

Announcement of 3rd Quarter Operating Results for the Fiscal Year Ending March 31, 2021

February 1, 2021

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.

Performance highlights for 3rd quarter FY2020

- While been partially affected by COVID-19, revenue have grown steadily by accurately capturing DX-related including support for new normal and 5G business opportunities.
- In the 3rd quarter of the fiscal year, revenue, gross profit, orders received and backlogs reached record highs after the merger FY2006.

Performance for the 3rd quarter (9months) of FY2020

(Billions of yen)

	3rd Quarter (9months) FY2019 Results	3rd Quarter (9months) FY2020 Results	YoY change	YoY change (%)
Revenue	327.4	330.9	+3.5	+1.1%
Gross profit	78.7	80.8	+2.2	+2.7%
Gross profit margin	24.0%	24.4%	+0.4p	-
Other income and expenses	(54.5)	(57.9)	(3.4)	+6.2%
Operating income	24.2	23.0	(1.2)	(5.0%)
Operating income margin	7.4%	6.9%	(0.5p)	-
Net profit attributable to CTC's shareholders	16.2	15.9	(0.3)	(1.8%)
Orders received	320.9	340.1	+19.2	+6.0%
Backlogs	262.2	281.5	+19.4	+7.4%

Performance for the 3rd quarter (9months) of FY2020

[Revenue]

Increased in business for telecoms industry, public offices and railroad companies.

[Gross profit]

Rose with an increase in revenue and an improvement of gross profit margin.

The gross profit margin excluding the effect of unprofitable projects improved 0.6p year on year.

[Other income and expenses]

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

[Operating income]

Decreased due to an increase in other income and expenses despite an increase in gross profit.

[Net profit attributable to CTC's shareholders]

Decreased, reflecting the decrease in operating income.

[Orders received]

Orders rose, primarily from telecoms industry, social infrastructure, insurance companies, and municipalities.

[Backlogs]

Increased in business for telecoms industry, social infrastructure and banks.

Performance by business group

(Billions of yen)

	Orders received			Revenue			Backlogs		
	3rd Quarter (9months) FY2019 Results	3rd Quarter (9months) FY2020 Results	YoY Change	3rd Quarter (9months) FY2019 Results	3rd Quarter (9months) FY2020 Results	YoY Change	3rd Quarter (9months) FY2019 Results	3rd Quarter (9months) FY2020 Results	YoY Change
Enterprise	83.7	76.1	(7.6)	79.1	77.2	(1.9)	64.7	64.7	+0.0
Distribution	27.3	29.2	+1.9	38.5	34.8	(3.7)	23.5	22.4	(1.1)
Telecommunication	110.1	135.8	+25.7	102.8	115.6	+12.8	85.5	100.9	+15.4
Regional & Social Infrastructure	43.8	48.8	+5.0	41.4	43.1	+1.7	50.0	53.0	+3.0
Financial Services	16.9	15.7	(1.2)	16.8	17.5	+0.7	15.6	17.9	+2.4
Others	39.1	34.5	(4.6)	48.7	42.7	(6.0)	22.9	22.6	(0.3)
Total	320.9	340.1	+19.2	327.4	330.9	+3.5	262.2	281.5	+19.4

Performance by business group

[Enterprise]

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

[Distribution]

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

[Telecommunication]

Orders and revenue increased due to projects related 5G.

[Regional & Social Infrastructure]

Orders increased due to infrastructure projects for social infrastructure, insurance companies and municipalities.
Revenue rose for SI development and infrastructure projects for public offices and railroad companies.

[Financial Services]

Orders declined from SI development and infrastructure projects for banks.
Revenue increased due to SI development and infrastructure projects for government financial institutions.

[Others]

Orders declined from operation at domestic consolidated subsidiaries, and by reactionary fall from infrastructure equipment at overseas consolidated subsidiaries in the previous year.
Revenue decreased due to infrastructure projects and services at domestic and overseas consolidated subsidiaries.

Performance by business model

(Billions of yen)

	Orders received			Revenue			Backlogs		
	3rd Quarter (9months) FY2019 Results	3rd Quarter (9months) FY2020 Results	YoY Change	3rd Quarter (9months) FY2019 Results	3rd Quarter (9months) FY2020 Results	YoY Change	3rd Quarter (9months) FY2019 Results	3rd Quarter (9months) FY2020 Results	YoY Change
Services	111.6 (34.8%)	110.7 (32.5%)	(0.9)	142.0 (43.4%)	142.7 (43.1%)	+0.7	160.0 (61.0%)	165.2 (58.7%)	+5.2
SI Development	76.2 (23.7%)	82.9 (24.4%)	+6.7	74.0 (22.6%)	71.2 (21.5%)	(2.8)	34.1 (13.0%)	39.0 (13.8%)	+5.0
Products	133.1 (41.5%)	146.5 (43.1%)	+13.4	111.4 (34.0%)	117.0 (35.4%)	+5.6	68.1 (26.0%)	77.3 (27.5%)	+9.2
Total	320.9	340.1	+19.2	327.4	330.9	+3.5	262.2	281.5	+19.4

*Within the parenthesis is composition ratio.

Performance by business model

[Services]

Orders declined due to services for transportation companies and at overseas subsidiaries.
Revenue increased, particularly from operation and maintenance for energy companies.

[SI Development]

Orders rose due to projects related 5G and SI development for railroad companies.
Revenue decreased from SI development for distribution industry.

[Products]

Orders increased due to projects related 5G and infrastructure projects for telecoms industry and social infrastructure.
Revenue increased in projects related 5G and infrastructure projects for telecoms industry and public offices.

Breakdown of “Other income and expenses”

(Billions of Yen)

	3rd Quarter (9months) FY2019 Results	3rd Quarter (9months) FY2020 Results	YoY Change
Personnel expenses	(31.8)	(35.2)	(3.3)
Outside staff expenses	(4.7)	(5.6)	(0.9)
Depreciation and amortization	(4.5)	(5.0)	(0.5)
Others	(13.9)	(12.5)	+1.3
SG&A expenses	(54.9)	(58.3)	(3.4)
Other income	0.5	0.7	+0.2
Other expenses	(0.1)	(0.2)	(0.1)
Other income and expenses	(54.5)	(57.9)	(3.4)

Breakdown of “Other income and expenses”

[Personnel expenses]

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

Transfer amount to cost from SG&A expenses declined due to temporary suspension and postponement of SI development projects because of the impacts of COVID-19, in addition to that, by an increase in presales activities for obtaining new projects.

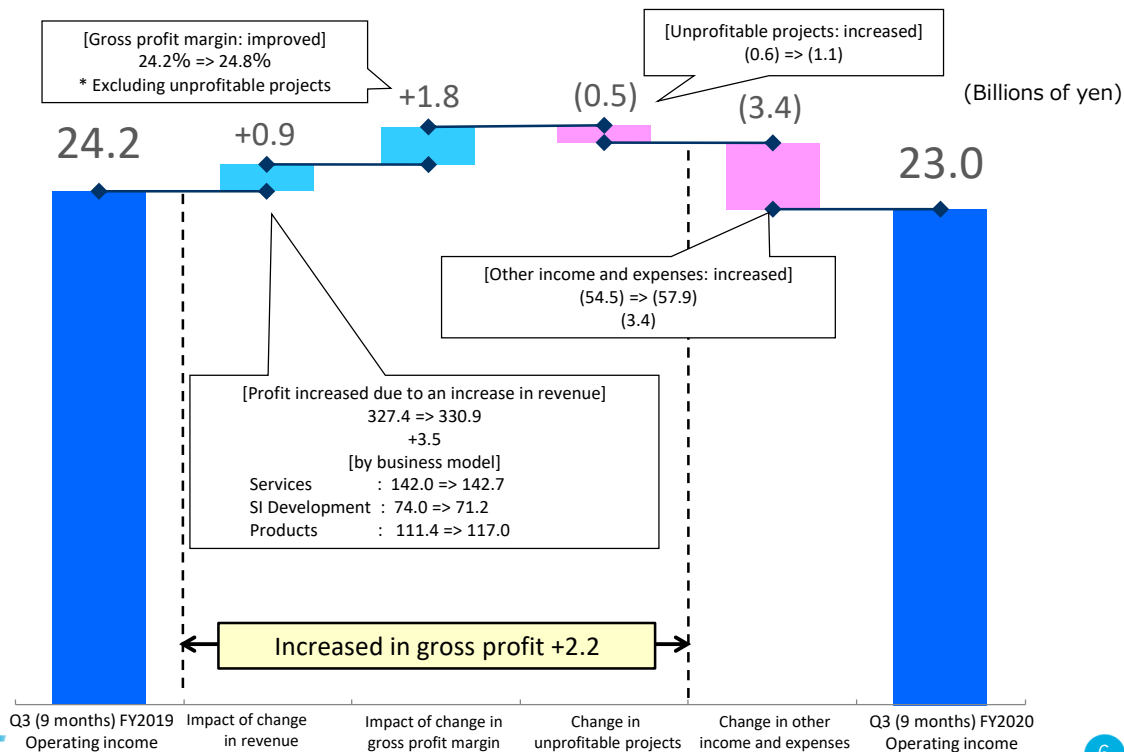
[Outside staff expenses]

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. In addition to that, entertainment expenses decreased.

Main reasons for YoY changes in operating income



For reference: Performance for the 3rd quarter (3months) of FY2020

(Billions of Yen)

	3rd Quarter (3months) FY2019 Results	3rd Quarter (3months) FY2020 Results	YoY change	YoY change (%)
Revenue	117.0	115.8	(1.1)	(1.0%)
Gross profit	28.5	29.5	+1.0	+3.4%
Gross profit margin	24.3%	25.4%	+1.1p	-
Other income and expenses	(19.0)	(19.8)	(0.8)	+4.4%
Operating income	9.5	9.6	+0.1	+1.5%
Operating income margin	8.1%	8.3%	+0.2p	-
Net profit attributable to CTC's shareholders	6.3	6.6	+0.4	+5.9%
Orders received	110.2	124.0	+13.8	+12.6%
Backlogs	262.2	281.5	+19.4	+7.4%

Performance for the 3rd quarter (3months) of FY2020

[Revenue]

Decreased in business for manufacturing industry and energy companies. Revenue in overseas consolidated subsidiaries also declined.

[Gross profit]

Rose by an improvement of gross profit margin.

* The gross profit margin excluding the effect of unprofitable projects improved 1.0p 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 and share of profit of associates accounted for using the equity method.

[Orders received]

Orders received increased, mostly by telecoms industry, distribution industry and railroad companies.

For reference : Performance by business group/business model for the 3rd quarter of FY2020 (3months)

(Billions of Yen)

		Orders received			Revenue		
		3rd Quarter (3months) FY2019 Results	3rd Quarter (3months) FY2020 Results	YoY Change	3rd Quarter (3months) FY2019 Results	3rd Quarter (3months) FY2020 Results	YoY Change
By business group	Enterprise	28.1	26.8	(1.3)	28.5	26.5	(2.0)
	Distribution	9.3	10.1	+0.9	12.7	11.9	(0.9)
	Telecommuni- cation	37.7	55.6	+17.9	36.9	43.2	+6.3
	Regional & Social Infrastructure	13.0	14.0	+1.1	14.5	14.1	(0.4)
	Financial Services	6.6	4.5	(2.1)	5.8	6.1	+0.3
	Others	15.5	12.9	(2.6)	18.6	14.0	(4.5)
	Total	110.2	124.0	+13.8	117.0	115.8	(1.1)
By business model	Services	37.3	37.8	+0.5	49.7	48.8	(0.9)
	SI Development	24.4	30.7	+6.3	26.9	26.5	(0.4)
	Products	48.4	55.5	+7.1	40.4	40.5	+0.1
	Total	110.2	124.0	+13.8	117.0	115.8	(1.1)

Performance by business group

[Enterprise] Orders decreased, particularly from services for transportation industry and infrastructure projects for energy company. Revenue declined, primarily from infrastructure projects for manufacturing industry and energy companies.

[Distribution] Orders increased, particularly from SI development for distribution industry. Revenue declined, mainly from SI development for credit card companies.

[Telecommunication] Orders and revenue increased, primarily from projects related 5G.

[Regional & Social infrastructure] Orders increased, primarily for SI development for railroad companies and services for construction industry. Revenue was roughly on a par with the previous fiscal year.

[Financial Services] Orders decreased, particularly from SI development for government financial institutions. Revenue was roughly on a par with the previous fiscal year.

[Others] Orders declined by reactionary fall from infrastructure equipment at overseas consolidated subsidiaries in the previous year. Revenue decreased due to infrastructure projects and services at domestic and overseas consolidated subsidiaries.

Performance by business model

[Services] Orders increased, particularly from services for telecoms industry. Revenue declined, primarily from services in overseas consolidated subsidiaries.

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

[Products] Orders increased, primarily for projects related 5G. Revenue was ultimately roughly on a par with the previous fiscal year.

For Reference: Breakdown of “Other income and expenses” for the 3rd quarter (3months) of FY2020

(Billions of Yen)

	3rd Quarter (3months) FY2019 Results	3rd Quarter (3months) FY2020 Results	YoY change
Personnel expenses	(11.2)	(12.3)	(1.1)
Outside staff expenses	(1.5)	(1.7)	(0.2)
Depreciation and amortization	(1.4)	(1.7)	(0.2)
Others	(4.9)	(4.3)	+0.6
SG&A expenses	(19.0)	(19.9)	(0.9)
Other income	0.2	0.2	+0.0
Other expenses	(0.1)	(0.1)	+0.0
Other income and expenses	(19.0)	(19.8)	(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.

Transfer amount to cost from SG&A expenses declined due to temporary suspension and postponement of SI development projects because of the impacts of COVID-19, in addition to that, by an increase in presales activities for obtaining new projects.

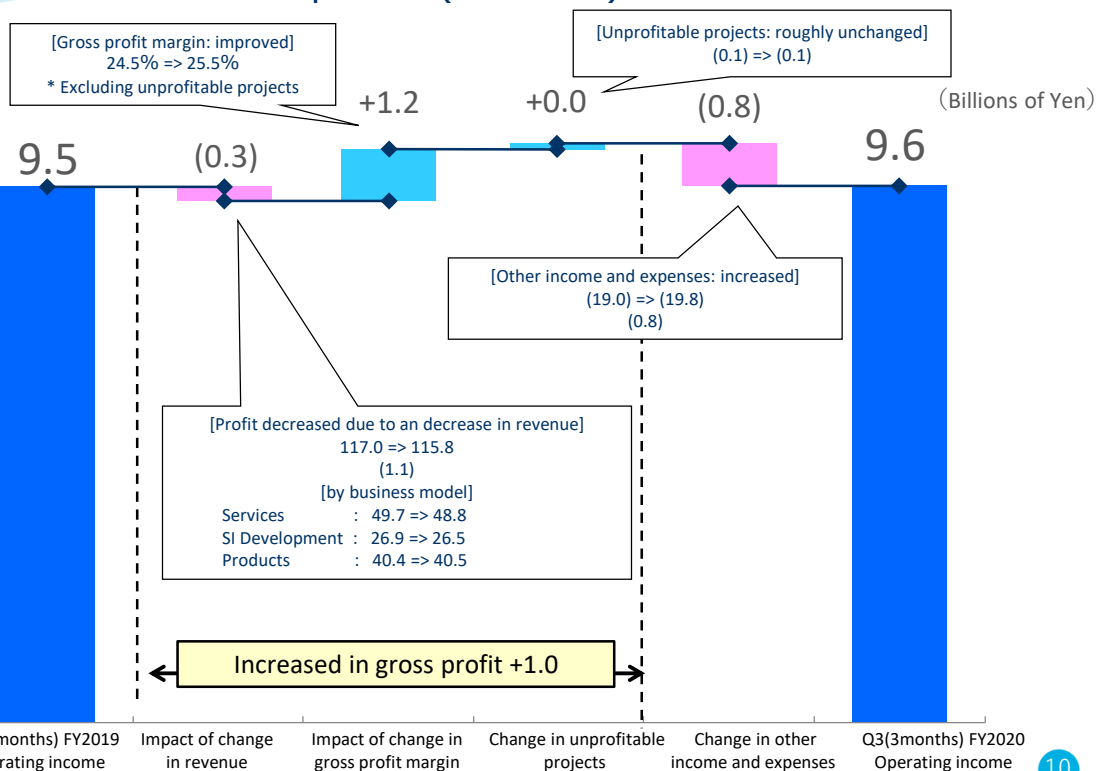
[Outside staff expenses]

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. In addition to that, entertainment expenses decreased.

For reference: Main reasons for YoY changes in operating income for the 3rd quarter (3months) of FY2020



About an impact of COVID-19 (Recognition of the current situation)

1st Half

2nd Half



- Telework demand
- Acceleration of digitalization
- Expense reduction

Continue from 1st Half



- Review and delay of IT investment
- A delay of supplying some products
- Sales activity restrictions



Faster convergence than expected in some area

- The impact in 1st half partially prolongs at home and abroad.
- Return to normal in certain industries.

“CTC is the Answer.”