
	Current liabilities	213.6	239.8	+26.3
	Non current liabilities	36.6	39.3	+2.6
	Total liabilities	250.2	279.1	+28.9
	Equity	340.9	360.8	+19.9
Total liabilities and equity		591.2	640.0	+48.8

(Reference) Revenue by Business Group



Major contributing projects to revenue growth

Enterprise	(+) Network equipment renewal, private cloud platform and security environment construction projects for manufacturers (+) SI Development projects for transportation companies
Retail and Service	(+) POS system renewal and internal infrastructure development projects for energy companies (+) Provision of solutions to integrate ERP and peripheral systems for transportation companies (+) Cloud and services including system maintenance for trading companies
Telecommunication	(+) GenAI platform construction projects for Internet-related service providers (+) Businesses for service platform provided by telecommunications carriers (+) System building projects for telecommunication facilities of telecommunication carriers
Regional & Social Infrastructure	(+) DX projects for power companies facing the liberalization of electricity markets (+) Mission critical system renewal projects for home builders (+) System standardization projects for government agencies and local governments regarding the move to government cloud
Financial Service	(+) Security projects and cloud platform construction support projects for megabanks (+) Provision of sales support systems for cooperative financial institutions (+) Renewal projects for contact centers of securities firms
Others	(+) IT infrastructure development projects for local based banks, hospitals and healthcare companies, as well as server projects for data centers by our overseas consolidated subsidiaries in U.S.A. and Singapore

FY2025 Plan

- We will achieve revenue exceeding 800 billion yen to establish ourselves as top system integrator market leaders.
- We aim to further enhance business performance by expanding businesses in our four focus areas and proprietary services and collaborating with ITOCHU's digital business group.

	FY2024 Results	FY2025 Plan	YoY change	YoY change (%)
	(Billions of yen)			
Revenue	728.2	825.0	+96.8	+13.3%
Gross profit	187.7	214.0	+26.3	+14.0%
Gross profit margin	25.8%	25.9%	+0.1p	-
Other income and expenses	(120.2)	(136.5)	(16.3)	+13.6%
Operating income	67.6	77.5	+9.9	+14.7%
Operating income margin	9.3%	9.4%	+0.1p	-
Net profit attributable to CTC's shareholders	50.3	55.0	+4.7	+9.3%
Orders received	763.8	870.0	+106.2	+13.9%
Backlogs	479.0	524.0	+45.0	+9.4%

Key Focus Topics

Four Focus Areas

- ✓ Expand business further by enhancing technological capabilities in cloud native, security, data & analytics, and advanced AI
- ✓ Expand AI-related business portfolio, including AI agent construction services

Capability Improvement

- ✓ Enhance consulting capabilities through collaboration with the ITOCHU's digital business group
- ✓ Improve quality and operational efficiency through the use of AI in SI development
- ✓ Accelerate rollout of proprietary services to drive business expansion

Business topic 1) Contributing to the Future Business of JR Central

- Central Japan Railway Company (JR Central) is advancing development of its Vehicle Operating System for superconducting maglev, utilizing CTC's "build service" (see next slide for details), our technology consulting service that supports every step of development.

Aim of shifting to in-house system development with agile methodology



- Realization of efficient maintenance system for superconducting maglev
 - Flexibly and quickly change functions of and add functions to the system in response to business changes for opening of the Maglev Chuo Shinkansen
 - Develop human resources well-versed both in the railway business and system development

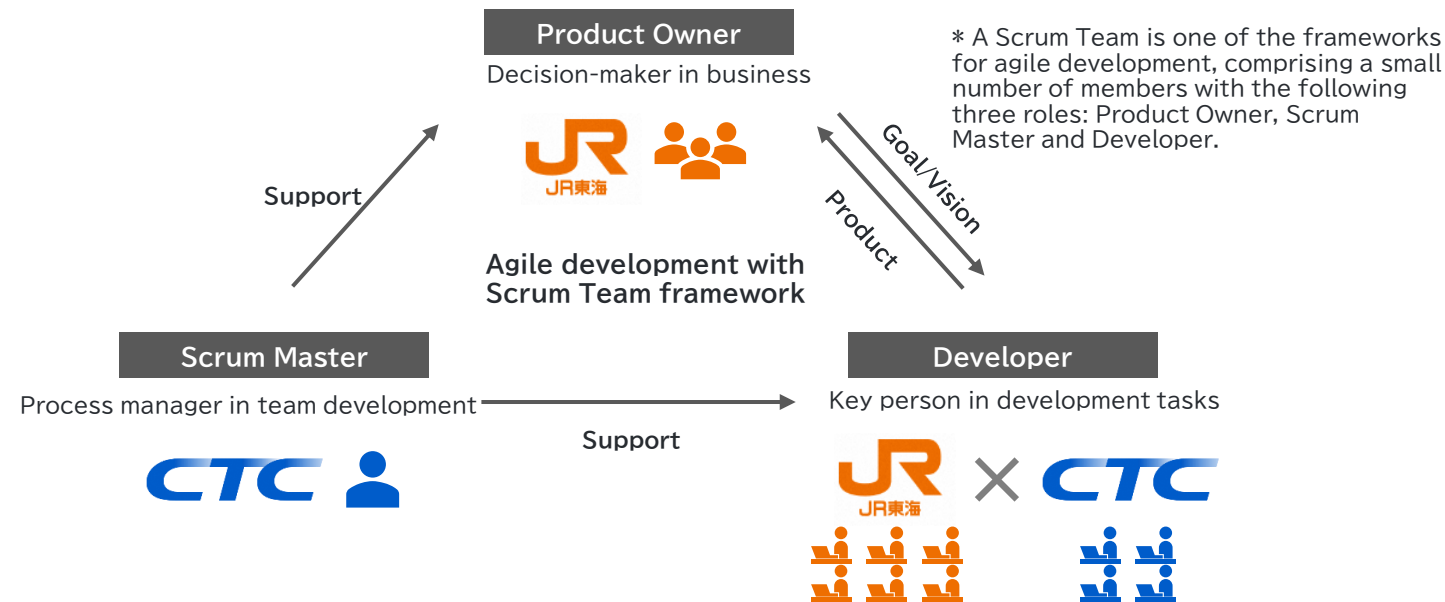
Role of CTC



- Support the launch of shifting to in-house system development

Organizational framework comprising JR Central and CTC for shifting to in-house development

- CTC supports JR Central's highly challenging initiative where the train operator engages in the advanced project as system "Developer" from scratch and aims to achieve shifting to in-house system development with agile methodologies.
- A Scrum Team* was formed with members both from JR Central and CTC for the agile development.

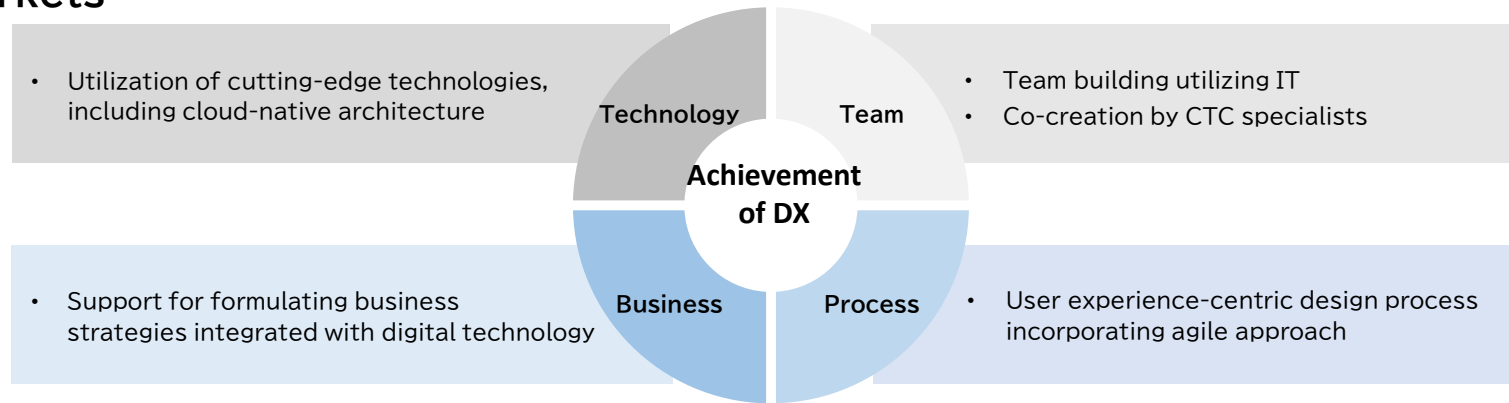


“build service”, our service to accelerate customers’ transformation

- “build service” helps customers achieve digital transformation (DX) by providing support for every step of their journey from concept setting to UI/UX design, hypothesis testing using prototypes, and actual application development and system construction.

Value for customers

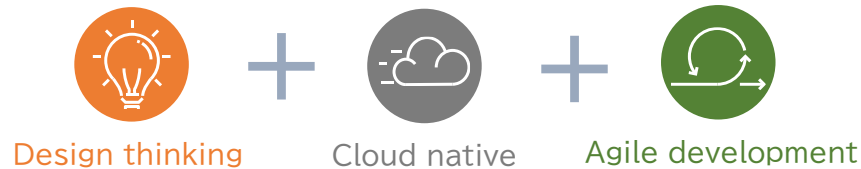
- Establishment of a framework enabling rapid and continuous launch of new businesses into customers’ markets



Benefits of build service

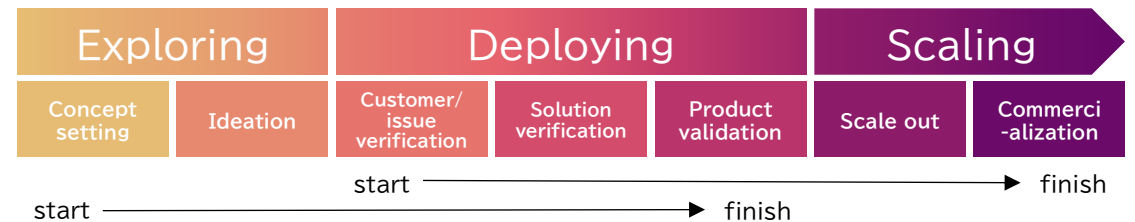
Benefit 1)

Support customers’ ubiquitous adoption of ideation methods and techniques to swiftly transform ideas into tangible outcomes, thereby enhancing their business competitiveness



Benefit 2)

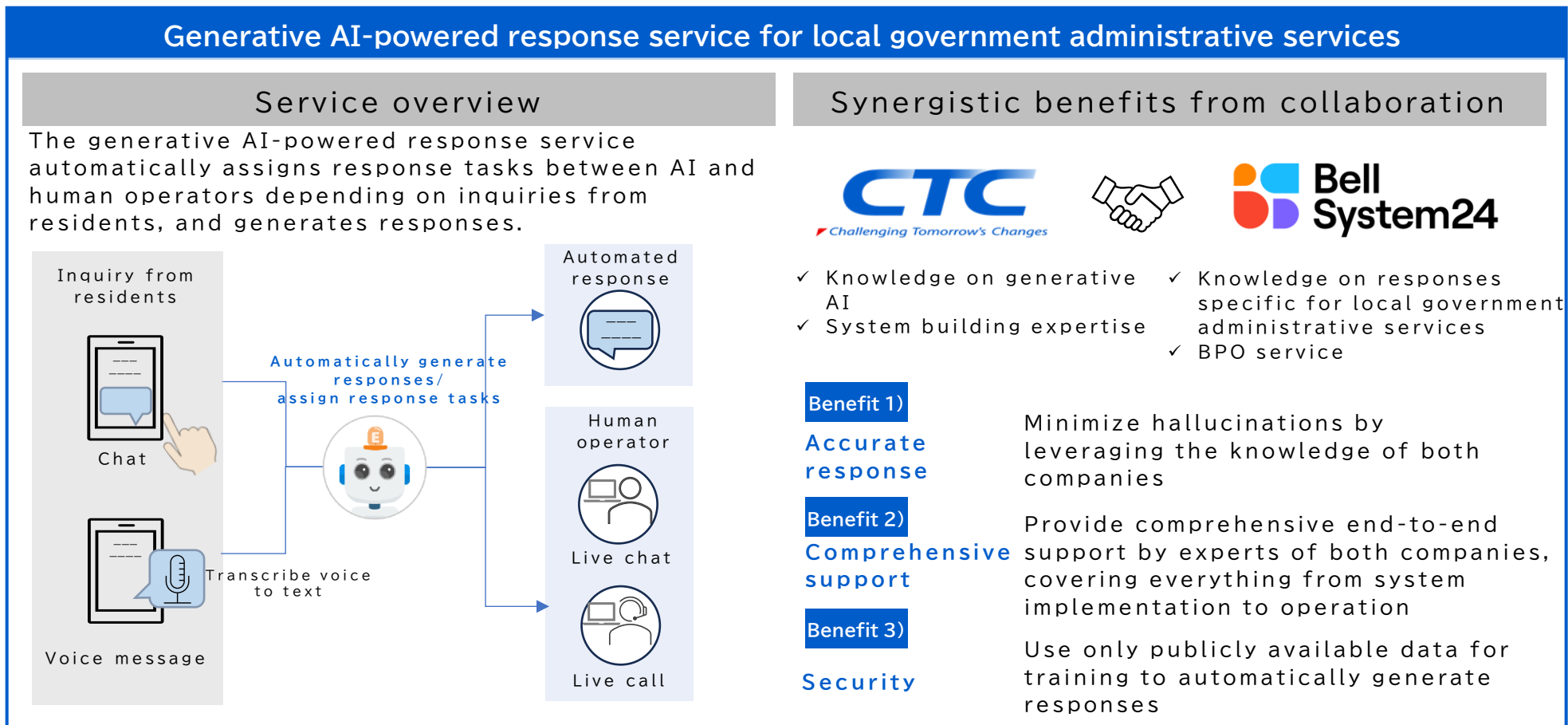
Flexibly allow our service available at any phase, whether at the exploring, deploying, or scaling stage



Business topic 2)

Generative AI-powered service to address challenges faced by local governments due to declining and aging population

- Provide **generative AI-powered response service for local government administrative services** by collaborating with BELLSYSTEM24
- Contribute to **stable provision of high-quality resident services and improvement of employee work efficiency** required by declining and aging population



Enable to stably provide high-quality service to residents



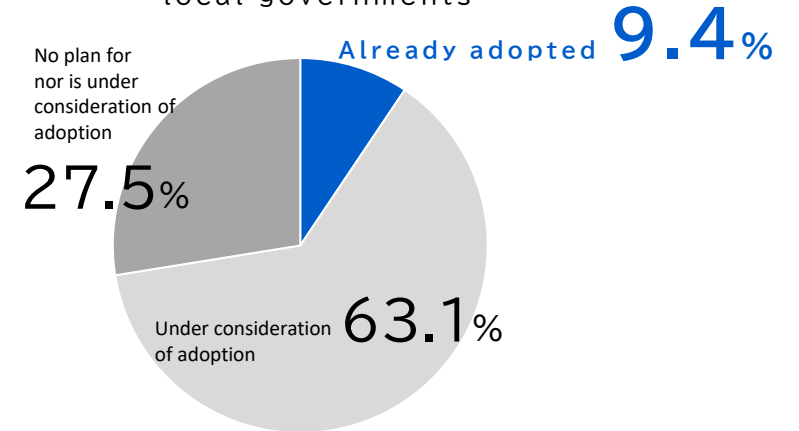
Enable to enhance local government employee work efficiency



Status of generative AI utilization in local governments

- Led by the Ministry of Internal Affairs and Communications (the MIC), digitization of local governments is advancing to improve convenience for residents and streamline their administrative operations.
- Generative AI is expected to be utilized for the above purposes, but **its adoption rate is only about 9%** (see chart at right.) It is important to solve the issues faced by local governments that are barriers for its adoption.

Status of generative AI adoption in local governments*1



Major issues preventing adoption of generative AI *2

Concerns about accuracy of AI-generated content

Lack of or shortage of human resources to work on AI utilization

Concerns about leakage of confidential information

Measures necessary to resolve issues

Efforts to improve AI quality for preventing generative AI hallucinations, including revising learning outcomes and regularly tuning AI models

Developing digital talent in local governments
Collaborating with companies that have extensive knowledge of generative AI for its utilization

Configuring settings not to record residents' personal information
Implementing measures to prevent security risks including information leakage and other risks

*1: Created based on data from responses from cities, wards, towns and villages in the "Status of generative AI adoption in local governments" released by the MIC on July 5, 2024. "Under consideration of adoption" includes the followings: Under experiment/under consideration (plan to adopt)/no plan to adopt (including demonstration experiment) but local government head is considering adoption/ no plan to adopt (including experiment) but local government executives are considering adoption/ no plan to adopt (including experiment) but local government section in charge is considering adoption /Decided not adopt after consideration or demonstration experiment.

*2: Created based on the MIC's "Status of generative AI adoption in local governments" releases on July 5, 2024

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CTC

Challenging Tomorrow's Changes