

Operating Results for the Fiscal Year 2018

April 26, 2019

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 FY2018

- Higher revenue, Higher profit
(Results exceeding the forecast)
- Revenue, all profit line items, orders received and backlogs reached record highs after the merger in 2006. (Same as 4th quarter)
- Net profit attributable to CTC's shareholders has been a record high for 5 consecutive years.

Performance for FY2018 (vs. FY2017)

(Billions of yen)

	FY2017 Results	FY2018 Results	YoY change	YoY change (%)
Revenue	429.6	451.9	+22.3	+5.2%
Gross profit	101.6	107.7	+6.1	+6.0%
Gross profit margin	23.6%	23.8%	+0.2p	-
Other income and expenses	(68.9)	(71.8)	(2.8)	+4.1%
Operating income	32.6	35.8	+3.20	+10.0%
Operating income margin	7.6%	7.9%	+0.3p	-
Net profit attributable to CTC's shareholders	23.5	24.6	+1.0	+4.4%
Orders received	435.2	470.1	+34.9	+8.0%
Backlogs	243.6	262.9	+19.2	+7.9%
ROE	11.8%	11.5%	(0.3p)	-

Performance for FY2018(vs. FY2017)

【Revenue】

Increased in business for telecom and manufacture.

【Gross profit】

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

※ Gross profit margin excluding "Unprofitable projects" declined -0.2p YoY.

【Other income and expenses】

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

【Operating income】

Increased due to an increase in gross profit.

【Net profit attributable to CTC's shareholders】

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

【Orders received】

Increased in business for telecom, manufacture, and distribution.

【Backlogs】

Same as above.

Performance for FY2018 (vs. forecast)

(Billions of yen)

	FY2018 Forecast	FY2018 Results	vs. Forecast	vs. Forecast (%)
Revenue	450.0	451.9	+1.9	+0.4%
Gross profit	108.0	107.7	(0.2)	-0.3%
Gross profit margin	24.0%	23.8%	(0.2p)	-
Other income and expenses	(73.0)	(71.8)	+1.1	-1.6%
Operating income	35.0	35.8	+0.8	+2.6%
Operating income margin	7.8%	7.9%	+0.1p	-
Net profit attributable to CTC's shareholders	24.0	24.6	+0.6	+2.6%
Orders received	455.0	470.1	+15.1	+3.3%
Backlogs	248.6	262.9	+14.2	+5.7%

Performance for FY2018(vs. forecast)

【Revenue】

Increased in telecom and manufacture.

【Gross profit】

Almost same as forecast.

*Gross profit margin excluding "Unprofitable projects" declined -0.2p YoY.

【Other income and expenses】

Outside staff expenses, travel expenses and rent decreased.

【Operating income】

Increased due to a decrease of other income and expenses.

【Net profit attributable to CTC's shareholders】

Increased due to an increase of operating income.

【Orders received】

Increased in business for telecom and manufacture.

【Backlogs】

Same as above.

Performance by Business Groups

(Billions of yen)

	Orders received			Revenue			Backlogs		
	FY2017 Results	FY2018 Results	YoY Change	FY2017 Results	FY2018 Results	YoY Change	FY2017 Results	FY2018 Results	YoY Change
Distribution & Enterprise	121.1	138.2	+17.0	131.2	134.5	+3.3	76.9	80.7	+3.8
Telecommunication	156.7	180.0	+23.3	149.8	171.2	+21.3	69.4	78.2	+8.7
Regional & Social Infrastructure	47.9	50.6	+2.6	54.2	49.6	(4.5)	46.6	47.5	+0.9
Finance	49.6	37.5	(12.0)	39.7	41.1	+1.3	30.7	27.1	(3.6)
Others	59.7	63.6	+3.9	54.5	55.2	+0.7	19.8	29.2	+9.3
Total	435.2	470.1	+34.9	429.6	451.9	+22.3	243.6	262.9	+19.2

Performance by Business Groups (vs. FY2017)

【Distribution & Enterprise】

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

Revenue increased due to operation for distribution and infrastructure and maintenance for manufacture despite a decrease in products for distribution.

【Telecommunication】

Orders received and revenue increased due to network and infrastructure for telecom.

【Regional & Social Infrastructure】

Orders received increased due to infrastructure for social.

Revenue decreased due to infrastructure for social.

【Finance】

Orders received decreased due to infrastructure construction for finance.

Revenue increased due to infrastructure construction for finance.

【Others】

Despite a decrease due to service for medical institution in oversee subsidiary, Orders received increased due to infrastructure for finance and ISP.

Despite a decrease due to accounting change, revenue increased due to business for finance in overseas subsidiaries.

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

Performance by Business Models

(Billions of yen)

	Orders received			Revenue			Backlogs		
	FY2017 Results	FY2018 Results	YoY Change	FY2017 Results	FY2018 Results	YoY Change	FY2017 Results	FY2018 Results	YoY Change
Services	186.5 (42.9%)	184.4 (39.2%)	(2.0)	170.9 (39.8%)	179.1 (39.6%)	+8.1	183.4 (75.3%)	189.4 (72.1%)	+6.0
SI Development	89.7 (20.6%)	101.5 (21.6%)	+11.7	91.5 (21.3%)	94.9 (21.0%)	+3.3	25.1 (10.3%)	31.7 (12.1%)	+6.6
Products	158.9 (36.5%)	184.1 (39.2%)	+25.2	167.1 (38.9%)	177.8 (39.4%)	+10.7	35.1 (14.4%)	41.6 (15.9%)	+6.5
Total	435.2	470.1	+34.9	429.6	451.9	+22.3	243.6	262.9	+19.2

*Within the parenthesis is composition ratio.

Performance by business models (vs. FY2017)

【Services】

Despite an increase due to maintenance for manufacture, 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 telecom.

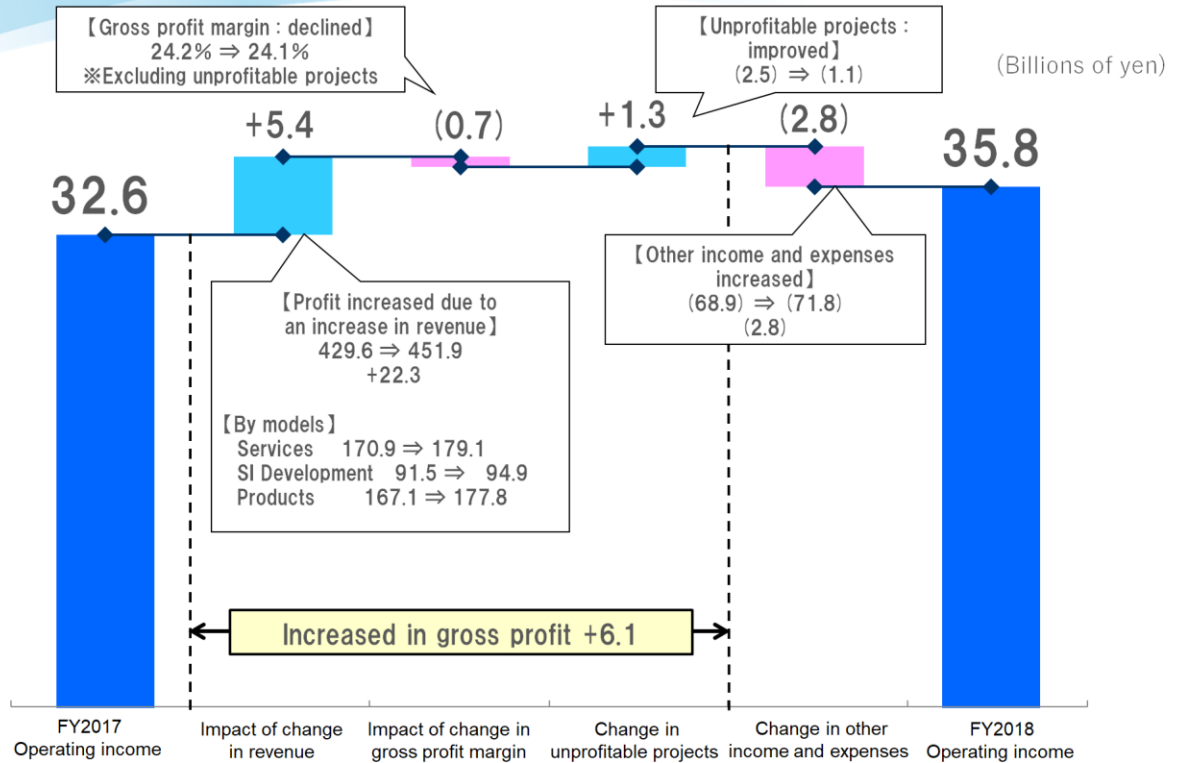
【SI development】

Orders received and revenue increased due to development for distribution and infrastructure construction for telecom.

【Products】

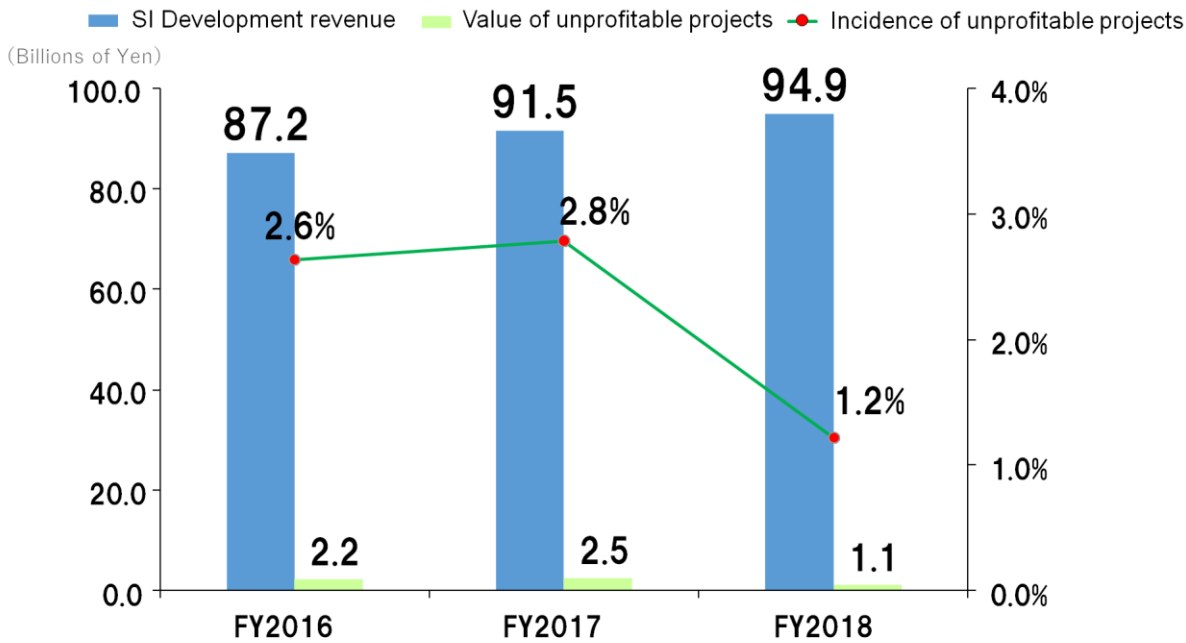
Orders received and revenue increased due to infrastructure for manufacture and network for telecom.

Main reasons for YoY changes in operating income



For reference:
Revenue and unprofitable projects in SI Development

The ratio of unprofitable projects to SI Development revenue improved.



For reference: Other income and expenses

(Billions of yen)

	FY2017 Results	FY2018 Results	YoY Change
Personnel expenses	(39.7)	(41.2)	(1.5)
Outside staff expenses	(6.2)	(6.2)	+0.0
Depreciation and amortization	(3.0)	(3.0)	+0.0
Others	(20.0)	(21.2)	(1.2)
SG&A expenses	(69.1)	(71.7)	(2.6)
Other income	0.3	0.5	+0.1
Other expenses	(0.1)	(0.5)	(0.3)
Other income and expenses	(68.9)	(71.8)	(2.8)

Breakdown of “Other Income and Expenses” (vs. FY2017)

【Personnel expenses】

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

【Others】

Research and development expenses increased.

**For reference:
Consolidated balance sheets**

(Billions of yen)

	End of FY2017	End of FY2018	YoY Change
Current assets	272.7	298.3	+25.5
Non current assets	81.0	80.6	(0.4)
Total assets	353.8	378.9	+25.0
Current liabilities	125.9	135.4	+9.4
Non current liabilities	17.1	18.4	+1.3
Total liabilities	143.0	153.8	+10.7
Equity	210.8	225.1	+14.2
Total liabilities and equity	353.8	378.9	+25.0

1. Current assets :	+25.5
Cash and cash equivalents	+7.8
Trade and other receivables	+1.9
Inventories	+3.3
Other current financial assets	(3.2)
Other current assets	+15.5
2. Non-current assets :	(0.4)
Intangible assets	(1.6)
Other non-current financial assets	+1.3
3. Current liabilities :	+9.4
Trade and other payables (Current)	+5.3
Income taxes payables	+1.8
Liabilities for employee benefits	+1.4
4. Non-current liabilities :	+1.3
Non-current financial liabilities	+1.3
5. Equity :	+14.2
Retained earnings	+13.9

For reference:
Consolidated cash flows

(Billions of yen)

	FY2017	FY2018	YoY Change
Cash and cash equivalents at the beginning of the period	48.2	51.0	+2.7
Operating activities	11.0	20.6	+9.6
Investing activities	(2.3)	(3.2)	(0.9)
Financing activities	(5.9)	(9.5)	(3.5)
Cash and cash equivalents at the end of the period	51.0	58.8	+7.8
Free cash flow	8.7	17.3	+8.6

1. Cash flows from operating activities :	+9.6
Profit before tax	+2.5
Gains on disposal and remeasurement of investment in subsidiaries and associates	+1.3
A decrease (a increase) in trade and other receivables	+4.4
A decrease(a increase) in trade and other payable	+5.2
2. Cash flows from investing activities :	(0.9)
Purchases of intangible assets	(0.5)
Purchase of stocks of subsidiaries and affiliates	(0.5)
Proceeds from sales of shares of subsidiaries and associates	(0.7)
3. Cash flows from financing activities	(3.5)
Proceeds from sales and leaseback	(2.4)
Dividends paid	(1.2)

For Reference:
Performance for the 4th Quarter of FY2018 (3 months)

(Billions of yen)

	4th Quarter (3 months) FY2017 Results	4th Quarter (3 months) FY2018 Results	YoY change	YoY change (%)
Revenue	134.9	151.9	+17.0	+12.6%
Gross profit	33.8	36.6	+2.7	+8.2%
Gross profit margin	25.1%	24.1%	(1.0p)	-
Other income and expenses	(17.8)	(18.6)	(0.7)	+4.2%
Operating income	16.0	18.0	+2.0	+12.6%
Operating income margin	11.9%	11.9%	+0.0p	-
Net profit attributable to CTC's shareholders	11.2	12.2	+1.0	+9.1%
Orders received	147.3	163.5	+16.2	+11.0%
Backlogs	243.6	262.9	+19.2	+7.9%

Performance for the 4th Quarter of FY2018 (3months)

【Revenue】

Increased in business for telecom and manufacture.

【Gross profit】

Increased due to higher revenue.

※Gross profit margin excluding “unprofitable projects” declined
-1.0p YoY.

【Other income and expenses】

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

【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 distribution, telecom and social.

【Backlogs】

Increased in business for distribution and social.

For Reference : Performance by Business Groups/Business Models for the 4th Quarter of FY2018 (3 months)

(Billions of yen)

		Orders received			Revenue		
		4th Quarter (3months) FY2017 Results	4th Quarter (3months) FY2018 Results	YoY Change	4th Quarter (3months) FY2017 Results	4th Quarter (3months) FY2018 Results	YoY Change
By business group	Distribution & Enterprise	43.5	45.7	+2.2	40.9	41.8	+0.9
	Telecommunication	56.7	60.7	+4.0	53.6	63.5	+9.8
	Regional & Social	13.5	21.2	+7.6	16.3	16.1	(0.1)
	Finance	11.5	12.4	+0.9	11.9	11.9	+0.0
	Others	21.9	23.3	+1.3	12.0	18.3	+6.3
	Total	147.3	163.5	+16.2	134.9	151.9	+17.0
By business model	Services	80.4	85.8	+5.3	46.6	48.4	+1.7
	SI Development	23.0	28.7	+5.6	28.1	30.5	+2.4
	Products	43.8	48.9	+5.1	60.1	72.9	+12.8
	Total	147.3	163.5	+16.2	134.9	151.9	+17.0



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Performance by Business Groups (vs. FY2017)

【Distribution & Enterprise】

Orders received increased due to development for distribution. Despite a decrease due to products for distribution, revenue increased due to infrastructure for manufacture.

【Telecommunication】

Orders received and revenue increased due to network and infrastructure for telecom.

【Regional & Social Infrastructure】

Orders received increased due to infrastructure for social. Revenue almost unchanged.

【Finance】

Orders received increased due to infrastructure construction for finance. Revenue almost unchanged.

【Others】

Orders received increased due to infrastructure for finance in overseas subsidiaries.

Revenue increased due to accounting change and business for finance in overseas subsidiaries.

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

Performance by Models (vs. 2017)

【Services】

Orders received increased due to maintenance for social. Revenue increased due to services for distribution.

【SI development】

Orders received increased due to development for distribution and infrastructure construction for telecom. Despite a decrease due to development and infrastructure construction for finance, revenue increased due to development of domestic subsidiaries.

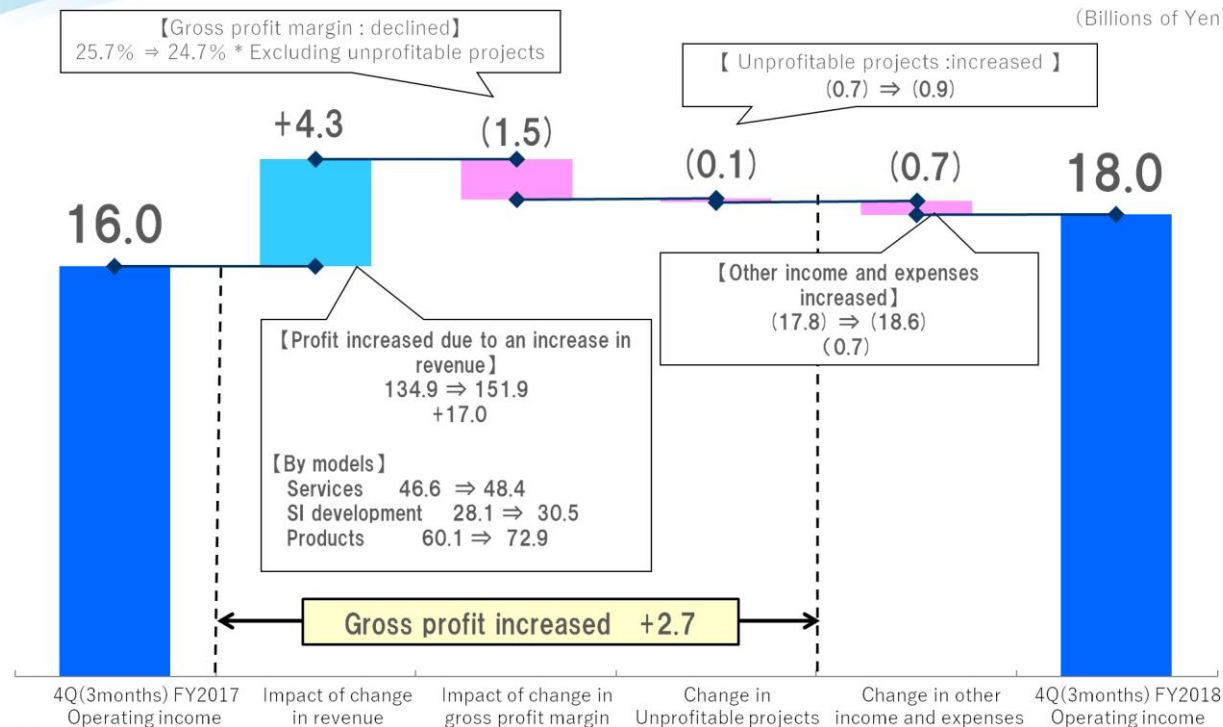
【Products】

Orders received increased due to network for telecom and infrastructure for social.

Revenue increased due to infrastructure and network for telecom and infrastructure for finance.

For Reference: Main Reasons for YoY Changes in Operating Income for the 4th Quarter of FY2018 (3 months)

(Billions of Yen)



For Reference:
Other Income and Expenses for the 4th Quarter of FY2018 (3months)

(Billions of yen)

	4th Quarter (3months) FY2017 Results	4th Quarter (3months) FY2018 Results	YoY change
Personnel expenses	(10.3)	(10.6)	(0.2)
Outside staff expenses	(1.5)	(1.3)	+0.1
Depreciation and amortization	(0.7)	(0.7)	+0.0
Others	(5.2)	(5.7)	(0.5)
SG&A expenses	(17.8)	(18.4)	(0.5)
Other income	0.0	0.3	+0.2
Other expenses	(0.0)	(0.4)	(0.4)
Other income and expenses	(17.8)	(18.6)	(0.7)

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Operating Results Forecast

New Horizons

Horizon **1**
Go Upwards!

Horizon **2**
Go Forwards!

Horizon **4**
Consolidate Footholds!

Horizon **3**
Go Outwards!

Horizon 1 **Go Upwards**

- Co-creation of Digital Transformation Businesses with Major Clients
- Expand Businesses in Application Service Layer

Horizon 2 **Go Forwards**

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

Horizon 3 **Go Outwards**

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

Horizon 4 **Consolidate Footholds**

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

Main Measures of Mid-term Management Plan Review

Horizon

1

Go Upwards

- Expanded DX Businesses
- Strengthened Agile Development Capability

Horizon

2

Go Forwards

- Strengthened Next-Gen Network Technology
- Expanded Recurring Businesses

CTC

Challenging Tomorrow's Changes



Go Outwards

- Business Partnership in US & Europe
- Invested in 4 Open Innovation Projects



Consolidate Footholds

- Controlled & Reduced unprofitable projects
- Increased dividends for 10 consecutive years

(Forecast)

For Reference:
**Recognition about Work Style Reforms and Health and Productivity
 Management from External Parties**



Semi NADESHIKO
 Elected for the first time



Received highest rank of
 "Eruboshi," a symbol of
 certification based on the
 act of promotion of
 women's participation and
 advancement in the
 workplace.



2019
攻めのIT経営銘柄
 Competitive IT Strategy Company

Competitive IT
 Strategy Company
 Elected 3 consecutive
 years



2019
健康経営優良法人
 Health and productivity
ホワイト500

White 500
 Elected 3 consecutive years

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

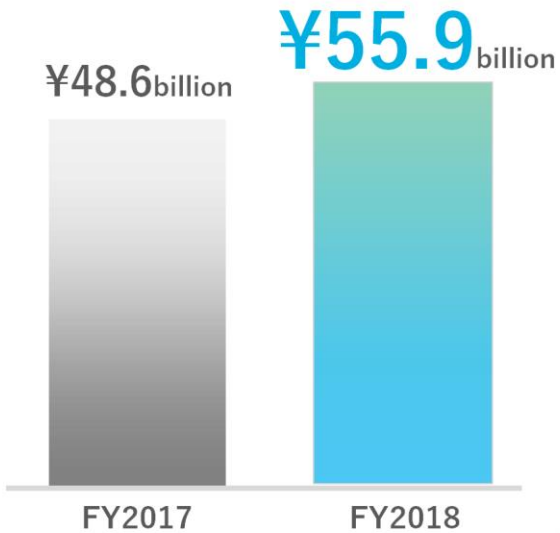
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Increase ROE

ROE

12%+

Recurring Business



Expansion in the model of recurring business

Main factor

- System maintenance and operation services increased.
- Application maintenance and system engineering services increased.

Definition of recurring business : Total revenue of cloud services, operations of system application and managed security services.

Global Business



Growth in existing overseas subsidiaries and implementation of strategic investment

Main factor

- Higher revenue in overseas subsidiaries.
- Affiliated company accounted for by the equity-method increased.

Definition of global business : Total revenue of overseas subsidiaries, the project related to overseas business implemented in Japan and affiliated overseas company accounted for by the equity-method.

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Positioning of FY2019 in the Mid-term Management Plan

FY2018

FY2019

FY2020

序

Intro

破

Breakthrough

急

Accel

Steadily Adagio

**In Tempo
More Rhythmic**

Rush Presto

Key Measures from FY2019 Plan

5G

- Expand 5G projects
- Explore 5G related services

DX

- Support customer's DX
- Explore DX business with advanced technologies

GLOBAL

- New regions
- M&A

Organizational Restructuring of Business Groups

Allocate resources flexibly / Show internal synergy

【FY2018】

In charge of all
groups

Distribution & Enterprise (134.5)

Finance (41.1)

Telecommunication (171.2)

Regional & Social Infrastructure (49.6)

【FY2019】

In charge of all
groups

Enterprise (114.8)

Distribution (43.7)

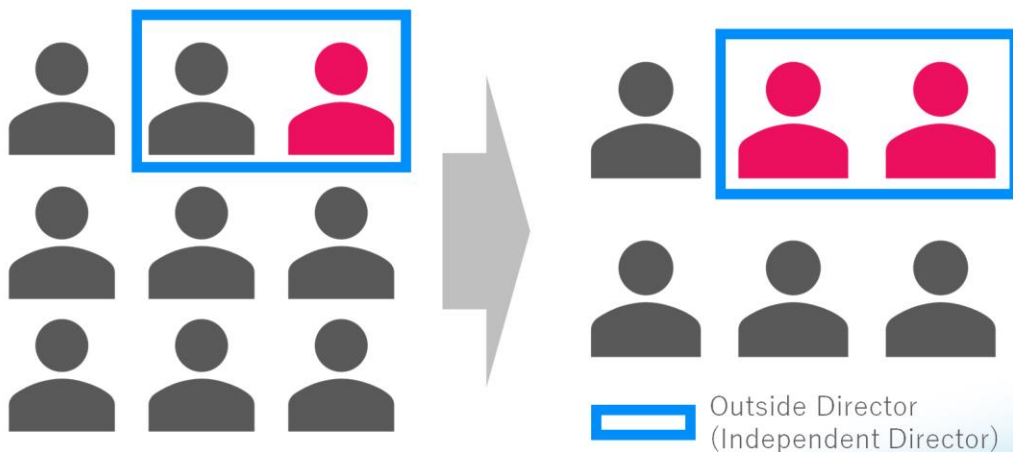
Financial Services (25.4)

Telecommunication (171.3)

Regional & Social Infrastructure (49.6)

Change of Corporate Governance Structure (Director)

Outside Director **over $\frac{1}{3}$**

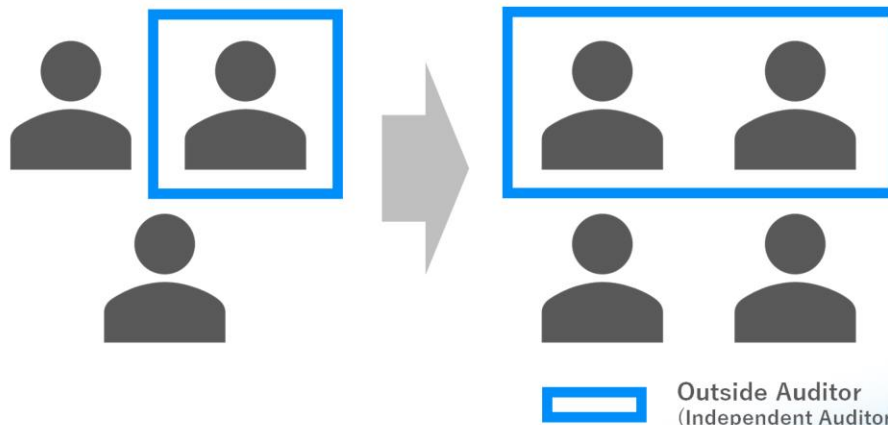


This change is planning to be executed after resolution of general meeting of share holders.

Change of Corporate Governance Structure (Auditor)

Outside Auditor
(Independent Auditor)

Over $\frac{1}{2}$



This change is planning to be executed after resolution of general meeting of share holders.

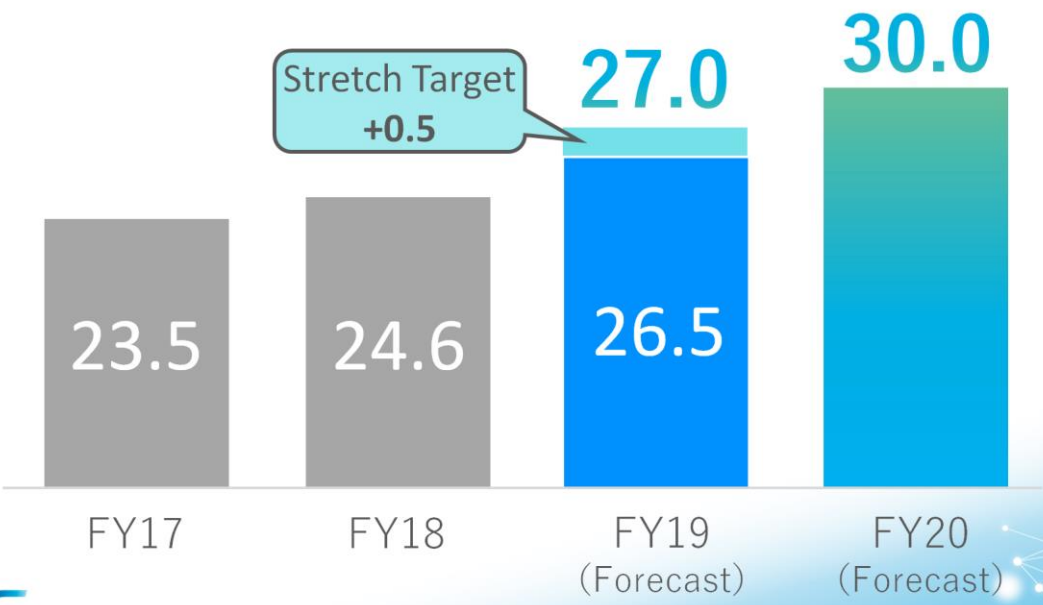
FY2019 Operating Results Forecast

(Billions of Yen)

	FY2018 Results	FY2019 Forecast	YoY change	YoY change (%)
Revenue	451.9	480.0	+28.0	+6.2%
Gross profit	107.7	115.0	+7.2	+6.8%
Gross profit margin	23.8%	24.0%	+0.2p	-
Other income and expenses	(71.8)	(76.0)	(4.1)	+5.8%
Operating income	35.8	39.0	+3.1	+8.6%
Operating income margin	7.9%	8.1%	+0.2p	-
Net profit attributable to CTC's shareholders	24.6	27.0	+2.3	+9.7%
Order received	470.1	485.0	+14.8	+3.2%
Backlogs	262.9	267.9	+5.0	+1.9%

Additional Information of Business Goal

Net Profit Attributable CTC's Share Holders



Shareholder Returns Plans

Pay stable dividends mindful of linkage with performance continuously. Our target consolidated payout ratio approx 45%

FY2018 : Planned a total annual dividend of ¥50⇒ a dividend payout ratio of 46.9%

FY2019 : Planned a total annual dividend of ¥55⇒ a dividend payout ratio of 47.1%



※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.

Our Mission

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



**SUSTAINABLE
DEVELOPMENT GOALS**

“CTC is the Answer.”

