

Announcement of 1st Half Operating Results for the Fiscal Year Ending March 31, 2022

November 1, 2021
ITOCHU Techno-Solutions Corporation



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I FY2021 1st Half Operating Results

II Progress of Medium-Term Management Plan

III FY2021 Forecasts

Summary

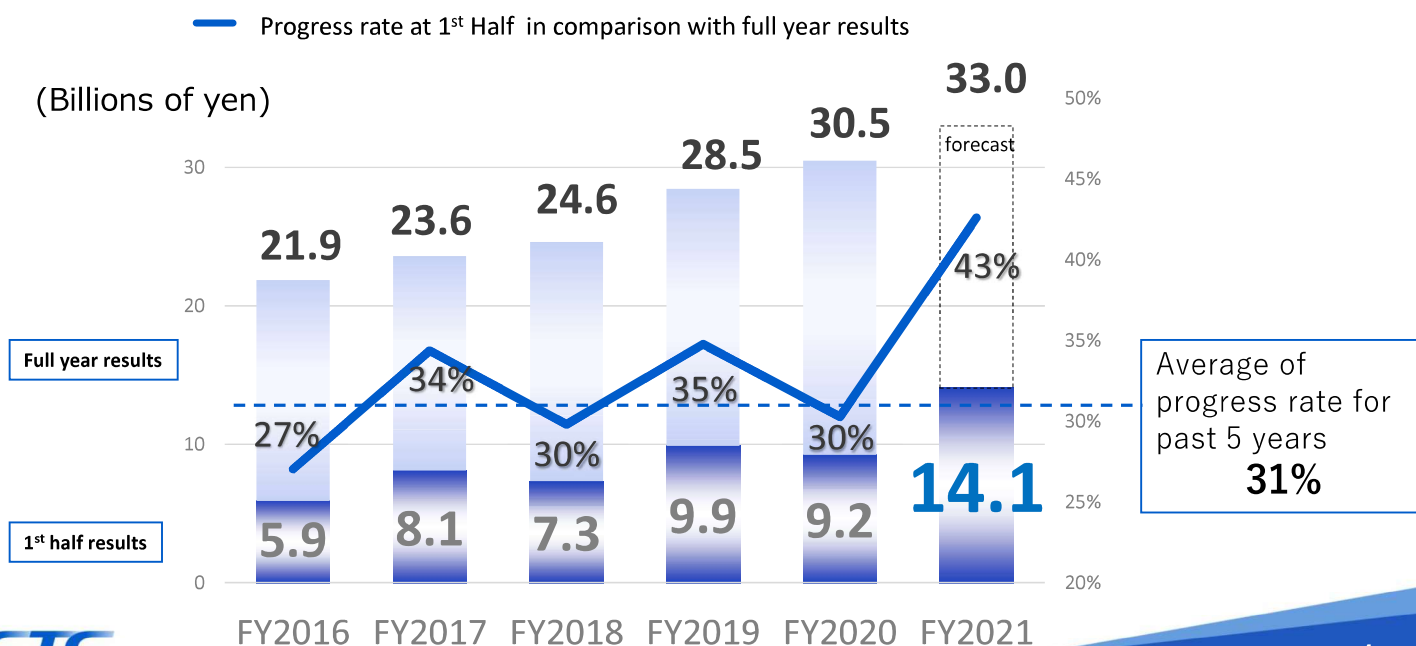
Revenue, all profit line items, orders received and backlogs reached record highs

- ◆ GPM and OPM reached record highs after introducing IFRS in 2013.
- ◆ The progress of net profit attributable to CTC's shareholders (1st Half FY2021) is at high rate in comparison with full year plan (43%)

- Capturing the continued recovery trend from the impact of COVID-19 and the growing willingness of a wide range of customers to invest in IT to promote DX.
- The impact of semiconductor shortage, that was an anxiety of market, was slight as a result

For reference :

Change in the progress rate of net profit attributable to CTC's shareholders (1st Half)



Performance highlights

(Billions of yen)

	1st Half FY2020 Results	1st Half FY2021 Results	YoY change	YoY change (%)
Revenue	215.0	233.5	+18.4	+8.6%
Gross profit	51.4	59.1	+7.7	+15.1%
Gross profit margin	23.9%	25.3%	+1.4p	-
Other income and expenses	(38.1)	(39.5)	(1.5)	+3.8%
Operating income	13.3	19.6	+6.3	+47.2%
Operating income margin	6.2%	8.4%	+2.2p	-
Net profit attributable to CTC's shareholders	9.2	14.1	+4.8	+52.3%
Orders received	216.1	244.4	+28.4	+13.1%
Backlogs	273.3	325.9	+52.6	+19.2%

■ Revenue

- Remained in good shape in several industries including manufacturing, constructure, telecommunications, public offices and finance.

■ Gross profit

- Rose because profitability improved by the reason below in addition to the increase in revenue.
 - The control of unprofitable projects
 - The spread of measures to improve profitability which had been conducted by management
 - The promotion of acquiring high-value-added projects and multiplex projects, etc.
- Gross profit margin improved by +1.1p(YOY) excluding unprofitable projects.

■ Other income and expenses

- SG&A increased, mainly reflecting the rise in personnel expenses and office relocation cost.

■ Operating income/ Net profit attributable to CTC's shareholders

- Massive increase due to the rise in gross profit despite the increase in other income and expenses.

■ Order received

- The projects at overseas consolidated subsidiaries in Singapore, Malaysia and the United States of America are at the favorable condition, in addition to projects for the wide range of industries such as manufacture, pharmacy, telecoms, social infrastructure and finance.

■ Backlogs

- Further increased from a high level from a backlog at Q1 end and keep high level.

Performance by business groups

(Billions of yen)

	Orders received			Revenue			Backlogs		
	1st Half FY2020 Results	1st Half FY2021 Results	YoY Change	1st Half FY2020 Results	1st Half FY2021 Results	YoY Change	1st Half FY2020 Results	1st Half FY2021 Results	YoY Change
Enterprise	49.3	56.4	+7.2	50.7	54.0	+3.2	64.4	76.5	+12.1
Distribution	19.1	18.7	(0.4)	23.0	23.0	(0.0)	24.1	25.9	+1.8
Telecommunication	80.3	83.3	+3.1	72.4	79.9	+7.4	88.6	113.4	+24.9
Regional & Social Infrastructure	34.8	37.5	+2.7	28.9	33.6	+4.6	53.1	57.9	+4.8
Financial Services	11.1	14.5	+3.4	11.3	14.3	+3.0	19.5	20.0	+0.5
Others	21.6	34.0	+12.4	28.7	28.8	+0.1	23.7	32.1	+8.4
Total	216.1	244.4	+28.4	215.0	233.5	+18.4	273.3	325.9	+52.6

■ Enterprise: DX related projects were active while recovering from the impacts of COVID-19

- Orders : increased primarily for infrastructure projects and cloud services at manufacturing and construction industry.
- Revenue: rose by infrastructure projects at manufacturing and pharmaceutical industry.

■ Distribution: Promoted SI development for trading companies in spite of reactionary fall

- Orders : were roughly on a par with the previous fiscal year ultimately, due to the rise of SI development for distribution industry which made up for the reactionary fall projects for food wholesale and credit card companies.
- Revenue: roughly on a par with the previous fiscal year.

■ Telecommunication: Kept high level due to stable orders and revenue of mainly 5G related projects

- Orders : increased primarily for infrastructure projects at telecoms company.
- Revenue: increased primarily for the 5G related projects and infrastructure projects at telecoms company.

■ Regional & Social infrastructure: Remained favorable condition by recovering reaction decrease of large-scale projects last year

- Orders : rose with infrastructure-building and operation for public offices and SI development for public utilities despite the decrease of infrastructure projects for the energy company.
- Revenue: increased from infrastructure projects for social infrastructure.

■ Financial Services: Massive rise due to acquisition of the large-scale projects for banks

- Orders/Revenue: rose due to products resales, maintenance, operation and infrastructure for banks.

■ Others: The overseas consolidated subsidiaries in ASEAN region were at the favorable condition, but uncertainty about the impacts of COVID-19 still remained

- Orders : increased chiefly from services and infrastructure projects of overseas consolidated subsidiaries in Singapore, Malaysia and US.
- Revenue: were roughly on a par with the previous fiscal year.

Performance by business model

(Billions of yen)

	Orders received			Revenue			Backlogs		
	1st Half FY2020 Results	1st Half FY2021 Results	YoY Change	1st Half FY2020 Results	1st Half FY2021 Results	YoY Change	1st Half FY2020 Results	1st Half FY2021 Results	YoY Change
Services	72.8 (33.7%)	79.6 (32.6%)	+6.8	93.9 (43.6%)	100.2 (42.9%)	+6.3	176.2 (64.5%)	195.4 (59.9%)	+19.2
SI Development	52.2 (24.2%)	59.2 (24.2%)	+7.0	44.7 (20.8%)	52.6 (22.5%)	+7.9	34.8 (12.7%)	43.6 (13.4%)	+8.8
Products	91.0 (42.1%)	105.6 (43.2%)	+14.6	76.5 (35.6%)	80.7 (34.6%)	+4.2	62.4 (22.8%)	86.9 (26.7%)	+24.6
Total	216.1	244.4	+28.4	215.0	233.5	+18.4	273.3	325.9	+52.6

* Percentage shows composition ratio

■ Services

- Orders : rose due to service for manufacturing industry, maintenance and operation for telecoms companies, and infrastructure projects at overseas consolidated subsidiaries.
- Revenue: increased mainly from 5G related projects for telecoms companies and infrastructure projects at overseas consolidated subsidiaries.

■ SI Development

- Orders : rose particularly from SI development for transportation companies and distribution industry, and infrastructure-building for public offices.
- Revenue: increased particularly from SI development for transportation companies and distribution industry, and 5G related projects for telecoms companies.

■ Products

- Orders : increased from infrastructure projects for manufacturing, telecoms, finance industries, and infrastructure projects at overseas consolidated subsidiaries.
- Revenue: rose for infrastructure projects for social infrastructure, telecoms industry and banks.

Breakdown of "Other income and expenses"

(Billions of yen)

		1st Half FY2020 Results	1st Half FY2021 Results	YoY Change
SG&A expenses	Personnel expenses	(22.9)	(23.7)	(0.8)
	Outside staff expenses	(3.8)	(3.7)	+0.1
	Depreciation and amortization	(3.4)	(4.8)	(1.4)
	Others	(8.2)	(7.5)	+0.7
		(38.4)	(39.7)	(1.4)
	Other income	0.5	0.3	(0.2)
	Other expenses	(0.2)	(0.1)	+0.1
	Other income and expenses	(38.1)	(39.5)	(1.5)

■ Personnel expenses

- Increased ultimately due to the rise in number of employees, salaries and performance-linked bonuses despite reductive effect by improving the utilization rate of system engineers.

■ Outside staff expenses

- Declined by improving the utilization rate in spite of the rise in number of outside staff.

■ Depreciation and amortization*

- Rose mainly for amortization of fixed assets due to the office relocation.

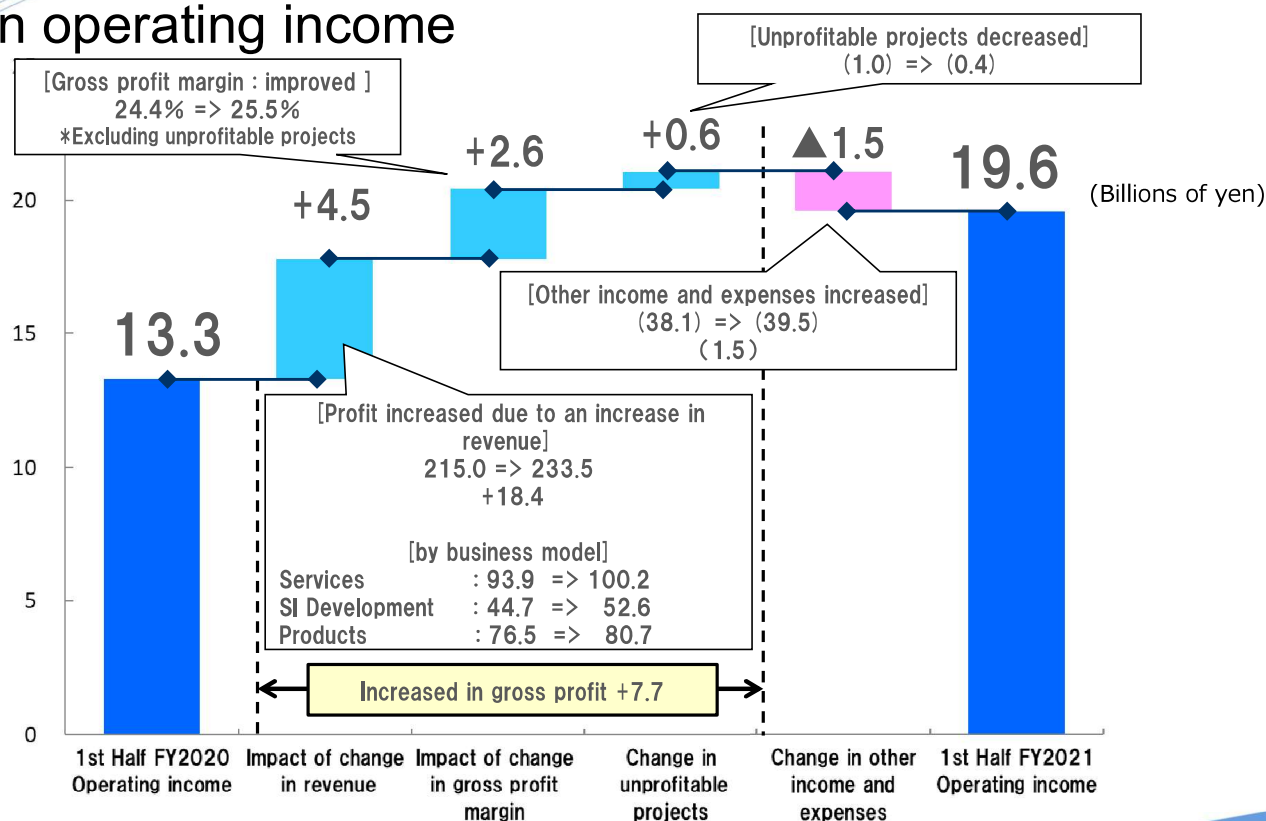
■ Others*

- Improved by the impacts of office relocation. On the other hand, the increase in some costs since sales activities that had been shrinking due to the impacts of COVID-19 have resumed.

*The impact of office relocation is divided into "depreciation and amortization" and "others", but the net impact is slight.

Main reasons for YoY changes in operating income

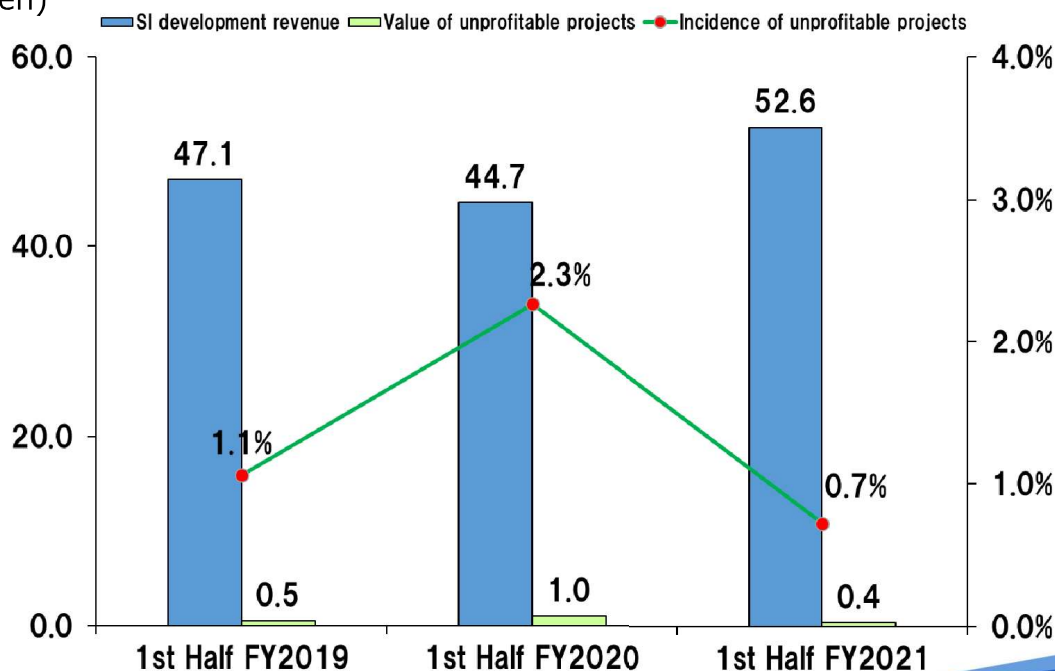
1st Half FY2021



Revenue and unprofitable projects in SI development The ratio of unprofitable projects to SI development revenue declined.

1st Half FY2021

(Billions of yen)



For reference : Performance

(Billions of yen)

	2nd Quarter FY2020 Results	2nd Quarter FY2021 Results	YoY change	YoY change (%)
Revenue	111.0	124.9	+13.9	+12.5%
Gross profit	26.4	31.6	+5.2	+19.8%
Gross profit margin	23.8%	25.3%	+1.5p	-
Other income and expenses	(18.9)	(19.7)	(0.8)	+4.0%
Operating income	7.5	11.9	+4.5	+59.8%
Operating income margin	6.7%	9.6%	+2.9p	-
Net profit attributable to CTC's shareholders	5.1	8.7	+3.5	+68.6%
Orders received	120.2	131.3	+11.1	+9.2%
Backlogs	273.3	325.9	+52.6	+19.2%

■ Revenue

- Remained in good shape in several industries including manufacture, pharmacy, telecoms, social infrastructure and finance.

■ Gross profit

- Rose because profitability improved by the reason below in addition to the increase in revenue.
 - The control of unprofitable projects
 - The spread of measures to improve profitability which had been conducted by management
 - The promotion of acquiring high-value-added projects and multiplex projects, etc.
- Gross profit margin improved by +0.8p(YOY) excluding unprofitable projects.

■ Other income and expenses

- SG&A increased, mainly reflecting the rise in personnel expenses.

■ Operating income/ Net profit attributable to CTC's shareholders

- Massive increase due to the rise in gross profit despite the increase in other income and expenses.

■ Backlogs

- Acquired projects for the wide range of industries such as manufacture, distribution, public offices and finance.
- The overseas consolidated subsidiaries particularly in ASEAN region are at the favorable condition.

For reference : Performance by business groups/business model

(Billions of yen)

		Orders received			Revenue			Backlogs		
		2nd Quarter (3months) FY2020 Results	2nd Quarter (3months) FY2021 Results	YoY Change	2nd Quarter (3months) FY2020 Results	2nd Quarter (3months) FY2021 Results	YoY Change	2nd Quarter (3months) FY2020 Results	2nd Quarter (3months) FY2021 Results	YoY Change
By business group	Enterprise	25.4	31.0	+5.6	25.1	28.2	+3.2	64.4	76.5	+12.1
	Distribution	10.7	10.6	(0.1)	11.6	11.4	(0.2)	24.1	25.9	+1.8
	Telecommuni- cation	48.6	43.1	(5.5)	37.6	43.0	+5.4	88.6	113.4	+24.9
	Regional & Social Infrastructure	20.1	20.5	+0.4	14.5	18.6	+4.0	53.1	57.9	+4.8
	Financial Services	5.5	9.5	+4.1	6.1	8.4	+2.2	19.5	20.0	+0.5
	Others	10.0	16.7	+6.7	16.1	15.4	(0.7)	23.7	32.1	+8.4
	Total	120.2	131.3	+11.1	111.0	124.9	+13.9	273.3	325.9	+52.6
By business model	Services	39.1	40.5	+1.4	47.1	50.9	+3.8	176.2	195.4	+19.2
	SI Development	30.8	32.6	+1.8	24.1	27.9	+3.8	34.8	43.6	+8.8
	Products	50.4	58.3	+7.9	39.8	46.1	+6.3	62.4	86.9	+24.6
	Total	120.2	131.3	+11.1	111.0	124.9	+13.9	273.3	325.9	+52.6

<Performance by Business Groups>

■ Enterprise

- Orders : increased primarily for infrastructure projects at manufacturing industry.
- Revenue: rose by infrastructure projects for manufacturing and pharmaceutical industry.

■ Distribution

- Orders : were roughly on a par with the previous fiscal year ultimately, due to the rise of SI development for distribution industry which recover the reaction decrease of projects at food wholesale and credit card companies.
- Revenue : were roughly on a par with the previous fiscal year.

■ Telecommunication

- Orders : declined because of reactionary fall of large-scale infrastructure projects for telecom companies, and reduction of 5G related projects.
- Revenue : increased primarily for the 5G related projects and infrastructure projects.

■ Regional & Social infrastructure

- Orders : were roughly on a par with the previous fiscal year due to the rise of infrastructure-building and operation for public offices which made up for the reactionary fall of infrastructure projects for social infrastructure.
- Revenue: increased chiefly from infrastructure projects for social infrastructure.

■ Finance

- Orders/Revenue: rose due to products resales, maintenance, operation and infrastructure for banks.

■ Others

- Orders : increased chiefly from services and infrastructure projects at overseas consolidated subsidiaries in Singapore, Malaysia and US.
- Revenue: declined by reactionary fall from infrastructure projects at overseas consolidated subsidiaries in US.

<Performance by Business Models>

■ Services

- Orders : rose due to infrastructure-building and maintenance for manufacturing industry and public offices, and infrastructure projects at overseas consolidated subsidiaries.
- Revenue: increased mainly from 5G related projects for telecoms.

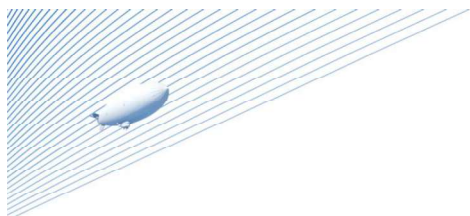
■ SI Development

- Orders : rose particularly from infrastructure-building for manufacturing, distribution industry and public offices despite of reactionary fall of 5G related projects for telecom companies.
- Revenue: increased particularly from SI development for telecoms and transportation companies.

■ Products

- Orders : increased from projects at banks and overseas consolidated subsidiaries in spite of decline of projects for social infrastructure.
- Revenue: rose primarily for 5G related projects at telecoms company and infrastructure projects at social infrastructure.

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For reference :
Breakdown of “Other income and expenses”

(Billions of yen)

		2nd Quarter (3months) FY2020 Results	2nd Quarter (3months) FY2021 Results	YoY change
SG&A expenses	Personnel expenses	(11.2)	(11.7)	(0.4)
	Outside staff expenses	(1.9)	(1.8)	+0.0
	Depreciation and amortization	(1.7)	(1.8)	(0.1)
	Others	(4.3)	(4.5)	(0.2)
		(19.2)	(19.8)	(0.7)
Other income		0.4	0.2	(0.2)
Other expenses		(0.1)	(0.0)	+0.1
Other income and expenses		(18.9)	(19.7)	(0.8)

■ Personnel expenses

- Increased ultimately due to the rise in number of employees, salaries and performance-linked bonuses despite reductive effect by improving the utilization rate of system engineers.

■ Outside staff expenses

- Declined by improving the utilization rate in spite of the rise in number of outside staff.

■ Depreciation and amortization

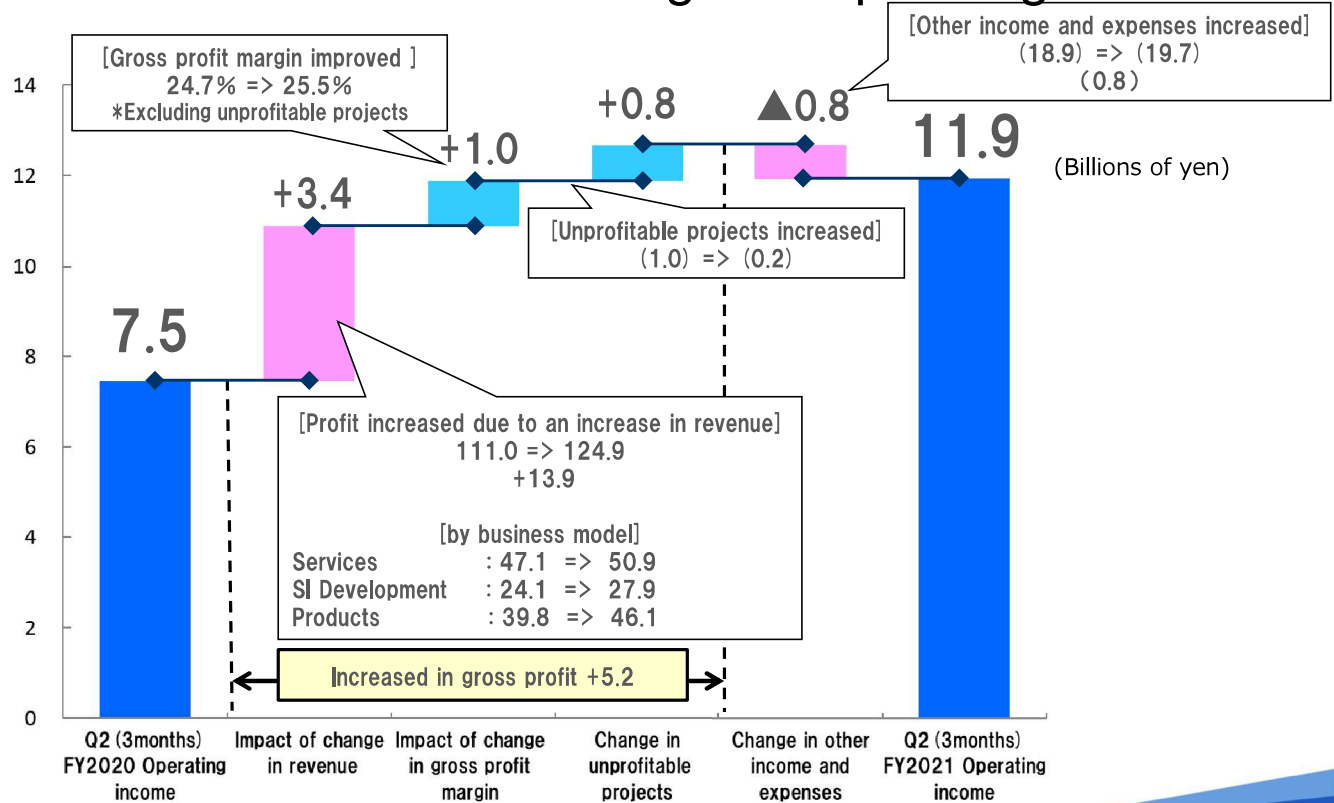
- Rose mainly for amortization of fixed assets due to the office relocation.

■ Others

- Increased in some costs since sales activities that had been shrinking due to the impacts of COVID-19 have resumed.

For reference :

Main reasons for YoY changes in operating income



I

FY2021 1st Half Operating Results

II

Progress of Medium-Term Management Plan

III

FY2021 Forecasts

Beyond the Horizons

 To the Future Ahead

Accelerate

Create future wealth

Accelerate new initiatives that support customers' innovation

Expand

Expand current wealth

Further exploration and market expansion in strong areas

Upgrade

Increase feasibility

Practicing self-improvement with a view to the future

Priority Scenarios of the new Medium-Term Management Plan

Accelerate

Create future wealth

Customer operations, customer businesses, and DX in people's daily lives

Community building and expanding business co-creation

Providing high value-added services and advanced technologies

Expand

Expand current wealth

5G business expansion based on "creation"

Strengthening XaaS businesses

Global expansion of domestic business models

Upgrade

Increase feasibility

Strengthening overall capabilities by combining individual growth and the right person in the right place

Management infrastructure reform to adapt to changes in the environment

Co-existence with various stakeholders

1st Half Review

Accelerate

Create future wealth

Accelerate new initiatives that support customers' innovation

Priority Scenarios	1st Half Highlights
Customer operations, customer businesses, and DX in people's daily lives	<ul style="list-style-type: none"> • Acquired data analysis/utilization platform projects • Created business in new domains
Community building and expanding business co-creation	<ul style="list-style-type: none"> • Established joint ventures to open up promising markets • Acquired projects through collaboration with clients
Providing high value-added services and advanced technologies	<ul style="list-style-type: none"> • Advanced projects in the consulting domain • Enhanced services for the acquisition of O-RAN projects

1st Half Review

Expand

Expand current wealth

Further exploration and market expansion in strong areas

Priority Scenarios	1st Half Highlights
5G business expansion based on "creation"	<ul style="list-style-type: none"> • Steadily received and fulfilled orders for 5G-related projects • Supported local 5G • Stepped up initiatives for "Beyond 5G"
Strengthening XaaS businesses	<ul style="list-style-type: none"> • Implement the OneCUVIC strategy
Global expansion of domestic business models	<ul style="list-style-type: none"> • Rolled out ERP and infrastructure platform overseas

1st Half Review

Upgrade

Increase feasibility

Practicing self-improvement with
a view to the future

Priority Scenarios

Strengthening overall capabilities by combining individual growth and the right person in the right place

Management infrastructure reform to adapt to changes in the environment

Co-existence with various stakeholders

1st Half Highlights

- Formulated basic concepts of human resources strategy
- Completed transfer and integration of CTC Group head office functions
- Established framework for Business Process Transformation
- Prepared for selection of Prime Market
- Implemented specific measures to promote diversity



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TOPIC

Accelerate

Create future wealth

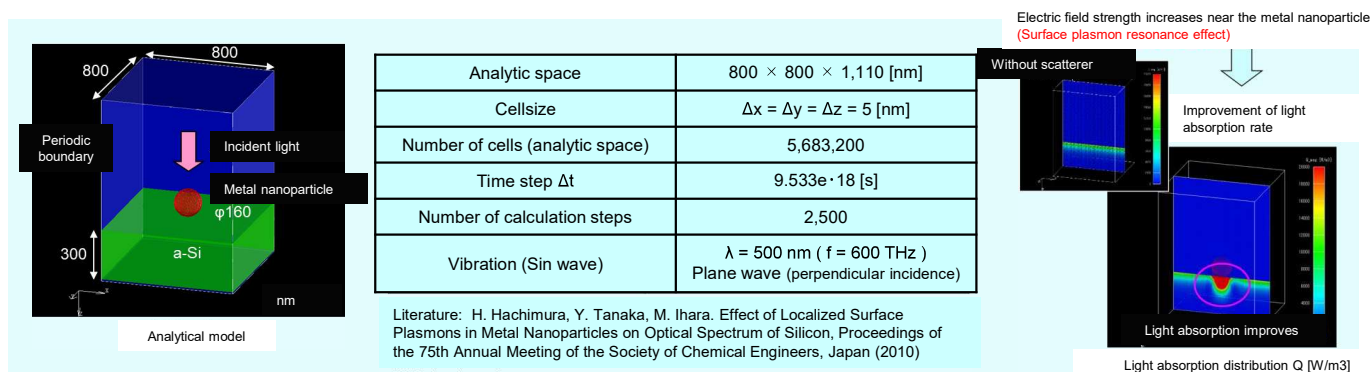
Hydrogen Infrastructure Simulation Service

*See press release for details. (Japanese Only)

<https://www.ctc-g.co.jp/company/release/20211025-01364.html>

CTC will contribute to decarbonization by promoting the use of hydrogen, which is attracting increasing attention. Involved for many years in CAE analysis such as fluid mechanics and structural analysis, and prediction of the amount of power generated by renewable energy, CTC is now delivering the simulation technology it provides to leading manufacturers as a service.

- Provision of simulation service relating to the production, transport, storage and use of hydrogen (including support for hydrogen tank design, support for prediction of amount of hydrogen generated, and support for client system design)



Example of simulation for efficiency improvement of solar power for the sake of hydrogen production



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TOPIC

Accelerate

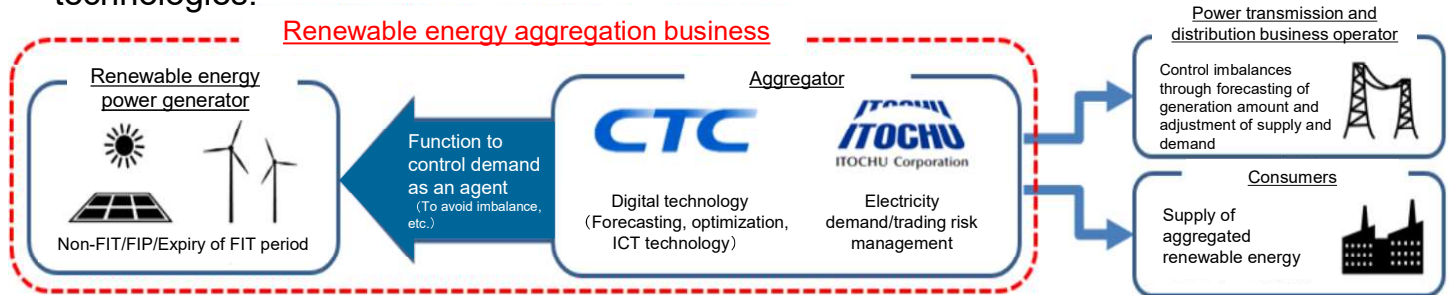
Create future wealth

< Collaborative Creation with Clients > Renewable Energy Aggregation Service

*See press release for details. (Japanese Only)

<https://www.ctc-g.co.jp/company/release/20211015-01358.html>

To make renewable energy the main source of electricity in order to realize decarbonized society, ITOCHU Corporation and CTC started a demonstration experiment of an electricity supply and demand control service, which combines each other's knowledge of electricity supply and demand control and their expertise in power generation amount forecasting and optimization technologies, ICT and other digital technologies.



TOPIC

Expand

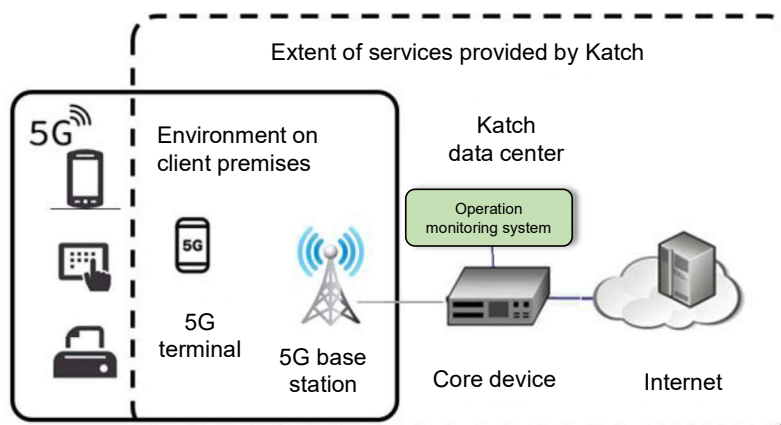
Expand current wealth

Local 5G Network Service

*See press release for details. (Japanese Only)



<https://www.ctc-g.co.jp/company/release/20210416-01291.html>

Local 5G environment in collaboration with Katch Network, Inc., a cable TV service provider in the Chubu region, enabling clients in the manufacturing industry to realize remote operations using augmented reality (AR) technology and labor-savings and automation at plants in the future.



For reference: Overview of Business Activities

Leveraging strong global partnerships, we provide systems based on a wide array of technologies to a broad range of customers

Category	Relevant organizations	Territory (Number of customers)	Business activities	Share of FY2020 sales
Enterprise 	<ul style="list-style-type: none"> ■ Enterprise Business Group ■ Distribution Business Group 	Manufacturing, transport, retail, pharmaceutical, construction, entertainment, etc. (Approx. 9,000 companies)	<ul style="list-style-type: none"> • Infrastructure /Network construction • Mission-critical system development • Business-specific applications/Development • Analysis/Simulation 	35%
Telecomm- unication 	<ul style="list-style-type: none"> ■ Telecommunication Group 	telecommunication carriers, ISP, media, etc. (Approx. 500 companies)	<ul style="list-style-type: none"> • Large-scale telecommunication network construction • Service platform infrastructure/Application development • Collaboration/Collaborative creation with carriers 	37% <small>Approx. half of which is telecommunication NW business</small>
Infrastruc- ture and Others Inc. regional/overseas	<ul style="list-style-type: none"> ■ Regional and Social Infrastructure Business Group ■ Financial Services Group ■ Domestic and foreign non-financial companies, etc. 	Public offices, public utilities, financial institutions, energy companies, railway companies, regional enterprises, overseas enterprises, etc. (Approx. 1,500 companies)	<ul style="list-style-type: none"> • Infrastructure /Network construction • Large-scale shared platform construction • Financial market/Risk application development 	28%

I

FY2021 1st Half

Operating Results

II

Progress of Medium-Term Management Plan

III

FY2021

Forecasts

Full-Year Forecast for FY2021

Unchanged from the forecast at the beginning of FY 2021.

(Billions of yen)

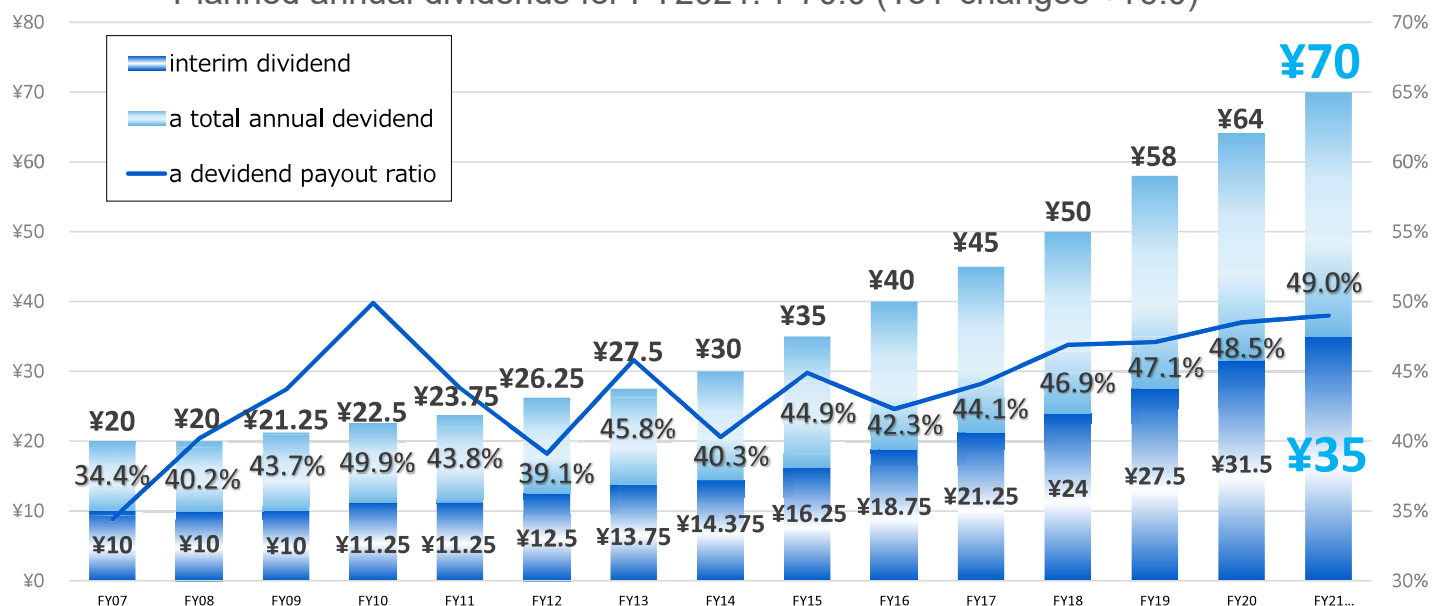
	FY2020 Results	FY2021 Forecast	YoY change	YoY change (%)
Revenue	479.9	520.0	+40.1	+8.4%
Gross profit	121.5	132.0	+10.5	+8.7%
Gross profit margin	25.3%	25.4%	+0.1p	-
Other income and expenses	(77.8)	(83.5)	(5.7)	+7.3%
Operating income	43.6	48.5	+4.9	+11.2%
Operating income margin	9.1%	9.3%	+0.2p	-
Net profit attributable to CTC's shareholders	30.5	33.0	+2.5	+8.2%
Orders received	522.5	535.0	+12.5	+2.4%
Backlogs	314.9	329.9	+15.0	+4.8%

Shareholder Return Plan

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

Interim dividends for FY2021 : ¥ 35.0 (YoY changes +¥3.5)

Planned annual dividends for FY2021: ¥ 70.0 (YoY changes +¥6.0)



*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.

*The dividend payout ratio in the above graph is shown by rounding off the first decimal place.



Beyond the Horizons



To the Future Ahead

CTC

Challenging Tomorrow's Changes

- 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.
- 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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