

Announcement of 1st Quarter Operating Results for the Fiscal Year Ending March 31, 2021

August 4, 2020

ITOCHU Techno-Solutions Corporation

A numerical notation in this document has been changed from rounding down to rounding off to the nearest full unit since FY2020.
The figures for FY2019 has been changed to the same notation.



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Performance highlights (Compared with 1st Q FY2019)

(Billions of yen)

	1st Quarter FY2019 Results	1st Quarter FY2020 Results	YoY change	YoY change (%)
Revenue	97.0	104.1	+7.1	+7.3%
Gross profit	22.9	25.0	+2.1	+9.2%
Gross profit margin	23.6%	24.0%	+0.4p	-
Other income and expenses	(18.1)	(19.1)	(1.1)	+6.0%
Operating income	4.8	5.8	+1.0	+21.1%
Operating income margin	5.0%	5.6%	+0.6p	-
Net profit attributable to CTC's shareholders	3.2	4.1	+0.8	+26.1%
Orders received	101.7	95.9	(5.8)	(5.7%)
Backlogs	267.6	264.1	(3.5)	(1.3%)

1st Quarter FY2020 Performance highlights(vs. 1st Quarter FY2019)

[Revenue]

Increased in business for telecoms, manufacturing industries and public offices.

[Gross profit]

Rose with the increase in revenue and profitability.

The gross profit margin excluding the effect of unprofitable projects improved 0.2p year on year.

[Other income and expenses]

SG&A expenses, chiefly personnel expenses increased.

[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 declined, primarily from the projects for manufacturing, telecoms industries, and public offices.

[Backlogs]

Backlogs decreased, particularly from the projects for public utilities, public offices, telecoms and distribution industries.

Performance by business groups

(Billions of yen)

	Orders received			Revenue			Backlogs		
	1st Quarter FY2019 Results	1st Quarter FY2020 Results	YoY Change	1st Quarter FY2019 Results	1st Quarter FY2020 Results	YoY Change	1st Quarter FY2019 Results	1st Quarter FY2020 Results	YoY Change
Enterprise	27.6	23.9	(3.7)	23.8	25.7	+1.8	63.6	64.1	+0.5
Distribution	7.0	8.4	+1.4	12.8	11.4	(1.4)	29.2	25.0	(4.1)
Telecommunication	32.3	31.6	(0.7)	28.8	34.8	+6.0	81.8	77.6	(4.2)
Regional & Social Infrastructure	19.2	14.7	(4.6)	11.0	14.4	+3.5	55.9	47.5	(8.4)
Financial Services	3.9	5.6	+1.8	5.0	5.2	+0.2	14.4	20.2	+5.8
Others	11.7	11.6	(0.1)	15.6	12.6	(3.0)	22.9	29.8	+6.9
Total	101.7	95.9	(5.8)	97.0	104.1	+7.1	267.6	264.1	(3.5)

Performance by Business groups (vs. 1st Quarter FY2019)

[Enterprise]

Orders declined, particularly for infrastructure projects for manufacturing companies and by reactionary fall from infrastructure equipment for energy companies in the previous fiscal year. Revenue rose from infrastructure projects for manufacturing industry and services for transportation companies.

[Distribution]

Orders increased due to SI development and infrastructure projects for distribution industry and infrastructures for credit card companies. Revenue declined from SI development projects for distribution industry and infrastructure projects for credit card companies.

[Telecommunication]

Orders declined by reactionary fall from infrastructure projects for telecoms industry in the previous year. Revenue increased due to projects related 5G.

[Regional & Social Infrastructure]

Orders declined by reactionary fall from SI development and infrastructure projects for public offices in the previous year. Revenue increased in SI development and infrastructure projects for public offices and railroad companies.

[Financial Services]

Orders rose for SI development and infrastructure projects for government financial institutions. Revenue roughly unchanged YoY.

[Others]

Orders roughly unchanged YoY. Revenue declined by reactionary fall from infrastructure equipment at overseas subsidiaries in the previous year.

Performance by business models

(Billions of yen)

	Orders received			Revenue			Backlogs		
	1st Quarter FY2019 Results	1st Quarter FY2020 Results	YoY Change	1st Quarter FY2019 Results	1st Quarter FY2020 Results	YoY Change	1st Quarter FY2019 Results	1st Quarter FY2020 Results	YoY Change
Services	36.3 (35.7%)	33.8 (35.2%)	(2.5)	44.9 (46.3%)	46.8 (45.0%)	+1.9	180.8 (67.6%)	184.2 (69.7%)	+3.4
SI Development	24.4 (24.0%)	21.4 (22.4%)	(3.0)	21.8 (22.5%)	20.6 (19.8%)	(1.3)	34.4 (12.8%)	28.2 (10.7%)	(6.2)
Products	41.0 (40.3%)	40.6 (42.4%)	(0.3)	30.2 (31.2%)	36.7 (35.2%)	+6.5	52.5 (19.6%)	51.8 (19.6%)	(0.7)
Total	101.7	95.9	(5.8)	97.0	104.1	+7.1	267.6	264.1	(3.5)

*Within the parenthesis is composition ratio.

Performance by business models (vs. 1st Quarter FY2019)

[Services]

Orders declined due to maintenance for telecoms industry. Revenue increased due to maintenance for telecoms industry.

[SI Development]

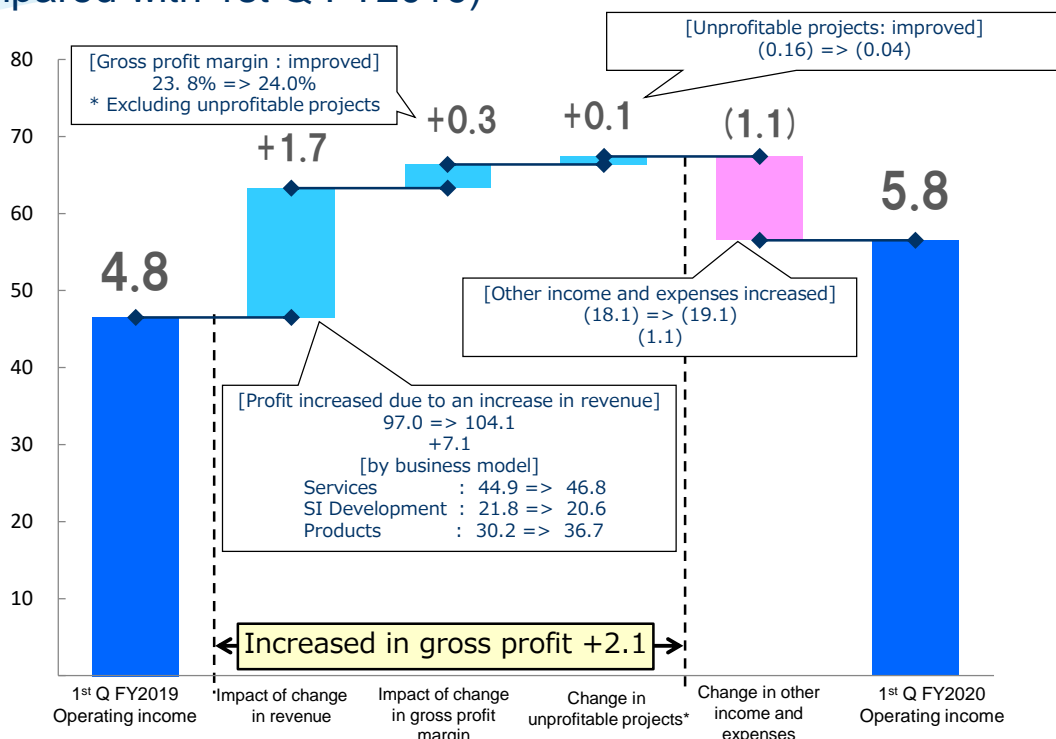
Orders declined for SI development projects for public offices. Revenue declined from SI development projects for distribution industry.

[Products]

Orders decreased due to infrastructure projects for energy, manufacturing industries and public offices despite an increase due to projects related 5G, infrastructure projects for government financial institutions and consolidated subsidiaries in acquisition of IT companies in Indonesia. Revenue increased due to projects related 5G, infrastructure projects for energy and manufacturing industries and public offices.

Main reasons for YoY changes in operating income (Compared with 1st Q FY2019)

(Billions of yen)



Reference: Breakdown of “Other income and expenses”

(Billions of yen)

	1st Quarter FY2019 Results	1st Quarter FY2020 Results	YoY change
Personnel expenses	(10.4)	(11.7)	(1.2)
Outside staff expenses	(1.7)	(2.0)	(0.3)
Depreciation and amortization	(1.6)	(1.7)	(0.1)
Others	(4.4)	(3.9)	+0.5
SG&A expenses	(18.1)	(19.2)	(1.1)
Other income	0.1	0.1	+0.0
Other expenses	(0.0)	(0.0)	(0.0)
Other income and expenses	(18.1)	(19.1)	(1.1)

Breakdown of “Other income and expenses” (vs. 1st Quarter FY2019)

[Personnel expenses]

Rose from an increase in number of employees, salaries and performance-linked bonuses. In addition to that, a transfer amount to cost declined due to temporary suspension of SI development projects, by the impacts of COVID-19 and so on.

[Outside staff expenses]

Rose because of an increase in number of outside staff.

[Others]

Travel expenses and overseas travel expenses declined due to a decrease in business trips.

About an impact of COVID-19

At present, the impact of COVID-19 is roughly within expectations.
However, uncertainty is increasing due to concerns for lengthening of COVID-19.

		Q1	Q2
(+) Plus	Prediction	<ul style="list-style-type: none"> • Telework Demand • Improving Productivity • Expense Reduction 	
	Main Difference	—	Generation of further IT needs related to work style and business model innovation.
(–) Minus	Prediction	<ul style="list-style-type: none"> • Review IT Investment (Mainly in Enterprise) • A Delay of Projects • Sales Activity Restrictions 	Same as on the left (Impact on sales will also occur)
	Main Difference	Sales of some project which didn't delayed than expects were moved the schedule forward. (plus factor)	There is a possibility of expansion of impact due to lengthening, second half also has it.

“CTC is the Answer.”