

# Announcement of 3<sup>rd</sup> Quarter Operating Results for the Fiscal Year Ending March 31, 2017

February 2, 2017

## **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.

## <3<sup>rd</sup> Quarter FY2016(9 months)> Performance highlights



(Billions of yen)

	3 <sup>rd</sup> Quarter FY2015 Actual (9 months)	3 <sup>rd</sup> Quarter FY2016 Actual (9 months)	YoY change	YoY change (%)
Revenue	251.7	271.9	+20.1	+8.0%
Gross profit	57.5	61.7	+4.2	+7.3%
Gross profit margin	22.9%	22.7%	(0.2pt)	-
Other income and expenses	(47.6)	(47.0)	+0.6	-1.3%
Operating income	9.9	14.7	+4.8	+48.8%
Operating income margin	3.9%	5.4%	+1.5pt	-
Profit attributable to owners of the company	6.2	9.9	+3.6	+59.0%
Order received	250.1	277.4	+27.2	+10.9%
Backlog	200.0	213.8	+13.8	+6.9%

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### 3<sup>rd</sup> Quarter FY2016 (9 months) Performance highlights

#### [Revenue]

Increase in business for distribution and telecoms.

#### [Gross profit]

Increased due to higher revenue and improvement in gross profit margin.

\* Gross profit margin excluding “Unprofitable projects” and “Influence of the reclassification of SG&A to COGS in overseas subsidiaries” improved 0.5pt YoY.

#### [Other income and expenses]

Even though personnel cost increased due to growth in the number of employees, SG&A cost declined due to a change in the rules for recording COGS at overseas subsidiaries.

#### [Operating income]

Increased due to increase in gross profit and decrease in “other income and expenses”.

#### [Order received]

Increase in business for telecoms, public and social.

As for distribution, results were almost same level as previous year because of decrease in large-scale projects was offset by growth for other projects.

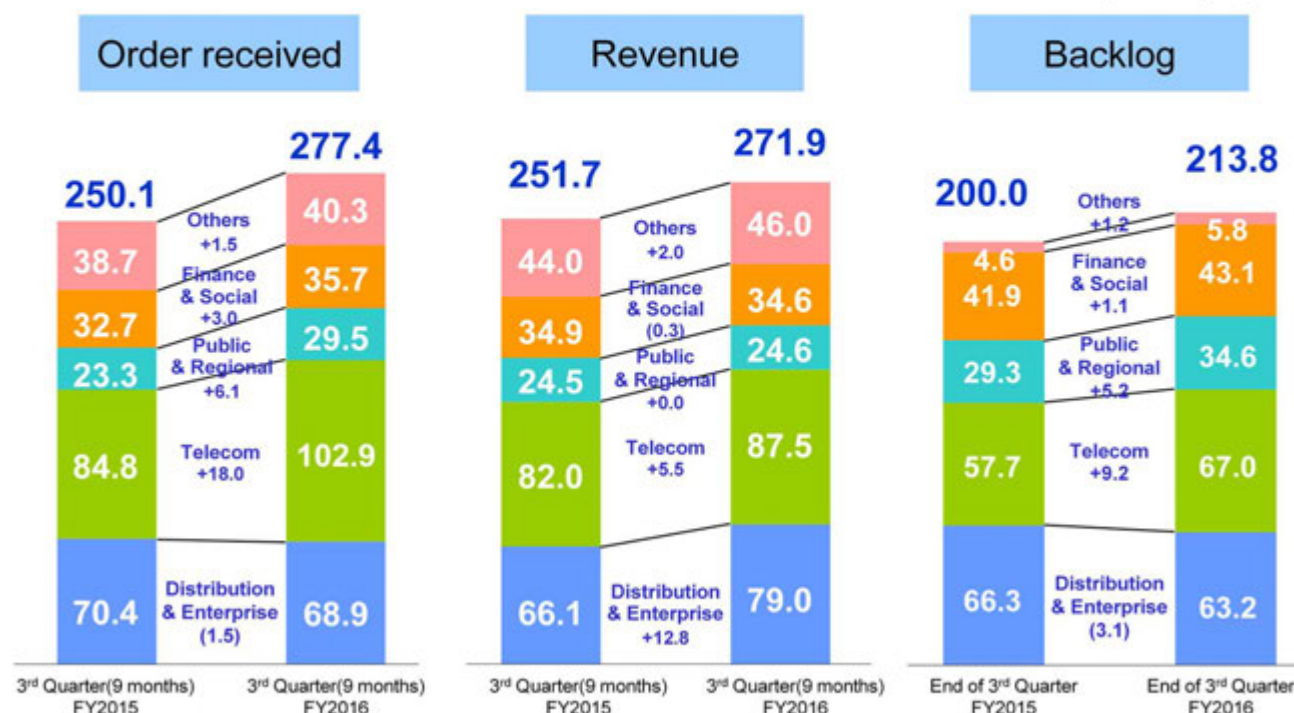
#### [Backlog]

Same as the above.

## <3<sup>rd</sup> Quarter FY2016(9 months)> Performance by Business group



(Billions of yen)



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### Performance by Business group

#### [Distribution & Enterprise]

Order received were almost same level as YoY because of decline in large infrastructure construction projects for distribution compared to the previous year were offset by growth for other development projects.

Revenue increased due to infrastructure construction projects and development projects for distribution and development projects for transport.

#### [Telecommunication]

Order received increased mainly due to network construction projects for telecom.

Revenue increased due to network projects for telecom and infrastructure projects for telecom and ISP.

#### [Public & regional]

Order received increased due to network construction projects for public and co-operation business with the local partner.

Revenue were roughly unchanged YoY.

#### [Finance & social]

Order received increased due to infrastructure construction projects for social.

Revenue were roughly unchanged YoY.

#### [Others]

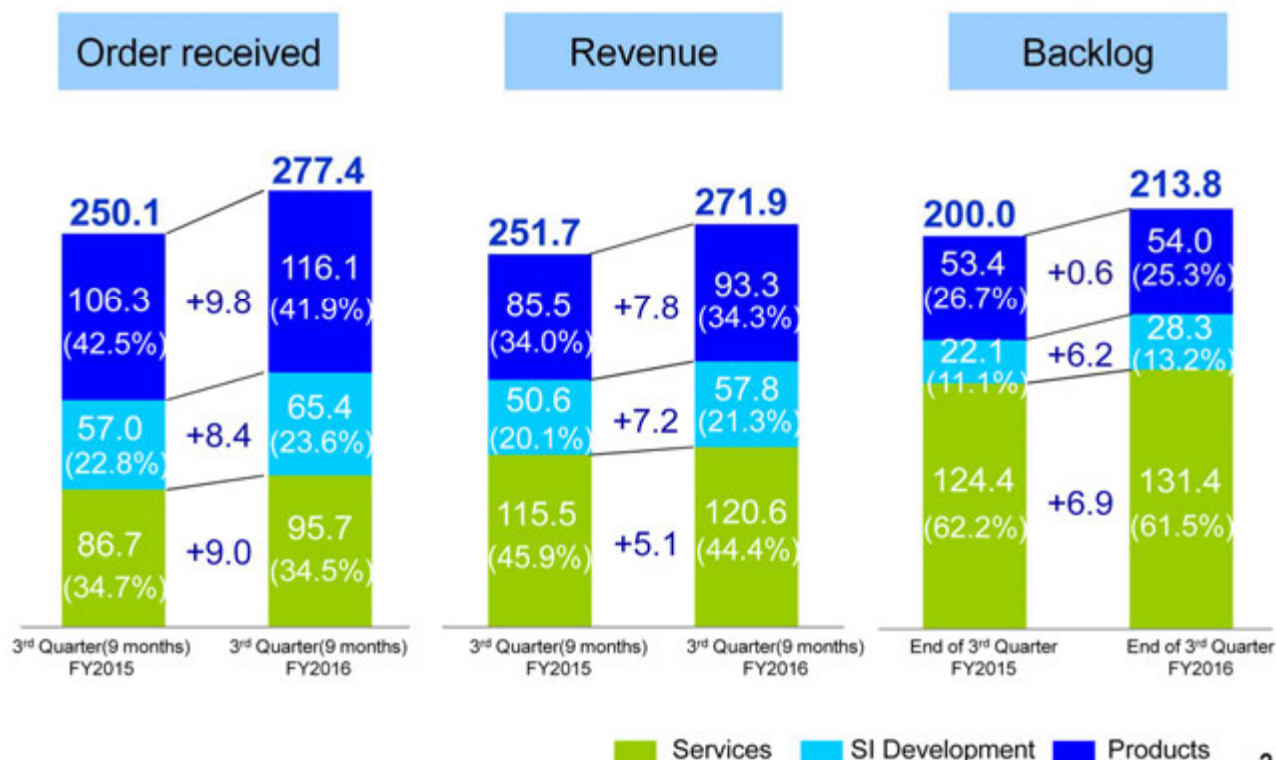
Order received increased due to products sales for finance in Singapore and service business for distribution and pharmaceutical in Japan.

Revenue increased due to products sales business for finance in Singapore and products business for medical & pharmaceutical in Japan.

## <3<sup>rd</sup> Quarter FY2016(9 months)> Performance by Business model



(Billions of yen)



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### Performance by business model

#### [Services]

Order received increased due to products maintenance for telecoms and maintenance & operations for social.

Revenue increased due to products implementation and construction for distribution, operation for automobile and products maintenance for telecoms.

#### [SI Developments]

Order received and Revenue increased mainly due to application developments for distribution and transport.

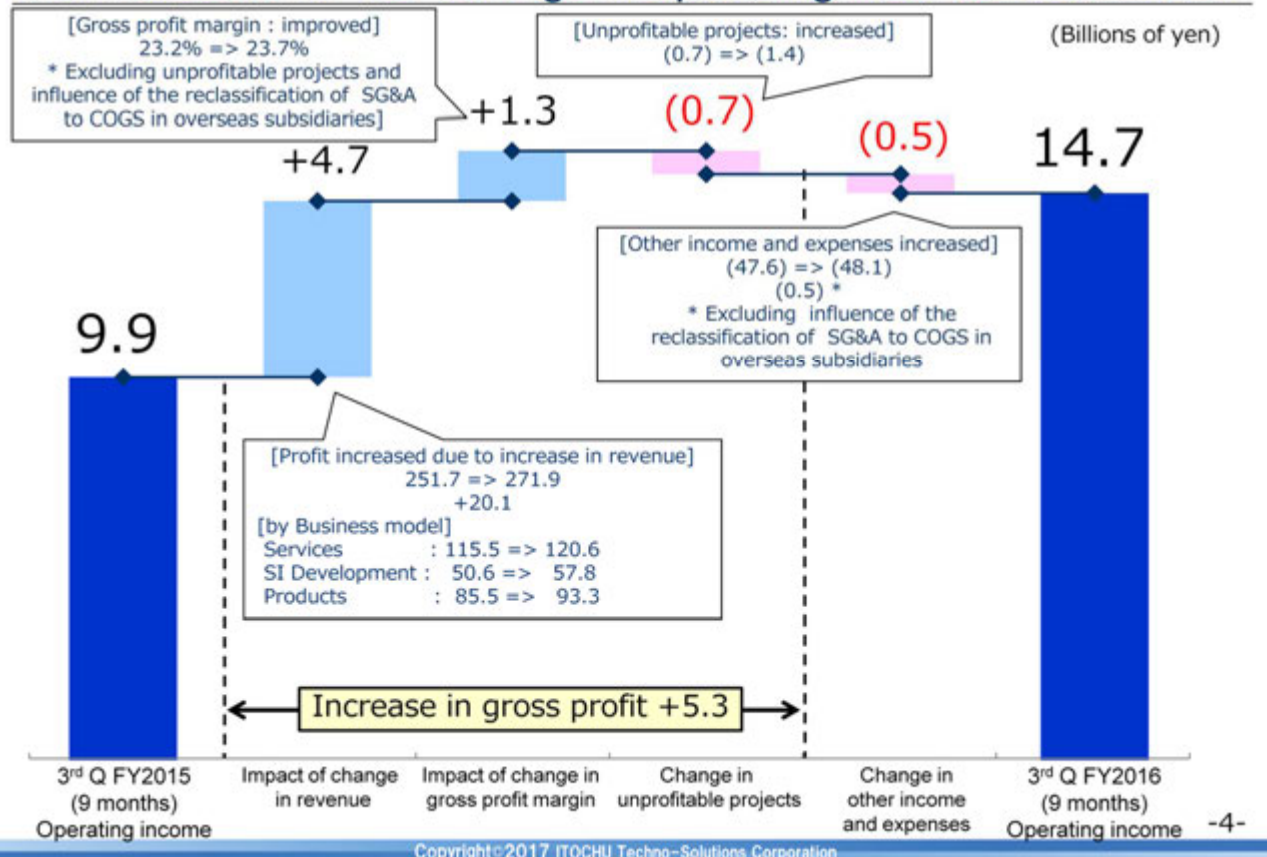
#### [Products]

Order received increased due to network for telecoms.

Revenue increased due to infrastructure products for distribution and network for telecoms.

## <3<sup>rd</sup> Quarter FY2016 (9 months)>

### Main reasons for YoY change in operating income



#### Reference for gross profit margin

[Gross profit margin excluding the unprofitable projects]

3<sup>rd</sup> Quarter FY2015 (9 months) : 23.2%

=> 3<sup>rd</sup> Quarter FY2016 (9 months) : 23.2% (Same as previous year)

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

3<sup>rd</sup> Quarter FY2015 (9 months) : 23.2%

=> 3<sup>rd</sup> Quarter FY2016 (9 months) : 23.7% (Improved 0.5pts)



## <3<sup>rd</sup> Quarter FY2016 (9 months)> Breakdown of “Other income and expenses”



(Billions of yen)

	3 <sup>rd</sup> Quarter FY2015 Actual (9 months)	3 <sup>rd</sup> Quarter FY2016 Actual (9 months)	YoY change
Personnel expenses	(27.7)	(27.3)	+0.4
Outside staff expenses	(4.4)	(4.3)	+0.1
Depreciation and amortization	(2.2)	(1.8)	+0.3
Others	(13.5)	(13.4)	+0.0
<b>SG&amp;A expenses</b>	<b>(47.8)</b>	<b>(46.9)</b>	<b>+0.9</b>
<b>Other income</b>	<b>0.3</b>	<b>0.2</b>	<b>(0.1)</b>
<b>Other expenses</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>(0.1)</b>
<b>Other income and expenses</b>	<b>(47.6)</b>	<b>(47.0)</b>	<b>+0.6</b>

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### Breakdown of “Other income and expenses”

#### [Personnel expenses]

Even though personnel cost increased due to growth in the number of employees, personal expenses decreased due to a change in the rules for recording COGS at overseas subsidiaries.

#### [Depreciation and amortization]

Decrease in depreciation expense for backbone systems.

## <3<sup>rd</sup> Quarter FY2016 (3 months) > Performance highlights



(Billions of yen)

	3 <sup>rd</sup> Quarter FY2015 Actual (3 months)	3 <sup>rd</sup> Quarter FY2016 Actual (3 months)	YoY change	YoY change (%)
Revenue	86.5	96.1	+9.5	+11.1%
Gross profit	20.1	21.5	+1.4	+7.0%
Gross profit margin	23.3%	22.5%	(0.8pt)	-
Other income and expenses	(16.1)	(15.7)	+0.3	-2.4%
Operating income	4.0	5.8	+1.7	+44.3%
Operating income margin	4.7%	6.1%	+1.4pt	-
Profit attributable to owners of the company	2.4	4.0	+1.5	+63.6%
Order received	89.1	103.6	+14.5	+16.3%
Backlog	200.0	213.8	+13.8	+6.9%

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### 3<sup>rd</sup> Quarter FY2016 (3 months) Performance highlights

#### [Revenue]

Increase in business for distribution, transport and telecoms.

#### [Gross profit]

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

\* Gross profit margin excluding “Unprofitable projects” and “Influence of the reclassification of SG&A to COGS in overseas subsidiaries” improved 0.3pts YoY.

#### [Other income and expenses]

Even though personnel cost increased due to growth in the number of employees, SG&A cost declined due to a change in the rules for recording COGS at overseas subsidiaries.

#### [Operating income]

Increased due to increase in gross profit and decrease in “other income and expenses”.

#### [Order received]

Increase in business for telecoms and social.

# <3<sup>rd</sup> Quarter FY2016 (3 months) >

For reference : Performance by Business group/ Business model



Challenging Tomorrow's Changes

(Billions of yen)

		Order received			Revenue		
		3 <sup>rd</sup> Quarter FY2015 (3 months)	3 <sup>rd</sup> Quarter FY2016 (3 months)	YoY Change	3 <sup>rd</sup> Quarter FY2015 (3 months)	3 <sup>rd</sup> Quarter FY2016 (3 months)	YoY Change
By Business group	Distribution & Enterprise	22.7	21.5	(1.1)	23.2	26.2	+3.0
	Telecommunication	33.3	40.7	+7.3	27.4	30.3	+2.9
	Public & Regional	7.3	10.4	+3.0	8.6	9.8	+1.1
	Finance & Social	11.2	17.3	+6.0	11.8	10.6	(1.2)
	Others	14.4	13.5	(0.8)	15.3	19.0	+3.7
	Total	89.1	103.6	+14.5	86.5	96.1	+9.5
By Business model	Services	27.5	33.1	+5.6	39.1	40.8	+1.7
	SI Development	20.1	21.9	+1.7	18.4	21.1	+2.7
	Products	41.3	48.5	+7.1	28.9	34.1	+5.1
	Total	89.1	103.6	+14.5	86.5	96.1	+9.5

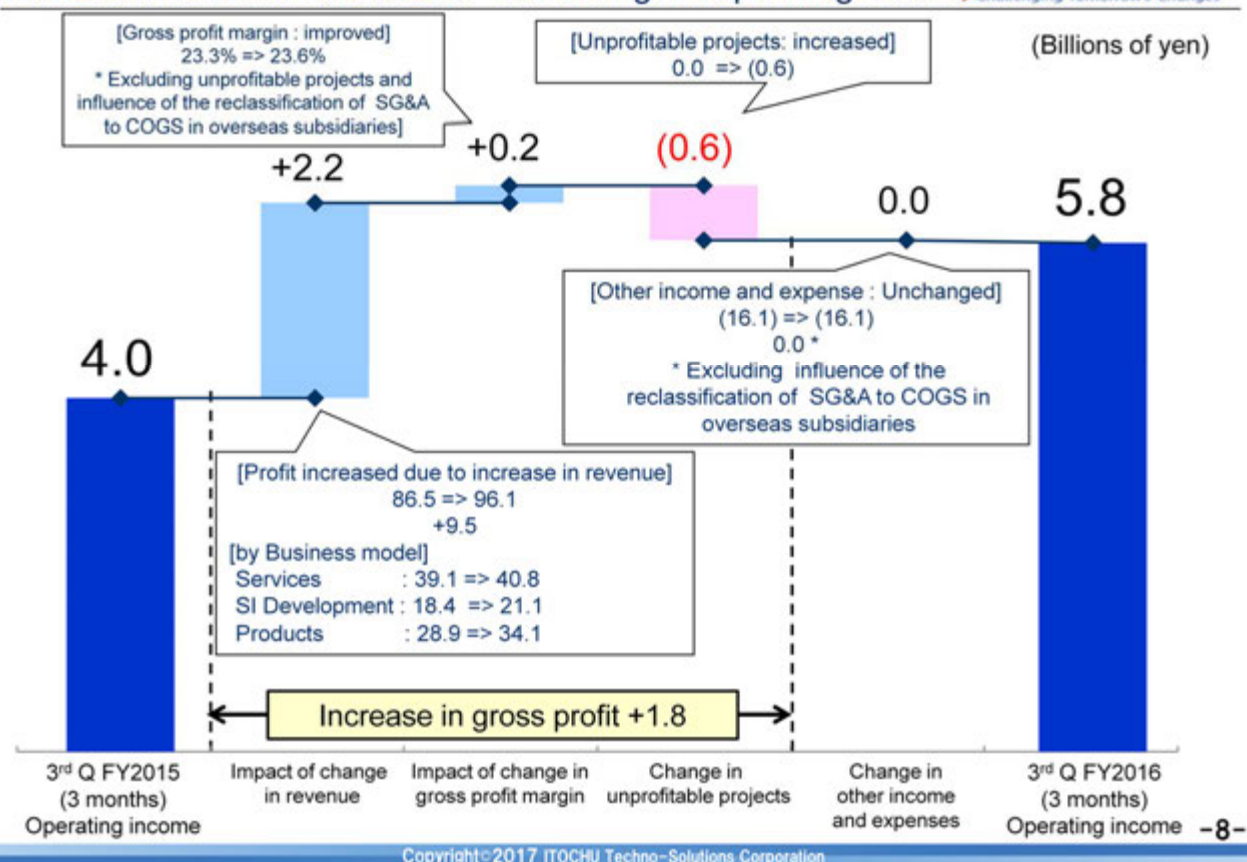
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## <3<sup>rd</sup> Quarter FY2016 (3 months) >

For reference : Main reasons for YoY change in operating income



### Reference for gross profit margin

[Gross profit margin excluding the unprofitable projects]

3<sup>rd</sup> Quarter FY2015 (3 months) : 23.3%

=> 3<sup>rd</sup> Quarter FY2016 (3 months) : 23.1% (Declined 0.2pts)

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

3<sup>rd</sup> Quarter FY2015 (3months) : 23.3%

=> 3<sup>rd</sup> Quarter FY2016 (3 months) : 23.6% (Improved 0.3pts)

## <3<sup>rd</sup> Quarter FY2016 (3 months) >

For reference : Breakdown of "Other income and expenses"



Challenging Tomorrow's Changes

(Billions of yen)

	3 <sup>rd</sup> Quarter FY2015 Actual (3 months)	3 <sup>rd</sup> Quarter FY2016 Actual (3 months)	YoY change
Personnel expenses	(9.5)	(9.4)	+0.1
Outside staff expenses	(1.4)	(1.3)	+0.0
Depreciation and amortization	(0.7)	(0.6)	+0.0
Others	(4.4)	(4.4)	+0.0
<b>SG&amp;A expenses</b>	<b>(16.2)</b>	<b>(15.8)</b>	<b>+0.3</b>
<b>Other income</b>	<b>0.2</b>	<b>0.1</b>	<b>+0.0</b>
<b>Other expenses</b>	<b>0.0</b>	<b>0.0</b>	<b>+0.1</b>
<b>Other income and expenses</b>	<b>(16.1)</b>	<b>(15.7)</b>	<b>+0.3</b>

“CTC is the Answer.”



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