

Announcement of Operating Results for the Fiscal Year Ended March 31, 2016

May 2, 2016

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.



FY2015

Overview of Operating Results



FY2015 – FY2017

Progress of Medium-Term Management Plan



FY2016

Management Plan/Operating Results Forecast



FY2015

Overview of Operating Results



FY2015 – FY2017

Progress of Medium-Term Management Plan



FY2016

Management Plan/Operating Results Forecast

Higher revenue, Higher profit(*)

*Profit is “Profit attributable to owners of the Company”

- Revenue, Profit attributable to owners of the Company, Order received and Backlog reached record highs.
- Operating income decreased year on year.
The main reasons is increase in SG&A cost due to R&D costs and the dual corporate tax system associated with the reform of the tax system.

Performance Highlights for FY2015 (Compared with FY2014)



(Billions of yen)

	FY2014 Actual	FY2015 Actual	YoY Change	
				(%)
Revenue	381.9	391.6	+9.6	+2.5%
Gross profit	91.2	91.5	+0.2	+0.3%
<i>Gross profit margin</i>	23.9%	23.4%	(0.5p)	-
Other income and expenses	(61.9)	(63.5)	(1.6)	+2.7%
Operating income	29.3	27.9	(1.3)	(4.8%)
<i>Operating income margin</i>	7.7%	7.1%	(0.6p)	-
Profit attributable to owners of the Company	17.4	18.0	+0.6	+3.5%
Orders received	388.0	398.3	+10.2	+2.6%
Backlog	201.6	208.3	+6.7	+3.3%

Major Factor

[Revenue]

Increase in business for mobile carrier, megabanks, manufacture and service provider(overseas projects).

[Gross profit]

Although increase in revenue and unprofitable projects was improved, gross profit was same level with previous year due to decreased gross profit margin.

[Other income and expenses]

SG&A expenses increased due to R&D Expenses.
And Other income decreased due to decline in foreign exchange gain.

[Operating income]

Decreased due to decline in Other income and expenses.

[Orders received]

Increase in business for megabanks, credit-card, trading company.

[Backlog]

Increase in business for convenience stores and real estate company.

For reference: 4th Q FY2015 Performance Highlights (Compared with 4th Q FY2014)



(Billions of yen)

	4th Q FY2014 Actual (3 months)	4th Q FY2015 Actual (3 months)	YoY Change	
				(%)
Revenue	126.1	139.8	+13.7	+10.9%
Gross profit	30.9	33.9	+3.0	+9.7%
<i>Gross profit margin</i>	24.6%	24.3%	(0.3p)	-
Other income and expenses	(17.0)	(15.9)	+1.0	(6.3%)
Operating income	13.9	18.0	+4.0	+29.2%
<i>Operating income margin</i>	11.1%	12.9%	+1.8p	-
Profit attributable to owners of the Company	7.8	11.7	+3.9	+50.4%
Orders received	140.2	148.1	+7.9	+5.7%
Backlog	201.6	208.3	+6.7	+3.3%

Major Factor

[Revenue]

Increase in business for mobile carrier and manufacture.

[Gross profit]

Increased due to higher revenues.

[Other income and expenses]

SG&A expenses such as personnel expenses decreased.

[Operating income]

Increased due to higher revenue and decline in Other income and expenses.

[Order received]

Increase in business for mobile carrier, megabank and public.

For reference: Performance Highlights for FY2015 (vs. forecast)



(Billions of yen)

	FY2015 Actual	FY2015 Forecast (May 1)	vs. Forecast	
				(%)
Revenue	390.0	391.6	+1.6	+0.4%
Gross profit	93.6	91.5	(2.0)	(2.2%)
<i>Gross profit margin</i>	<i>24.0%</i>	<i>23.4%</i>	<i>(0.6p)</i>	-
Other income and expenses	(64.1)	(63.5)	+0.5	(0.8%)
Operating income	29.5	27.9	(1.5)	(5.3%)
<i>Operating income margin</i>	<i>7.6%</i>	<i>7.1%</i>	<i>(0.5p)</i>	-
Profit attributable to owners of the Company	18.0	18.0	+0.0	+0.1%
Orders received	400.0	398.3	(1.6)	(0.4%)
Backlog	211.6	208.3	(3.2)	(1.5%)

Major Factor

[Revenue]
Almost in line with forecast.

[Gross profit]
Gross profit was lower than forecast due to decline gross profit margin*.

*Gross profit margin is exclusive unprofitable projects.
Unprofitable projects was lower than forecast.

[Other income and expenses]
Almost in line with forecast.

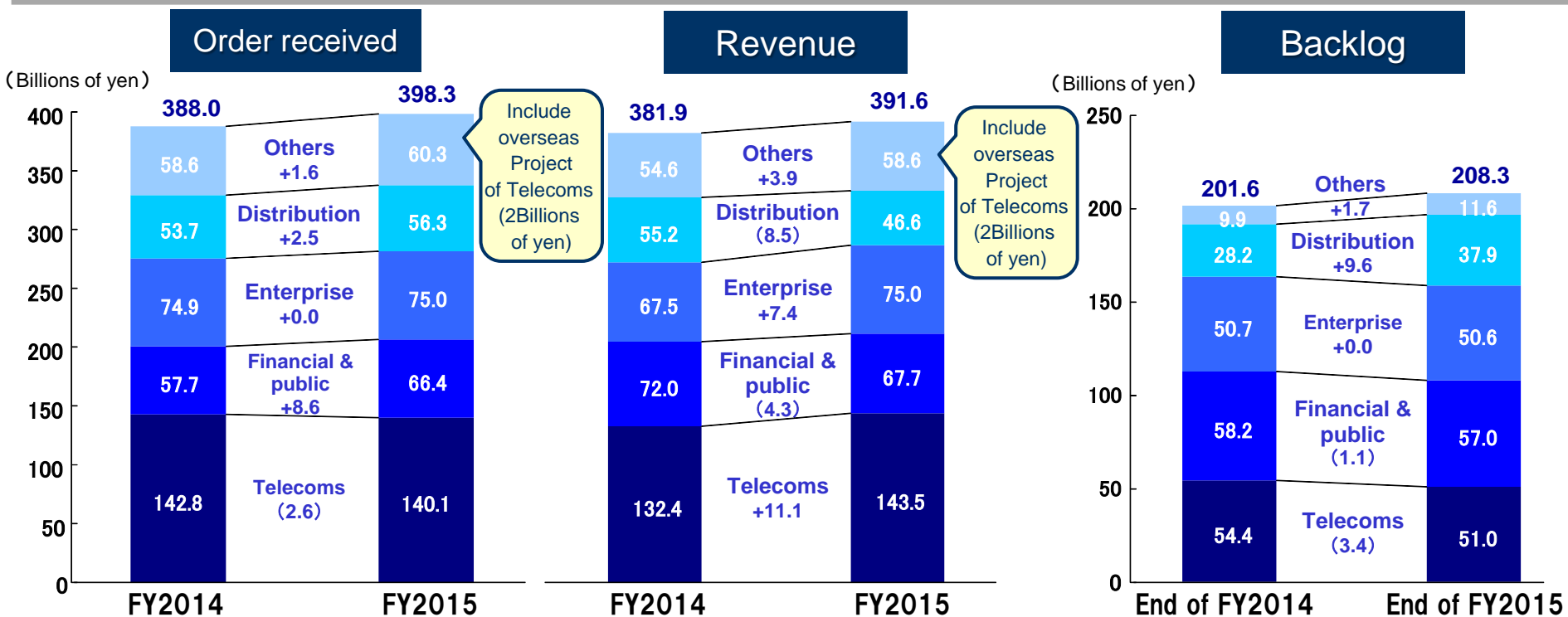
[Operating income]
Decreased due to decline in gross profit.

[Order received]
Almost in line with forecast.

Performance by Business Group (Compared with FY2014)

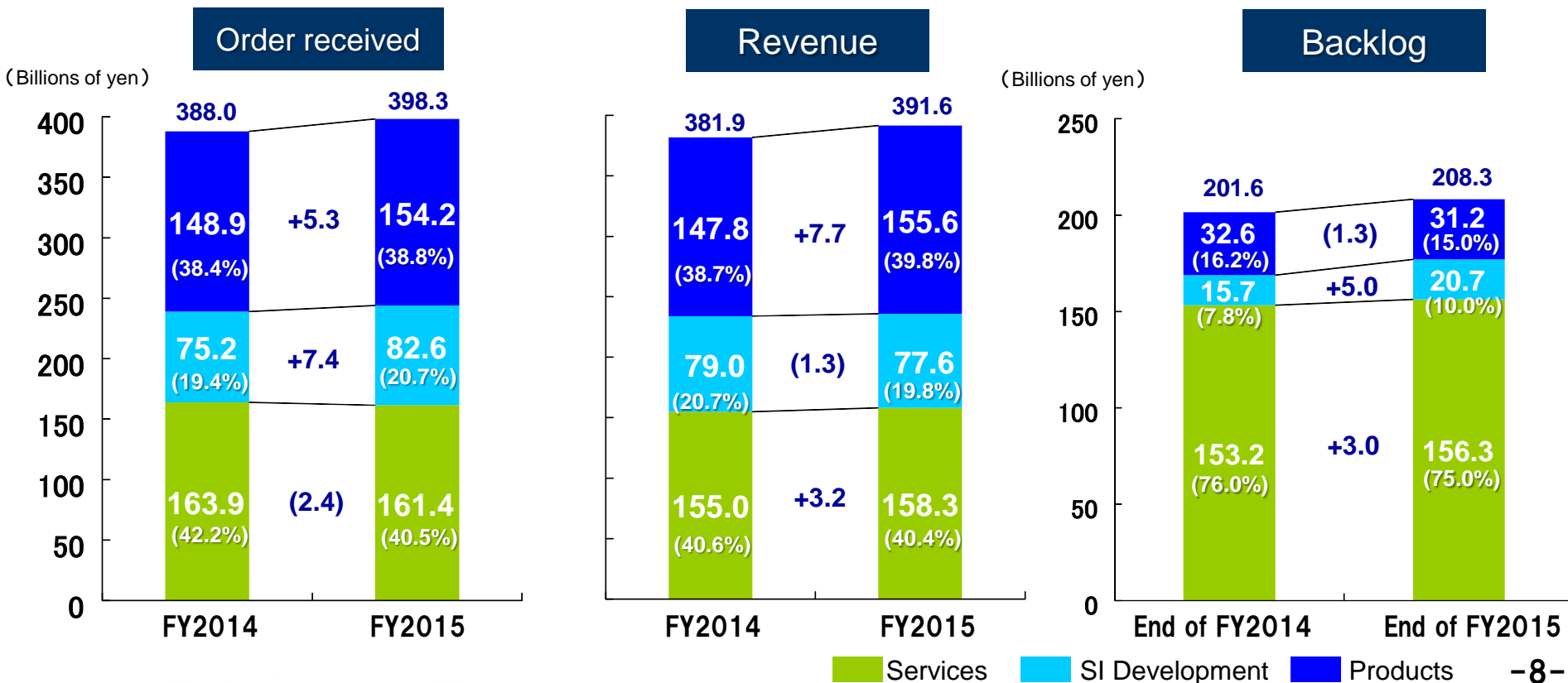


- Telecoms: Order received decreased due to projects for mobile carrier. Revenue increased mainly due to network projects for mobile carrier.
- Finance & Public : Order received increased due to projects for megabank and service for credit-card. Revenue decreased due to projects for public.
- Enterprise: Order received was almost same level with previous year. Revenue increased due to service for transportation and infrastructure construction projects for manufacture.
- Distribution: Order received increased due to project for trading company and service for real estate company. Revenue decreased due to business for convenience store and food wholesale company.
- Others : Order received increased due to infrastructure construction projects for service provider in overseas subsidiaries. Revenue increased due to infrastructure construction projects for service provider and products business for finance in overseas.

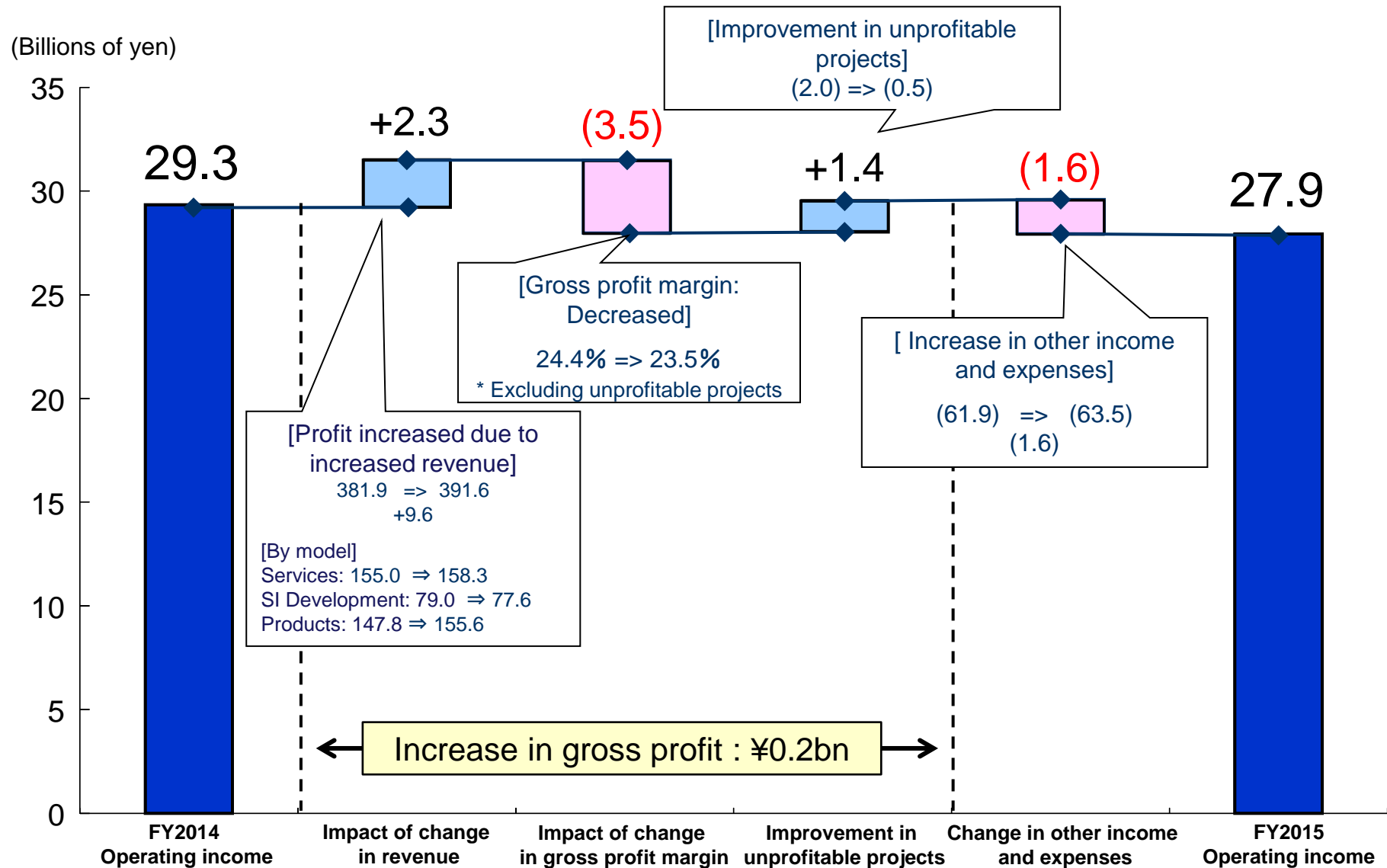


Performance by Business Model (Compared with FY2014)

- **Services:** Order received decreased due to network construction business for mobile carrier and products maintenance business in overseas. Revenue increased due to products maintenance and system management, service projects for transportation.
- **SI Development:** Order received increased due to projects for megabank, trading company and convenience store. Revenue was almost same level with previous year.
- **Products:** Order received and Revenue increased due to projects for service provider and finance in overseas.

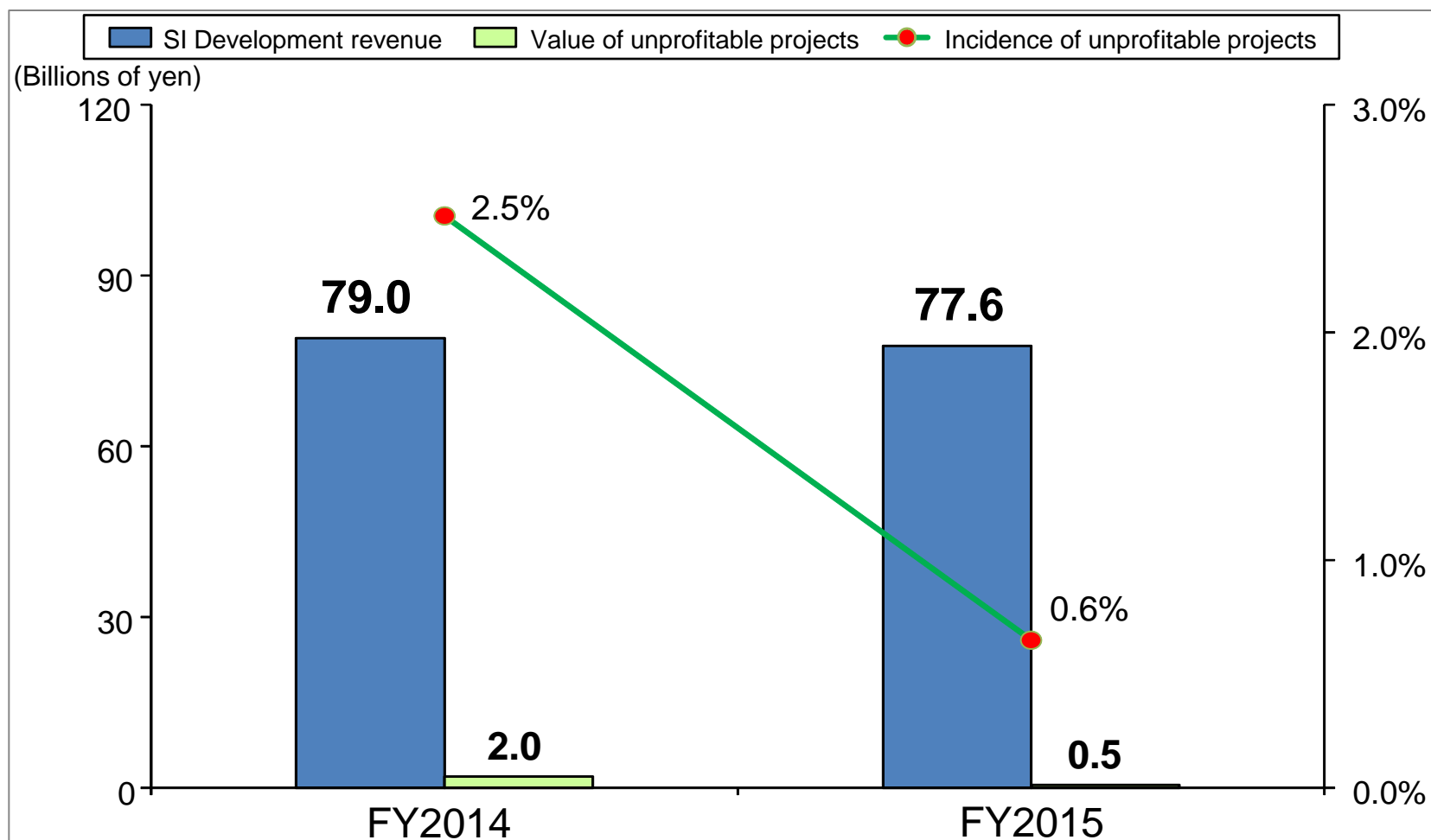


Main Reasons for YoY Change in Operating Income



For reference: Revenue and Unprofitable projects in SI Development

The ratio of unprofitable projects to revenue sharply fell
in SI Development



**For reference:
Breakdown of other income and expenses.**

(Billions of yen)

		FY2014 Actual	FY2015 Actual	YoY Change	Major factors
	Personal expenses	(36.9)	(37.0)	+0.0	
	Outside staff expenses	(5.8)	(5.7)	+0.0	
	Depreciation and amortization	(2.9)	(2.8)	+0.1	
	Others	(16.6)	(17.7)	(1.1)	R&D expenses : (0.7) taxes and dues : (0.3)
	SG & A expenses	(62.5)	(63.4)	(0.9)	
	Other income	1.2	0.4	(0.7)	Foreign exchange gains: (0.8)
	Other expenses	(0.6)	(0.5)	+0.0	
Other income and expenses		(61.9)	(63.5)	(1.6)	

For Reference: Consolidated Balance Sheets and Cash Flows

■ Consolidated Statement of Financial Position (Billions of yen)

	End of FY2014	End of FY2015	Change
Current assets	227.2	229.0	+1.7
Non-current assets	75.4	78.9	+3.4
Total assets	302.7	307.9	+5.1
Current liabilities	110.9	108.5	(2.3)
Non-current liabilities	18.8	16.3	(2.5)
Total liabilities	129.8	124.8	(4.9)
Total equity	172.9	183.0	+10.1
Total liabilities and equity	302.7	307.9	+5.1

Major factor (YoY change)

[Current assets]	
Cash and cash equivalents	(5.2)
Deposits	+4.9
Prepaid expense	+3.2
[Non-current assets]	
Investment securities	+3.4
[Current liabilities]	
Trade and other Payables	(2.4)
[Non-current liabilities]	
Long-term financial liabilities	(2.0)
[shareholders' equity]	
Retained earnings	+11.1

■ Consolidated Statement of Cash Flows (Billions of yen)

	FY2014	FY2015	Change
Cash and cash equivalents at the beginning of the period	55.0	50.1	(4.9)
Operating activities	25.8	21.8	(3.9)
Investing activities	(17.3)	(18.1)	(0.8)
Financing activities	(13.5)	(8.4)	+5.1
Cash and cash equivalents at the end of the period	50.1	44.8	(5.2)
Free cash flow	8.4	3.6	(4.8)

Major factor (YoY Change)

[Free cash flow]	
-1. Cash flow from operating activities	
Profit before tax :	(1.5)
Income tax paid :	(1.3)
-2. Cash flow from investing activities	
Purchases of property and investment securities:	(9.3)
Deposits:	+9.4
[Cash flow from financial activities]	
Purchase of treasury stock:	+4.9



FY2015

Overview of Operating Results



FY2015 – FY2017

Progress of Medium-Term Management Plan



FY2016

Management Plan/Operating Results Forecast

Positioning of Medium-Term Management Plan

FY2010-FY2012 Medium-Term Management Plan

FY2013-FY2014 Medium-Term Management Plan

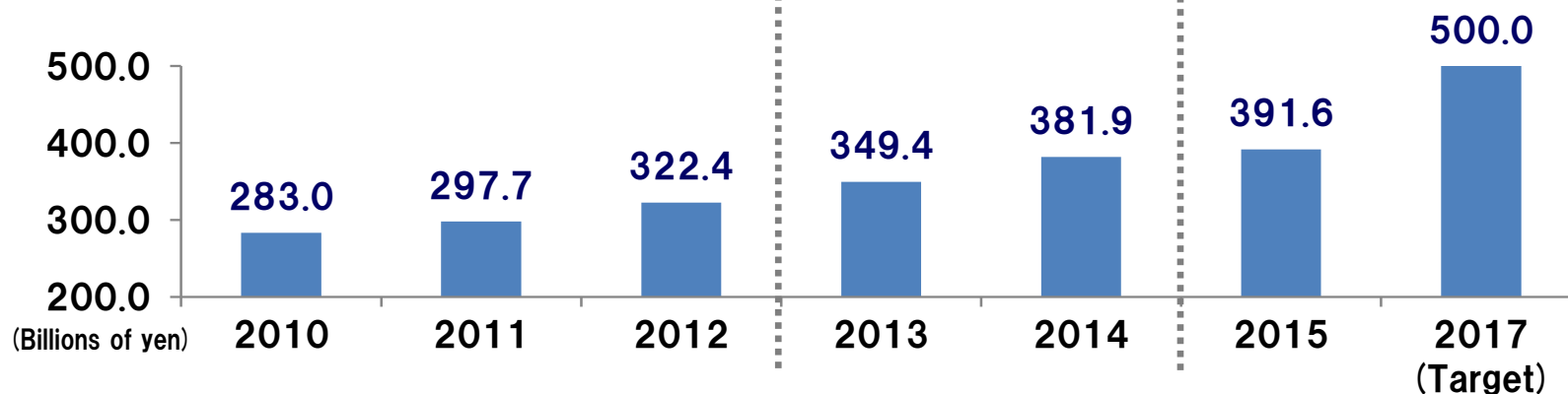
FY2015-FY2017 Medium-Term Management Plan

〈Our vision〉
Take responsibility
for the evolution of
the IT industry,
as the industry's
leading company.

Profit attributable to owners
of the Company



Revenue



Two 500 Bin [Three shifts]

- ◆ Shift to "a service-type business"
- ◆ Shift to management that generates "internal synergies"
- ◆ Shift to growth "investments"

Medium-Term Management Plan: Vision and Themes (See above)



Vision

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

Commitments

“Two 500 billions”

	FY2017 Target	
Growth	Revenue	¥500 Billion
Profitability	Operating income	¥40 Billion (Operating margin 8%)
Capital Efficiency	ROE	Exceeding 10%
	Reference Target	
Corporate Value	Market cap	Exceeding ¥500 billion (achieve as soon as possible)

Basic management theme “Three shifts”

1 Shift to “a service-type business”.

Bring the share of the service-type business to more than 50%

2 Shift to management that generates “Internal synergies”

Exert comprehensive capabilities beyond the segment framework

3 Shift to growth “Investments”

Vigorously promote investments in human resources, technologies and businesses

Strengthen management base to support three shifts

Revue of the FY2015 about “Three shifts”

1

Shift to
“Service-type
business”

- ◆ Expansion of cloud service and security service
- ◆ Shift the products maintenance to system maintenance and operation + Managed Service

2

Shift to
management
that generate
“internal
synergies”

- ◆ Expansion of collaborative projects beyond the segment
- ◆ Won the large-scale global projects

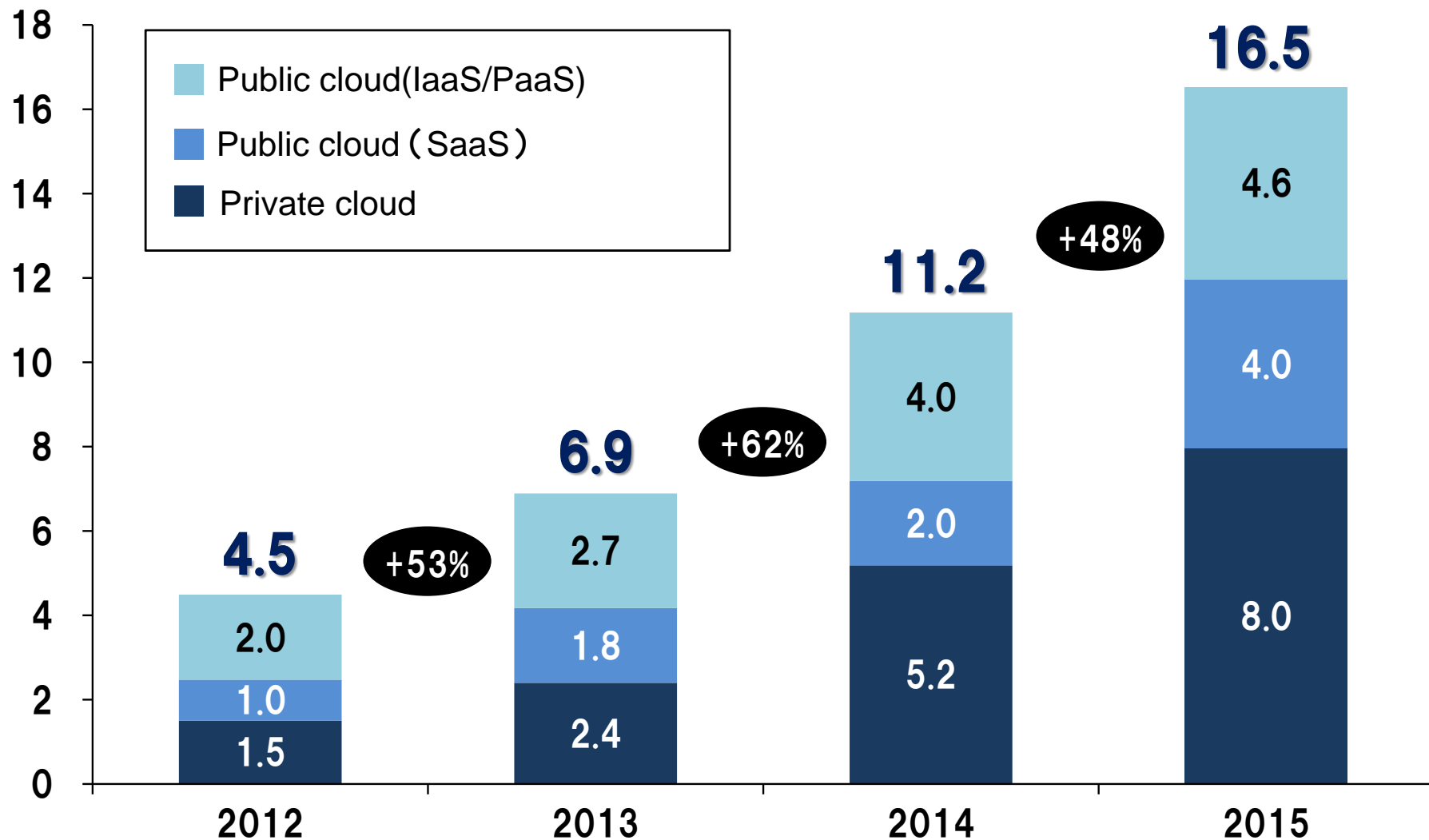
3

Shift to growth
“Investments”

- ◆ Investment to new cloud-service
- ◆ Investment to advanced technology and innovation field

For reference: CTC's Cloud Service

(Billions of yen)



For reference : New Cloud Service “CUVICmc2”



IaaS that specialized in backbone system, with increased reliability and security.



New cloud service “CUVICmc2” 3 important features.

**Performance
Assurance**

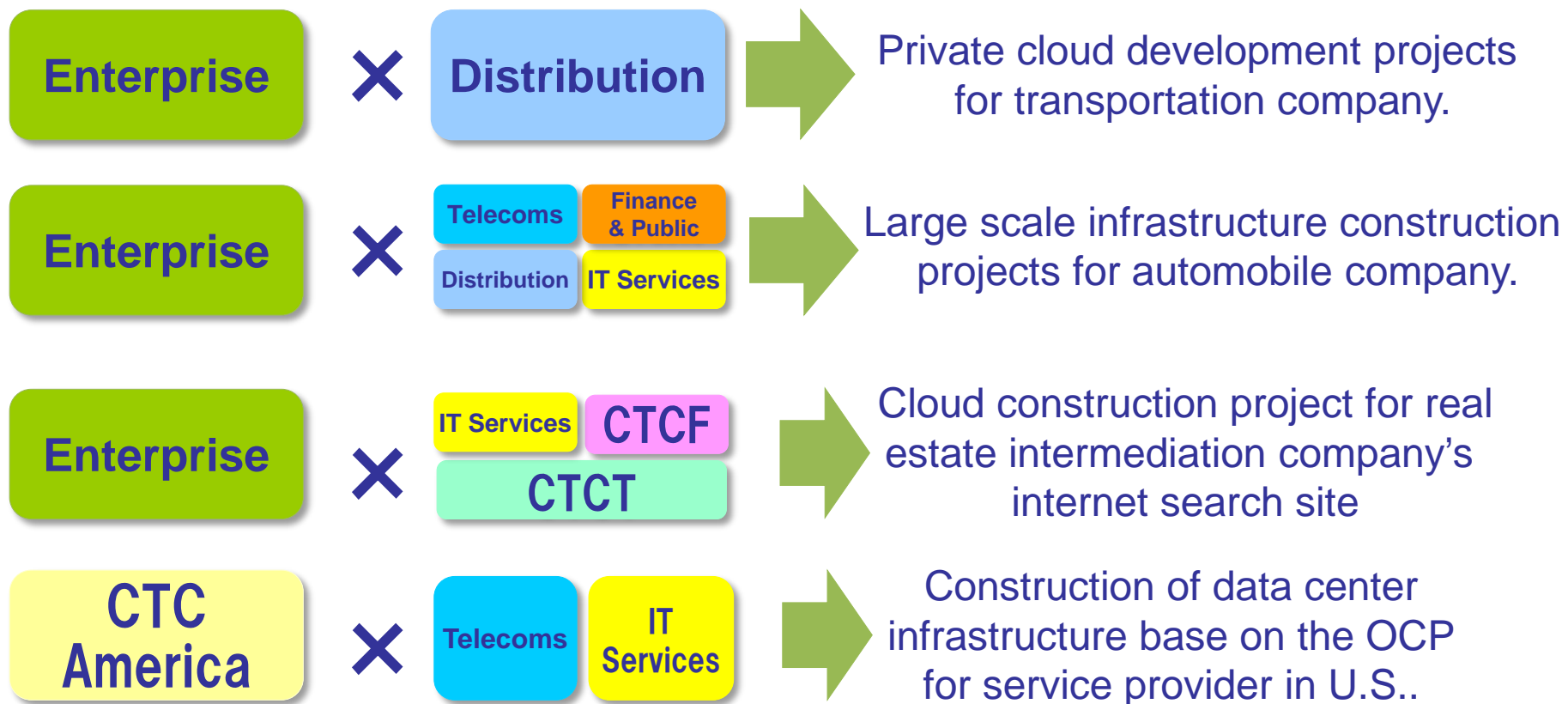
**High security &
compliance**

**Charge that
according to actual
usage**

- It has already been used in the current environment.
- 3 companies have decided to use it.

For reference: Collaborative projects

The "strengths" of each business group were utilized and the collaborative project is being expanded.



For reference : FY2015 Major Topics of Press Release



- May 18, 2015 CTC, affiliated with **OpenStack Foundation** and strengthened Cloud Business.
- July 30, 2015 CTC, participated in IBM **Watson** Ecosystem Program.
- Sep. 14, 2015 Won **the highest award** in the 'General Department' in the IBM **Bluemix** Challenge 2015.
- Sep. 24, 2015 "**Hackathon business trip**" and offered "**CTC Agilemix**" which supported enterprises' business creation.
- Oct. 9, 2015 CTC started **a core system-specific cloud service** together with CTC, SAP Japan and Virtustream.
- Oct. 26, 2015 Collaborated with Solinea (US company) and strengthened **OpenStack** business.
- Nov. 16, 2015 Developed a **export-support system for agricultural produce** in collaboration with Agri-Note of Water-Cell.
- Dec. 1, 2015 Started a service that measures the efficacy of introduction of **flash storage**.
- Mar. 7, 2016 Developed a rack system that is based on the **Open Commute Project** from the collaboration with CTC, Murata Manufacturing Co., Ltd. and NTT Data Intellilink Corporation.



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FY2016

Management Plan/Operating Results Forecast

Outlook of External Environment

Macro-economic trends

- The growth of world economy is currently experiencing a slight slowdown due to the deceleration of growth in China and the decline in crude oil price, and is also affected by the sluggish economic comeback from developed countries.
- Even if the domestic economy is on a slow track to recovery, there is a need to be on guard against the downward risks from overseas and financial markets, and to watch out for the direction of sales tax increase.

IT market trends

- Substantial IT expenditures such as finance, manufacturing, retail, logistics and service industries are anticipated in the domestic IT market in order to improve its corporate earnings. Overall growth in the domestic market is expected.
- Among the 4 ASEAN countries (*), some are slowing down while the others are continuing to grow at a fast pace.

* Indonesia, Thailand, Singapore, Malaysia

FY2016 Management Plan

"Speeding up of 3 shifts" and "further strengthening of management foundation" aimed at achieving mid-term management plan



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Further strengthen

- ◆ New “Internal Synergies” management
- ◆ “New Services” take off
- ◆ Promotion of “M&A”

転

New Action

- ◆ “Regional Revitalization” business start
- ◆ Launch the “Advanced Technology” into business
- ◆ “Global Expansion” Phase 2

Strengthen management base

- ◆ Continue “Unprofitable projects control”
- ◆ Reforms “Working Style”
- ◆ Strengthen “Shareholder return ”

FY2016 Consolidated Operating Results Forecasts

(Billions of yen)

	FY2015 Actual	FY2016 Forecast (May 2)	vs. Forecast	
				(%)
Revenue	391.6	400.0	+8.3	+2.1%
Gross profit	91.5	96.0	+4.4	+4.9%
<i>Gross profit margin</i>	23.4%	24.0%	+0.6p	-
Other income and expenses	(63.5)	(66.0)	(2.4)	+3.8%
Operating income	27.9	30.0	+2.0	+7.4%
<i>Operating income margin</i>	7.1%	7.5%	+0.4p	-
Profit attributable to owners of the Company	18.0	19.5	+1.4	+8.2%
Orders received	398.3	410.0	+11.6	+2.9%
Backlog	208.3	218.3	+10.0	+4.8%

Major Factor

[Revenue]

Expected to increase on growth in Distribution & Enterprise, Finance & Social.

[Gross profit]

Expected to increase due to increased revenue and improvement of gross profit margin.

[Other income and expenses]

SG&A expenses will rise due to expenses for laying foundations for the future and strengthening the management base.

[Operating income/ Profit attributable to owners of the Company]

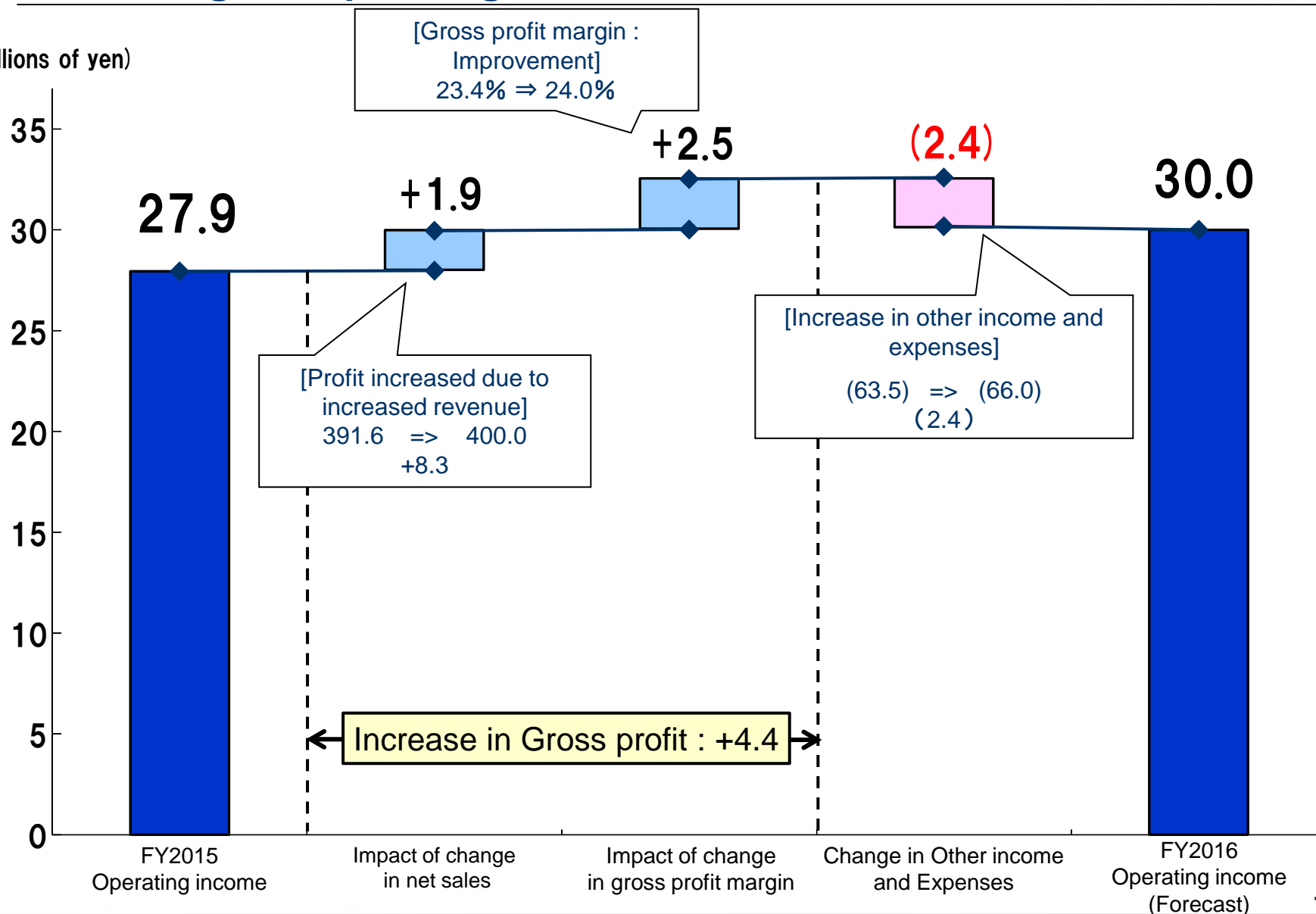
Expected to increase due to higher revenue and improvement of gross profit margin.

[Order received]

Expected to increase on growth in Public & Regional, Finance & Social.

For Reference: Main Reasons for YoY Change in Operating Income

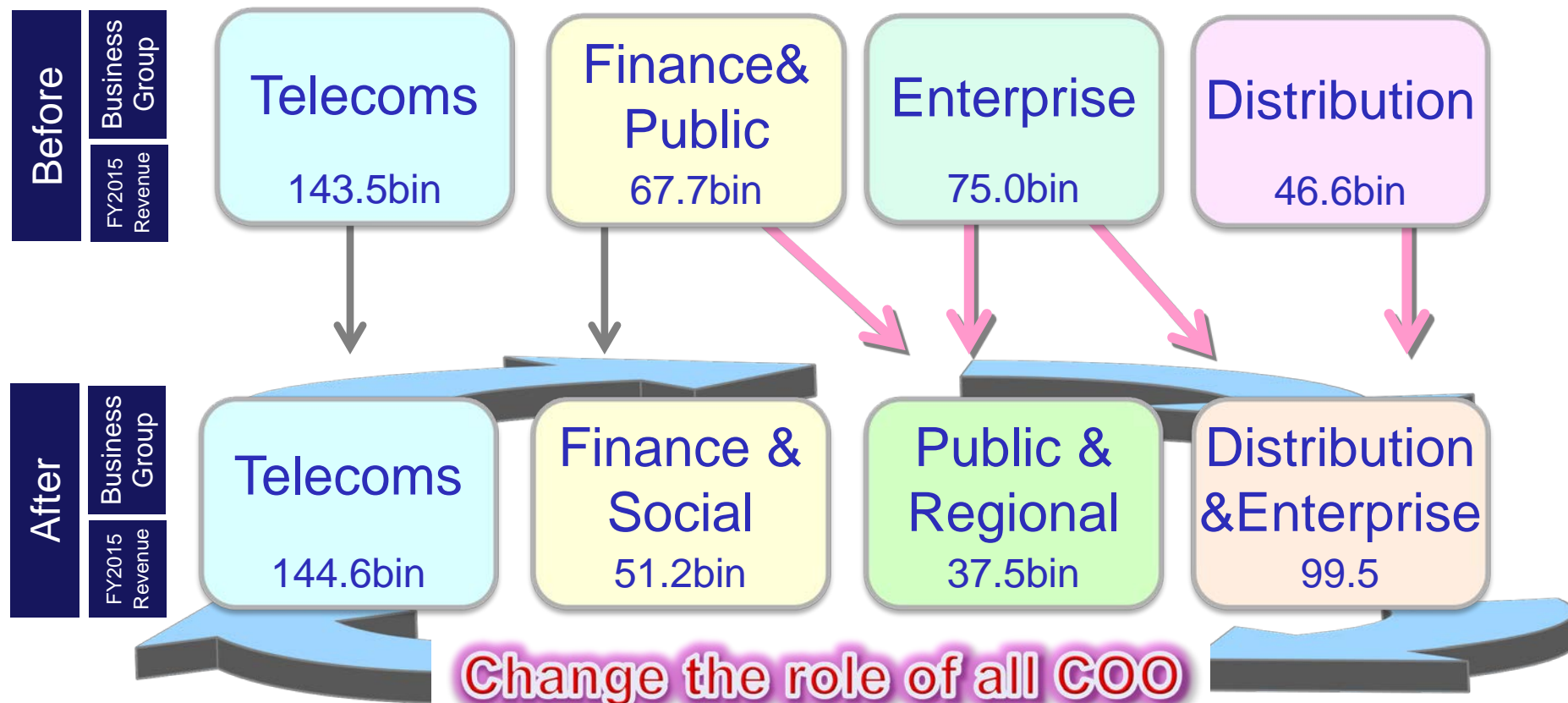
(Billions of yen)



For reference: Organizational Restructuring of Business Groups

Purpose

1. By each business group => Company's total strength
2. Network technologies is the strength of entire company



*COO: Chief Operating Officer

Key Point of Each Business Group in FY2016



Distribution & Enterprise

- ◆ Large-scale projects for Automobile, Trading-company, convenience store and transportation
- ◆ Strengthen the security business

Telecoms

- ◆ Expansion of OCP, SDN and NFV projects
- ◆ Reinforcement of approaches for Next Generation Network (4.xG/5G)
- ◆ Evolve a network technology in all companies

Public & Regional

- ◆ Projects that meet the local-needs
- ◆ Approaches for deregulation of power and gas
- ◆ Security business for Public and Local government

Key Point of Each Business Group in FY2016

Finance & Social

- ◆ Reinforcement of function of core-system for credit-card
- ◆ Application development and security business and for public-service
- ◆ Cloud and BPO service projects

IT Services

- ◆ Take off the New cloud service “CUVICmc2”
- ◆ Continuation reinforcement of security service
- ◆ Improvement of operating ratio of Data Center
- ◆ Shift the products maintenance to system maintenance and operation + Managed Service

For reference: Consolidated Balance Sheets and Cash Flows



■ Consolidated Statement of Financial Position (Billions of yen)

	End of FY2015	End of FY2016	Change
Current assets	229.0	239.3	+10.3
Non-current assets	78.9	80.2	+1.3
Total assets	307.9	319.5	+11.6
Current liabilities	108.5	111.2	+2.6
Non-current liabilities	16.3	14.6	(1.7)
Total liabilities	124.8	125.8	+0.9
Total equity	183.0	193.7	+10.7
Total liabilities and equity	307.9	319.6	+11.7

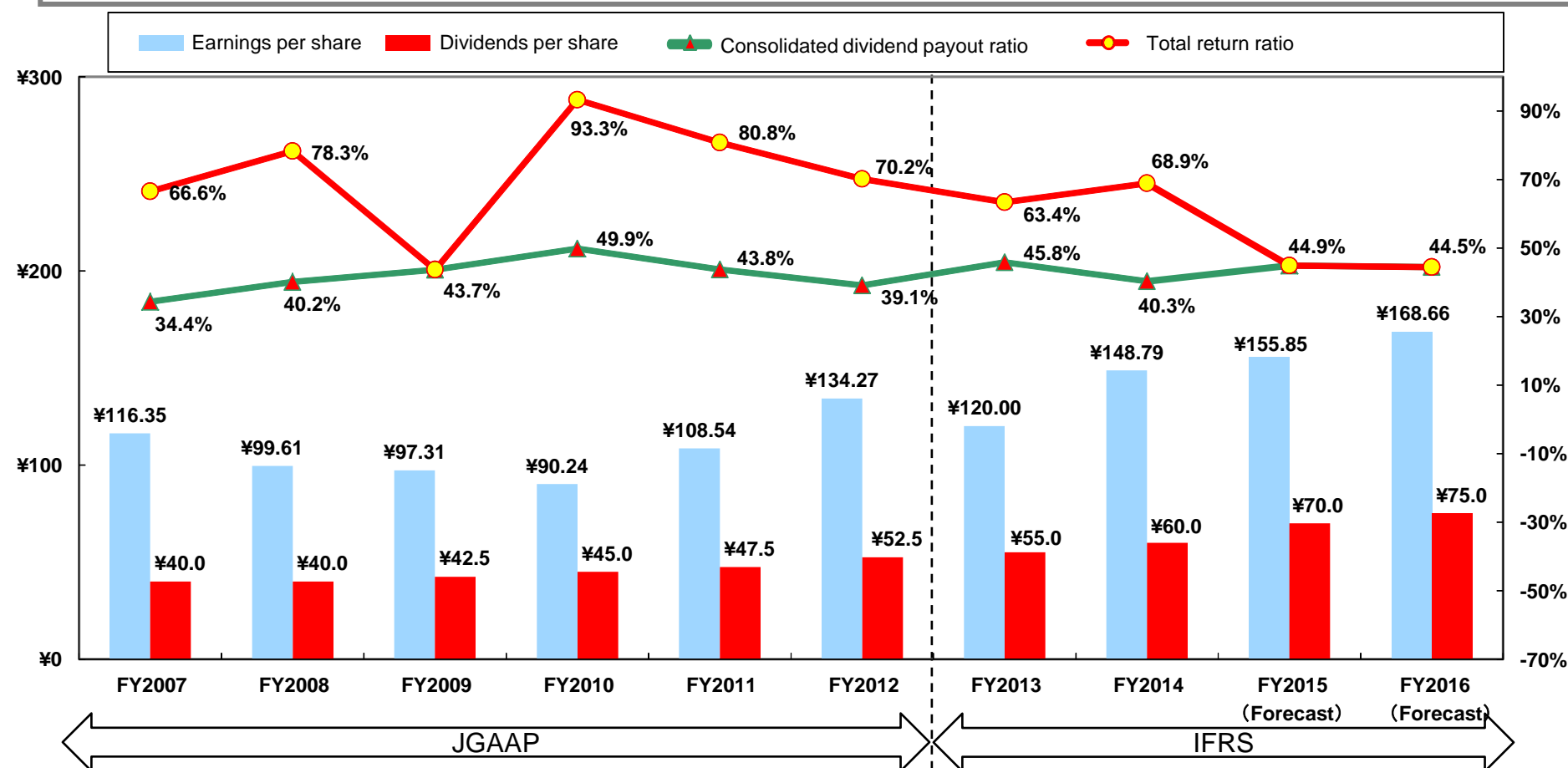
■ Consolidated Statement of Cash Flows (Billions of yen)

	FY2015	FY2016	Change
Cash and cash equivalents at the beginning of the period	50.1	44.8	(5.2)
Operating activities	21.8	30.0	+8.2
Investing activities	(18.1)	(9.8)	+8.3
Financing activities	(8.4)	(9.5)	(1.1)
Cash and cash equivalents at the end of the period	44.8	55.5	+10.6
Free cash flow	3.6	20.2	+16.5

Shareholder Returns Plans

Pay stable dividends mindful of linkage with performance
(targeting a dividend payout ratio of 40%)

- FY2015 : Planned a total annual dividend of ¥70 => a dividend payout ratio of 44.9%
- FY2016 : Planned a total annual dividend of ¥75 => a dividend payout ratio of 44.5%



* Total return ratio = (Stock buybacks + Total dividend payment) / Profit for attributable to owners of the Company

“CTC is the Answer.”

CTC

▼ *Challenging Tomorrow's Changes*