

Announcement of 1st half Operating Results for the Fiscal Year Ending March 31, 2017

November 1, 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.

Copyright©2016 ITOCHU Techno-Solutions Corporation

I FY2016
Overview of the 1st Half Results

II FY2016
Progress of priority Measures

III FY2016
2nd Half and Full-year Forecasts

I FY2016
Overview of the 1st Half Results

II FY2016
Progress of priority Measures

III FY2016
2nd Half and Full-year Forecasts

Higher revenue, Higher profit

- ◇ Revenue increased year on year due to gain in Distribution & Enterprise and Telecommunication group.
- ◇ All profit line items increased year on year as a result of a higher revenue and an improvement in gross profit margin.
- ◇ Order received increased year on year due to gain in Telecommunication group.
- ◇ Revenue, gross profit, profit attributable to owners of the company and backlog reached record high after merger in 2006.

1st half FY2016 Performance highlights



(Billions of yen)

	1 st half FY2015 Actual	1 st half FY2016 Actual	YoY change (billions of yen)	YoY change (%)
Revenue	165.2	175.8	+10.5	+6.4%
Gross profit	37.3	40.1	+2.8	+7.5%
Gross profit margin	22.6%	22.9%	+0.3p	-
Other income and expenses	(31.5)	(31.2)	+0.2	-0.7%
Operating income	5.8	8.8	+3.0	+51.9%
Operating income margin	3.5%	5.1%	+1.6p	-
Profit attributable to owners of the company	3.7	5.9	+2.1	+56.1%
Order received	161.0	173.8	+12.7	+7.9%
Backlog	197.4	206.3	+8.9	+4.5%

-4-

Copyright©2016 ITOCHU Techno-Solutions Corporation

1st Half FY2016 Performance Highlights

[Revenue]

Increase in business for trading company, convenience stores and telecoms.

[Gross profit]

Increase due to higher revenues and the improvement in gross profit margin.

[Other income and expenses]

Despite an increase in “other expenses” due to foreign exchange valuation, SG&A expenses decreased and “other income and expenses” decreased year-on-year.

[Operating income]

Increase due to gain in gross profit

[Order received]

Increase in business for trading company, telecoms and central government.

[Backlog]

Same as the above.

For reference:
2nd Quarter FY2016 Performance highlights



(Billions of yen)

	2 nd Quarter FY2015 Actual	2 nd Quarter FY2016 Actual	YoY change (billions of yen)	YoY change (%)
Revenue	88.3	93.4	+5.1	+5.8%
Gross profit	19.9	22.0	+2.1	+10.8%
Gross profit margin	22.6%	23.7%	+1.1p	-
Other income and expenses	(15.7)	(15.1)	+0.6	-3.8%
Operating income	4.1	6.9	+2.7	+66.1%
Operating income margin	4.7%	7.4%	+2.7p	-
Profit attributable to owners of the company	2.5	4.6	+2.0	+79.7%
Order received	88.0	95.1	+7.1	+8.1%
Backlog	197.4	206.3	+8.9	+4.5%

-5-

Copyright©2016 ITOCHU Techno-Solutions Corporation

2nd Quarter FY2016 Performance Highlights

[Revenue]

Increase in business for convenience stores and telecoms.

[Gross profit]

Increase due to higher revenue and the improvement in gross profit margin.

[Other income and expenses]

Other income and expenses decreased from mainly SG&A decrease.

[Operating income]

Operating income increased from gross profit increase and "other income and expenses" decrease.

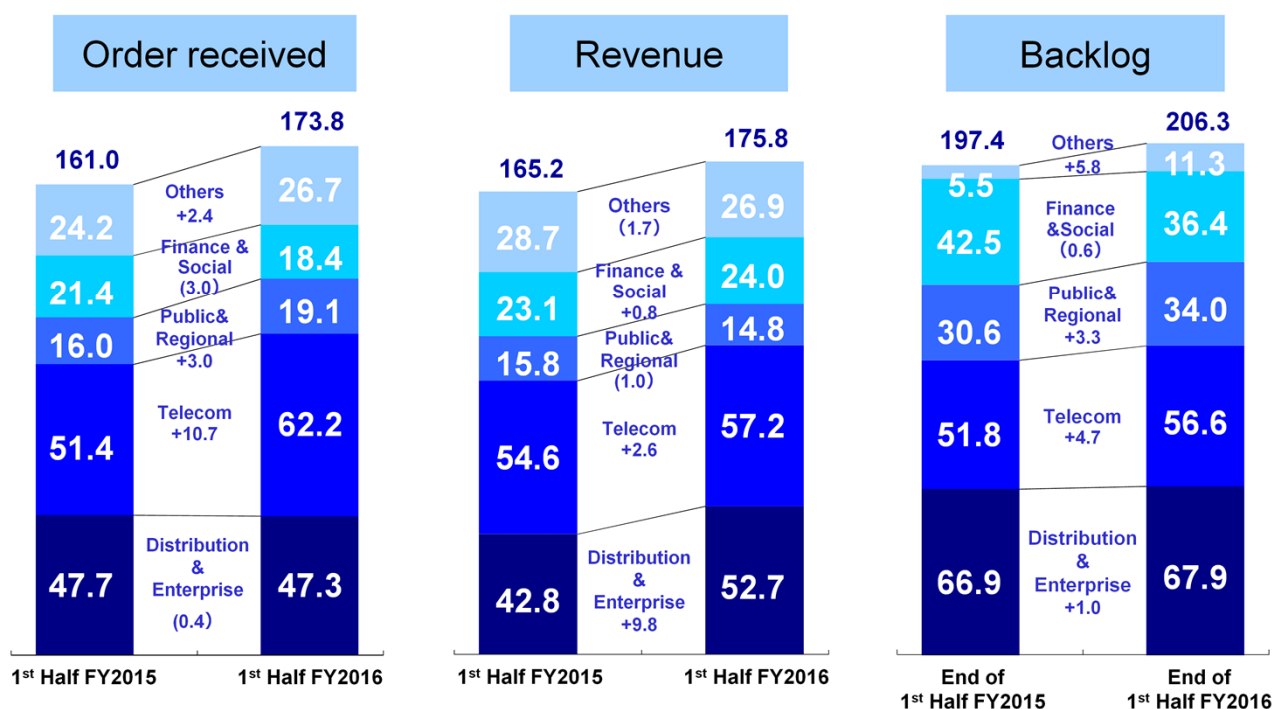
[Order received]

Increase in business for trading company and telecoms.

Performance by Business group (Compared with 1st half FY2015)



(Billions of yen)



Copyright©2016 ITOCHU Techno-Solutions Corporation

-6-

Performance by Business group (Compared with 1st half FY2015)

[Distribution & Enterprise]

Despite an increase in SI development for trading company, store management system projects for convenience stores decreased and order received is same level as previous year.

Revenue increased due to increase in store management system for convenience stores and SI projects for trading company.

[Telecommunication]

Order received increased due to network construction projects for telecoms.

Revenue increased due to network construction projects, infrastructure construction projects and projects for corporation.

[Public & Regional]

Order received increased due to network construction project for central government.

Revenue decreased due to infrastructure construction project for public.

[Finance & Social]

Order received decreased due to SI projects for megabanks and infrastructure construction projects for public-service.

Revenue increased due to SI development for megabanks and SI projects for credit card.

[Others]

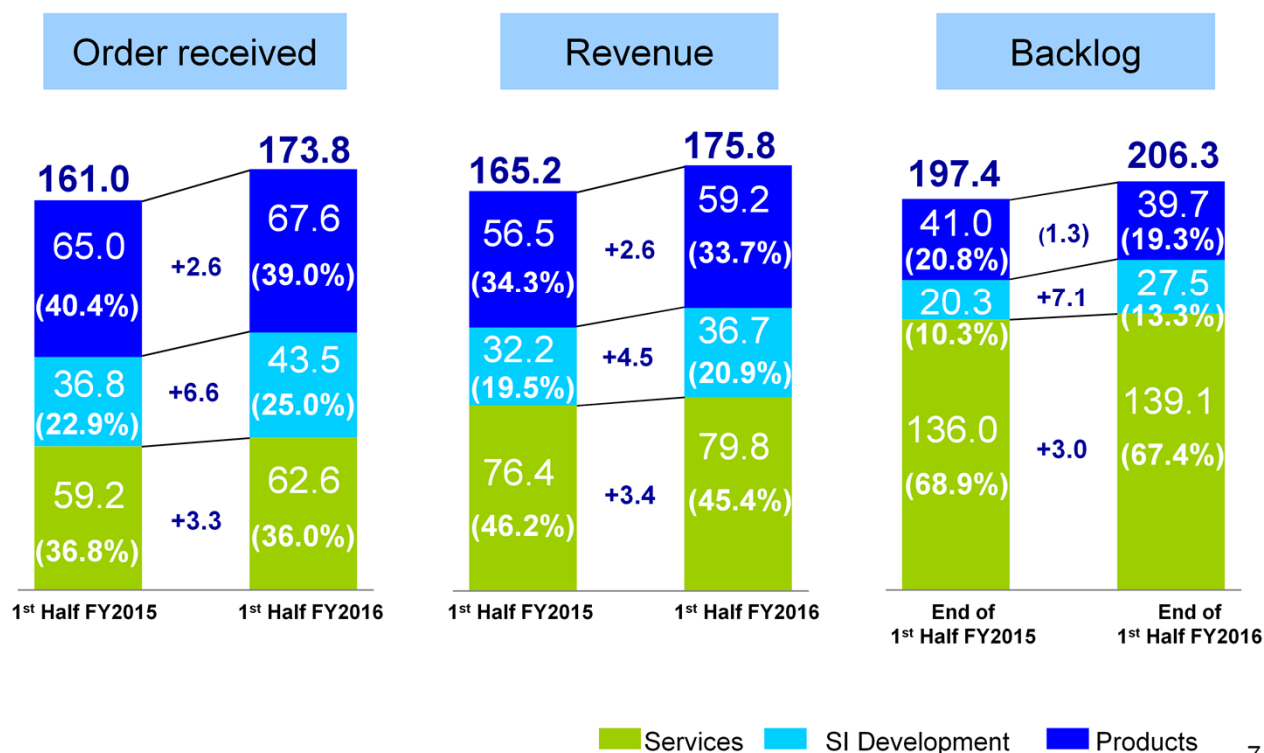
Order received increased due to increase in products sales business for finance in Singapore and service business for convenience stores and medical company.

Revenue decreased due to decline in the yen conversion value because of cheap local currency in overseas subsidiaries.

Performance by Business model (Compared with 1st half FY2015)



(Billions of yen)



Copyright©2016 ITOCHU Techno-Solutions Corporation

-7-

Performance by Business model (Compared with 1st half FY2015)

[Services]

Order received increased due to products maintenance for telecoms.

Revenues increased due to the product implementation and construction for convenience stores and the operation service for automotive company.

[SI Development]

Order received increased due to SI development for trading company.

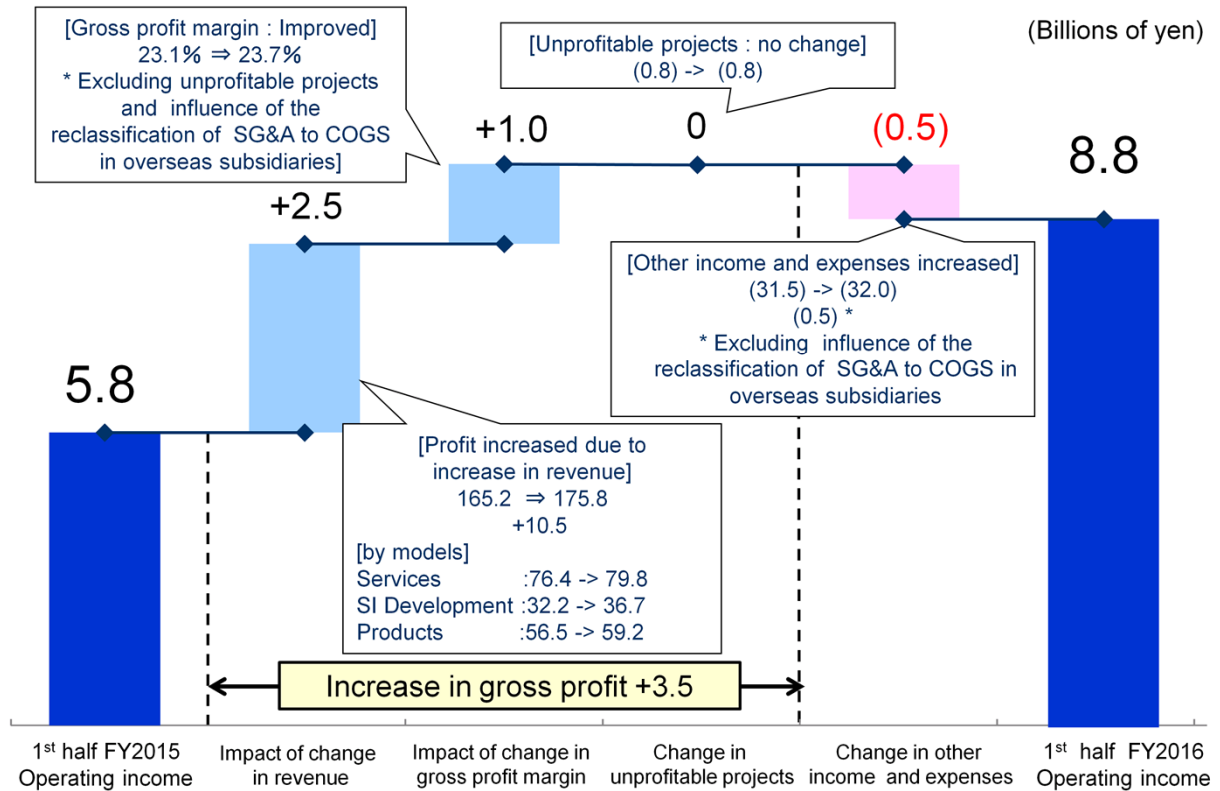
Revenue increased due to SI developments for trading company, transportation company and infrastructure construction for automotive company.

[Products]

Order received increased due to network products for telecoms.

Revenue increased due to convenience stores related products and network products for telecoms.

Main reasons for YoY change in operating income (Compared with 1st half FY2015)



-8-

Copyright©2016 ITOCHU Techno-Solutions Corporation

Main reasons for YoY change in operating income

Reference for gross profit margin

[Gross profit margin excluding the unprofitable projects]

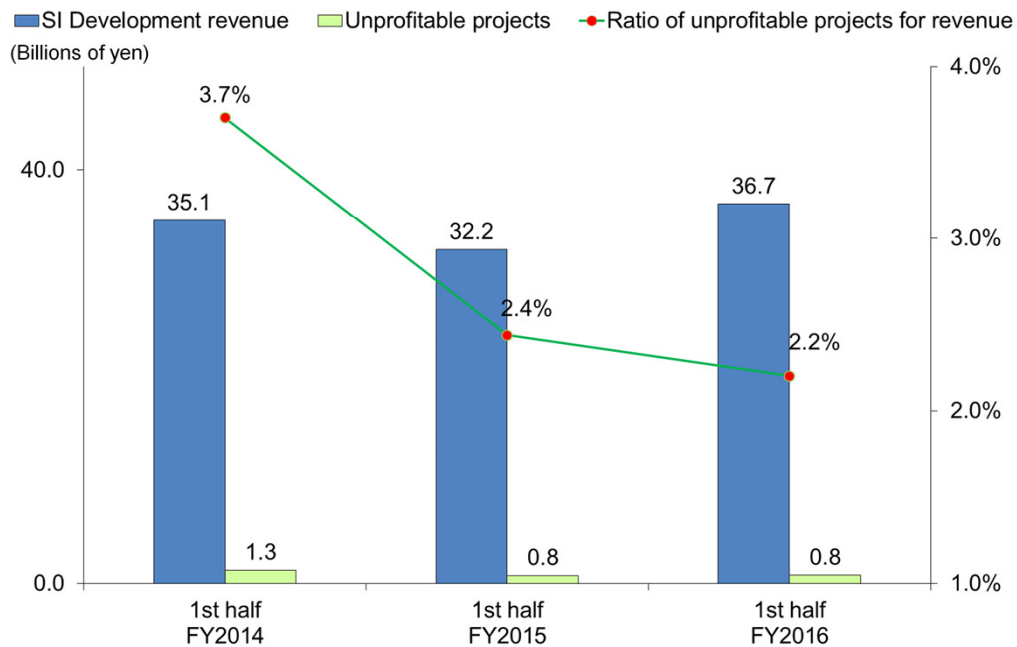
1st Half of FY2015 : 23.1% → 1st Half of FY2016 : 23.3% (Improved 0.2%)

[Gross profit margin excluding the unprofitable projects and the influence of reclassification of SG&A to COGS in overseas subsidiaries]

1st Half of FY2015 : 23.1% → 1st Half of FY2016 : 23.7% (Improved 0.6%)

For reference:
Revenue and unprofitable projects in SI Development

The ratio of unprofitable projects to revenue fell in SI Development



For reference:
Breakdown of “Other income and expenses”



(Billions of yen)

	1 st half FY2015 Actual	1 st half FY2016 Actual	YoY change (billions of yen)
Personal expenses	(18.1)	(17.8)	+0.2
Outside staff expenses	(2.9)	(2.9)	+0.0
Depreciation and amortization	(1.5)	(1.2)	+0.2
Othres	(9.0)	(9.0)	+0.0
SG&A expenses	(31.6)	(31.0)	+0.5
Other income	0.1	0.1	(0.0)
Other expenses	(0.0)	(0.3)	(0.3)
Other income and expenses	(31.5)	(31.2)	+0.2

-10-

For reference:
Consolidated statement of financial position



(Billions of yen)

	End of 1st half FY2015	End of 1st half FY2016	YoY Change
Current assets	203.2	216.2	+12.9
Non current assets	73.0	78.9	+5.9
Total assets	276.3	295.1	+18.8
Current liabilities	87.4	97.6	+10.1
Non current liabilities	17.2	15.1	(2.1)
Total liabilities	104.7	112.7	+8.0
Equity	171.5	182.4	+10.8
Total liabilities and equity	276.3	295.1	+18.8

-11-

Copyright©2016 ITOCHU Techno-Solutions Corporation

1. Current assets **+12.9**

Cash and cash equivalents	(2.4)
Trade and other receivables	+7.2
Inventories	(2.0)
Deposit	+11.5

2. Non-current assets **+5.9**

Property, plant and equipment	+1.0
Intangible assets	+2.8
Investment securities	+2.5
Deferred tax asset	(0.5)

3. Current liabilities **+10.1**

Trade and other payables	+1.5
Short-term lease obligations	(0.8)
Income tax payable	+1.9
Reserve for bonus	+0.5
Unearned revenue	+5.8

4. Non-current liabilities **(2.1)**

Long term lease obligations	(1.4)
Liabilities for employee benefits	(0.3)

5. Equity **+10.8**

Retained earnings	+12.5
-------------------	-------

For reference: Cash flows

(Billions of yen)

	1st half FY2015	1st half FY2016	YoY change
Cash and cash equivalents at the beginning of the period	50.1	44.8	(5.2)
Operating activities	(4.6)	5.0	+9.6
Investing activities	(3.8)	(11.1)	(7.2)
Financing activities	(4.4)	(4.3)	+0.0
Cash and cash equivalents at the end of the period	36.9	34.4	(2.4)
Free cash flow	(8.5)	(6.0)	+2.4

-12-

Copyright©2016 ITOCHU Techno-Solutions Corporation

1. Cash flows from Operating activities **+9.6**

Increase in trade and other payables	+2.0
Decrease in income taxes paid	+3.3
Decrease in expenditure by the prepaid expenses	+1.8
Increased in the income from advances received	+1.5

2. Cash flows from Investing activities **(7.2)**

Purchase of intangible assets	(0.7)
Increase in the deposits	(6.6)

3. Cash flows from Financing activities **+0.0**

I FY2016
Overview of the 1st Half Results

II FY2016
Progress of priority Measures

III FY2016
2nd Half and Full-year Forecasts

FY2016 Management Plan

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



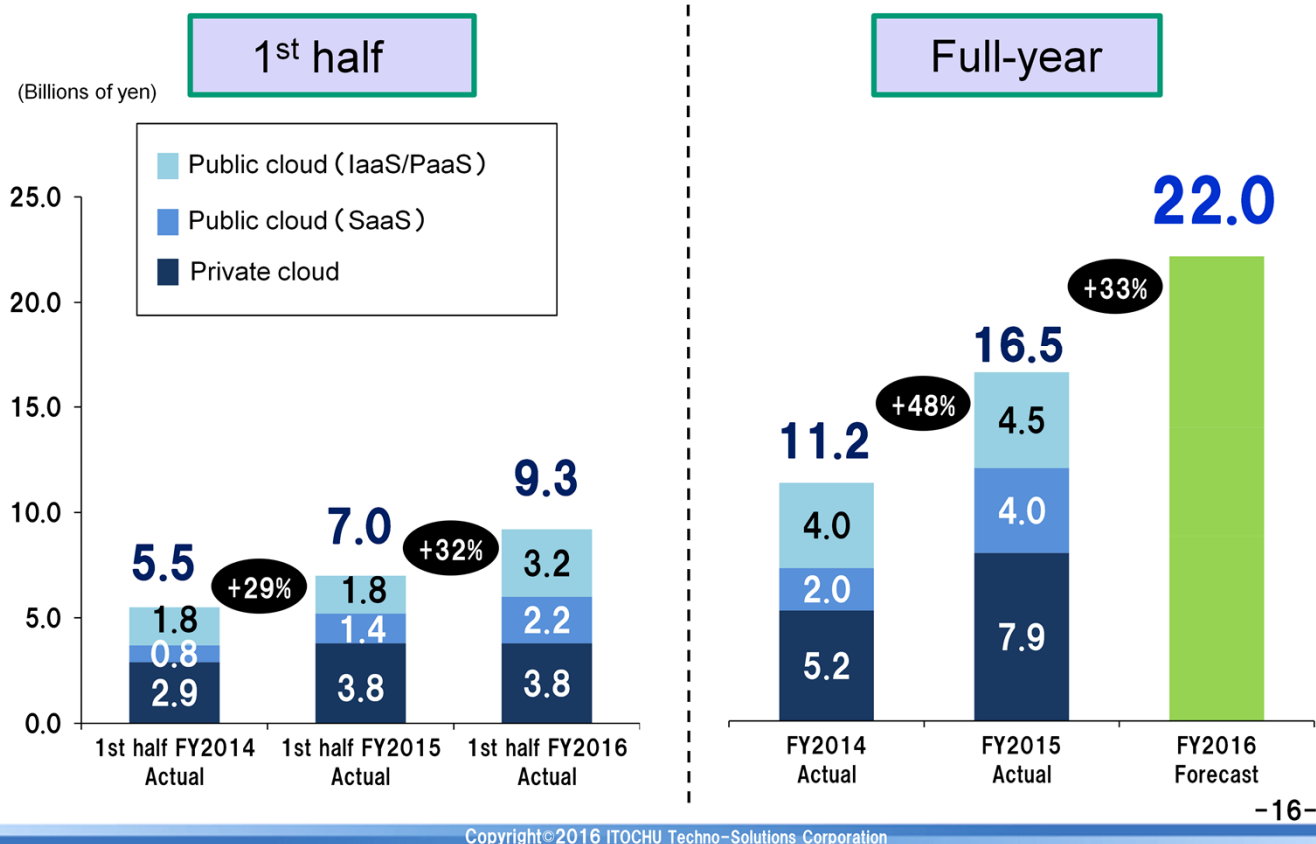


- ◆ New “Internal Synergies” management
- ◆ “New Services” take off
- ◆ Promotion of “M&A”

1st Half
Topics

- ◆ Restructuring of Organization structure
- ◆ Launched CUVICmc2 & Avail-I
- ◆ Continuously search for M&A opportunities

For reference: CTC's cloud service



Cloud infrastructure
that specialized in backbone system



“CUVICmc2” was launched in April 2016.
In half a year, 7 companies has
Decided to use it.

For reference: Strength of “CUVICmc2”

Reliable & Comfortable

- Operation service menu
- Set up in domestic datacenter of CTC's + Cooperation with other cloud service
- High security and compliance



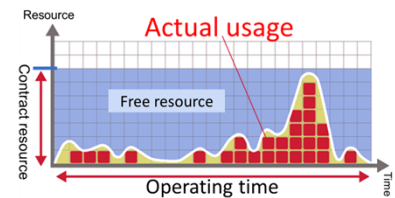
High performance

- Guarantee DR restoration
- Guarantee a performance



Low price

- Charged by actual amount of usage





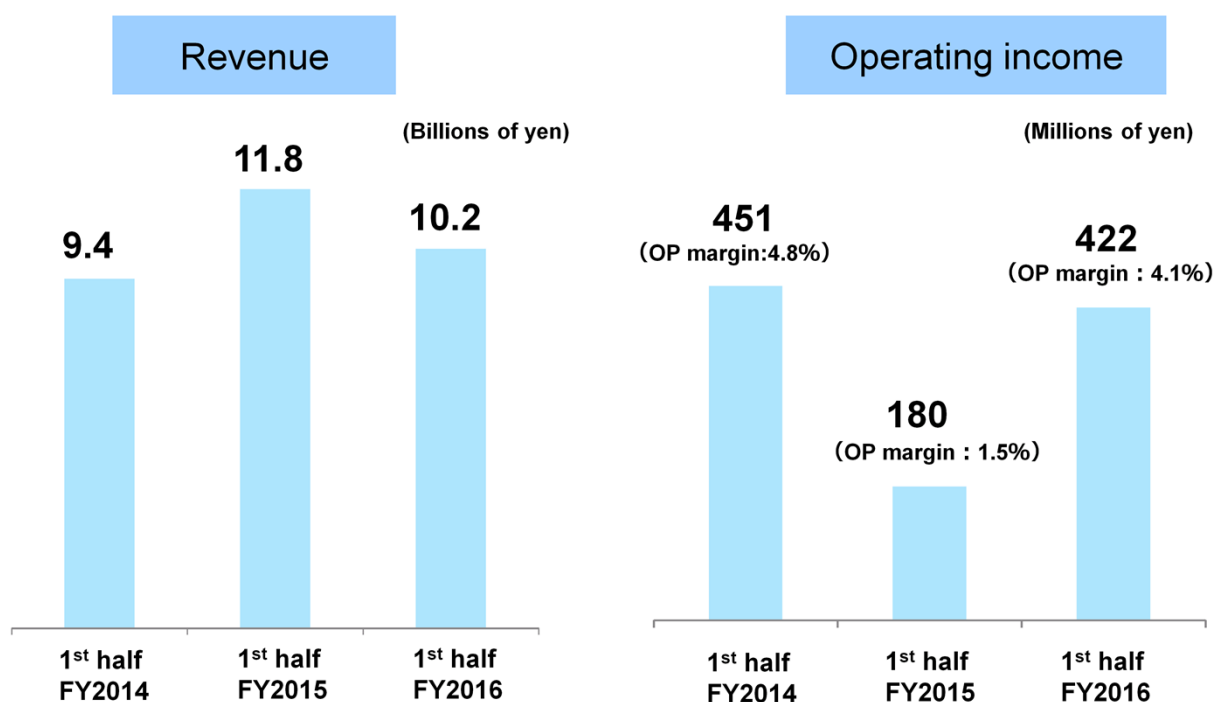
- ◆ “**Regional Revitalization**” business start
- ◆ Launch the “**Advanced Technology**” into business
- ◆ “**Global Expansion**” Phase 2

1st Half
Topics

- ◆ Take off of Public & Regional Business Group
- ◆ Implemented OpenStack, OCP, SDN/NFV
- ◆ Expanding Global Operating Sites

For reference:

1st half FY206 operating results of overseas subsidiaries



Overseas subsidiaries in above include CTC Global Malaysia, CTC Global Singapore and ITOCHU Techno-Solutions America.

-20-

Copyright©2016 ITOCHU Techno-Solutions Corporation

Business group's focus points for 2nd Half



Distribution & Enterprise

- Key Customer's Large Deals
- Security Business
- Promoting "Wellness Workstyle"

Telecommunication

- SDN/NFV deal
- OCP deal for xSP

Public & Regional

- Security Business for local government
- Partnership with Local IT partners

-21-

Business group's focus points for 2nd Half



Finance & Social Infrastructure

- FinTech, RegTech business
- Large deals for public-service
- Cloud Service for LOB*

*LOB : Line of Business

IT Services Business

- Service business for CUVICmc2,
Avail series, Security business etc.
- Launched Cloud Native Technologies

I FY2016
Overview of the 1st Half Results

II FY2016
Progress of priority Measures

III FY2016
2nd Half and Full-year Forecasts

FY2016 Consolidated operating results forecast



No change to the FY2016 consolidated operating results forecast announced on May 2.

(Billions of yen)

	FY2015 Actual	FY2016 Forecast	YoY change (billions of yen)	YoY change (%)
Revenue	391.6	400.0	+8.3	+2.1%
Gross profit	91.5	96.0	+4.4	+4.9%
Gross profit margin	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%
Operating income margin	7.1%	7.5%	+0.4p	-
Profit attributable to owners of the company	18.0	19.5	+1.4	+8.2%
Order received	398.3	410.0	+11.6	+2.9%
Backlog	208.3	218.3	+10.0	+4.8%

-24-

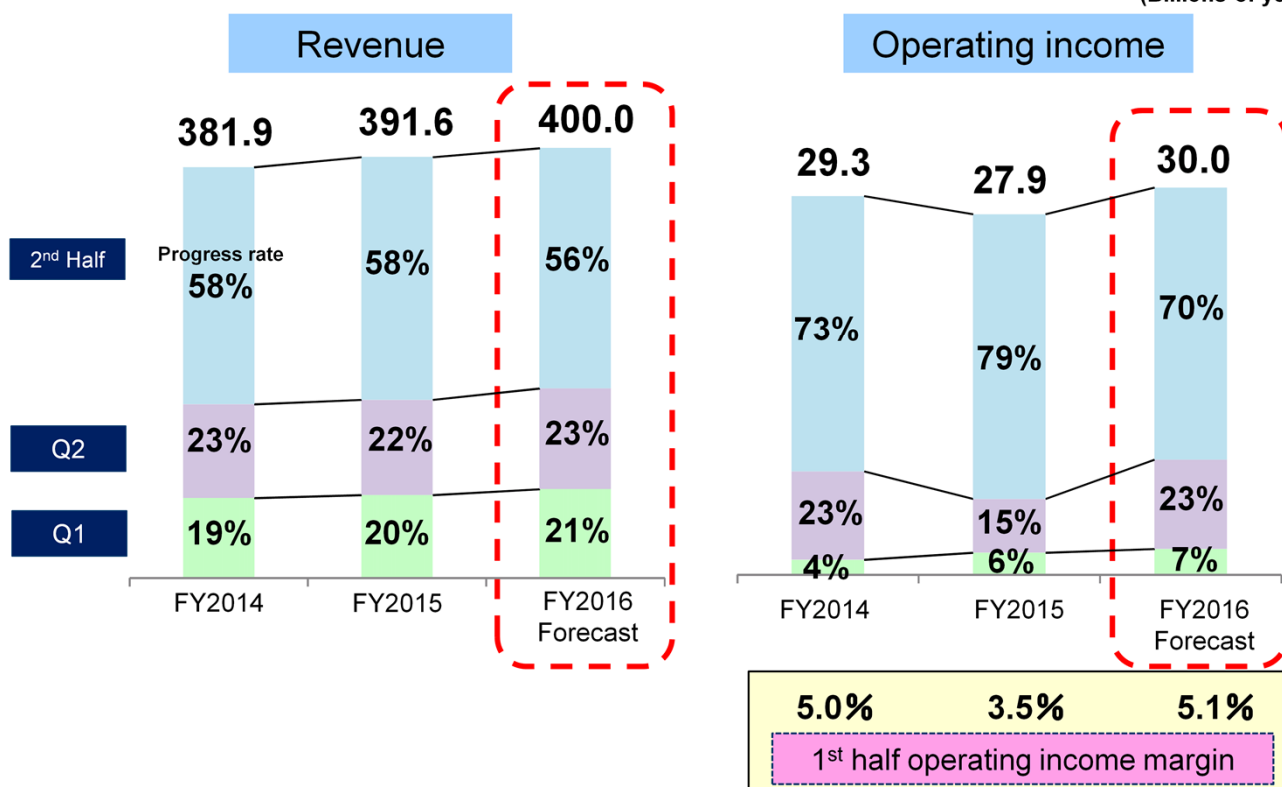
For reference:

Trend in the revenue and operating income of three years.



Challenging Tomorrow's Changes

(Billions of yen)



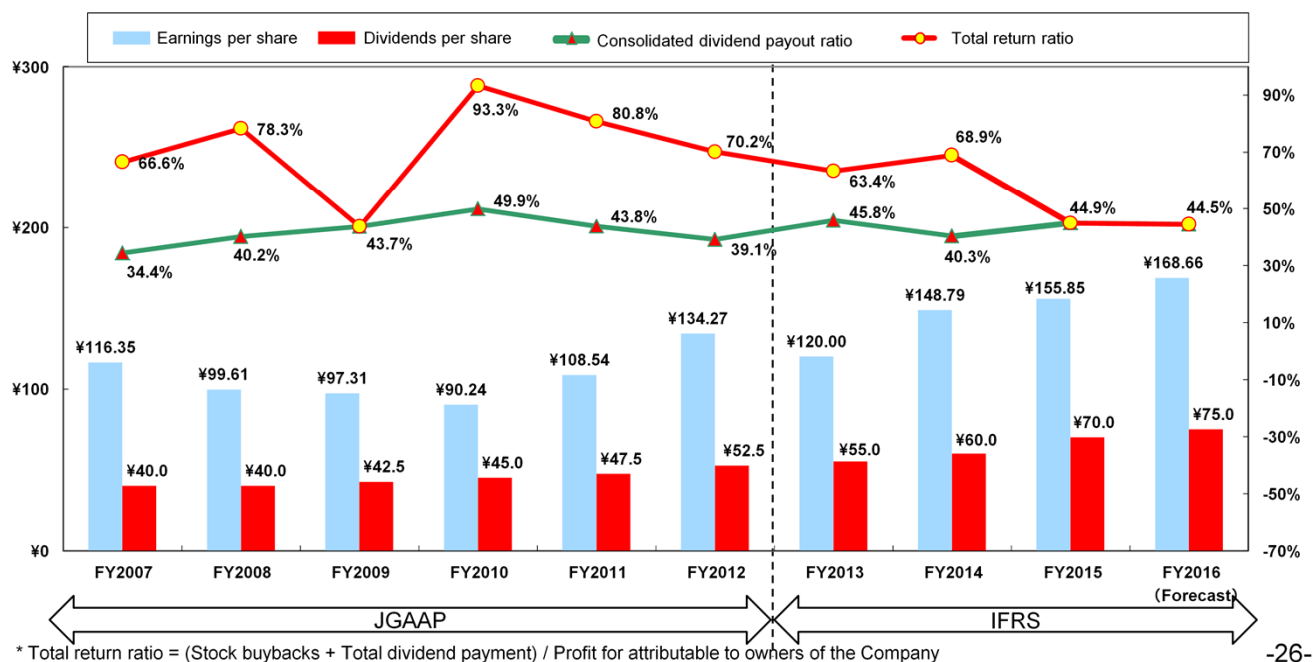
Copyright©2016 ITOCHU Techno-Solutions Corporation

-25-

Shareholder Returns Plans

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

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



“CTC is the Answer.”



Copyright©2016 ITOCHU Techno-Solutions Corporation