

Announcement of 1st Quarter Operating Results for the Fiscal Year Ending March 31, 2019

August 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 (Compared with 1st Q FY2017)

(Billions of yen)

	1 st Quarter FY2017 Actual	1 st Quarter FY2018 Actual	YoY change	YoY change (%)
Revenue	86.0	90.9	+4.9	+5.7%
Gross profit	19.5	20.9	+1.4	+7.4%
Gross profit margin	22.7%	23.0%	+0.3p	-
Other income and expenses	(16.7)	(17.8)	(1.0)	+6.3%
Operating income	2.7	3.1	+0.3	+13.9%
Operating income margin	3.2%	3.4%	+0.2p	-
Net profit attributable to CTC's shareholders	2.0	2.2	+0.1	+9.7%
Order received	83.7	88.1	+4.4	+5.3%
Backlogs	235.7	241.9	+6.2	+2.6%

1st Quarter FY2018 Performance highlights

[Revenue]

Increased in business for telecoms and internet service providers.

[Gross profit]

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

* Gross profit margin excluding “Unprofitable projects” declined 0.3p YoY.

[Other income and expenses]

SG&A expenses increased due to a rise in personnel cost.

[Operating income]

Increased due to gain in gross profit.

[Net profit attributable to CTC's shareholders]

Despite a decrease in financial income, net profit attributable to CTC's shareholders increased due to a gain in operating income.

[Order received]

Increased in business for telecoms and internet service providers.

[Backlog]

Increased in business for telecoms, internet service providers and finance.

Performance by Business group

(Billions of yen)

	Order received			Revenue			Backlogs		
	1 st Quarter FY2017 Actual	1 st Quarter FY2018 Actual	YoY Change	1 st Quarter FY2017 Actual	1 st Quarter FY2018 Actual	YoY Change	1 st Quarter FY2017 Actual	1 st Quarter FY2018 Actual	YoY Change
Distribution & Enterprise	23.2	24.2	+0.9	25.6	26.4	+0.8	83.5	74.8	(8.7)
Telecommunication	30.2	35.5	+5.2	26.7	35.2	+8.5	66.0	69.6	+3.5
Regional & Social Infrastructure	13.1	9.7	(3.3)	11.5	10.2	(1.2)	54.5	46.1	(8.4)
Finance	7.0	7.4	+0.4	8.4	9.7	+1.2	19.4	28.5	+9.0
Others	9.9	11.1	+1.2	13.5	9.1	(4.3)	12.0	22.7	+10.7
Total	83.7	88.1	+4.4	86.0	90.9	+4.9	235.7	241.9	+6.2

Performance by Business group

[Distribution & Enterprise]

Order received increased due to services for manufacture.
Revenue increased due to accounting change.

[Telecommunication]

Order received increased in infrastructures for telecoms and internet service providers.
Revenue increased due to the project in new business area for CTC and networks for telecoms, infrastructures for internet service providers.

[Regional & Social infrastructure]

Order received decreased in operations for social.
Revenue decreased in infrastructures for social.

[Finance]

Order received were roughly unchanged YoY.
Revenue increased due to infrastructure construction projects for finance and accounting change.

[Others]

Order received increased in SI development projects for research institutions and manufacture in a domestic subsidiary.
Despite an increase in overseas subsidiaries business, revenue decreased due to accounting change.

Performance by Business model

(Billions of yen)

	Order received			Revenue			Backlogs		
	1 st Quarter FY2017 Actual	1 st Quarter FY2018 Actual	YoY Change	1 st Quarter FY2017 Actual	1 st Quarter FY2018 Actual	YoY Change	1 st Quarter FY2017 Actual	1 st Quarter FY2018 Actual	YoY Change
Services	30.9 (36.9%)	29.1 (33.1%)	(1.7)	39.5 (46.0%)	41.9 (46.1%)	+2.4	159.1 (67.5%)	171.4 (70.9%)	+12.3
SI Development	19.6 (23.4%)	21.3 (24.2%)	+1.6	19.7 (22.9%)	18.7 (20.6%)	(0.9)	26.8 (11.4%)	27.8 (11.5%)	+1.0
Products	33.1 (39.6%)	37.6 (42.7%)	+4.4	26.7 (31.1%)	30.2 (33.3%)	+3.4	49.7 (21.1%)	42.5 (17.6%)	(7.2)
Total	83.7	88.1	+4.4	86.0	90.9	+4.9	235.7	241.9	+6.2

*Within the parenthesis is composition ratio.

Performance by business model

[Services]

Order received decreased due to operations for social.

Revenue increased due to operations for distribution and maintenances for telecoms.

[SI Development]

Order received increased due to SI development projects for manufacture in a domestic subsidiary.

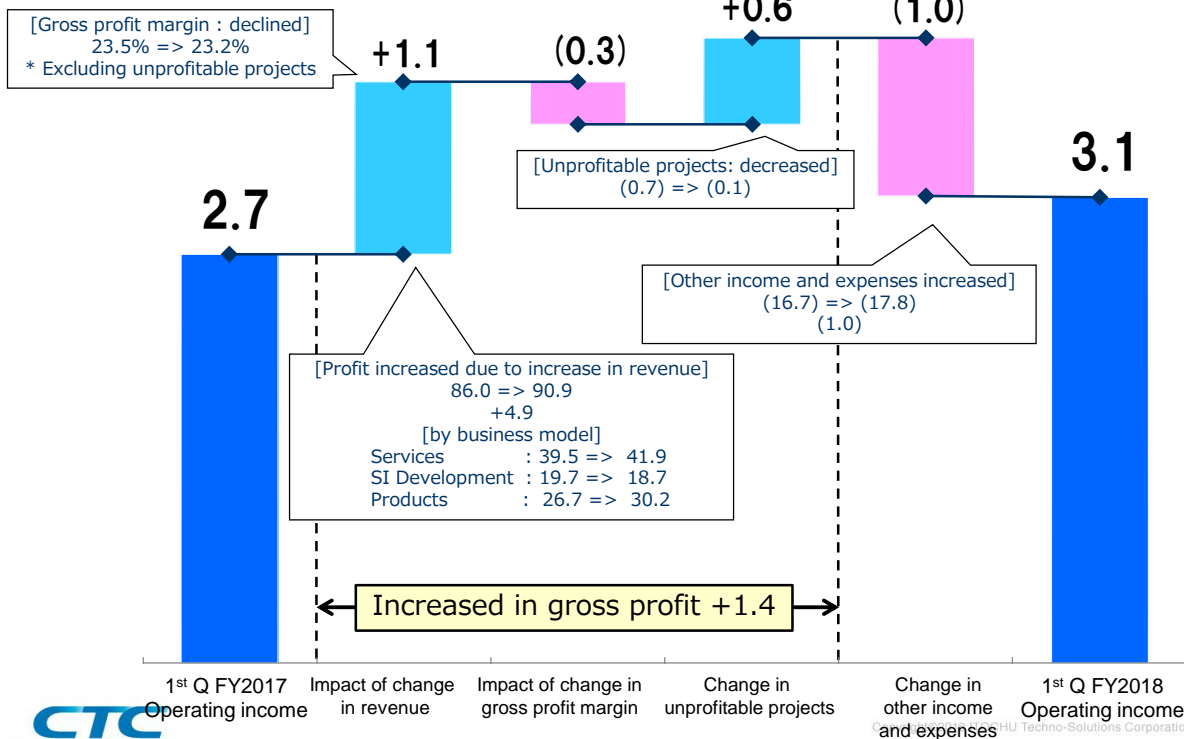
Revenue decreased in infrastructure construction projects for social.

[Products]

Order received and revenue increased in infrastructures for telecoms and internet service providers.

Main reasons for YoY changes in operating income (Compared with 1st Q FY2017)

(Billions of yen)



Reference: Breakdown of “Other income and expenses”

(Billions of yen)

	1st Quarter FY2017 Actual	1st Quarter FY2018 Actual	YoY Change
Personnel expenses	(9.7)	(10.2)	(0.5)
Outside staff expenses	(1.6)	(1.7)	(0.1)
Depreciation and amortization	(0.6)	(0.7)	(0.1)
Others	(4.8)	(5.0)	(0.2)
SG&A expenses	(16.7)	(17.8)	(1.0)
Other income	0.0	0.0	(0.0)
Other expenses	0.0	0.0	+0.0
Other income and expenses	(16.7)	(17.8)	(1.0)

Breakdown of “Other income and expenses”

【Personnel expenses】

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

【Others】

Increased in business commission fee.

“CTC is the Answer.”