

Operating Results for the Fiscal Year 2017

May 1, 2018

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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Performance highlights for FY2017

- **Higher revenue, Higher profit
(Results exceeding the forecast)**
- **Revenue, all profit line items and backlogs
reached record highs after the merger in
2006.**
- **Net profit attributable to CTC's
shareholders has been a record high for 4
consecutive years.**
- **Return on equity(ROE) has been more than
10% for 4 consecutive years.**

Performance for FY2017 (Compared with FY2016)

(Billions of yen)

	FY2016 Actual	FY2017 Actual	YoY change	YoY change (%)
Revenue	407.8	429.6	+21.7	+5.3%
Gross profit	96.7	101.6	+4.8	+5.1%
Gross profit margin	23.7%	23.6%	(0.1p)	-
Other income and expenses	(65.5)	(68.9)	(3.3)	+5.2%
Operating income	31.1	32.6	+1.4	+4.8%
Operating income margin	7.6%	7.6%	(0.0p)	-
Net profit attributable to CTC's shareholders	21.8	23.5	+1.7	+7.9%
Order received	437.5	435.2	(2.3)	-0.5%
Backlogs	238.0	243.6	+5.6	+2.4%
ROE	11.8%	11.8%	(0.0p)	-

Performance for FY2017 (vs. FY2016)

【Revenue】

Increased in all business group.

By industry, mainly increased in business for distribution, telecoms, finance and social.

【Gross profit】

Increased due to higher revenue.

*Gross profit margin excluding "Unprofitable projects" improved 0.1p YoY.

【Other income and expenses】

Increased SG&A expenses due to personnel cost, business commission fee, and depreciation and amortization.

【Operating income】

Increased due to an increase in gross profit.

【Net profit attributable to CTC's shareholders】

In addition to an increase in operating income, increased due to proceeds from sales of shares of subsidiaries and associates.

【Order received】

Decreased in business for distribution and telecoms.

【Backlogs】

Increased in business for telecoms and finance.

Performance for FY2017 (vs. forecast)

(Billions of yen)

	FY2017 Forecast (May 1)	FY2017 Actual	vs. Forecast	vs. Forecast (%)
Revenue	425.0	429.6	+4.6	+1.1%
Gross profit	101.0	101.6	+0.6	+0.6%
Gross profit margin	23.8%	23.6%	(0.2p)	-
Other income and expenses	(68.5)	(68.9)	(0.4)	+0.7%
Operating income	32.5	32.6	+0.1	+0.4%
Operating income margin	7.6%	7.6%	+0.0p	-
Net profit attributable to CTC's shareholders	22.5	23.5	+1.0	+4.8%
Order received	430.0	435.2	+5.2	+1.2%
Backlogs	243.0	243.6	+0.6	+0.3%

Performance for FY2017 (vs. forecast)

【Revenue】

Increased in business for distribution.

【Gross profit】

Increased due to higher revenue.

* Gross profit margin excluding “Unprofitable projects” is almost same as forecast.

【Other income and expenses】

Increased SG&A expenses due to development of our backbone systems.

【Operating income】

Almost same as forecast.

【Net profit attributable to CTC's shareholders】

Increased due to sales of shares of subsidiaries and associates.

【Order received】

Increased due to gains on sales of stocks of affiliated company.

【Backlogs】

Increased in business for telecoms and finance.

Performance by business groups (Compared with FY2016)

(Billions of yen)

	Order received			Revenue			Backlogs		
	FY2016 Actual	FY2017 Actual	YoY Change	FY2016 Actual	FY2017 Actual	YoY Change	End of FY2016	End of FY2017	YoY Change
Distribution & Enterprise	124.3	120.5	(3.8)	112.5	130.6	+18.0	84.7	76.9	(7.8)
Telecommunication	158.5	156.7	(1.7)	147.8	149.8	+2.0	62.5	69.4	+6.8
Public & Regional Business	38.8	37.5	(1.3)	38.0	39.4	+1.4	30.6	28.6	(2.0)
Finance & Social Infrastructure	51.7	60.6	+8.9	50.5	55.1	+4.6	43.3	48.8	+5.5
Others	64.0	59.7	(4.2)	58.9	54.5	(4.4)	16.7	19.7	+3.0
Total	437.5	435.2	(2.3)	407.8	429.6	+21.7	238.0	243.6	+5.6

Performance by business groups

【Distribution & Enterprise】

Order received decreased due to products sales for distribution.

Revenue increased due to products sales, and development projects for distribution.

【Telecommunication】

Order received decreased due to network construction projects for telecoms, but increased due to infrastructure construction projects for telecoms and ISP.

Revenue increased due to development project and maintenance for telecoms and infrastructure construction projects for ISP.

【Public & Regional Business】

Order received decreased due to network construction projects for public business.

Revenue increased due to network construction projects for public business.

【Finance & Social Infrastructure】

Order received increased due to infrastructure construction projects for finance.

Revenue increased due to infrastructure construction projects for finance and social and also operation for social.

【Others】

Order received and revenue decreased due to the merger of CTC Life Science into CTC.

Performance by business models

(Billions of yen)

	Order received			Revenue			Backlogs		
	FY2016 Actual	FY2017 Actual	YoY Change	FY2016 Actual	FY2017 Actual	YoY Change	End of FY2016 Actual	End of FY2017 Actual	YoY Change
Services	176.4 (40.3%)	186.5 (42.9%)	+10.1	164.9 (40.4%)	170.9 (39.8%)	+5.9	167.7 (70.5%)	183.4 (75.3%)	+15.6
SI Development	93.3 (21.3%)	89.7 (20.6%)	(3.5)	87.1 (21.4%)	91.5 (21.3%)	+4.4	26.9 (11.3%)	25.1 (10.3%)	(1.8)
Products	167.8 (38.4%)	158.9 (36.5%)	(8.8)	155.7 (38.2%)	167.1 (38.9%)	+11.3	43.3 (18.2%)	35.1 (14.4%)	(8.1)
Total	437.5	435.2	(2.3)	407.8	429.6	+21.7	238.0	243.6	+5.6

***Within the parenthesis is composition ratio.**

Performance by business models

【Services】

Order received increased due to maintenance and operation for finance and social .

Revenue increased due to implementation and construction for distribution, maintenance for telecoms and operation for social

【SI Development】

Order received decreased due to development projects for distribution.

Revenue increased due to development project for distribution and telecoms and infrastructure construction for finance and social.

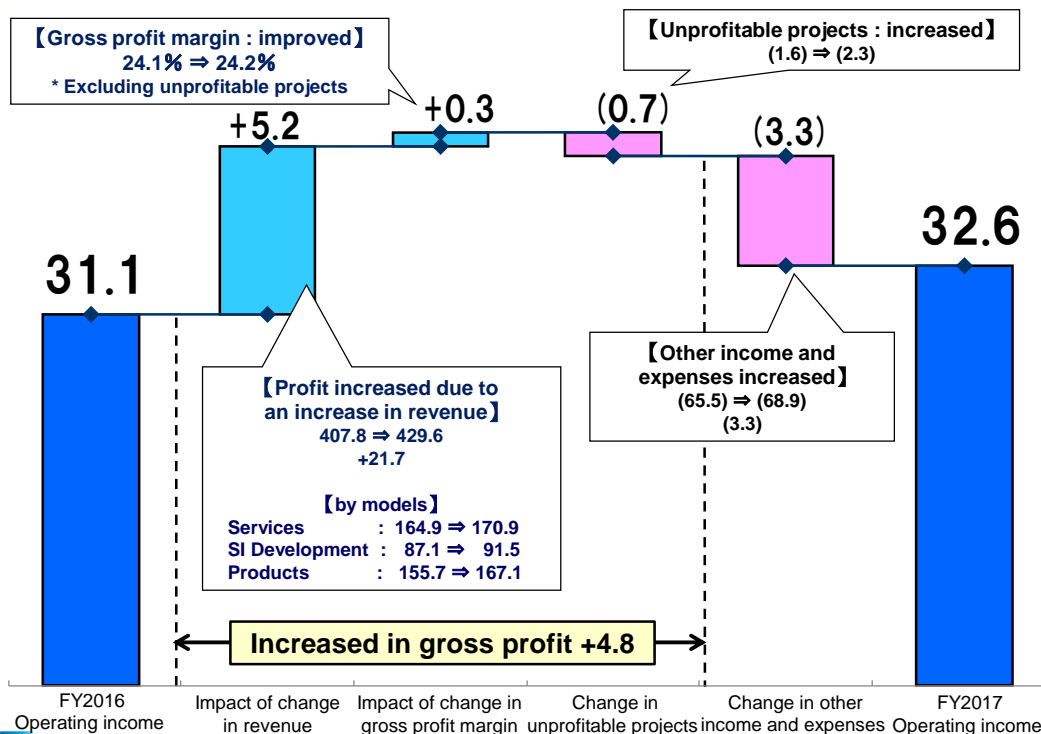
【Products】

Order received decreased due to infrastructure products for distribution and network construction projects for telecoms.

Revenue increased due to infrastructure products for distribution and network construction projects for public business.

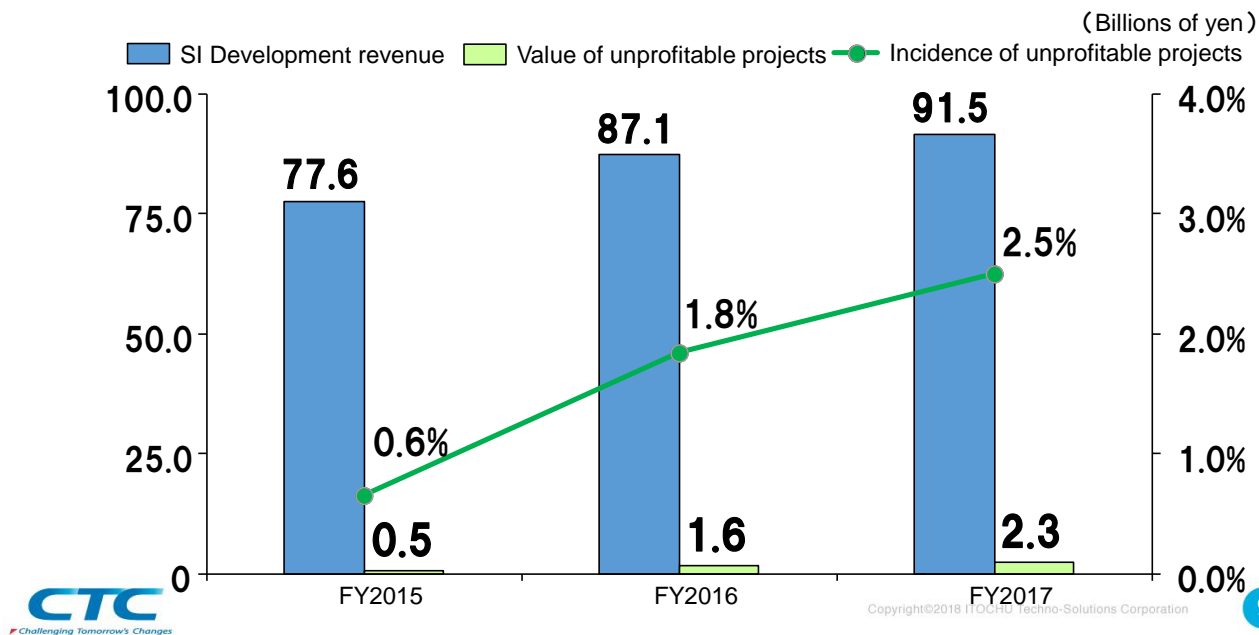
Main reasons for YoY changes in operating income

(Billions of yen)



For reference: Revenue and unprofitable projects in SI Development

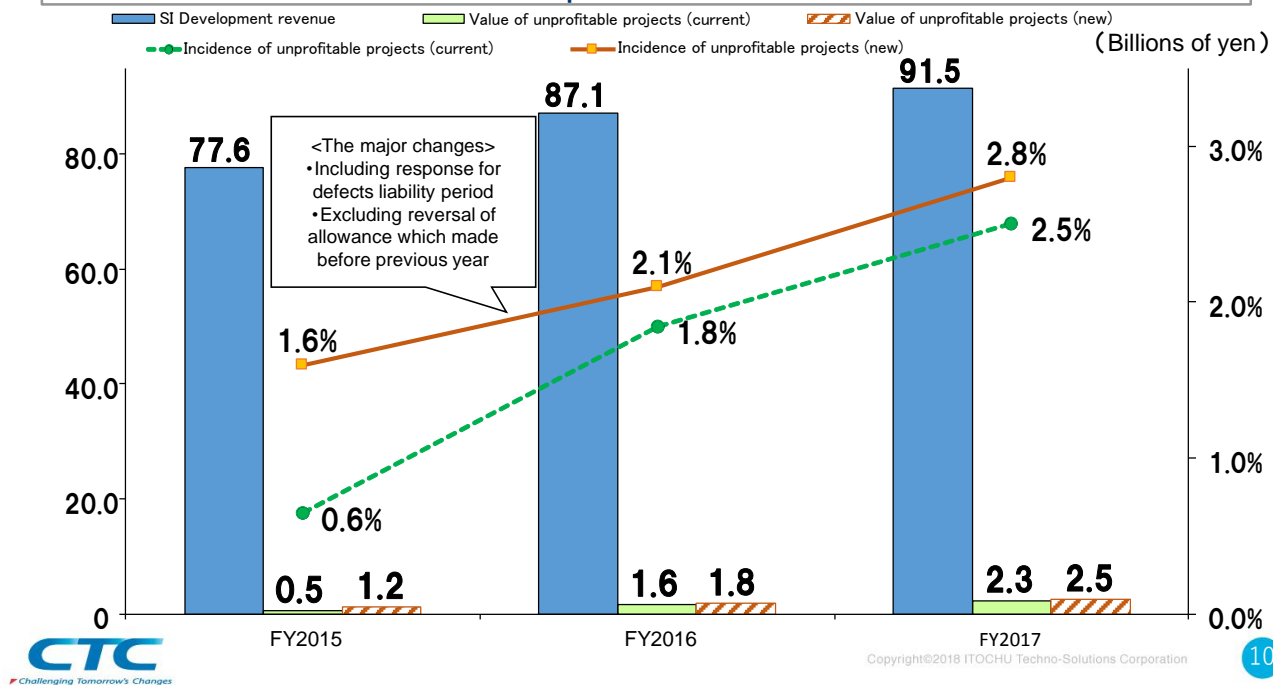
The ratio of unprofitable projects to SI Development revenue is controlled within 2.5%



For reference:

Revenue and unprofitable projects in SI Development

We applied rigorous methods for calculating unprofitable projects to disclose more precise numbers in FY2017.



For reference: Other income and expenses

(Billions of yen)

	FY2016 Actual	FY2017 Actual	YoY Change
Personnel expenses	(37.8)	(39.7)	(1.8)
Outside staff expenses	(5.6)	(6.2)	(0.5)
Depreciation and amortization	(2.5)	(3.0)	(0.5)
Others	(19.4)	(20.0)	(0.5)
SG&A expenses	(65.5)	(69.1)	(3.6)
Other income	0.3	0.3	+0.0
Other expenses	(0.4)	(0.1)	+0.2
Other income and expenses	(65.5)	(68.9)	(3.3)

Breakdown of “Other income and expenses”

【Personnel expenses】

Personnel expenses increased due to an increase in number of employee, salaries and performance-linked bonuses.

【Depreciation and amortization】

Mainly increased due to development of backbone systems.

【Others】

Mainly an increase in business commission fee. It increased due to development of our backbone systems.

For reference: Consolidated balance sheets

(Billions of yen)

	End of FY2016	End of FY2017	YoY Change
Current assets	250.1	272.7	+22.5
Non current assets	82.9	81.0	(1.8)
Total assets	333.1	353.8	+20.7
Current liabilities	121.6	125.9	+4.3
Non current liabilities	15.7	17.1	+1.3
Total liabilities	137.4	143.0	+5.6
Equity	195.7	210.8	+15.1
Total liabilities and equity	333.1	353.8	+20.7

1. Current assets: +22.5

Trade and other receivables	+14.8
Inventories assets	+1.5
Other current financial assets	(1.6)
Other current assets	+5.0

2. Non-current assets : (1.8)

Property, plant and equipment	(1.5)
Intangible	(2.0)
Goodwill	+0.5
Other non-current financial assets	+0.8

3. Current liabilities : +4.3

Trade and other payables	+0.3
Income taxes payables	(0.9)
Liabilities for employee benefits	+0.5
Other current liabilities	+4.0

4. Non-current liabilities : +1.3

Non-current financial liabilities	+0.8
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5. Equity : +15.1

Retained earnings	+14.0
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For reference: Consolidated cash flows

(Billions of yen)

	FY2016	FY2017	YoY change
Cash and cash equivalents at the beginning of the period	44.8	48.2	+3.3
Operating activities	25.2	11.0	(14.1)
Investing activities	(14.1)	(2.3)	+11.8
Financing activities	(7.8)	(5.9)	+1.8
Cash and cash equivalents at the end of the period	48.2	51.0	+2.7
Free cash flow	11.0	8.7	(2.3)

1. Cash flows from operating activities : **(14.1)**

Profit before tax	+2.4
An increase in trade and other receivables	(12.3)
(An increase)a decrease in inventories	+4.2
An increase(a decrease) in trade and other payable	(1.2)
Others	(5.0)
Income taxes paid	(2.0)

2. Cash flows from investing activities : **+ 11.8**

Purchases of property, plant and equipment	+1.4
Purchases of intangible assets	+3.2
Decrease in deposit other than equivalents	+7.0
Proceeds from sales of shares of subsidiaries and associates	+0.7

3. Cash flows from financing activities : **+1.8**

Proceeds from sales and leaseback	+2.6
Dividends paid	(1.1)

For reference:

Performance highlights for 4th quarter FY2017 (3months)

(Billions of yen)

	4 th Quarter (3months) FY2016 Actual	4 th Quarter (3months) FY2017 Actual	YoY change	YoY change (%)
Revenue	135.9	134.9	(0.9)	(0.7%)
Gross profit	34.9	33.8	(1.0)	(3.1%)
Gross profit margin	25.7%	25.1%	(0.6p)	-
Other income and expenses	(18.5)	(17.8)	+0.7	(3.8%)
Operating income	16.3	16.0	(0.3)	(2.3%)
Operating income margin	12.1%	11.9%	(0.2p)	-
Net profit attributable to CTC's shareholders	11.9	11.2	(0.6)	(5.5%)
Order received	160.0	147.3	(12.7)	(7.9%)
Backlog	238.0	243.6	+5.6	+2.4%

For reference:

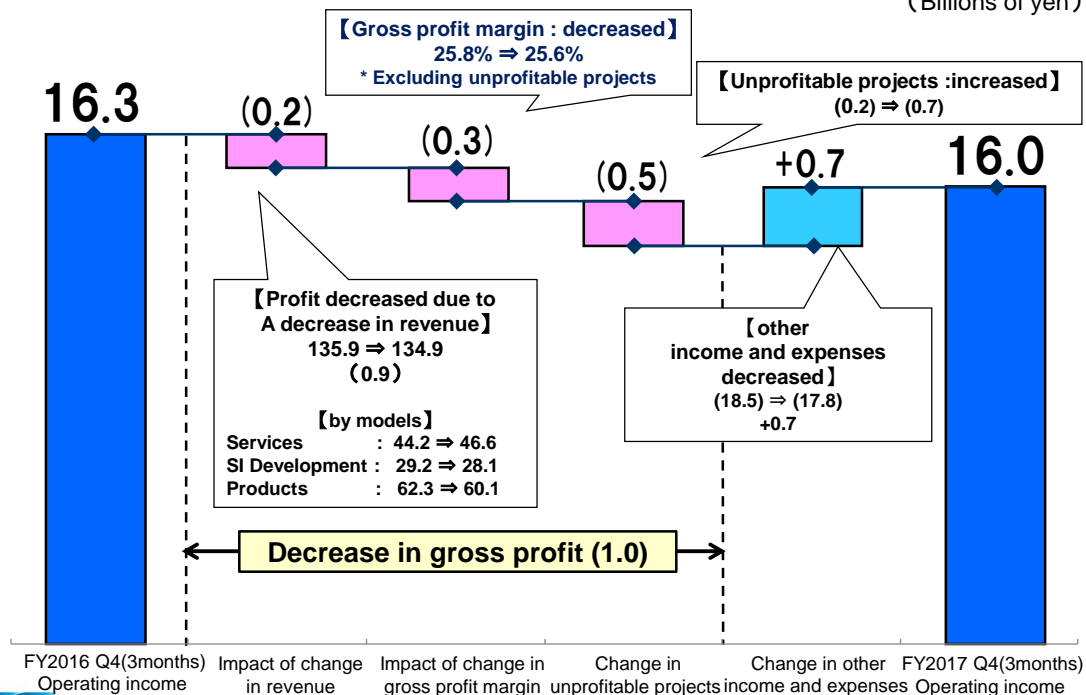
Performance by business groups/business models for 4th quarter FY2017 (3 months)

(Billions of yen)

		Order received			Revenue		
		4 th Quarter (3months) FY2016 Actual	4 th Quarter (3months) FY2017 Actual	YoY Change	4 th Quarter (3months) FY2016 Actual	4 th Quarter (3months) FY2017 Actual	YoY Change
By business group	Distribution & Enterprise	55.6	43.4	(12.2)	33.7	40.7	+7.0
	Telecommunication	55.3	56.7	+1.3	60.0	53.6	(6.3)
	Public & Regional	9.5	9.6	+0.1	13.3	12.6	(0.6)
	Finance & Social Infrastructure	16.0	15.5	(0.4)	15.9	15.7	(0.1)
	Others	23.5	21.9	(1.5)	12.7	12.0	(0.7)
	Total	160.0	147.3	(12.7)	135.9	134.9	(0.9)
By business model	Services	80.6	85.1	+4.5	44.2	46.6	+2.3
	SI Development	27.8	23.0	(4.7)	29.2	28.1	(1.1)
	Products	51.6	39.1	(12.5)	62.3	60.1	(2.2)
	Total	160.0	147.3	(12.7)	135.9	134.9	(0.9)

For reference:
Main reasons for YoY changes in operating income
for 4th quarter FY2017 (3 months)

(Billions of yen)



For reference:
Other income and expenses for 4th quarter FY2017
(3 months)

(Billions of yen)

	4 th Quarter (3months) FY2016 Actual	4 th Quarter (3months) FY2017 Actual	YoY change
Personnel expenses	(10.5)	(10.3)	+0.1
Outside staff expenses	(1.3)	(1.5)	(0.1)
Depreciation and amortization	(0.6)	(0.7)	(0.1)
Others	(5.9)	(5.2)	+0.7
SG&A expenses	(18.5)	(17.8)	+0.6
Other income	0.0	0.0	(0.0)
Other expenses	(0.1)	(0.0)	+0.0
Other income and expenses	(18.5)	(17.8)	+0.7

I

FY2017

Overview of Operating Results

II

FY2018~FY2020

Medium-Term Management Plan

III

FY2018

Operating Results Forecast

Medium-term Management Plan(FY15-17) Review

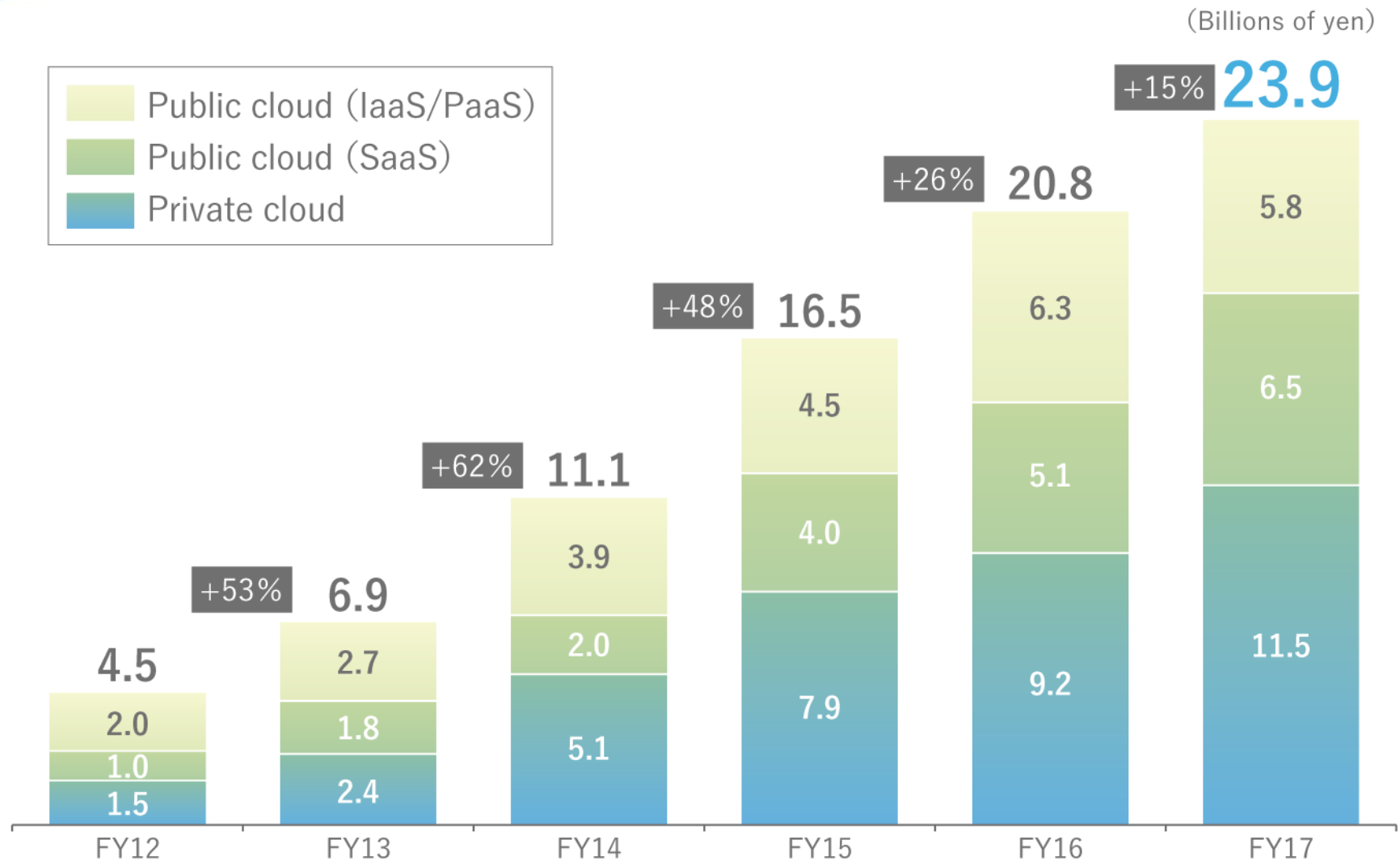
“Two 500 billions”

		Targets	Actual
Growth	Revenue	JP¥500.0 billion	JP¥429.6 billion
Profitability	Operating income	JP¥40.0 billion (Operating margin 8%)	JP¥32.6 billion (Operating margin 7.6%)
Capital Efficiency	ROE	10%+	11.8%
Corporate Value	Market cap	Exceeding JP¥500.0 billion (Achieve as soon as possible)	JP¥534.5 billion (18/3/30) ※Record high JP¥614.4 billion(18/1/16)

Medium-term Management Plan(FY15-17) Review

Three shifts		Review	
1	Service Business	<ul style="list-style-type: none"> ● Launched a variety of unique services ● Expanded cloud business 	
2	Internal Synergies	<ul style="list-style-type: none"> ● Large scale reformation of our organization ● Further collaboration across our divisions for big projects 	
3	Growth Investments	<ul style="list-style-type: none"> ● Nurtured human resources for advanced technologies ● Established two firms in Thailand and Indonesia 	
Strengthen management base to support the three shifts		<ul style="list-style-type: none"> ● Reformed working style ● Reformation of our backbone systems ● Increased dividends for 9 consecutive years 	

For reference: CTC's Cloud Service



FY2018-2020

Medium-term Management Plan

Opening New Horizons

New Horizons

Horizon **1**
Go Upwards!

Horizon **2**
Go Forwards!

Horizon **4**
Consolidate Footholds!

Horizon **3**
Go Outwards!

A 3D graphic of a blue and white cube with the word "Horizon" and the number "1" on its faces.

Horizon

Go Upwards!

Challenge Business Transformation

- Co-Creation of Digital Transformation Businesses with Major Clients
- Expand Businesses in Application Services Layer





Go Forwards!

Sharpening our Advantages

- No.1 Cloud-Computing Integrator
- No.1 IT Infrastructure & Network Environment Provider
- Accelerate Expanding of Recurring Businesses





Go Outwards!

New Coverage, New Region in Globe

- Create Open Innovation Activities as New Business Models
- Expand Global Activities





Consolidate Footholds!

Stabilize Management Infrastructure

- Skill Transition & Workstyle Transformation
- Consolidate CTC-Group Governance
- Quality First & Customer Centric
- Keep Shareholders Value & Returns



Business Goal (FY2020)

3

Strengthen profitability

Net profit attributable to
CTC's shareholders

¥**30** billion

6

Growth in
focused businesses

Recurring Business

¥**60** billion

Global Business

¥**60** billion

12

Increase ROE

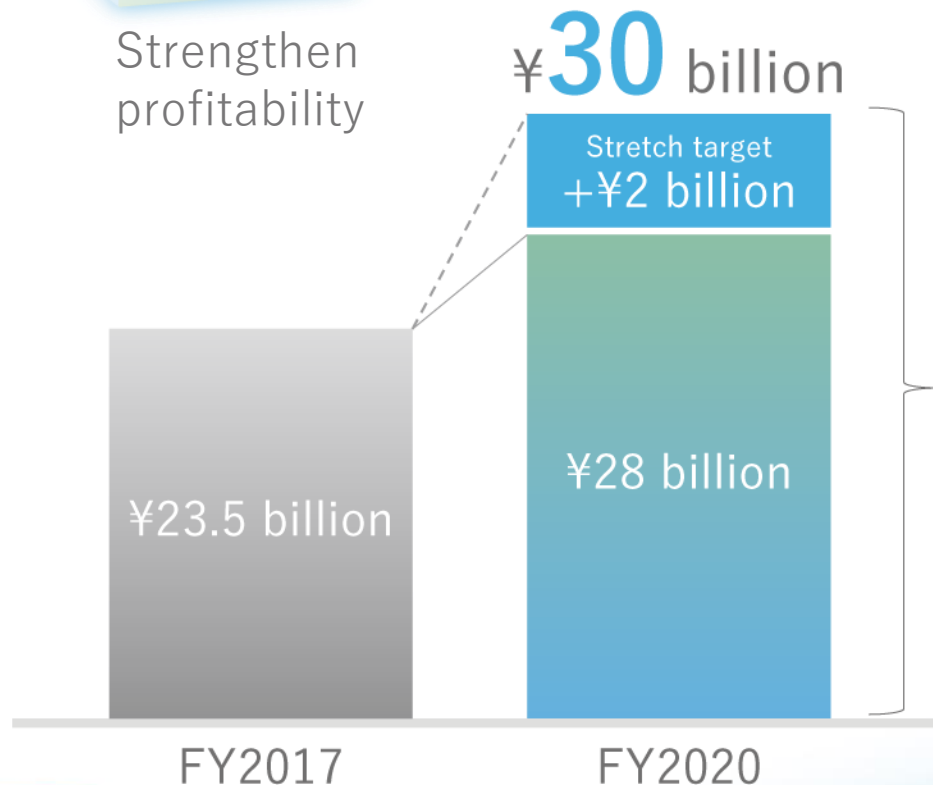
ROE

12%+



Net profit attributable to CTC's Shareholders

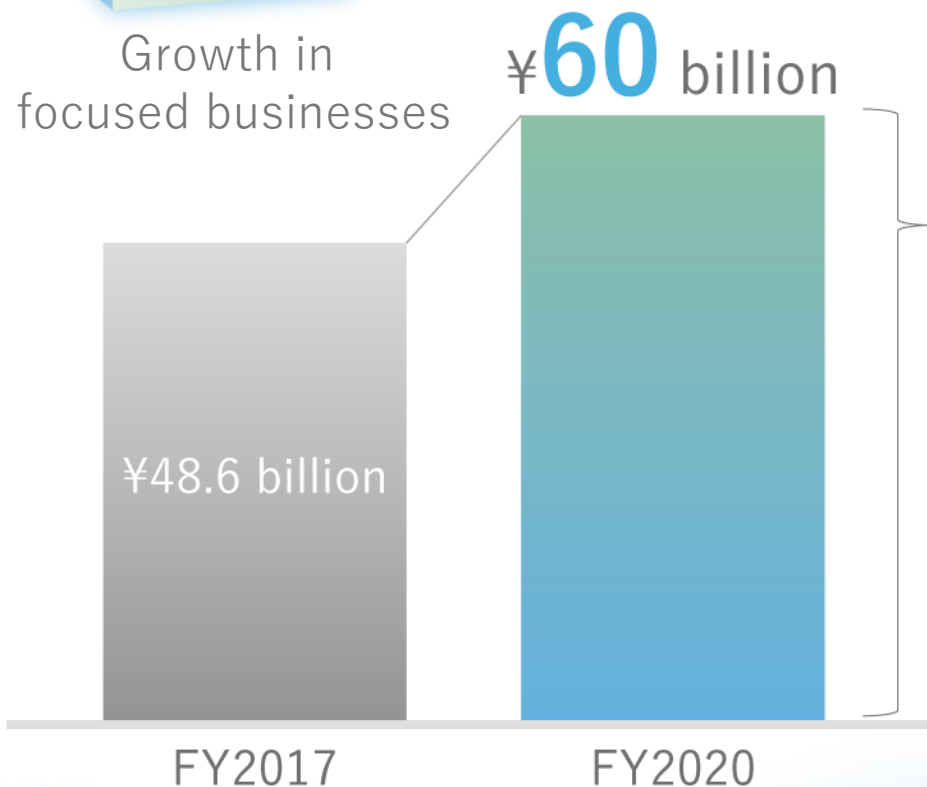
Strengthen profitability



Pursue the goal of ¥30 billion by further growth in internal growth and realization of M&A.



Recurring Business



Expansion in the model of recurring business

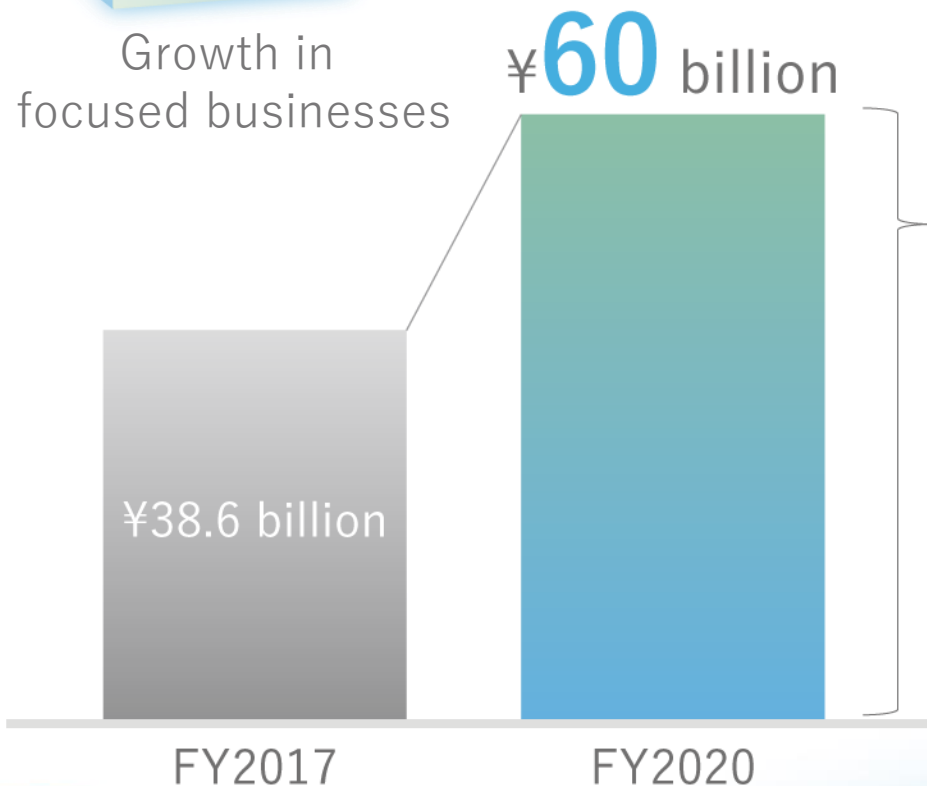
Definition of recurring business :

Total revenue of

- Cloud services
- Operations of system application
- Managed security services



Global Business



Growth in existing overseas subsidiaries and implementation of strategic investment

Definition of global business :

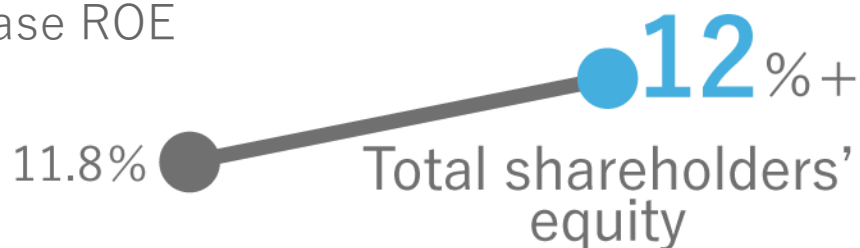
Total revenue of

- Overseas subsidiaries
- The project related to overseas business implemented in Japan.
- Affiliated overseas company accounted for by the equity-method

12

ROE

Increase ROE



¥250 billion

Total shareholders' equity
¥199.3 billion

FY2017

FY2020

Keep shareholders value
& returns and an increase
ROE

Position of Medium-term Management Plan FY2018-2020

FY2013-2014

Achieve sustainable growth, and record all-time highs for net sales and all profit line items.

- “Reinforce our strengths” and “enter growth areas.”
- “Develop state-of-the-art and optimal technologies” and “roll out our inhouse technologies in Asia.”
- “Aggressively address earnings model transformation,” and “reinforce our business infrastructure.”

FY2015-2017

“Two 500 billions”

- Revenue : ¥500 billion
- Market cap: Exceeding ¥500 billion

“Three shifts”

- Shift to “a service-type business”
- Shift to management that generates “Internal synergies”
- Shift to growth “Investments”

FY2018-2020

Opening New Horizons

3 ¥30 billion : Net profit **12** 12%+ : ROE

¥60 billion : Growth in focused businesses

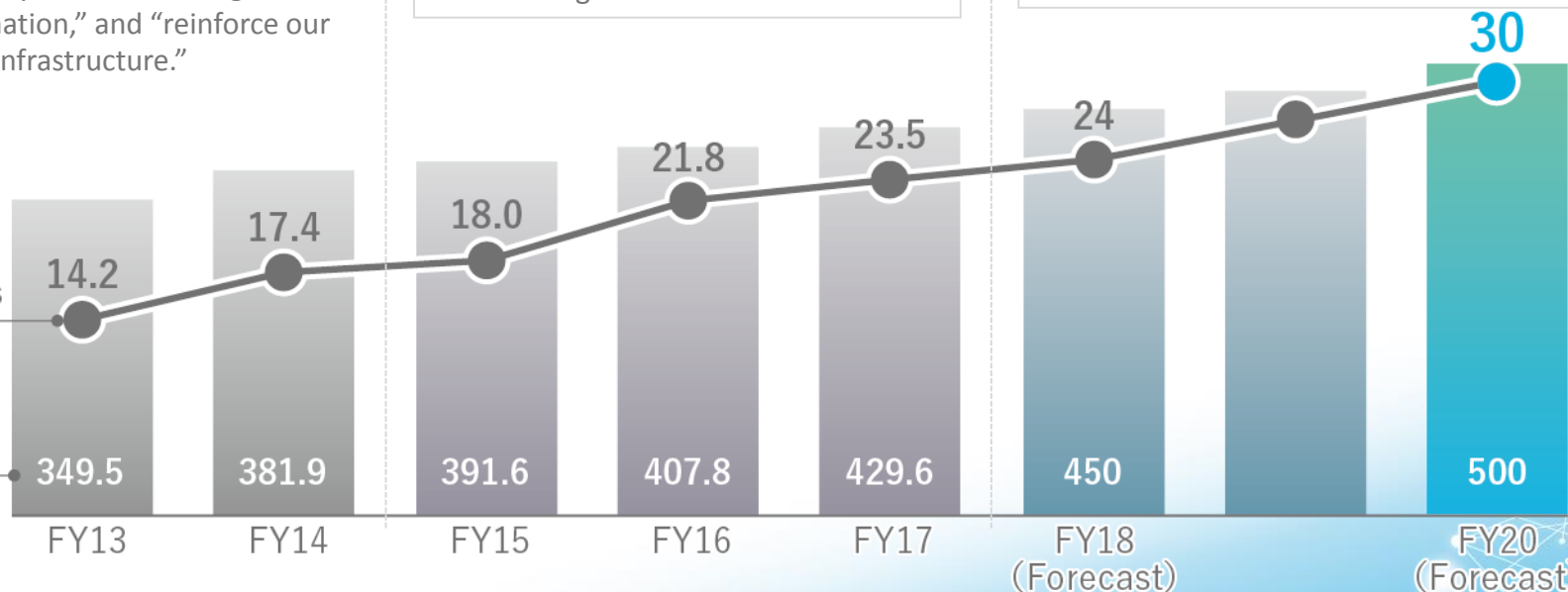
6 ● Recurring Business
● Global Business

● Go Upwards! ● Go Outwards!
● Go Forwards! ● Consolidate Footholds!

Net profit attributable to CTC's shareholders

Revenue

(Billions of yen)



CTC Group Materiality and SDGs

SUSTAINABLE DEVELOPMENT GOALS



● Harness IT to build a sustainable society

Cultivate personnel who can change society for the better

● Provide trusted IT services

Mission

Leveraging IT's potential to change future for the Global Good.

I

FY2017

Overview of Operating Results

II

FY2018~FY2020

Medium-Term Management Plan

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FY2018

Operating Results Forecast

FY2018 Forecast

(Billions of yen)

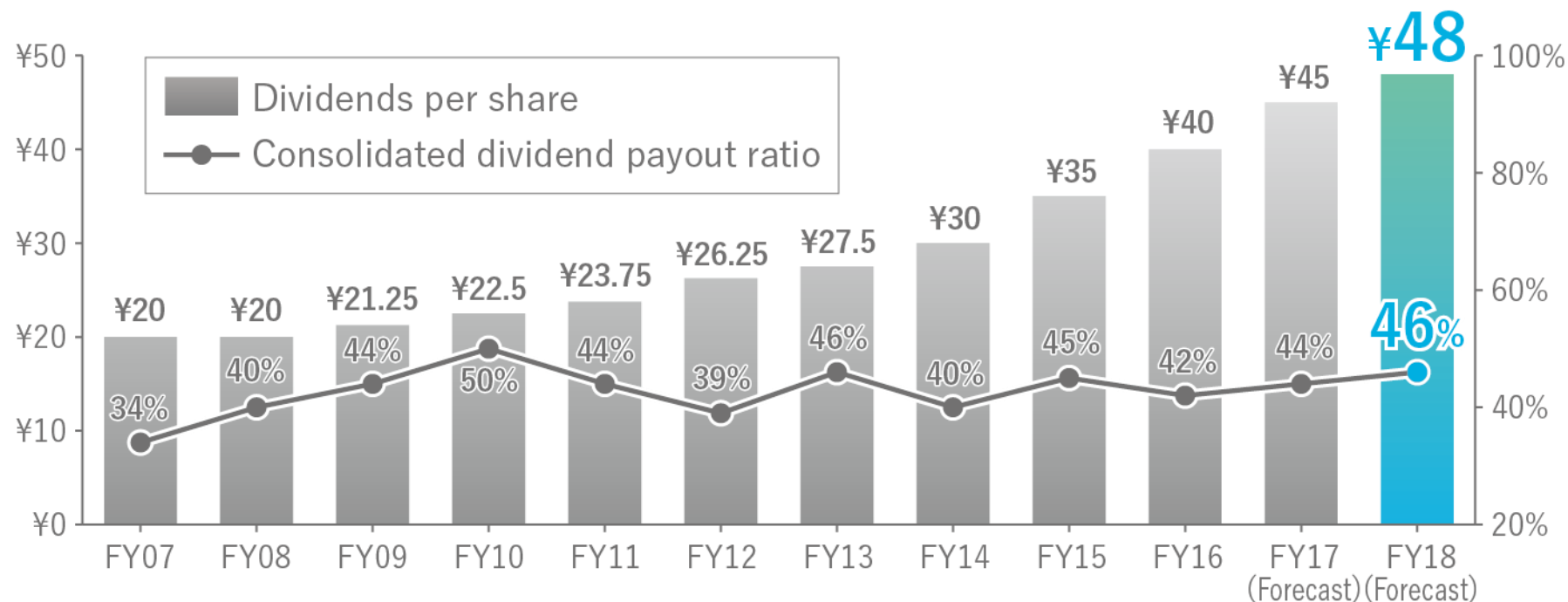
	FY2017 Actual	FY2018 Forecast	Y on Y Change	Y on Y Change (%)
Revenue	429.6	450.0	+20.3	+4.7%
Gross profit	101.6	108.0	+6.4	+6.3%
Gross profit margin	23.6%	24.0%	+0.4p	-
Other income and expenses	(68.9)	(73.0)	(4.0)	+5.8%
Operating income	32.6	35.0	+2.3	+7.3%
Operating income margin	7.6%	7.8%	+0.2p	-
Net profit attributable to CTC's shareholders	23.5	24.0	+0.4	+1.8%
Order received	435.2	455.0	+19.7	+4.5%
Backlog	243.6	248.6	+5.0	+2.1%

Shareholder Returns Plan

Increase our target consolidated payout ratio

Approx 40% → Approx 45%

Pay stable dividends mindful of linkage with performance continuously.



※The Company implemented a stock split, splitting common stock at a ratio of 2 for 1, effective April 1, 2018. The results of dividends per share before FY17 are displayed in the converted values after the stock split.

“CTC is the Answer.”