Announcement of Operating Results for the Fiscal Year Ended March 31, 2014

May 1, 2014

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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Overview of FY2013 Performance

CTC
Challenging Tomorrow's Changes

Higher revenues, lower profit

◇ Revenues increased YoY, strong performances in finance, enterprise, distribution, and contributions from the consolidation of two overseas subsidiaries offset the declines in business with mobile carriers and postal services.

◇ Operating income, ordinary income and net income decreased YoY as a result of a fall in gross profit in Japan.

◇ Although sales were roughly in line with the earnings forecast (released on October 16, 2013), profits were less than forecast, largely due to the fall in gross profit.

FY2013 Performance Highlights (Compared with FY2012)

Challenging Tomorrow's Changes

	FY2012 Actual		FY2013 Actual		YoY Change	
	Billions of yen	Profit margin	Billions of yen	Profit margin	Change (Billions of yen)	Change (%)
Net sales	322.4	—	349.4	—	+26.9	+8.4%
Gross profit	83.2	25.8%	83.5	23.9%	+0.2	+0.3%
SG&A expenses	(56.0)	—	(60.0)	—	(3.9)	+7.0%
Operating income	27.1	8.4%	23.4	6.7%	(3.7)	-13.6%
Ordinary income	27.3	8.5%	23.9	6.9%	(3.3)	-12.2%
Net income	16.0	5.0%	14.0	4.0%	(1.9)	-12.0%
Order received	372.0	—	369.1	—	(2.9)	-0.8%
Backlog	186.2	—	205.9	—	+19.6	+10.6%

Major factors

[Net sales]
Increased YoY, contributions from two newly consolidated overseas companies and increases in the finance, enterprise and distribution offset the declines in mobile carriers and postal services offset by.

[Gross profit]
Unchanged from the previous year due to a fall in the gross profit margin, which offset higher sales generated by 2 overseas companies.

[SG&A expenses]
Impact of consolidation of two overseas companies was main factor.

[Operating income/ Ordinary income / Net income]
Decreased due to drop in gross profit margin and increase in SG&A expenses.

[Orders received]
Fell slightly YoY, decreased orders from postal services and mobile carriers offset the contribution of two overseas subsidiaries and increased orders in the finance, enterprise and distribution sectors.

[Backlog]
Increased considerably, especially orders from postal services and mobile carriers.

Performance Highlights for FY2013 (vs. forecast)

	FY2013 Forecast (10/16)		FY2013 Actual		vs. Forecast	
	Billions of yen	Profit margin	Billions of yen	Profit margin	Change (Billions of yen)	Change (%)
Net sales	350.0	—	349.4	—	(0.5)	+99.8%
Gross profit	85.5	24.4%	83.5	23.9%	(1.9)	+97.7%
SG&A expenses	(60.5)	—	(60.0)	—	+0.4	+99.2%
Operating income	25.0	7.1%	23.4	6.7%	(1.5)	+93.9%
Ordinary income	25.2	7.2%	23.9	6.9%	(1.2)	+95.2%
Net income	15.0	4.3%	14.0	4.0%	(0.9)	+94.0%
Orders received	363.0	—	369.1	—	+6.1	+101.7%
Backlog	199.2	—	205.9	—	+6.6	+103.4%

Major factors

[Net sales]
Roughly as expected.

[Gross profit]
Fell short of forecast due to drop in gross profit margin.

[SG&A expenses]
Decreased mainly due to lower payout of performance-linked bonuses.

[Operating income / Ordinary income / Net income]
Fell short of forecast due to drop in gross profit margin.

[Orders received/Backlog]
Exceeded forecast largely due to orders received from postal services.

For Reference: 1st and 2nd Half Performance Highlights for FY2013 (YoY)

Challenging Tomorrow's Changes

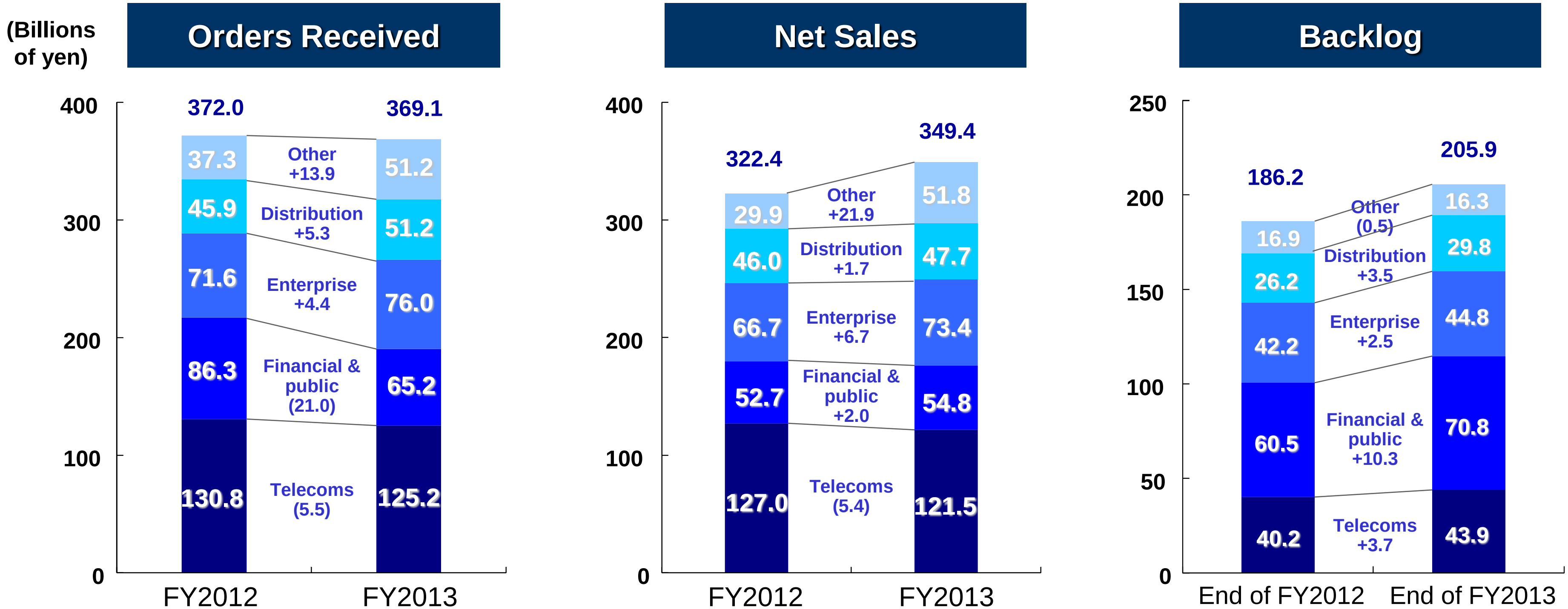
	1st Half FY2012 Actual		1st Half FY2013 Actual		YoY Change	
	Billions of yen	Profit margin	Billions of yen	Profit margin	Change (Billions of yen)	Change (%)
Net sales	146.3	—	147.8	—	+1.5	+1.0%
Gross profit	37.7	25.8%	35.6	24.1%	(2.0)	-5.4%
SG&A expenses	(27.6)	—	(30.0)	—	(2.3)	+8.6%
Operating income	10.0	6.9%	5.6	3.8%	(4.4)	-44.1%
Ordinary income	10.0	6.9%	5.7	3.9%	(4.3)	-43.0%
Net income	5.5	3.8%	3.1	2.1%	(2.4)	-44.1%
Orders received	194.2	—	155.5	—	(38.7)	-19.9%
Backlog	184.5	—	193.9	—	+9.3	+5.1%

	2nd Half FY2012 Actual		2nd Half FY2013 Actual		YoY Change	
	Billions of yen	Profit margin	Billions of yen	Profit margin	Change (Billions of yen)	Change (%)
Net sales	176.1	—	201.6	—	+25.4	+14.5%
Gross profit	45.5	25.9%	47.8	23.7%	+2.2	+5.0%
SG&A expenses	(28.4)	—	(29.9)	—	(1.5)	+5.5%
Operating income	17.1	9.7%	17.8	8.9%	+0.7	+4.3%
Ordinary income	17.2	9.8%	18.2	9.1%	+0.9	+5.6%
Net income	10.4	5.9%	10.9	5.5%	+0.5	+4.9%
Orders received	177.8	—	213.6	—	+35.8	+20.1%
Backlog	186.2	—	205.9	—	+19.6	+10.6%

■ **Increased profits due to increased sales in 2H were not enough to offset decreased profits in 1H.**

Performance by Business Group

- **Telecoms:** Orders received and net sales decreased mainly on decline in mobile-carrier network projects.
- **Financial & public:** Orders received fell due to a reactionary decline in postal services business where large scale projects took place in the previous year.
  Net sales increased largely due to growth in projects for megabanks and credit card companies.
- **Enterprise:** Orders received and net sales increased on an increase in infrastructure upgrades and service projects primarily for the manufacturing, service and transportation sectors.
- **Distribution:** Orders received and net sales increased due to growth in development projects for major distribution clients.
- **Other:** Orders received and net sales increased due to the consolidation of two overseas companies.



For reference:
CTC Global (Malaysia and Singapore) FY13 Actual

Billions of yen

CTC Global	FY2013 Initial Forecast			FY2013 Actual		
	Combined Total	Goodwill amortization, minority interests, etc.	Impact of consolidation	Combined Total	Goodwill amortization, minority interests, etc.	Impact of consolidation
Net Sales	17.6	-	17.6	20.5	-	20.5
Operating Income	0.9	(0.6)	0.3	0.9	(0.7)	0.1
Net Income	0.7	(0.8)	(0.1)	0.7	(0.7)	(0.0)

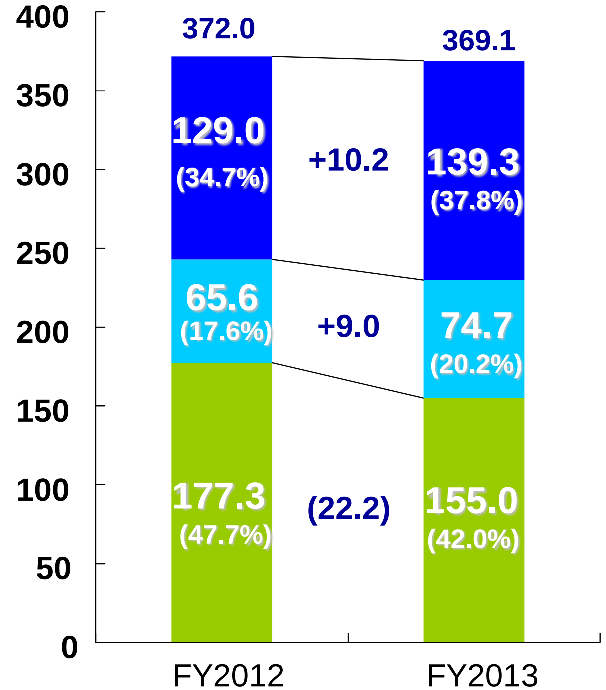
Orders Received	17.7	-	17.7	19.6	-	19.6
Backlog	5.1	-	5.1	4.0	-	4.0

Performance by Business Model

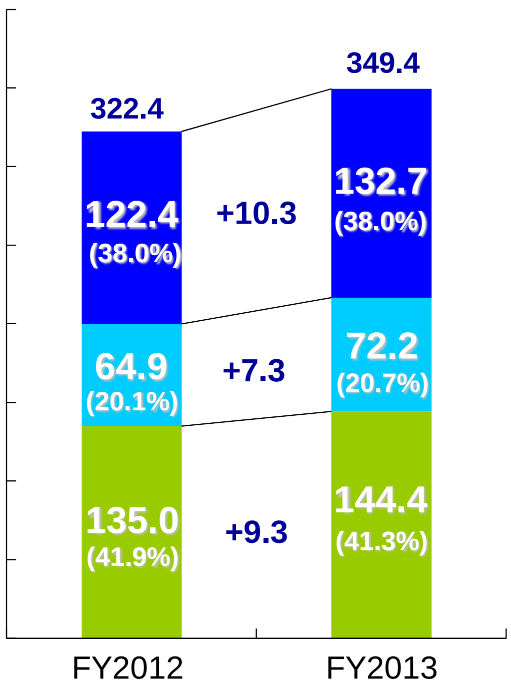
- **Services:** Orders received decreased due to a natural decline following orders from the postal service. Net sales were bolstered by an increase in business from postal services and credit card companies, in addition to the contribution from the consolidation of two overseas companies.
- **SI Development:** Orders received from the financial sector increased. Net sales were boosted by increases in projects for major clients in the finance and distribution sectors and system integration projects in the telecoms and enterprise businesses.
- **Products:** Orders received and net sales increased due to the consolidation of two overseas companies.

(Billions of yen)

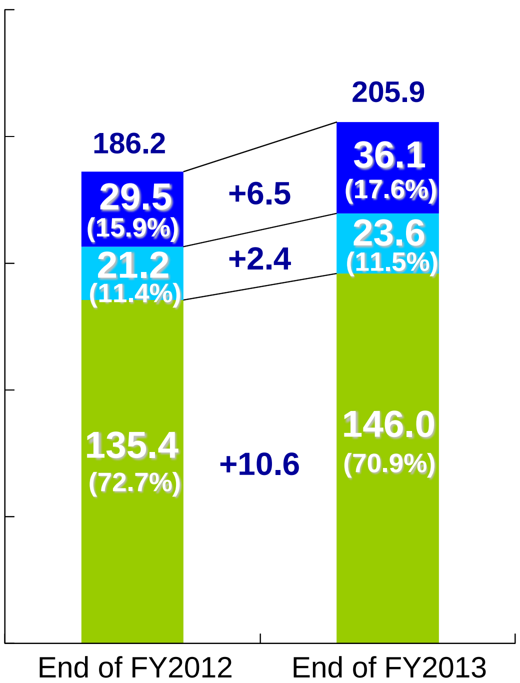
Orders Received



Net Sales

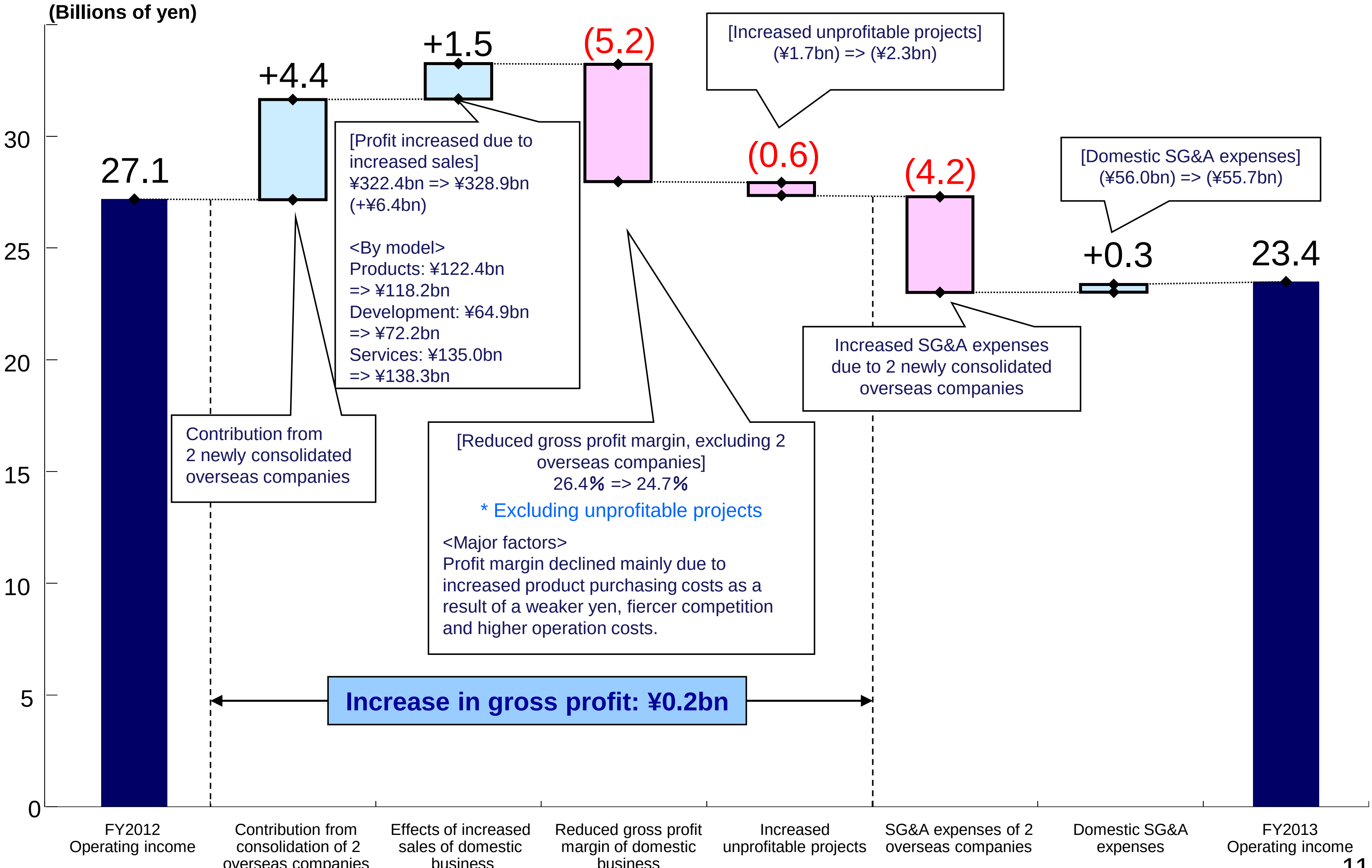


Backlog



Services SI Development Products

Main Reasons for YoY Change in Operating Income



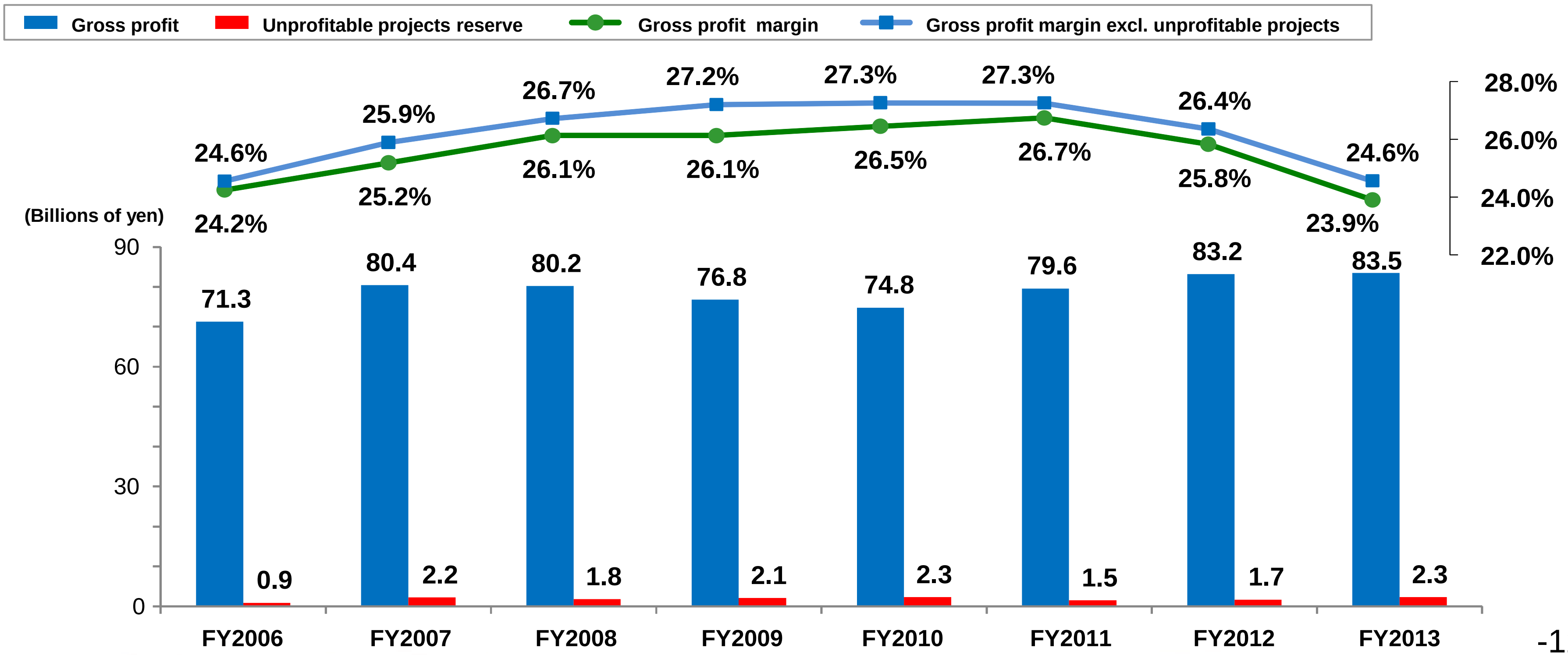
For Reference:
Gross Profit Margin and Unprofitable Projects

Challenging Tomorrow's Changes

- **Gross profit margin fell 1.9 points YoY to 23.9%.**
  - => Gross profit margin excluding unprofitable projects fell 1.8 points YoY to 24.6%.

    The gross profit margin declined mainly due to a weaker yen, fiercer competition, an increase in DC and operation costs, and the consolidation of 2 overseas companies.

- **Unprofitable projects amounted to ¥2.3 billion (up ¥0.6 billion year on year).**



For Reference:
Change in SG&A Expenses

(Billions of yen)

	FY2012	FY2013	Change		
			2 overseas companies	Other	Total
Personnel expenses	(33.5)	(35.2)	(2.2)	+0.6	(1.6)
Outside staff expenses	(5.6)	(5.9)	-	(0.3)	(0.3)
Depreciation and amortization	(2.2)	(2.7)	(0.7)	+0.3	(0.4)
Others	(14.5)	(16.1)	(1.2)	(0.2)	(1.5)
SG&A expenses	(56.0)	(60.0)	(4.2)	+0.3	(3.9)

For Reference:
Non-operating and Extraordinary Items

Challenging Tomorrow's Changes

(Billions of yen)

	FY2012 Actual Billions of yen	FY2013 Actual Billions of yen	YoY Change Change (Billions of yen)	Major factors	
Non-operating income	0.43	0.70	+0.27	Equity in gains of associated companies Gain from investment in partnership Reversal of allowance for doubtful receivables Foreign exchange gain	+0.15 +0.08 +0.02 (0.02)
Non-operating expenses	(0.28)	(0.19)	+0.08	Interest expenses Loss from investment in partnership	+0.01 +0.03
Total non-operating income	0.15	0.51	+0.36		
Extraordinary gains	0.14	0.33	+0.18	Gains on sales of investment securities Compensation received	+0.28 (0.08)
Extraordinary losses	(0.72)	(0.65)	+0.06	Loss on disposal of fixed assets Loss on non-cancelable lease contracts Impairment loss Loss on litigation	+0.14 +0.23 +0.12 (0.05)
Total extraordinary losses	(0.57)	(0.31)	+0.25		

For Reference:
Consolidated Balance Sheets and Cash Flows

Challenging Tomorrow's Changes

■ Consolidated balance sheets

(Billions of yen)

	End FY2012	End FY2013	Change
Current assets	205.9	217.0	+11.1
Fixed assets	64.1	65.1	+1.0
Total assets	270.0	282.2	+12.2
Current liabilities	86.6	95.3	+8.7
Long-term liabilities	17.4	15.9	(1.4)
Total liabilities	104.0	111.3	+7.2
Total net assets	165.9	170.9	+4.9
Total liabilities and net assets	270.0	282.2	+12.2

Breakdown of assets and liabilities [YoY change]

■ Current assets
- Cash and deposit 38.7 [+6.8]
- Notes and accounts receivable 81.2 [+14.4]
- Securities 15.9 [-17.9]
- Inventories 29.4 [+4.1]

■ Fixed assets
- Tangible fixed assets 36.0 [+1.3]
- Intangible fixed assets 12.9 [+1.7]
- Investments and other assets 16.1 [-2.0]

■ Current liabilities
- Notes and accounts payable 35.4 [+9.0]
- Unearned income 22.7 [+2.4]

■ Fixed liabilities
- Long-term lease obligaitons 12.5 [-1.4]

■ Net assets
- Retained earnings 117.4 [-1.0]
- Treasury stock (4.2) [+6.1]

■ Consolidated cash flows

(Billions of yen)

	FY2012	FY2013	Change
Cash and cash equivalents at beginning of period	77.8	66.1	(11.7)
Operating activities	9.6	6.4	(3.2)
Investing activities	(10.3)	(8.0)	+2.2
Financial activities	(11.1)	(9.5)	+1.6
Cash and cash equivalents at end of period	66.1	55.0	(11.0)
Free cash flow	(0.6)	(1.6)	(0.9)

■ Free cash flow (FCF)

- Free cash flow decreased year on year because of a decrease in cash flow from operating activities (decrease in income before income taxes and minority interests) which partially offset a decrease in expenditures in cash flow from investing activities.

Major reasons for changes in cash flows

(1) Cash flow from operating activities
- Income before income taxes and minority interests decreased: [-3.0]

(2) Cash flow from investing activities
- Payments for acquisition of shares in subsidiaries decreased: [+4.3]

(3) Cash flow from investing activities
- Payments for acquisition of treasury stock decreased: [+2.4]
- Dividends paid increased: [-0.5]

Ⅰ FY2013
Overview of Operating Results

Ⅱ FY2014
Management Policy/Key Strategies

Ⅲ FY2014
Operating Results Forecast

The CTC Group's Business Environment

Macro-economic trends

The Japanese economy is on a modest recovery path thanks to the recovery in the US and other advanced economies and improvement in corporate earnings on the back of a weaker yen and rising stock prices, despite concerns about slowing growth in emerging markets.

Domestic IT industry trends

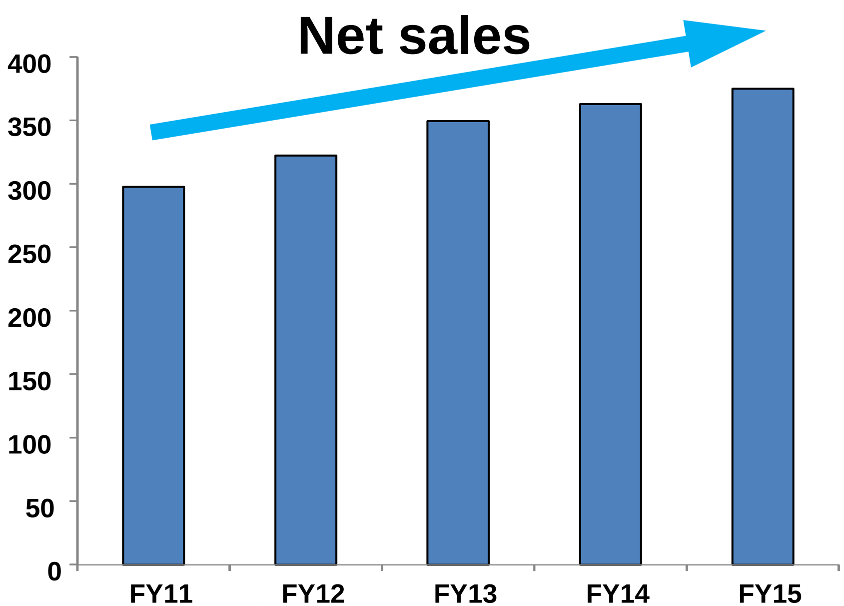
- General tendency toward restraint in IT investment in the telecommunications industry.
- Expansion in IT investment in the public sector and financial and manufacturing industries, bolstered by the government's IT investment strategy and improvement in corporate earnings.
- Growth of the software and IT services market, driven by increased demand for cloud services.

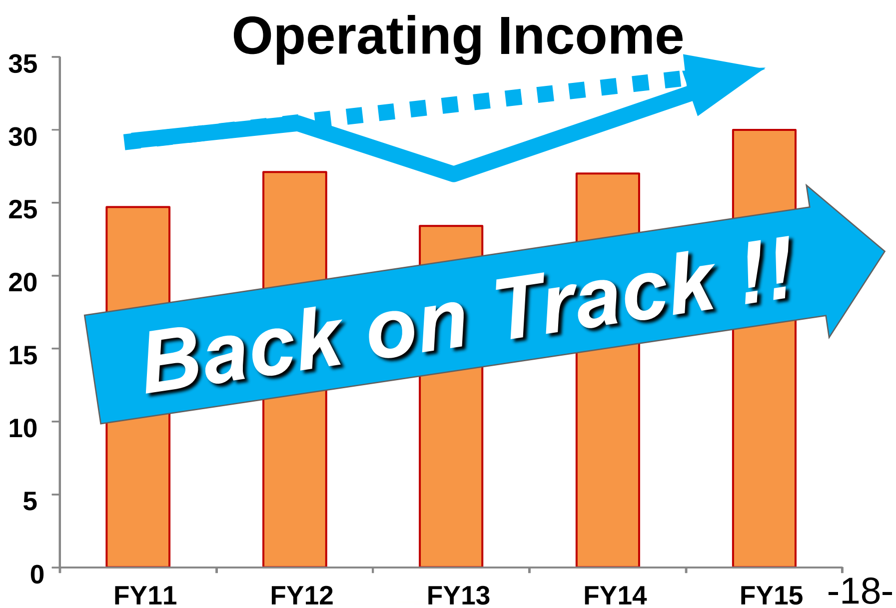
FY2014 Basic Management Policy and Key Themes

■ Basic Management Policy

Get Back on Growth Track

Key themes	Strengthen capability to offer comprehensive IT services.
	Strengthen defences.
Ongoing theme	Implement key strategies under the medium-term management plan.





[Key Themes] Strengthen capability to offer comprehensive IT services

Challenging Tomorrow's Changes

CTC Group strength: Provision of comprehensive IT services

(1) Multi-vendor support capabilities

(2) Infrastructure, development & system integration, services + Science & Engineering systems

(3) Roll out our solutions overseas (global support)

FY14 Key Initiatives

Strengthen capability to offer comprehensive IT services

↓

Cultivate business with key clients

- Automobile
- Transportation
- Manufacturing
- Public Utility
- Finance

Strengthen individual technologies and services that allow us to offer comprehensive services

↑

Establish Advanced Technology Laboratories

- Cloud
- Mobile
- Security
- Big Data
- Application Development Environment

For Reference: Establishment of IT Services Business Group

Challenging Tomorrow's Changes

Cross Function Group (Product Business)	Maintenance & Operation Services Business Group (Maintenance Business)	Cloud Platform Business Group (Cloud Services & Data Center Business)

IT Services Business Group

<u>Centralization of resources and restructuring of organizations that are pivotal to the development of comprehensive IT services.</u>

=> Enhancement of capability to offer comprehensive IT services.

=> Solutions development in growth areas such as cloud services and network security and increased focus on state-of-the-art technologies

[Key Theme] Strengthen defences.

- ► Strategic selection of system integration projects.
- ► Tighten up project management.
- ► Cost improvement (including taking foreign exchange risk countermeasures).

[Ongoing Theme] Implement key strategies under the medium-term management plan

Challenging Tomorrow's Changes

Vision

Take responsibility for the evolution of the IT industry, as the industry's leading company

Basic Management Policy

1	"Reinforce our strengths," and "enter growth areas."
2	"Develop state-of-the-art and optimal technologies," and "rollout our in-house technologies in Asia."
3	"Aggressively address earnings model transformation," and "reinforce our business infrastructure."

Key Matters for Each Business Area

Business Area	Key Matters	YoY
Telecoms	● Response to increasing data traffic. ● Acceleration of services business ● Development of OCP (Open Compute Project) market	→
Financial & Public	● Large-scale infrastructure projects for the postal service ● Development and services for megabanks and credit card companies ● Response to globalization in the financial sector	↑

Key Matters for Each Business Area

Business Area	Key Matters	YoY
Enterprise	● Cultivation of business with key clients in manufacturing, transportation and other sectors. ● Services-based business such as cloud and security services ● Support for global expansion of clients	↑
Distribution	● Large-scale projects for convenience stores ● Backbone and sales system projects for key clients	↑

Key Matters for Each Business Area

Business Area	Key Matters	YoY
Science & Engineering/ Global	● Renewable energy area (Science & Engineering) ● Development of new overseas bases (M&A, strategic alliances) ● Rollout of CTC solutions in ASEAN countries	→

Challenging Tomorrow's Changes

I FY2013 Overview of Operating Results

II FY2014 Management Policy/Key Strategies

III FY2014 Operating Results Forecast

FY2014 Consolidated Operating Results Forecasts

Challenging Tomorrow's Changes

For Reference

	FY2014 Earnings Forecast (IFRS)			FY2013 Actual (Japanese standards)		YoY Change	
	Billions of yen	Profit margin		Billions of yen	Profit margin	Change (Billions of yen)	Change (%)
Net sales	365.0	—	Net sales	349.4	—	+15.5	+4.4%
Gross profit	89.6	24.5%	Gross profit	83.5	23.9%	+6.0	+7.3%
Operating revenue and expenses	(62.6)	—	SG&A expenses	(60.0)	—	(2.5)	+4.3%
Operating income	27.0	7.4%	Operating income	23.4	6.7%	+3.5	+15.0%
Net income	16.8	4.6%					
Net income attributable to owners of the parent company	16.5	4.5%	Net income	14.0	4.0%	+2.4	+17.0%
Orders received	370.0	—	Orders received	369.1	—	+0.8	+0.2%
Backlog	210.9	—	Backlog	205.9	—	+5.0	+2.4%

Major factors

[Net sales]
Expected to increase on growth in Financial & Public, Enterprise and Distribution.

[Gross profit]
Expected to rise due to improvement in the gross profit margin in addition to increased profit due to increased sales.

[SG&A expenses]
Expected to increase, especially personnel expenses.

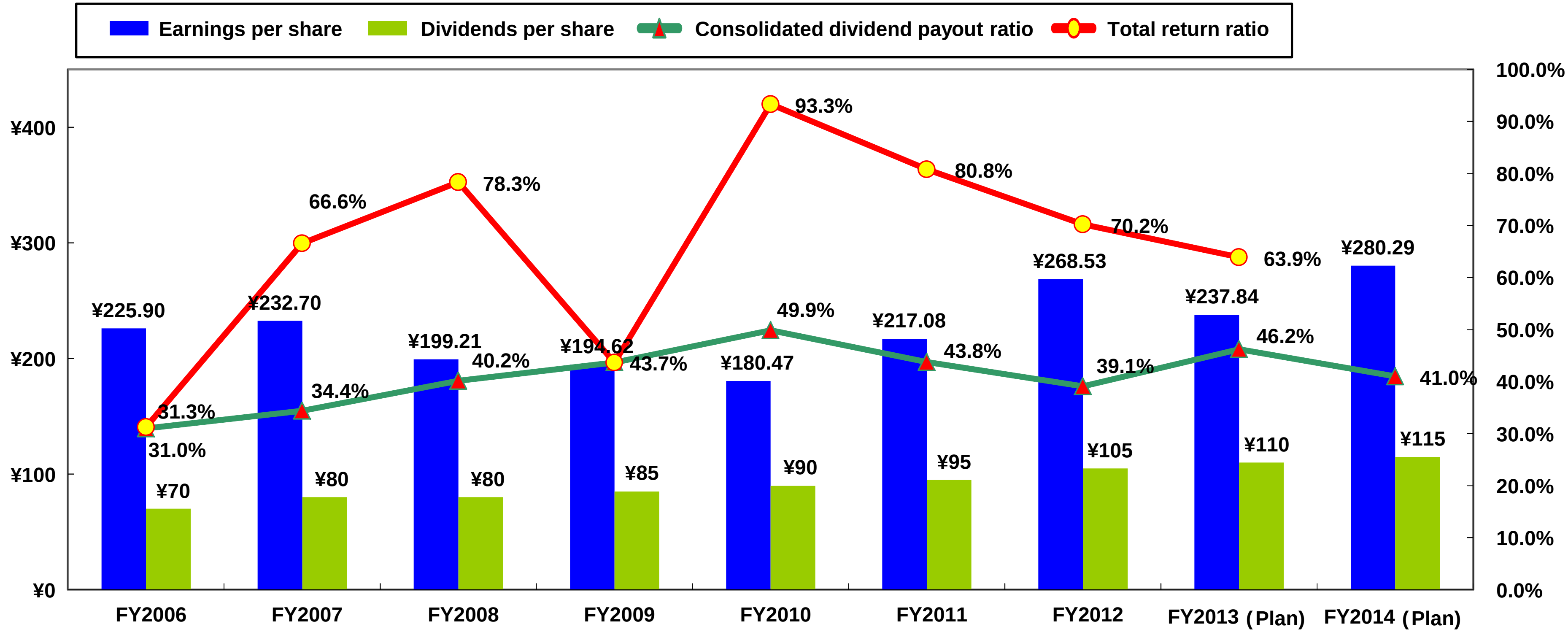
[Operating income and net Income attributable to owners of the parent]
Expected to grow due to increased sales and improvement in gross profit margin.

[Orders received]
Expected to remain roughly on the same level as the previous year, with a downturn in projects for postal services offset by increases in Enterprise and Distribution.

The forecasts are based on the assumption that Japanese standards ≈ IFRS, since the impact of application of IFRS will be insignificant.

Shareholder Returns Plans

- Pay stable dividends mindful of linkage with performance (targeting a dividend payout ratio of 40%)
  - => FY2013: Planned a total annual dividend of ¥110 (a year-on-year increase of ¥5, with a dividend payout ratio of 46.2%)
  - => FY2014: Planning a total annual dividend of ¥ 115 (a year-on-year increase of ¥5, with a dividend payout ratio of 41.0%)



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

Challenging Tomorrow's Changes