

# 3<sup>rd</sup> Quarter Operating Results For the Fiscal Year 2018

February 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 for the 3<sup>rd</sup> Quarter(9months) of FY2018

(Billions of Yen)

	3rd Quarter (9months) FY2017 Results	3rd Quarter (9months) FY2018 Results	YoY change	YoY change (%)
Revenue	294.7	300.0	+5.3	+1.8%
Gross profit	67.7	71.0	+3.3	+4.9%
Gross profit margin	23.0%	23.7%	+0.7p	-
Other income and expenses	(51.1)	(53.2)	(2.0)	+4.1%
Operating income	16.6	17.8	+1.2	+7.6%
Operating income margin	5.6%	6.0%	+0.4p	-
Net profit attributable to CTC's shareholders	12.3	12.3	+0.0	+0.0%
Orders received	287.8	306.5	+18.7	+6.5%
Backlogs	231.2	251.2	+20.0	+8.7%

### Performance for the 3<sup>rd</sup> quarter(9months) of FY2018

#### 【Revenue】

Increased in business for telecoms and manufacture.

#### 【Gross profit】

Increased due to higher revenues and a decrease of unprofitable projects.

\* Gross profit margin excluding "Unprofitable projects" improved +0.2p YoY.

#### 【Other income and expenses】

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

#### 【Operating income】

Increased due to an increase in gross profit.

#### 【Net profit attributable to CTC's shareholders】

Despite an increase in operating income, net profit attributable to CTC's shareholders unchanged due to gains on disposal of investments in subsidiaries and associates.

#### 【Orders received】

Increased in business for telecoms, ISP, manufacture and distribution.

#### 【Backlogs】

Increased by the same reason as order received.

## Performance by Business Groups

(Billions of Yen)

	Orders received			Revenue			Backlogs		
	3rd Quarter (9months) FY2017 Results	3rd Quarter (9months) FY2018 Results	YoY Change	3rd Quarter (9months) FY2017 Results	3rd Quarter (9months) FY2018 Results	YoY Change	3rd Quarter (9months) FY2017 Results	3rd Quarter (9months) FY2018 Results	YoY Change
Distribution & Enterprise	77.6	92.4	+14.8	90.3	92.7	+2.4	74.3	76.8	+2.5
Telecommunication	99.9	119.3	+19.3	96.2	107.6	+11.4	66.3	81.0	+14.6
Regional & Social Infrastructure	34.3	29.4	(4.9)	37.8	33.5	(4.3)	49.4	42.5	(6.8)
Finance	38.1	25.0	(13.0)	27.8	29.1	+1.3	31.1	26.6	(4.5)
Others	37.7	40.3	+2.5	42.5	36.9	(5.6)	9.9	24.2	+14.2
Total	287.8	306.5	+18.7	294.7	300.0	+5.3	231.2	251.2	+20.0

## Performance by Business Groups

### 【Distribution & Enterprise】

Orders received increased due to development for distribution, infrastructure and services for manufacture.

Revenue increased due to infrastructure for manufacture and accounting change.

### 【Telecommunication】

Orders received increased due to network and infrastructure for telecoms.

Revenue increased due to infrastructure and the project in new business area for CTC for telecoms and infrastructure for ISP.

### 【Regional & Social Infrastructure】

Orders received decreased due to operations for social.

Revenue decreased due to infrastructure for social and network for public.

### 【Finance】

Orders received decreased due to infrastructure construction for finance.

Revenue increased due to infrastructure construction for finance.

### 【Others】

Orders received increased due to infrastructure in domestic and overseas subsidiaries. Despite an increase in overseas subsidiaries business, revenue decreased due to accounting change.

\* The impact of accounting change on consolidated financial results is insignificant.

## Performance by Business Models

(Billions of Yen)

	Orders received			Revenue			Backlogs		
	3rd Quarter (9months) FY2017 Results	3rd Quarter (9months) FY2018 Results	YoY Change	3rd Quarter (9months) FY2017 Results	3rd Quarter (9months) FY2018 Results	YoY Change	3rd Quarter (9months) FY2017 Results	3rd Quarter (9months) FY2018 Results	YoY Change
Services	106.0 (36.8%)	98.5 (32.2%)	(7.4)	124.2 (42.2%)	130.6 (43.5%)	+6.4	149.5 (64.7%)	152.0 (60.5%)	+2.4
SI Development	66.6 (23.2%)	72.7 (23.7%)	+6.0	63.4 (21.5%)	64.3 (21.5%)	+0.9	30.1 (13.1%)	33.5 (13.4%)	+3.3
Products	115.1 (40.0%)	135.2 (44.1%)	+20.0	107.0 (36.3%)	104.9 (35.0%)	(2.1)	51.4 (22.2%)	65.6 (26.1%)	+14.2
Total	287.8	306.5	+18.7	294.7	300.0	+5.3	231.2	251.2	+20.0

\*Within the parenthesis is composition ratio.

Notice :The classification of several projects that were classified as products in the 3Q of FY2017 has changed to services. We displayed the result of orders received and backlogs in the 3Q of FY2017 after the change was made.



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## Performance by Business Models

### 【Services】

Orders received decreased due to maintenance and operation for finance and service for medical institution in an overseas subsidiary.

Revenue increased due to operation for distribution and maintenance for telecoms.

### 【SI Development】

Orders received increased due to development for distribution and telecoms.

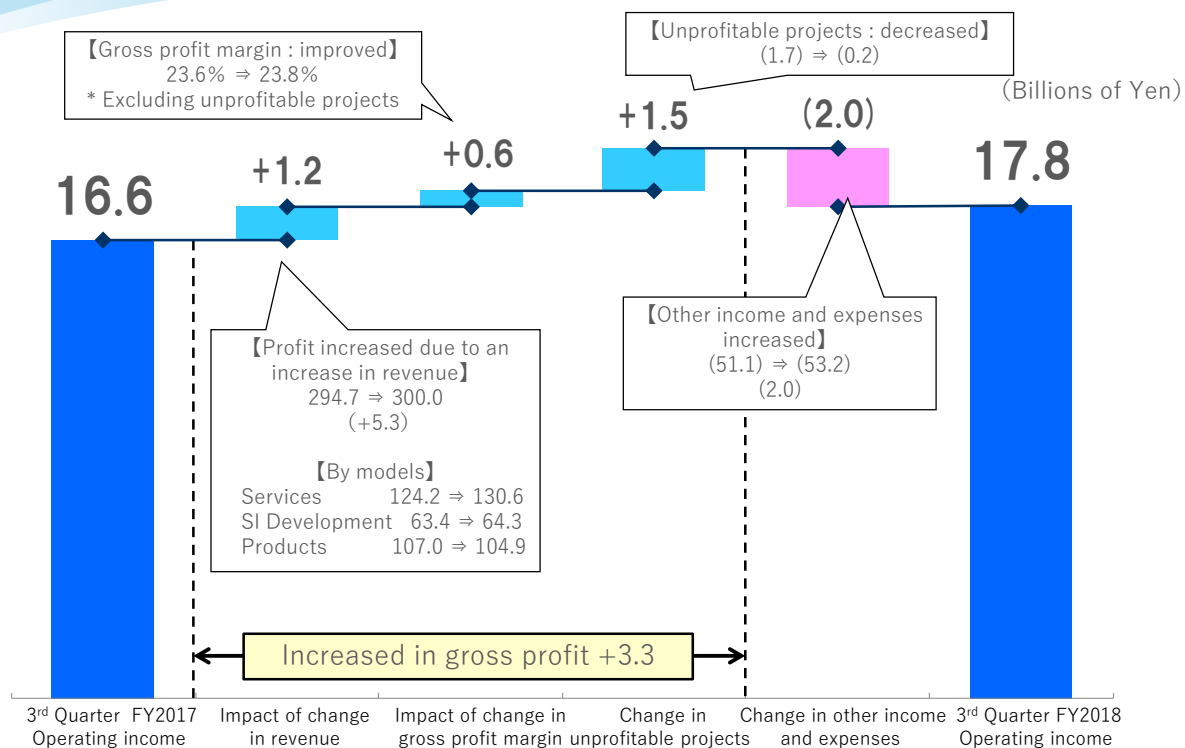
Revenue increased due to development for distribution and telecoms and infrastructure construction for telecoms.

### 【Products】

Orders received increased due to network for telecoms and infrastructure for manufacture.

Revenue decreased due to products for distribution, infrastructure for social and network for public.

# Main Reasons for YoY Changes in Operating Income



## For Reference: Breakdown of “Other Income and Expenses”

(Billions of Yen)

	3rd Quarter (9months) FY2017 Results	3rd Quarter (9months) FY2018 Results	YoY Change
Personnel expenses	(29.3)	(30.6)	(1.2)
Outside staff expenses	(4.7)	(4.8)	(0.0)
Depreciation and amortization	(2.3)	(2.3)	(0.0)
Others	(14.8)	(15.5)	(0.6)
<b>SG&amp;A expenses</b>	<b>(51.2)</b>	<b>(53.3)</b>	<b>(2.0)</b>
<b>Other income</b>	<b>0.2</b>	<b>0.2</b>	<b>(0.0)</b>
<b>Other expenses</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>+0.0</b>
<b>Other income and expenses</b>	<b>(51.1)</b>	<b>(53.2)</b>	<b>(2.0)</b>

### 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】

Research and development expenses and expenses to expand area of office and logistics center.

## For Reference: Performance for the 3<sup>rd</sup> Quarter of FY2018 (3months)

(Billions of Yen)

	3rd Quarter (3months) FY2017 Results	3rd Quarter (3months) FY2018 Results	YoY change	YoY change (%)
Revenue	104.4	107.8	+3.4	+3.3%
Gross profit	23.4	25.3	+1.9	+8.1%
Gross profit margin	22.5%	23.5%	+1.0p	-
Other income and expenses	(17.3)	(18.0)	(0.7)	+4.3%
Operating income	6.1	7.2	+1.1	+19.0%
Operating income margin	5.9%	6.8%	+0.9p	-
Net profit attributable to CTC's shareholders	4.2	4.9	+0.7	+18.3%
Orders received	93.2	120.9	+27.6	+29.7%
Backlogs	231.2	251.2	+20.0	+8.7%

## Performance for the 3<sup>rd</sup> Quarter of FY2018 (3months)

### 【Revenue】

Increased in business for manufacture and telecoms.

### 【Gross profit】

Increased due to higher revenues and a decrease of unprofitable projects.

\*Gross profit margin excluding “Unprofitable projects” improved +0.2p YoY.

### 【Other income and expenses】

Increased SG&A expenses due to a rise in personnel cost and expenses to expand area of office and logistics center.

### 【Operating income】

Increased due to an increase in gross profit.

### 【Net profit attributable to CTC's shareholders】

Increased due to an increase in Operating income.

### 【Orders received】

increased in business for telecoms, manufacture and distribution.

### 【Backlogs】

Increased by the same reason as order received.

## For Reference : Performance by Business Groups/Business Models for the 3<sup>rd</sup> Quarter of FY2018 (3months)

(Billions of Yen)

		Orders received			Revenue		
		3rd Quarter (3months) FY2017 Results	3rd Quarter (3months) FY2018 Results	YoY Change	3rd Quarter (3months) FY2017 Results	3rd Quarter (3months) FY2018 Results	YoY Change
By business group	Distribution & Enterprise	29.0	35.4	+6.3	33.6	36.5	+2.8
	Telecommunication	31.2	49.5	+18.3	34.9	35.4	+0.5
	Regional & Social	11.1	9.5	(1.5)	11.0	11.5	+0.4
	Finance	10.8	9.7	(1.1)	9.4	9.7	+0.2
	Others	10.9	16.6	+5.7	15.3	14.5	(0.7)
	Total	93.2	120.9	+27.6	104.4	107.8	+3.4
By business model	Services	32.1	33.8	+1.7	43.2	44.8	+1.6
	SI Development	21.1	28.6	+7.4	21.9	24.3	+2.3
	Products	40.0	58.4	+18.4	39.2	38.6	(0.5)
	Total	93.2	120.9	+27.6	104.4	107.8	+3.4

Notice : The classification of several projects that were classified as products in the 3Q of FY2017 has changed to services. We displayed the result of orders received in the 3Q of FY2017 after the change was made.

### Performance by Business Groups

#### 【Distribution & Enterprise】

Orders received increased due to infrastructure and maintenance for manufacture and development for distribution.

Revenue increased due to infrastructure and service for manufacture and infrastructure for an audit firm.

#### 【Telecommunication】

Orders received increased due to network for telecoms.

Revenue increased due to infrastructure for telecoms and accounting change.

#### 【Regional & Social Infrastructure】

Orders received decreased due to maintenance for social and operation for public.

Revenue increased due to infrastructure for public.

#### 【Finance】

Orders received decreased due to infrastructure for finance. Revenue almost unchanged.

### Performance by Business Models

#### 【Services】

Orders received increased due to maintenance and cloud for distribution.

Revenue increased due to maintenance for telecoms and operation for distribution.

#### 【SI Development】

Orders received and revenue increased due to development for telecoms and distribution.

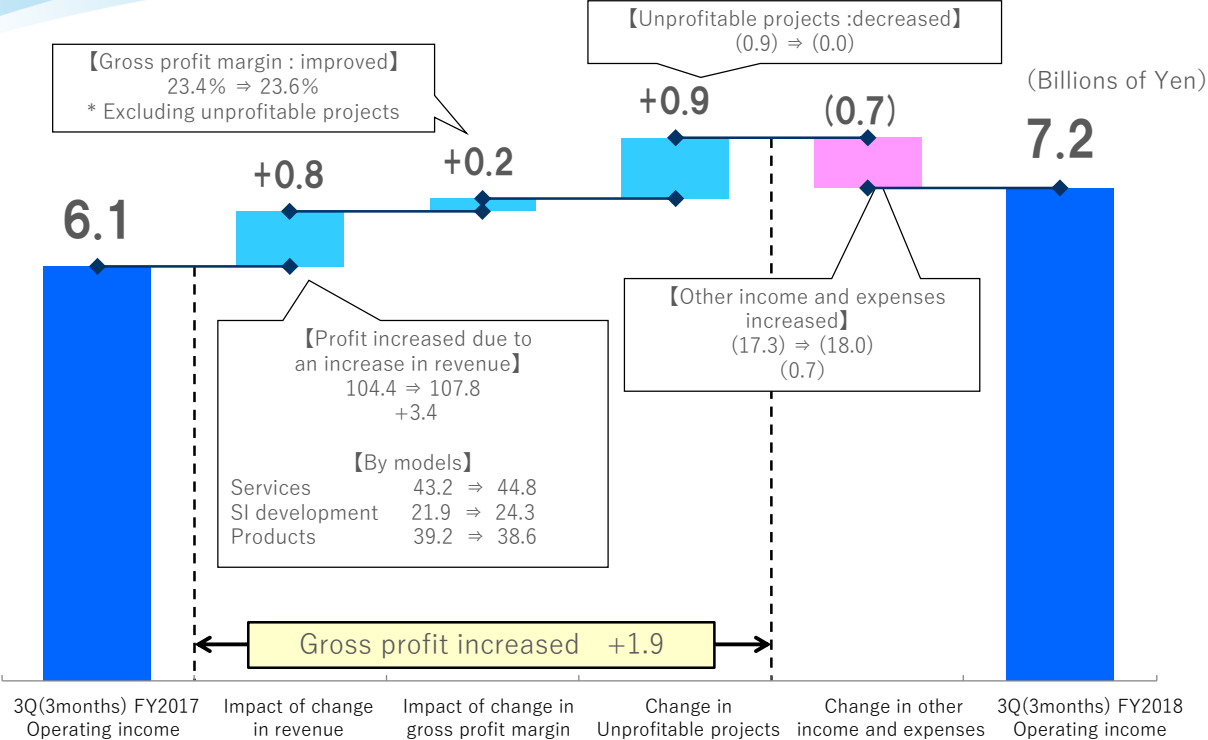
#### 【Products】

Orders received increased due to network for telecoms.

Revenue decreased due to products for distribution and network for telecoms.



# For Reference: Main Reasons for YoY Changes in Operating Income for the 3<sup>rd</sup> Quarter of FY2018 (3months)



**For Reference:**  
**Other Income and Expenses for the 3<sup>rd</sup> Quarter of FY2018 (3months)**

(Billions of Yen)

	3rd Quarter (3months) FY2017 Results	3rd Quarter (3months) FY2018 Results	YoY change
Personnel expenses	(10.1)	(10.4)	(0.2)
Outside staff expenses	(1.5)	(1.5)	(0.0)
Depreciation and amortization	(0.7)	(0.7)	(0.0)
Others	(4.9)	(5.4)	(0.4)
<b>SG&amp;A expenses</b>	<b>(17.4)</b>	<b>(18.1)</b>	<b>(0.7)</b>
<b>Other income</b>	<b>0.1</b>	<b>0.1</b>	<b>(0.0)</b>
<b>Other expenses</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>+0.0</b>
<b>Other income and expenses</b>	<b>(17.3)</b>	<b>(18.0)</b>	<b>(0.7)</b>

**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】**

Others increased mainly because expenses to expand area of office and logistics center.

“CTC is the Answer.”