

Announcement of 3rd Quarter Operating Results for the Fiscal Year Ending March 31, 2020

February 4, 2020

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.



Copyright©2020 ITOCHU Techno-Solutions Corporation

Performance highlights (Compared with 3rd quarter (9months) FY2018)

(Billions of yen)

	3rd Quarter (9months) FY2018 Results	3rd Quarter (9months) FY2019 Results	YoY change	YoY change (%)
Revenue	300.0	327.3	+27.3	+9.1%
Gross profit	71.0	78.6	+7.5	+10.7%
Gross profit margin	23.7%	24.0%	+0.3p	-
Other income and expenses	(53.2)	(54.5)	(1.2)	+2.4%
Operating income	17.8	24.1	+6.3	+35.3%
Operating income margin	6.0%	7.4%	+1.4p	-
Net profit attributable to CTC's shareholders	12.3	16.1	+3.8	+31.1%
Orders received	306.5	320.9	+14.3	+4.7%
Backlogs	251.2	262.1	+10.8	+4.3%

3rd quarter FY2019 performance highlights

[Revenue]

Revenue increased, particularly from the projects for manufacturing, distribution and public utilities industries. Revenue in overseas consolidated subsidiaries also rose.

[Gross profit]

Rose with the increase in revenue and profitability.

* The gross margin excluding the effect of unprofitable projects improved 0.5p year on year.

[Other income and expenses]

SG&A expenses increased, chiefly reflecting increases in personnel expenses.

[Operating income]

Rose due to the rise in gross profit.

[Net profit attributable to CTC's shareholders]

Increased, reflecting the rise in operating income.

[Orders received]

Orders rose, primarily from the projects for manufacturing industry and public offices.

Orders at overseas consolidated subsidiaries also rose.

[Backlogs]

Backlogs increased, particularly from the projects for telecoms industry, public utilities and public offices. Backlogs in consolidated subsidiaries also increased in acquisition of IT companies in Indonesia.

Performance by business group

(Billions of yen)

	Orders received			Revenue			Backlogs		
	3rd Quarter (9months) FY2018 Results	3rd Quarter (9months) FY2019 Results	YoY Change	3rd Quarter (9months) FY2018 Results	3rd Quarter (9months) FY2019 Results	YoY Change	3rd Quarter (9months) FY2018 Results	3rd Quarter (9months) FY2019 Results	YoY Change
Enterprise	80.8	88.4	+7.6	78.9	84.4	+5.5	64.9	67.3	+2.4
Distribution	29.0	22.9	(6.1)	30.6	33.5	+2.9	26.7	20.8	(5.9)
Telecommunication	119.3	110.0	(9.2)	107.7	102.7	(4.9)	81.0	85.4	+4.4
Regional & Social Infrastructure	29.4	43.7	+14.3	33.5	41.3	+7.8	42.5	49.9	+7.3
Financial Services	13.3	16.8	+3.5	17.3	16.8	(0.5)	15.4	15.5	+0.1
Others	34.6	38.7	+4.1	31.8	48.3	+16.5	20.6	22.9	+2.3
Total	306.5	320.9	+14.3	300.0	327.3	+27.3	251.2	262.1	+10.8

Performance by business group

[Enterprise]

Orders increased, particularly for infrastructure equipment in manufacturers and transportation companies and revenue from them also rose.

[Distribution]

Orders declined, particularly from development in the distribution industry and infrastructure equipment at securities companies. Revenue increased, particularly from development in the distribution industry.

[Telecommunication]

Orders declined by reactionary fall from infrastructure equipment at telecoms companies and internet service provider in the previous fiscal year. Revenue decreased the same as above. In addition to that, revenue declined by a reactionary decrease from projects in new fields (up-front investment projects) in the previous fiscal year.

[Regional & Social infrastructure]

Orders increased, primarily for development and infrastructure equipment for some of public offices, municipalities and railroad companies. Revenue rose, particularly from development and infrastructure equipment for public utilities, railroad companies and manufactures.

[Financial Services]

Orders increased, particularly for development and infrastructure projects for banks and government financial institutions. Revenue declined, primarily from development and infrastructure projects for government financial institutions.

[Others]

Orders increased, particularly for services and infrastructure equipment at overseas consolidated subsidiaries. Revenue rose the same as above. In addition to that, reflecting an increase in revenue from the absence of management accounting adjustments that took place in the previous fiscal year in association with a change in accounting policy.

Performance by business model

(Billions of yen)

	Orders received			Revenue			Backlogs		
	3rd Quarter (9months) FY2018 Results	3rd Quarter (9months) FY2019 Results	YoY Change	3rd Quarter (9months) FY2018 Results	3rd Quarter (9months) FY2019 Results	YoY Change	3rd Quarter (9months) FY2018 Results	3rd Quarter (9months) FY2019 Results	YoY Change
Services	98.5 (32.2%)	111.5 (34.8%)	+12.9	130.6 (43.5%)	142.0 (43.4%)	+11.3	152.0 (60.5%)	160.0 (61.0%)	+7.9
SI Development	72.7 (23.7%)	76.2 (23.7%)	+3.4	64.3 (21.5%)	73.9 (22.6%)	+9.5	33.5 (13.4%)	34.0 (13.0%)	+0.4
Products	135.2 (44.1%)	133.1 (41.5%)	(2.0)	104.9 (35.0%)	111.3 (34.0%)	+6.4	65.6 (26.1%)	68.0 (26.0%)	+2.3
Total	306.5	320.9	+14.3	300.0	327.3	+27.3	251.2	262.1	+10.8

*Within the parenthesis is composition ratio.

Performance by business model

[Services]

Orders increased, particularly for maintenance and services for the manufacturing and transportation industries and public offices.

Revenue rose, primarily from maintenance and services for the manufacturing, transportation industries and telecoms.

Orders and revenue in overseas consolidated subsidiaries also increased in acquisition of IT companies in Indonesia.

[SI Development]

Orders increased, chiefly for infrastructure construction for manufacturing industries and development for public offices.

Revenue also increased, mainly from development for distribution companies and infrastructure construction for public utilities.

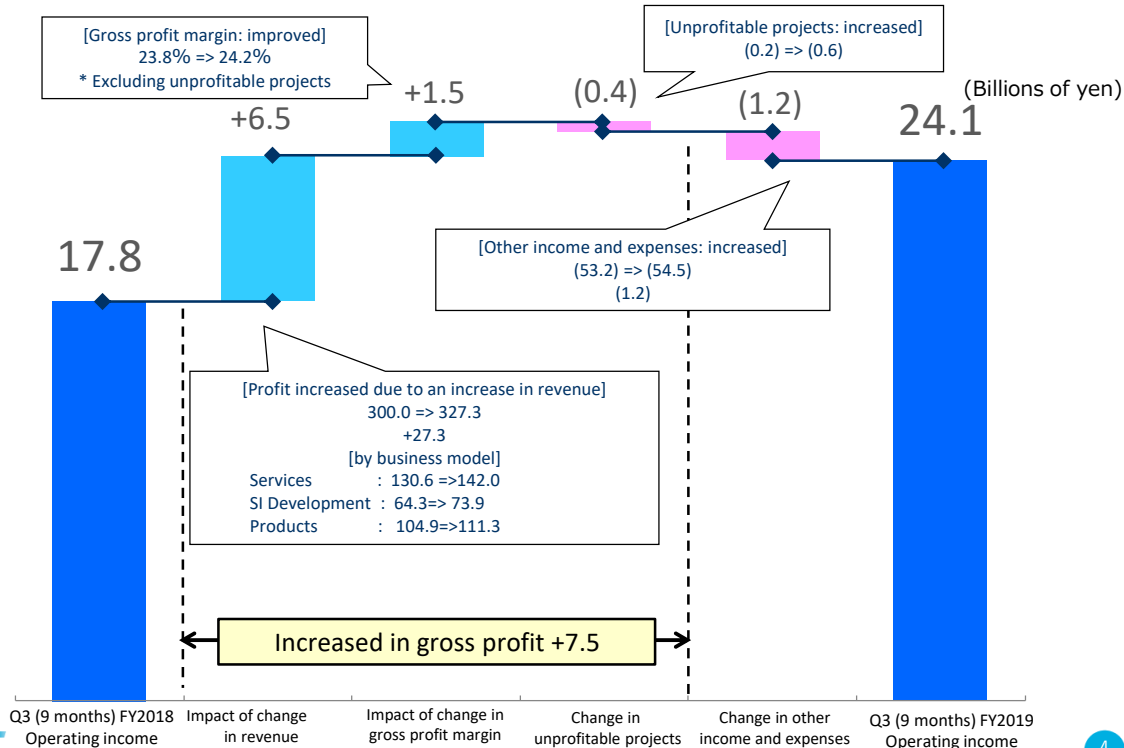
[Products]

Orders ultimately decreased, mostly for infrastructure equipment for distribution and telecoms industries, even though increased in infrastructure equipment for public offices and municipalities.

Revenue increased in infrastructure equipment for public utilities and electronic power companies.

Revenue in overseas consolidated subsidiaries also increased in acquisition of IT companies in Indonesia.

Main reasons for YoY changes in operating income (Compared with 3rd quarter (9months) FY2018)



For reference: Breakdown of “Other income and expenses”

(Billions of Yen)

	3rd Quarter (9months) FY2018 Results	3rd Quarter (9months) FY2019 Results	YoY Change
Personnel expenses	(30.6)	(31.8)	(1.2)
Outside staff expenses	(4.8)	(4.7)	+0.1
Depreciation and amortization	(2.3)	(4.4)	(2.1)
Others	(15.5)	(13.8)	+1.6
SG&A expenses	(53.3)	(54.8)	(1.5)
Other income	0.2	0.4	+0.2
Other expenses	(0.1)	(0.1)	(0.0)
Other income and expenses	(53.2)	(54.5)	(1.2)

Breakdown of “Other income and expenses”

[Personnel expenses]

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

[Depreciation and amortization]

Rose because of a change in accounting policy.

(Rent and related expenses decreased by approximately the same amount due to the change in accounting policy, and the effect of the change in accounting policy on SG&A expenses is minor and insignificant.)

[Others]

Rent and related expenses decreased due to the change in accounting policy.

For reference: Performance for the 3rd quarter (3months) of FY2019

(Billions of Yen)

	3rd Quarter (3months) FY2018 Results	3rd Quarter (3months) FY2019 Results	YoY change	YoY change (%)
Revenue	107.8	116.9	+9.1	+8.5%
Gross profit	25.3	28.4	+3.0	+12.1%
Gross profit margin	23.5%	24.3%	+0.8p	-
Other income and expenses	(18.0)	(18.9)	(0.8)	+4.8%
Operating income	7.2	9.5	+2.2	+30.3%
Operating income margin	6.8%	8.1%	+1.4p	-
Net profit attributable to CTC's shareholders	4.9	6.2	+1.2	+25.6%
Orders received	120.9	110.1	(10.7)	(8.9%)
Backlogs	251.2	262.1	+10.8	+4.3%

Performance for the 3rd quarter of FY2019 (3months)

[Revenue]

Revenue increased, particularly from the projects for telecoms industry and public utilities. Revenue in overseas consolidated subsidiaries also rose.

[Gross profit]

Rose with the increase in revenue and profitability.

* The gross profit margin excluding the effect of unprofitable projects improved 0.9p year on year.

[Other income and expenses]

SG&A expenses increased, chiefly reflecting increases in personnel expenses.

[Operating income]

Rose due to the rise in gross profit.

[Net profit attributable to CTC's shareholders]

Increased, reflecting the rise in operating income.

[Orders received]

Orders received ultimately decreased, mostly by a reactionary fall from projects at telecoms companies in the previous fiscal year, even though increased in the projects for municipalities and government financial institutions.

For reference : Performance by business group/business model for the 3rd quarter of FY2019 (3months)

(Billions of Yen)

		Orders received			Revenue		
		3rd Quarter (3months) FY2018 Results	3rd Quarter (3months) FY2019 Results	YoY Change	3rd Quarter (3months) FY2018 Results	3rd Quarter (3months) FY2019 Results	YoY Change
By business group	Enterprise	29.0	29.9	+0.8	31.2	30.3	(0.8)
	Distribution	13.0	7.4	(5.5)	11.0	11.0	+0.0
	Telecommuni- cation	49.5	37.7	(11.8)	35.4	36.8	+1.3
	Regional & Social Infrastructure	9.5	12.9	+3.3	11.5	14.5	+2.9
	Financial Services	4.6	6.6	+2.0	5.7	5.7	+0.0
	Others	15.0	15.4	+0.3	12.8	18.4	+5.5
	Total	120.9	110.1	(10.7)	107.8	116.9	+9.1
By business model	Services	33.8	37.3	+3.4	44.8	49.6	+4.7
	SI Development	28.6	24.4	(4.1)	24.3	26.8	+2.5
	Products	58.4	48.4	(10.0)	38.6	40.4	+1.8
	Total	120.9	110.1	(10.7)	107.8	116.9	+9.1



Copyright©2020 ITOCHU Techno-Solutions Corporation

7

Performance by business group

[Enterprise] Orders increased, particularly from services for transportation industry. Revenue declined, primarily maintenance services and infrastructure projects for manufacturing industries.

[Distribution] Orders decreased, particularly for development for distribution industry and infrastructure equipment and operation services for credit card companies. Revenue was ultimately roughly on a par with the previous fiscal year.

[Telecommunication] Orders fell, by a reactionary decline from network projects at telecoms companies in the previous fiscal year. Revenue increased, primarily network projects at telecoms companies.

[Regional & Social infrastructure] Orders increased, primarily for infrastructure equipment for municipalities. Revenue rose, particularly from infrastructure equipment for public utilities.

[Financial Services] Orders increased, particularly for infrastructure projects for government financial institutions. Revenue was ultimately roughly on a par with the previous fiscal year.

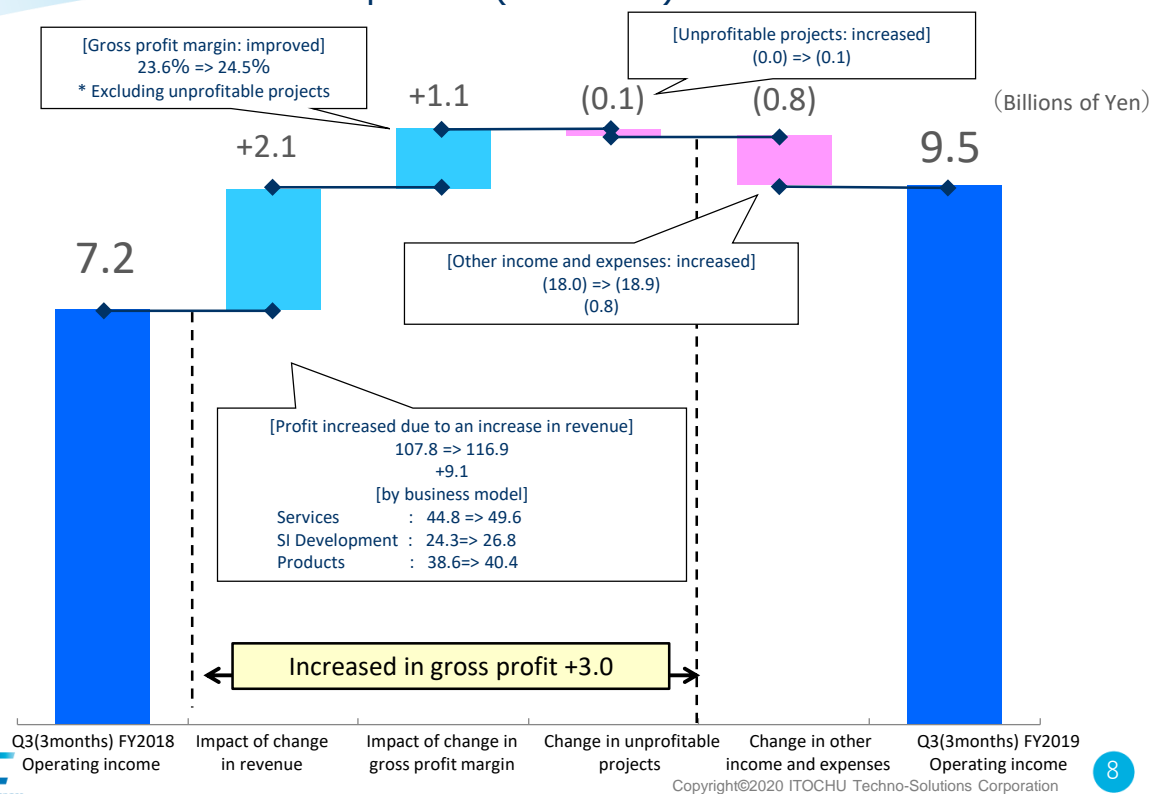
Performance by business model

[Services] Orders increased, particularly for operation for public utilities and public offices. Revenue rose, primarily from maintenance and operation services for the manufacturing and telecoms industries. Orders and revenue also increased due to maintenance in overseas consolidated subsidiaries.

[SI Development] Orders decreased, chiefly for development for distribution industry and infrastructure construction for telecoms industry. Revenue increased, mainly from infrastructure construction for public utilities.

[Products] Orders declined, primarily for infrastructure equipment for distribution industry and credit card companies and by reactionary fall from network projects for telecoms companies in the previous fiscal year. Revenue increased, mostly for products resales for electronic power companies. Revenue in overseas consolidated subsidiaries also increased in acquisition of IT companies in Indonesia.

For reference: Main reasons for YoY changes in operating income for the 3rd quarter (3months) of FY2019



For Reference: Breakdown of “Other income and expenses” for the 3rd quarter (3months) of FY2019

(Billions of Yen)

	3rd Quarter (3months) FY2018 Results	3rd Quarter (3months) FY2019 Results	YoY change
Personnel expenses	(10.4)	(11.2)	(0.7)
Outside staff expenses	(1.5)	(1.5)	+0.0
Depreciation and amortization	(0.7)	(1.4)	(0.6)
Others	(5.4)	(4.8)	+0.5
SG&A expenses	(18.1)	(19.0)	(0.8)
Other income	0.1	0.1	+0.0
Other expenses	(0.0)	(0.1)	(0.0)
Other income and expenses	(18.0)	(18.9)	(0.8)

Breakdown of “Other income and expenses”

[Personnel expenses]

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

[Depreciation and amortization]

Rose because of a change in accounting policy.

(Rent and related expenses decreased by approximately the same amount due to the change in accounting policy, and the effect of the change in accounting policy on SG&A expenses is minor and insignificant.)

[Others]

Rent and related expenses decreased due to the change in accounting policy.

“CTC is the Answer.”