Announcement of 1st Half Operating Results for the Fiscal Year Ending March 31, 2013

October 30, 2012

ITOCHU Techno-Solutions Corporation

These materials contain forward-looking statements about the future performance of CTC, based on management's assumptions and beliefs in light of information currently available to it, and involve certain risks and uncertainties. Actual results may differ from projected performance, owing to a variety of factors, including changes in the economic environment.

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Introducing myself….

Satoshi Kikuchi

1976: Joined ITOCHU Corporation.

⇒Mainly worked in the energy business; Posted to offices in UK (London) and Oman (Muscat) for a total of 10 years

2006: General Manager, Corporate Planning and Administration Division

2008: Managing Executive Officer, Chief Corporate Planning Officer, Chief Information Officer

2009: President, Chemicals, Forest Products & General Merchandise Company

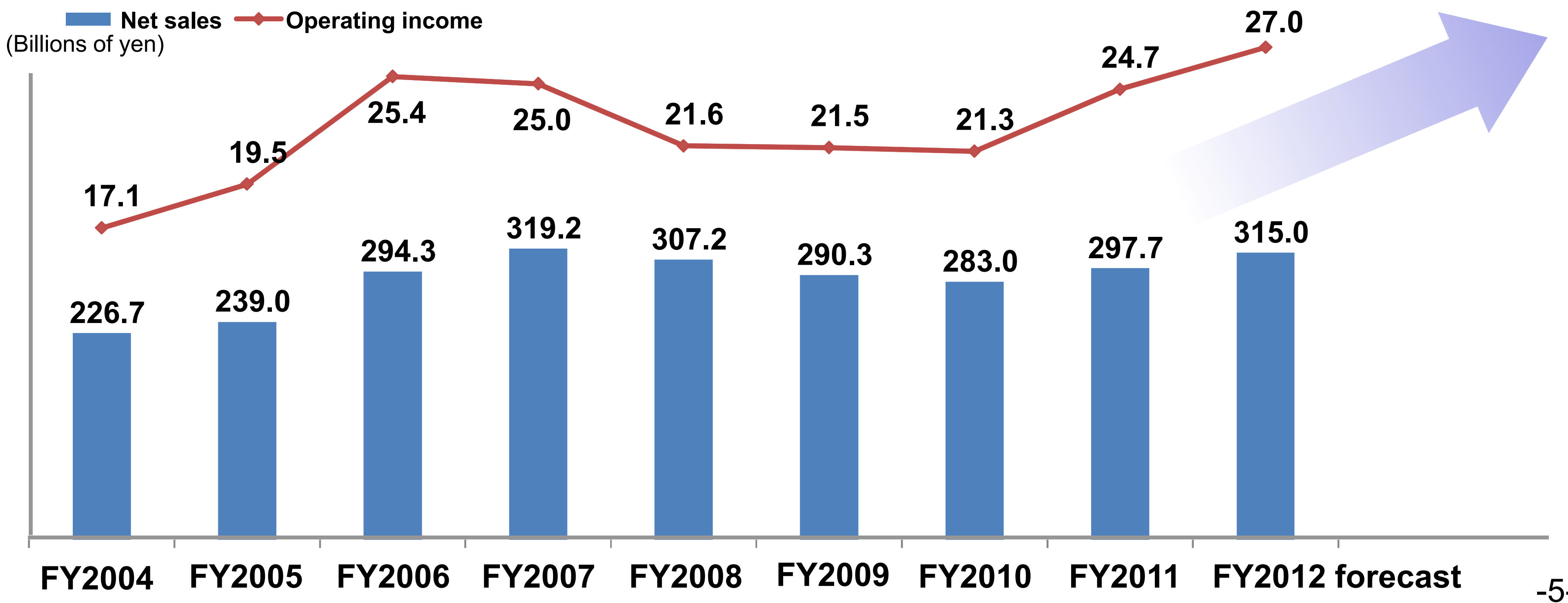
June 2012: Appointed as the President and Chief Executive Officer of Itochu Techno-Solutions Corporation

Management for the future

Challenging Tomorrow's Changes

How do we continue to grow?

Stabilizing management → Growth strategy focusing on business integration → Optimizing cost structure → Getting Back on the growth path → **Accelerating and developing the growth path**



Management for the future

Vision

The "Industry Leader" as the driving force in the IT market

Keywords for realizing the vision

- "Strength" into "overwhelming strength"
- New technologies, new markets
- M&A in Japan and overseas

Summery of the results of the 1st half FY2012
(the fiscal year ending March 31, 2013)

CTC Challenging Tomorrow's Changes

- **Both sales and profits increased year on year** due to growth in business with mobile carriers
- Sales and all profit line items recorded the **highest levels since business integration with CRC in October 2006.** Orders received were the **highest since the IPO** due to a large-scale project for postal services and expansion of business with mobile carriers
- Orders received, sales and profit **outperformed initial forecasts**

Net sales	**146.3 billion yen**	**(+12.2% YoY)**	**(+6.8% from forecast at the beginning of the fiscal year)**
Operating income	**10.0 billion yen**	**(+14.4% YoY)**	**(+12.9% from forecast at the beginning of the fiscal year)**
Net income	**5.5 billion yen**	**(+12.4% YoY)**	**(+8.8% from forecast at the beginning of the fiscal year)**
Orders received	**194.2 billion yen**	**(+36.7% YoY)**	**(+17.7% from forecast at the beginning of the fiscal year)**

1st Half FY2012 Performance Highlights
(Compared with 1st Half of FY2011)

	1st Half FY2011 Actual		1st Half FY2012 Actual		YoY change	
	Billions of yen	Profit margin	Billions of yen	Profit margin	Change (Billions of yen)	Change (%)
Net sales	130.4	—	146.3	—	+15.8	+12.2%
Gross profit	35.2	27.1%	37.7	25.8%	+2.4	+6.8%
SG&A expenses	(26.5)	—	(27.6)	—	(1.1)	+4.3%
Operating income	8.7	6.7%	10.0	6.9%	+1.2	+14.4%
Ordinary income	8.8	6.8%	10.0	6.9%	+1.2	+13.7%
Net income	4.9	3.8%	5.5	3.8%	+0.6	+12.4%
Orders received	142.0	—	194.2	—	+52.1	+36.7%
Backlog	143.5	—	184.5	—	+41.0	+28.6%

Major factors

[Net sales]
Driven by business with mobile carriers.

[Gross profit]
Increased on higher sales in spite of lower gross profit margin due to increases in sales ratio of products with relatively low profit and unprofitable projects.

[SG&A expenses]
Increased due to higher personnel expenses (bonuses, etc.)

[Orders received]
Orders from postal service and mobile carriers increased.

[Backlog]
The increase in backlog reflects significant increase in orders received.

1st Half FY2012 Performance Highlights
(Compared with forecast at the beginning of the fiscal year)

Challenging Tomorrow's Changes

	1st Half FY2012 Forecast (Apr. 27)		1st Half FY2012 Actual		Actual vs. Forecast	
	Billions of yen	Profit margin	Billions of yen	Profit margin	Change (Billions of yen)	Change (%)
Net sales	137.0	—	146.3	—	+9.3	+6.8%
Gross profit	36.5	26.6%	37.7	25.8%	+1.2	+3.3%
SG&A expenses	(27.6)	—	(27.6)	—	(0.0)	+0.2%
Operating income	8.9	6.5%	10.0	6.9%	+1.1	+12.9%
Ordinary income	8.9	6.5%	10.0	6.9%	+1.1	+12.8%
Net income	5.1	3.7%	5.5	3.8%	+0.4	+8.8%
Orders received	165.0	—	194.2	—	+29.2	+17.7%
Backlog	164.6	—	184.5	—	+19.9	+12.1%

Major factors

[Net sales]
Net sales increase from mobile-carrier growth.

[Gross profit]
Increased on higher sales in spite of lower-than-expected gross profit margins.

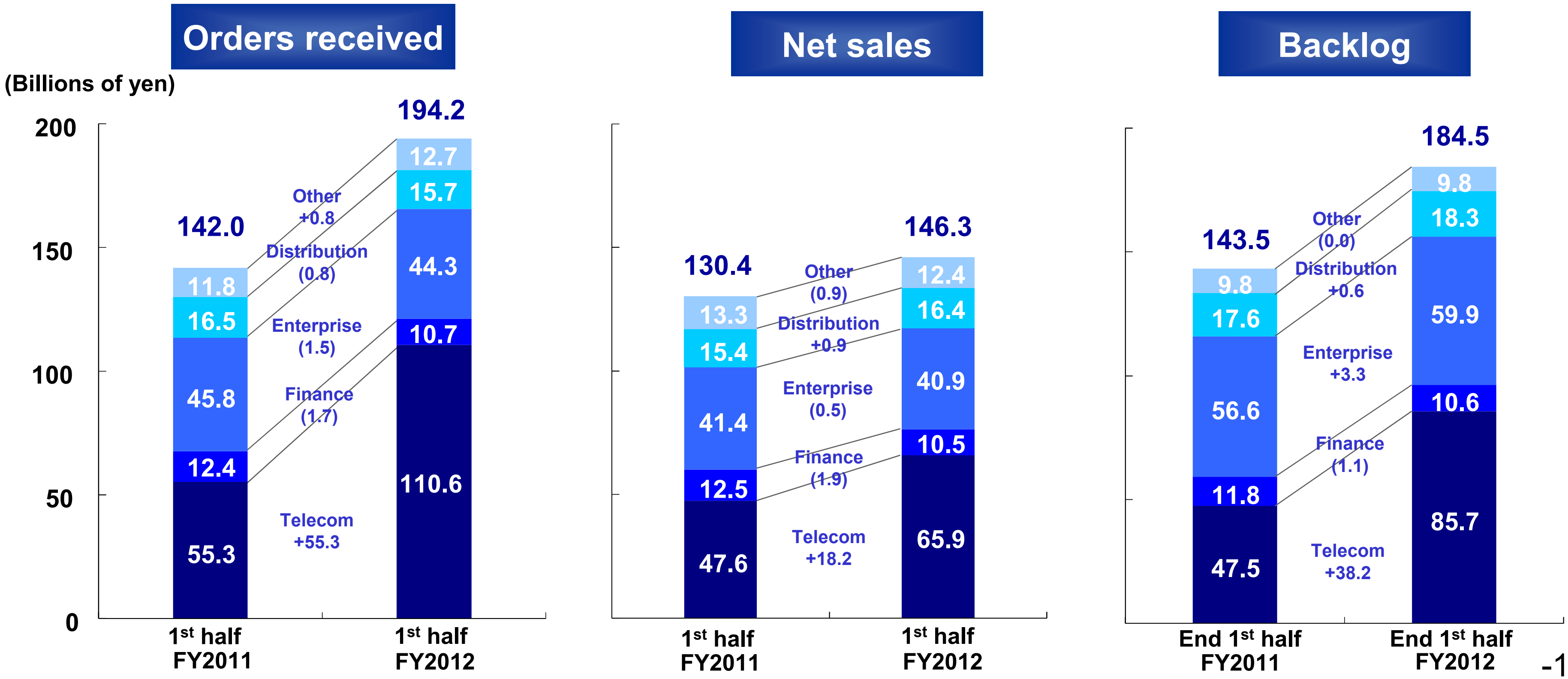
[SG&A expenses]
SG&A trended as forecast at the beginning of the fiscal year.

[Orders received]
Significant increase from mobile-carrier growth and postal project front-loading.

[Backlog]
Significant increase in orders received contributed.

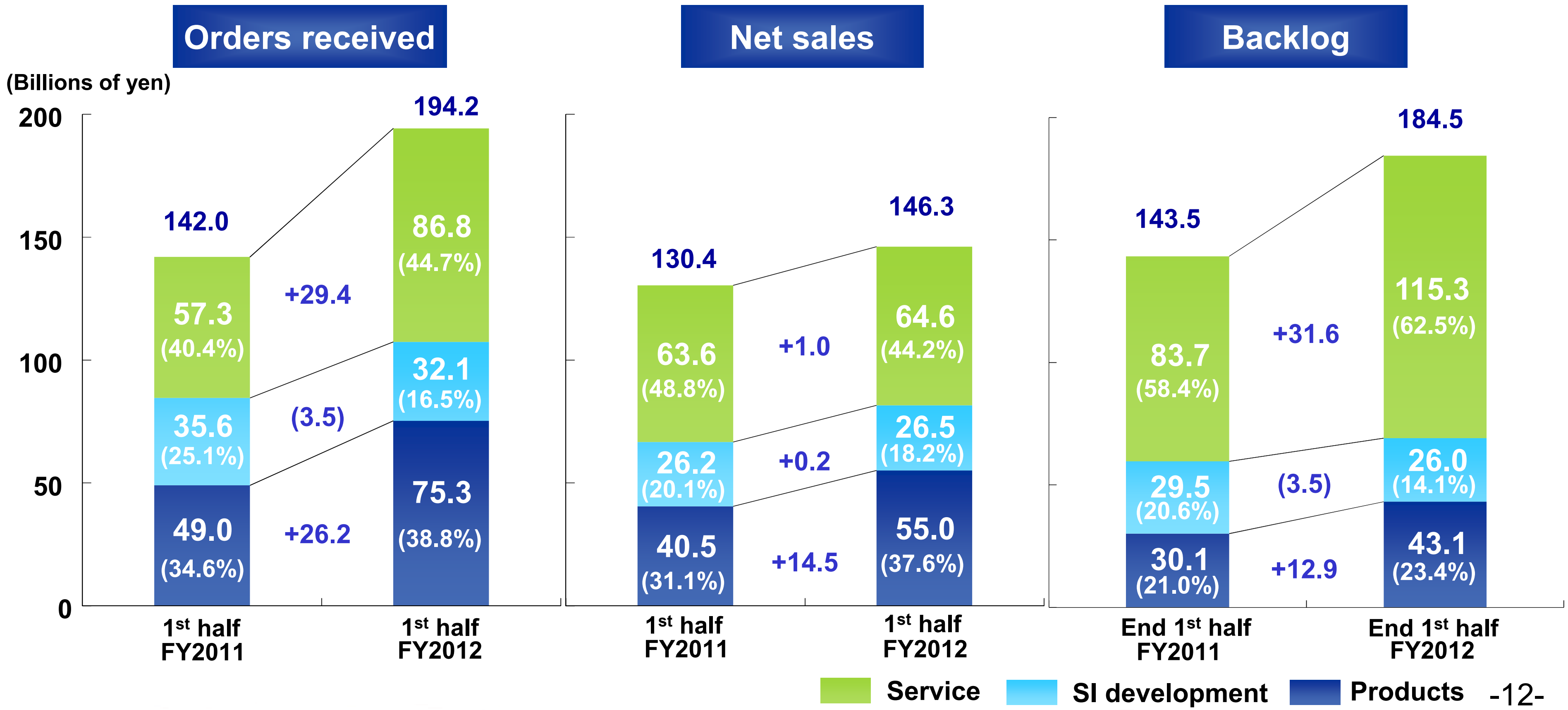
YoY Changes by Business Group

- Telecom: Both orders received and sales increased significantly due to growth in network business for mobile carriers and a common IT infrastructure project for postal services.
- Finance: Both orders received and sales declined due to shrinking the credit card company projects.
- Enterprise: Both orders received and sales declined slightly as a reaction of large projects received in the first half of the previous year in public and automotive sectors.
- Distribution: While orders received decreased as a result of front-loading of operation and maintenance contracts in the previous year, sales increased on growth of projects for oil wholesalers.

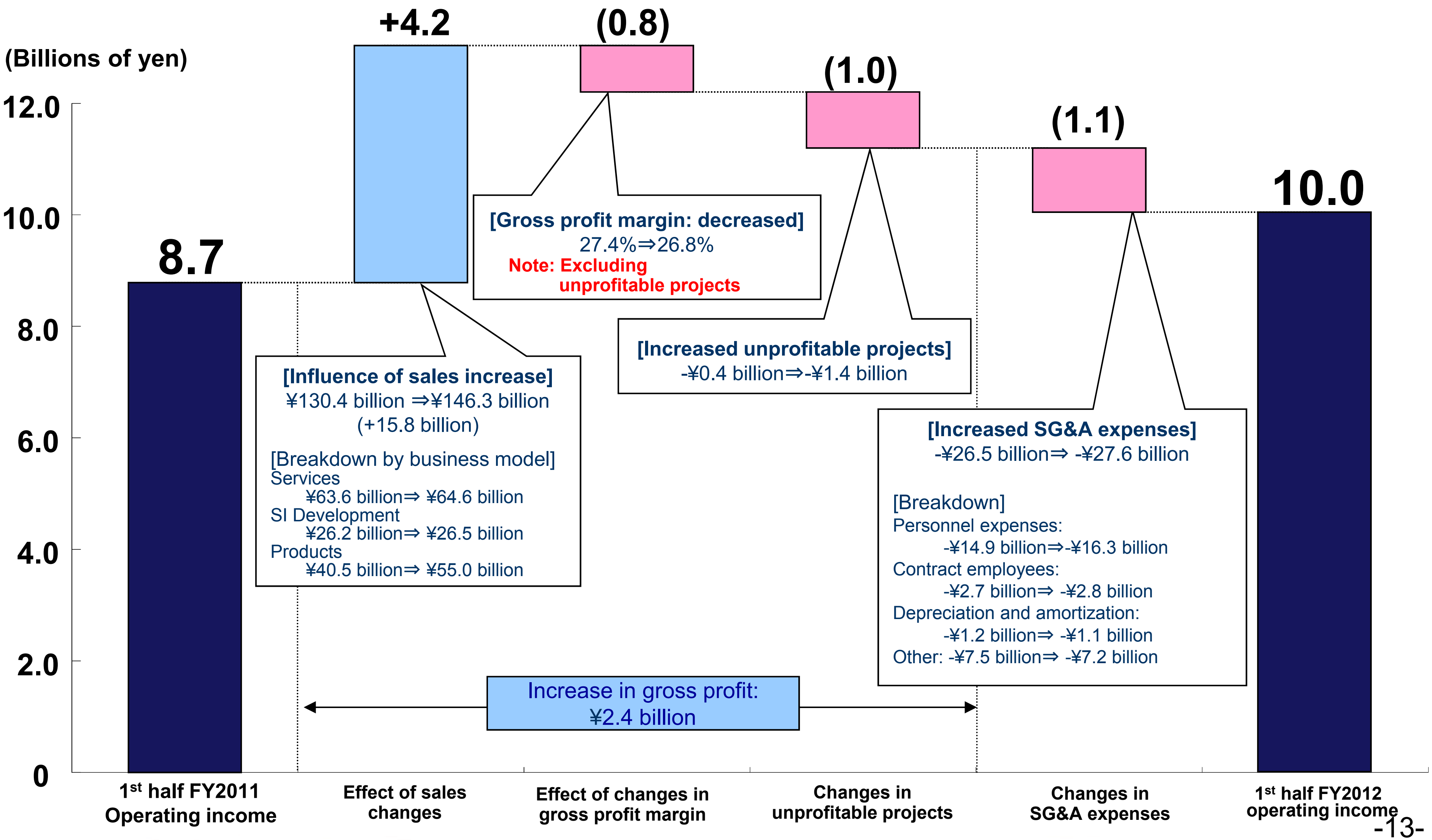


YoY Changes by Business Model

- Services: Orders received increased significantly due to a maintenance and operation project for postal service as well as growth in installation services for mobile carriers.
- SI development: Orders for development projects from major clients in the distribution sector declined.
- Products: Both orders received and net sales increased on the back of the progress of the infrastructure integration project for postal service and network projects for mobile carriers.



Main Reasons for YoY Changes in Operating Income



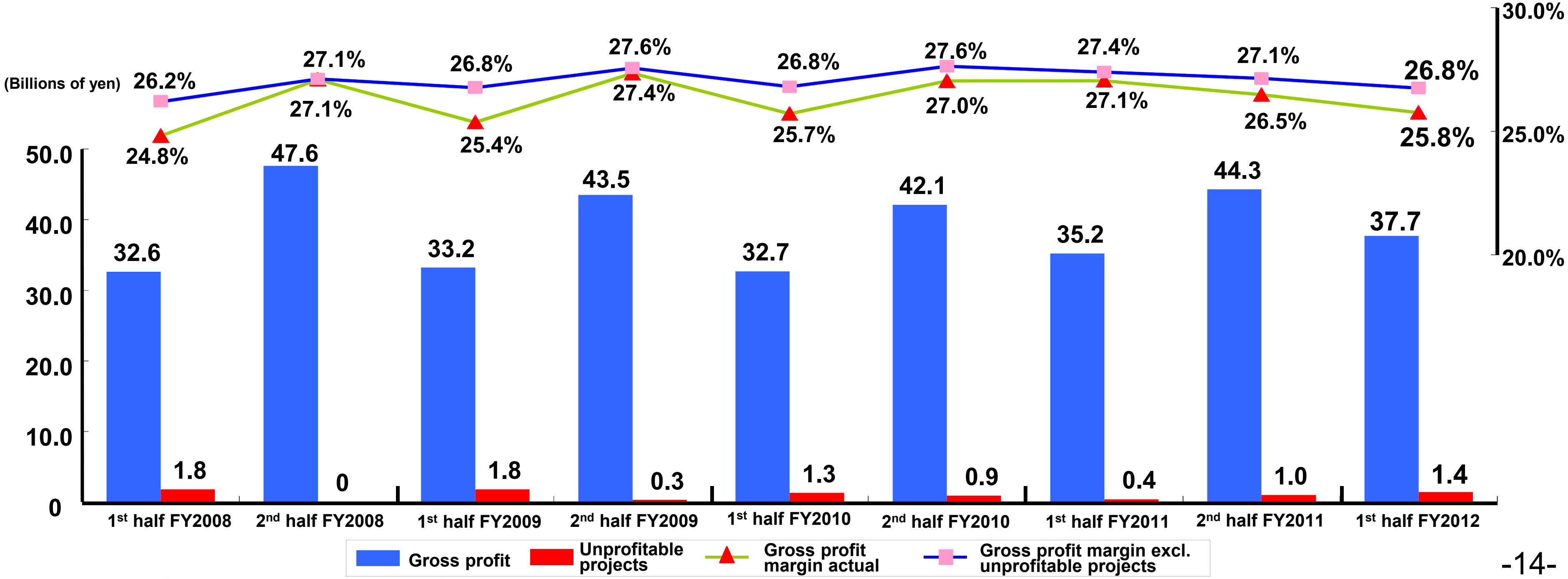
[Reference]
Gross profit margin and unprofitable projects

■ Gross profit margin declined by 1.3 points year on year to 25.8%

⇒ Excluding the impact of unprofitable projects, gross profit margin declined by 0.6 points to 26.8%. Major factors include an increase in sales ratio of products with relatively low profit margins, and a reaction to highly profitable projects in the first half of the previous year.

■ Unprofitable projects amounted to ¥1.4 billion (an increase of ¥1 billion year on year)

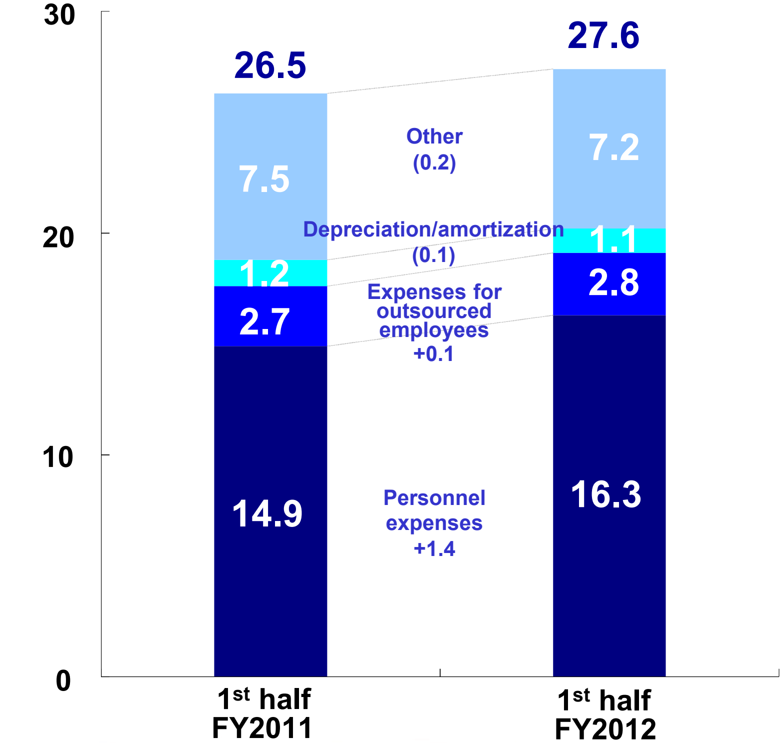
⇒ Orders received for strategic reasons accounted for 40% of the unprofitable projects.
⇒ Unprofitable projects expected to post sales in the next year or later amount to ¥1 billion.



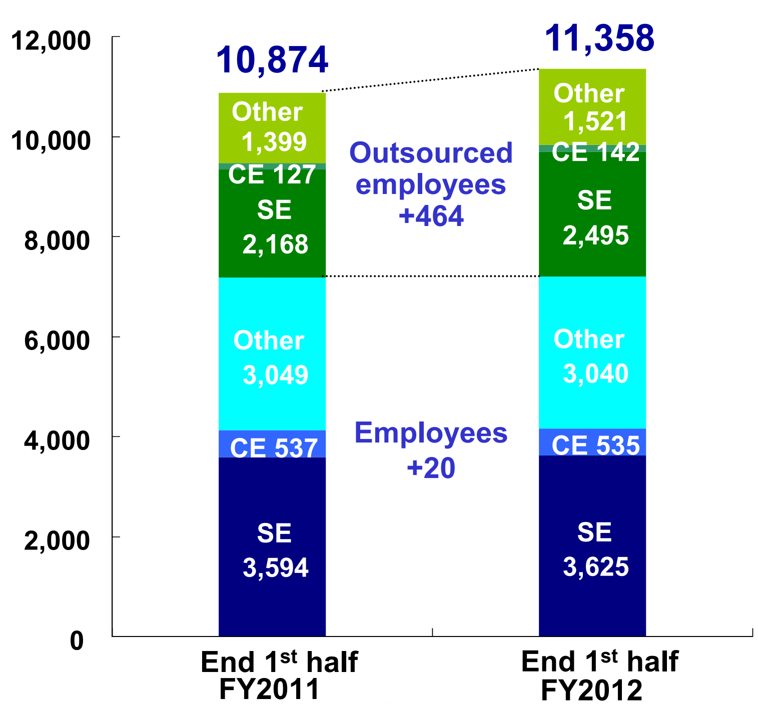
[Reference]
Reasons for YoY Changes in SG&A

- SG&A expenses increased due to an increase in personnel expenses (¥1.4 billion YoY).
  - Personnel expenses: Mainly due to an increase in performance-linked bonuses
  - Expenses for outsourced employees: Outsourced engineers added to cope with the increase in projects, but the costs were maintained at the previous year's level through improvements in utilization rate.
  - Other: Suppression of overhead continued.

SG&A expenses



Employees



Non-operating and Extraordinary Items

(Billions of yen)

	1st Half FY2011 Actual Billions of yen	1st Half FY2012 Actual Billions of yen	YoY change Change (Billions of yen)	Major factors
Non-operating income	0.20	0.17	(0.03)	―
Non-operating expenses	(0.16)	(0.18)	(0.02)	―
Total non-operating income	0.04	(0.01)	(0.05)	

Extraordinary gains	0.02	0.01	(0.00)	―
Extraordinary losses	(0.19)	(0.42)	(0.22)	Compensation for damages (0.14) Loss on litigation (0.13)
Total extraordinary losses	(0.17)	(0.40)	(0.23)	

Consolidated Cash Flows and Balance Sheets

Consolidated cash flows

(Billions of yen)

	1st half FY2011	1st half FY2012	Change
Cash and cash equivalents at beginning of period	68.3	77.8	+9.5
Operating activities	4.1	(2.7)	(6.9)
Investing activities	(1.1)	(2.1)	(0.9)
Financial activities	(5.7)	(7.9)	(2.2)
Cash and cash equivalents at end of period	65.5	64.8	(0.6)
Free cash flow	2.9	(4.9)	(7.8)

■ Free cash flow (FCF)
- Free cash flows decreased year on year due to increased expenditures in cash flows from investing activities in addition to decreased cash flows from operating activities (increases in trade receivables and inventories)

[Major reasons for changes in cash flows]
(1) Cash flows from operating activities
Trade receivables increased: (3.9); Inventories increased: (1.8)

(2) Cash flows from investing activities
Expenditures increased due to acquisition of tangible fixed assets: (0.2)
Deposits decreased: (0.5)

■ Major reason for change in cash flows from financial activities
Income from sale and leaseback: (2.6)

Consolidated balance sheets

	End FY2011 (End of March 31, 2011)	End 1st half FY2012	Change
Current assets	200.1	191.7	(8.3)
Fixed assets	52.5	52.8	+0.3
Total assets	252.7	244.6	(8.0)
Current liabilities	77.9	71.8	(6.1)
Long-term liabilities	15.9	16.2	+0.3
Total liabilities	93.8	88.1	(5.7)
Total net assets	158.8	156.5	(2.2)
Total liabilities and net assets	252.7	244.6	(8.0)

[Breakdown of assets and liabilities]

■ Current assets	
Cash and cash equivalents	28.7 [-4.1]
Notes and accounts receivable	47.9 [-12.2]
Securities	30.9 [-13.9]
Inventories	33.0 [+9.4]
Prepaid expenses	22.7 [+8.1]
■ Fixed assets	
Tangible fixed assets	29.1 [+0.3]
Intangible fixed assets	7.2 [-0.4]
Investment securities	4.6 [+0.2]
■ Current liabilities	
Notes and accounts payable	19.4 [-4.7]
Accrued income taxes	2.7 [-5.5]
Reserve for bonuses	5.2 [-2.0]
Unearned income	23.1 [+5.6]
■ Net assets	
Treasury stock	(10.3) [-5.0]
Retained earnings	111.0 [+2.5]

Challenging Tomorrow's Changes

Full-year Earnings Forecast for FY2012

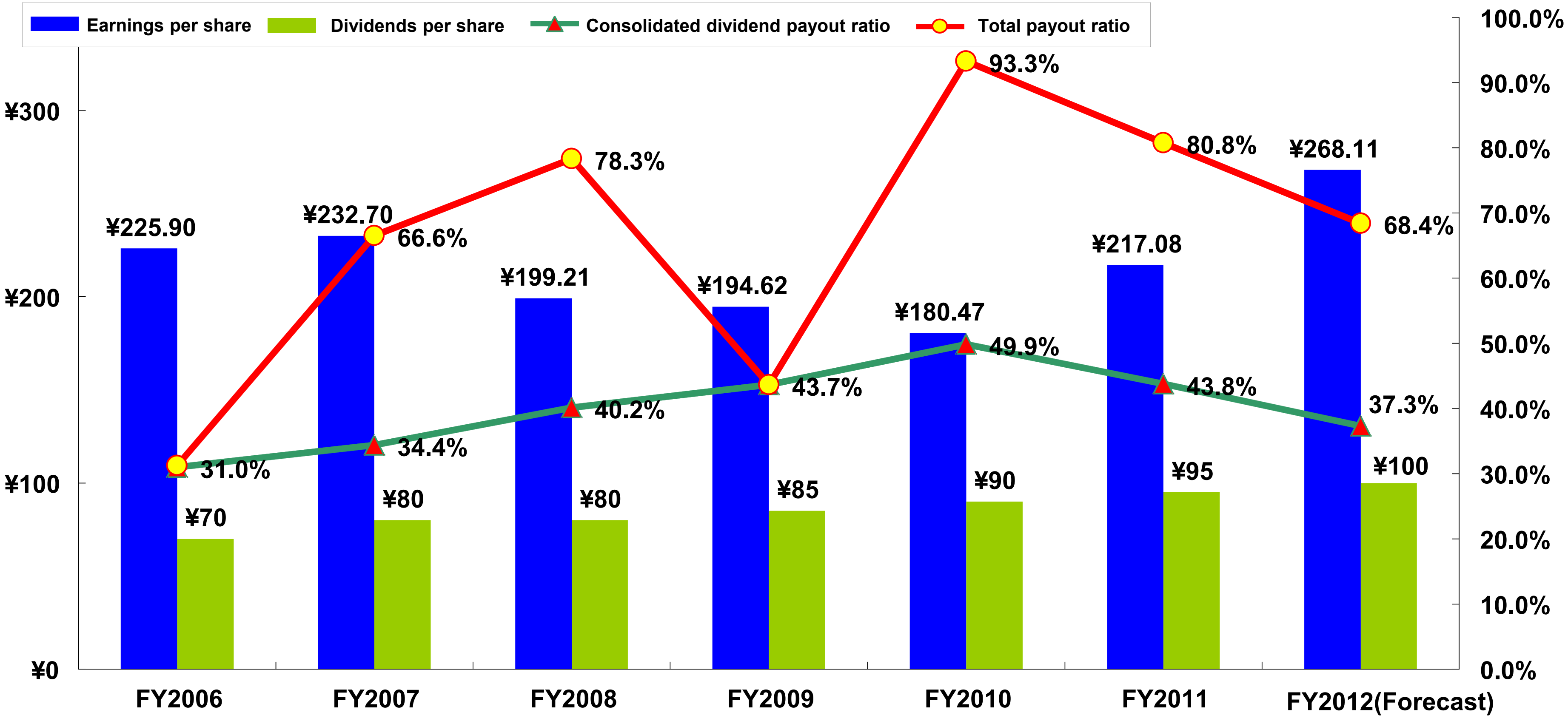
Challenging Tomorrow's Changes

Full-year Forecasts Left Unchanged at This Point

While backlog has increased and we can expect to secure a certain level of sales in the second half, in consideration of the continued economic uncertainties ahead, we have decided to leave the full-year earnings forecast unchanged.

Shareholder Returns

- Paid an interim dividend of ¥50 per share (annual dividend forecast of ¥100 per share)
- Consolidated dividend payout ratio expected to be 37.3%
  (assuming net income of ¥16.0 billion for FY2012)
- Stock buybacks of 4.99 billion yen,1.29 million shares, carried out in the first half
  (forecast total payout ratio, including dividends, of 68.4%)



*Total payout ratio = (Stock buybacks + Total dividend payment) / Net income

CTC
Challenging Tomorrow's Changes

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Business Environment

Macro-economic trends

Requires continued attention on impact of rising yen, the crisis in Europe and the tense situation in China

IT industry trends

Although outlook is uncertain, overall IT investment needs are holding firm.

- Increased system investments due to popularization of smartphones and shift to high-speed mobile telecommunications
- Demand for replacing core systems is steady
- Expansion of the use of cloud computing and demand for IT infrastructure integration
- Increased need for global IT support as clients accelerate their global expansion

Key 2nd half initiatives (1)

Challenging Tomorrow's Changes

1 Achievement of the current medium-term business plan (FY2010 – FY2012)

- Quantitative medium-term targets (internal growth)
  ⇒ Net sales: ¥330 billion; operating income: ¥27 billion

2 Key actions for the 2nd half

- Expansion of revenues
  ⇒ Assure delivery of orders on hand, and increase orders received for the next period
- Improvement of profit margin
  ⇒ Implement thorough cost cutting, rein in unprofitable projects, and control SG&A expenses
- Groundwork for medium- to long-term growth
  ⇒ Accelerate global expansion (ASEAN)
  ⇒ Expand data center business (New building to be completed in April 2013)
  ⇒ Drive for new businesses

2nd half focuses by business group

Challenging Tomorrow's Changes

Business group	Focus
Telecoms	► Respond to infrastructure reinforcement projects due to increasing data traffic from wider smartphone use and high-speed mobile telecommunications ► Strengthen development/SI projects of authentication and service systems ► Promote projects for construction of large-scale common IT infrastructures
Finance	► Secure steady orders from a megabank group for system integration projects ► Promote development of international systems and projects for compliance with international laws for megabanks ► Strengthen business of virtualized common IT infrastructure for regional banks
Enterprises	► Step up proposals for virtualized integration, cloud computing, BCP/DR-related projects in response to expanding need for replacing existing systems ► Expand sales of public cloud service (TechnoCUVIC) ► Promote global support projects to clients expanding their overseas business
Distribution	► Strengthen intra-group cloud services to a trading company group ► Propose and construct next-generation store systems for convenience stores

Key 2nd half initiatives (2)

3 Preparation for formulation of the next medium-term business plan

- Develop specific strategies for continuous growth
- A two-year plan for FY2013-FY2014
- Expected to be announced during briefing on the financial results of the fiscal year ending March 31, 2013.

Challenging Tomorrow's Changes