

Announcement of 3rd Quarter Operating Results for the Fiscal Year Ending March 31, 2022

February 1, 2022

ITOCHU Techno-Solutions Corporation



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Summary

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

- ◆ GPM and OPM reached record highs after applying IFRS in 2013.
 - ◆ OPM reached record highs even if excluding temporary profit(*).
- * Gain on the sale of data centers.

Expanded the business with
“Technology and Waza (Unique Skillset) ”
by capturing the demand for digitalization and
DX in a wide range of fields and industries.

Performance for the 3rd quarter (9 months) of FY2021

(Billions of yen)

	3rd Quarter (9months) FY2020 Results	3rd Quarter (9months) FY2021 Results	YoY change	YoY change (%)
Revenue	330.9	359.0	+28.2	+8.5%
Gross profit	80.8	91.0	+10.2	+12.6%
Gross profit margin	24.4%	25.3%	+0.9p	-
Other income and expenses	(57.9)	(56.1)	+1.7	(3.0%)
Operating income	23.0	34.9 *	+11.9	+51.9%
Operating income margin	6.9%	9.7% *	+2.8p	-
Net profit attributable to CTC's shareholders	15.9	24.7 *	+8.8	+55.4%
Orders received	340.1	366.9	+26.8	+7.9%
Backlogs	281.5	322.8	+41.2	+14.7%

* Performance excluding the gain on the sale of data centers (Operating income: +4.1 billions of yen/ Net profit attributable to CTC's shareholders: +2.8 billions of yen) included in "Other income and expenses"

• Operating income: 30.8 billions of yen (YoY Change: +34.1%)

• Operating income margin: 8.6% (YoY Change: +1.7P)

• Net profit attributable to CTC's shareholders: 21.8 billions of yen (YoY Change: +37.6%)



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■ Revenue

- Overseas consolidated subsidiaries in Singapore and Malaysia were in good shape, in addition to several fields including manufacturing, transportation, public offices, construction, pharmacy, distribution, telecommunications, social infrastructure and finance, etc.

■ Gross profit

- Increased for the rise of profitability in addition to the increase in revenue.
 - < Measures to increase profitability >
 - The promotion of acquiring high-value-added projects and multiplex projects.
 - The spread of measures to improve profitability which had been conducted by management.
 - The control of unprofitable projects, etc.
- Gross profit margin improved by +0.7p(YoY) excluding unprofitable projects.

■ Other income and expenses

- SG&A increased mainly reflecting the rise in personnel expenses and office relocation cost. On the other hand, other income rose due to the gain on the sale of data centers.

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

- Increased due to the rise in gross profit and the fall in other income and expenses.

■ Order received

- The projects at overseas consolidated subsidiaries in Singapore, Malaysia and US were at the favorable condition in addition to projects for the various fields such as manufacturing industry, public offices, construction, pharmacy, distribution and finance, etc.

■ Backlogs

- Kept as high level as at 1st Half end.

Performance by business groups for the 3rd quarter (9 months) of FY2021

(Billions of yen)

	Orders received			Revenue			Backlogs		
	3rd Quarter (9months) FY2020 Results	3rd Quarter (9months) FY2021 Results	YoY Change	3rd Quarter (9months) FY2020 Results	3rd Quarter (9months) FY2021 Results	YoY Change	3rd Quarter (9months) FY2020 Results	3rd Quarter (9months) FY2021 Results	YoY Change
Enterprise	76.1	88.4	+12.4	77.2	84.8	+7.6	64.7	77.7	+12.9
Distribution	29.2	29.7	+0.5	34.8	34.9	+0.1	22.4	25.0	+2.6
Telecommunication	135.9	122.7	(13.2)	115.6	122.8	+7.2	101.0	109.9	+8.9
Regional & Social Infrastructure	48.8	54.5	+5.6	43.1	48.5	+5.4	53.0	60.0	+7.0
Financial Services	15.6	19.9	+4.4	17.4	20.9	+3.5	17.9	18.8	+0.9
Others	34.5	51.7	+17.1	42.7	47.1	+4.4	22.6	31.5	+8.9
Total	340.1	366.9	+26.8	330.9	359.0	+28.2	281.5	322.8	+41.2

■ Enterprise: DX-related projects for diverse industries were active. Will continue to get on a growth trajectory with the theme of DX.

- Orders : increased primarily for projects related to infrastructure and data analysis at a wide range of industry.
- Revenue: rose because of infrastructure projects and data analysis platform projects at manufacturing industry, construction and pharmacy.

■ Distribution: Differed with clients, but steady performance overall. Promoting initiatives related ESG newly.

- Orders/Revenue: were roughly on a par with the previous fiscal year ultimately by reflecting the reactionary fall of core hosts renewal projects despite good performance from data utilization and core system development.

■ Telecommunication: Keep growing in both network and non-network business, although orders declined due to reactionary fall 5G-related projects.

- Orders : decreased due to reactionary fall of 5G-related projects despite the rise of collaborative business with telecoms companies.
- Revenue: increased primarily for the 5G-related projects and infrastructure projects at telecoms companies.

■ Regional & Social infrastructure: Continued good performance with the investment theme of DX and digital government in many fields including public offices, municipalities and local companies.

- Orders : rose with infrastructure-building and operation for public offices, SI development for public utilities.
- Revenue: increased from infrastructure projects for social infrastructure and other network-building projects.

■ Financial Services: Good performance mainly due to major banks and online banks. Will aim at infrastructure and new areas derived from our strengths in market and risk management systems.

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

■ Others: Differed with countries, but good performance in total. Uncertainty about the impacts of COVID-19 remains.

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

Performance by business model for the 3rd quarter (9 months) of FY2021

(Billions of yen)

	Orders received			Revenue			Backlogs		
	3rd Quarter (9months) FY2020 Results	3rd Quarter (9months) FY2021 Results	YoY Change	3rd Quarter (9months) FY2020 Results	3rd Quarter (9months) FY2021 Results	YoY Change	3rd Quarter (9months) FY2020 Results	3rd Quarter (9months) FY2021 Results	YoY Change
Services	110.7 (32.5%)	117.3 (31.9%)	+6.6	142.7 (43.1%)	153.0 (42.6%)	+10.3	165.2 (58.7%)	180.2 (55.8%)	+15.0
SI Development	82.9 (24.4%)	87.6 (23.9%)	+4.6	71.2 (21.5%)	83.8 (23.4%)	+12.7	39.0 (13.8%)	40.7 (12.6%)	+1.7
Products	146.5 (43.1%)	162.1 (44.2%)	+15.6	117.0 (35.4%)	122.2 (34.0%)	+5.2	77.3 (27.5%)	101.9 (31.6%)	+24.6
Total	340.1	366.9	+26.8	330.9	359.0	+28.2	281.5	322.8	+41.2

* Percentage shows composition ratio



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■ Services

- Orders/Revenue : rose due to cloud and service for manufacturing industry, network maintenance and operation for public offices.

■ SI Development

- Orders : rose particularly from application development for logistics, distribution industry and public utilities and infrastructure-building for public offices.
- Revenue: increased particularly from application development for logistics, distribution industry and public utilities, and infrastructure-building for telecoms companies.

■ Products

- Orders : increased in hardware and software for manufacturing industry and overseas consolidated subsidiaries, although declined by the reactionary fall of 5G-related projects for telecoms companies.
- Revenue: rose because of infrastructure projects at telecoms industry, social infrastructure, finance and overseas consolidated subsidiaries.

※The impact of semiconductor shortage was minor despite delays in delivery, etc.

Breakdown of “Other income and expenses” for the 3rd quarter (9 months) of FY2021

(Billions of yen)

		3rd Quarter (9months) FY2020 Results	3rd Quarter (9months) FY2021 Results	YoY Change
SG&A expenses	Personnel expenses	(35.2)	(36.5)	(1.4)
	Outside staff expenses	(5.6)	(5.6)	+0.0
	Depreciation and amortization	(5.0)	(6.5)	(1.5)
	Others	(12.5)	(12.2)	+0.4
		(58.3)	(60.8)	(2.5)
	Other income	0.7	4.8*	+4.1
	Other expenses	(0.2)	(0.1)	+0.1
	Other income and expenses	(57.9)	(56.1)	+1.7

*Including the gain on the sale of data centers : +4.1 billions of yen

<SG&A expenses>

■ 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.

■ Depreciation and amortization

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

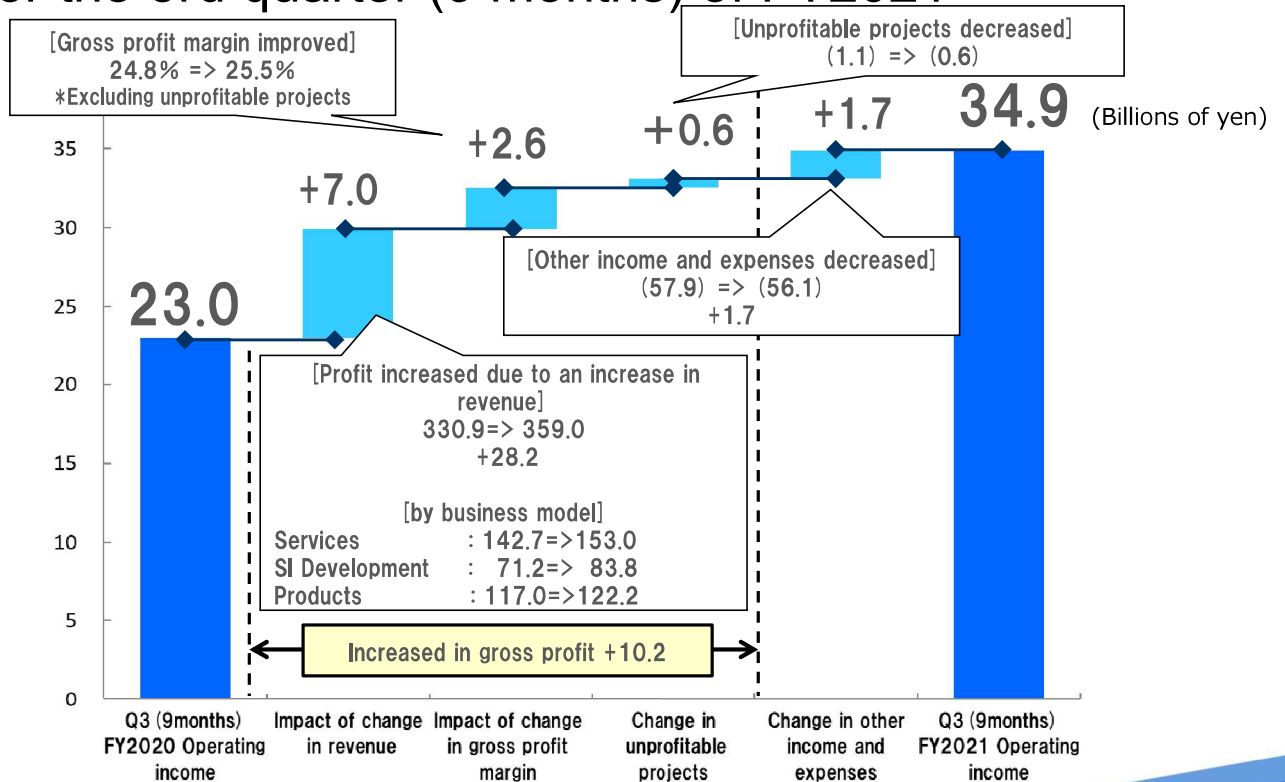
■ Others

➢ Improved because the profit of office relocation is included, despite the increase in some costs since sales activities that had been shrinking due to the impacts of COVID-19 have resumed.

<Other income>

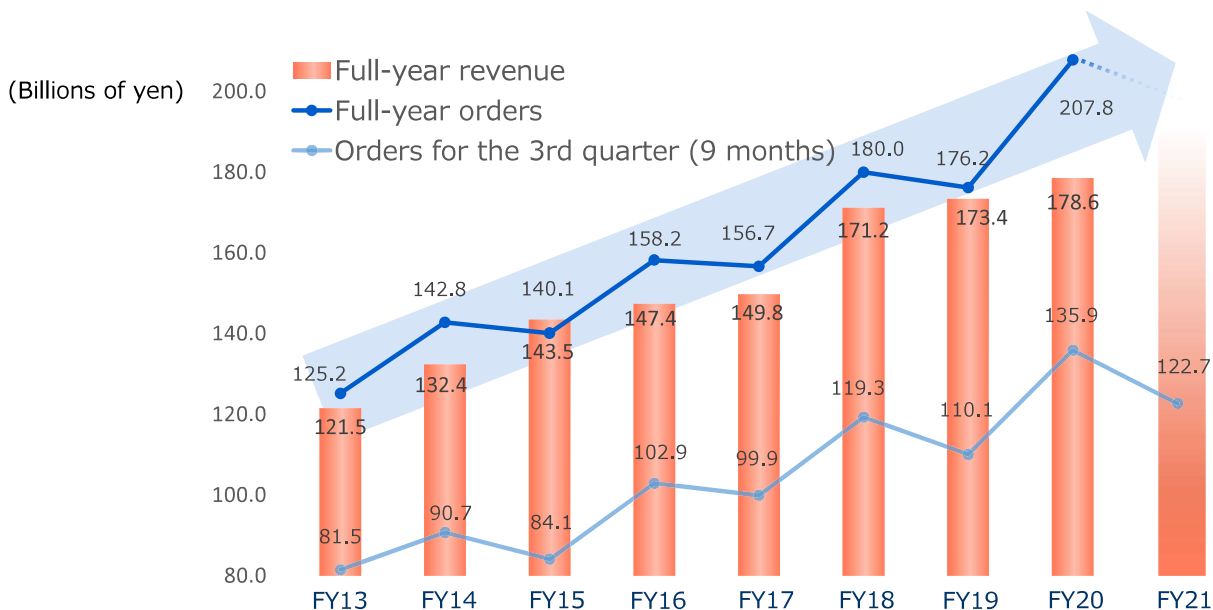
➢ Rose by the gain on the sale of data centers.

Main reasons for YoY changes in operating income for the 3rd quarter (9 months) of FY2021



For reference : Historical data of orders and revenue in Telecommunication Group

Orders in the Telecommunication Group had grown steadily with repeated increases and slight decreases.



Performance for the 3rd quarter(3 months) of FY2021

(Billions of yen)

	3rd Quarter (3months) FY2020 Results	3rd Quarter (3months) FY2021 Results	YoY change	YoY change (%)
Revenue	115.8	125.6	+9.7	+8.4%
Gross profit	29.5	31.9	+2.4	+8.2%
Gross profit margin	25.4%	25.4%	+0.0p	-
Other income and expenses	(19.8)	(16.6)	+3.2	(16.1%)
Operating income	9.6	15.3 *	+5.6	+58.3%
Operating income margin	8.3%	12.2% *	+3.9p	-
Net profit attributable to CTC's shareholders	6.6	10.6 *	+4.0	+59.7%
Orders received	124.0	122.5	(1.6)	(1.3%)
Backlogs	281.5	322.8	+41.2	+14.7%

* Performance excluding the gain on the sale of data centers(Operating income: +4.1 billions of yen/ Net profit attributable to CTC's shareholders: +2.8 billions of yen) included in "Other income and expenses"

• Operating income: 11.2 billions of yen (YoY Change: +16.0%)

• Operating income margin: 8.9% (YoY Change: +0.6P)

• Net profit attributable to CTC's shareholders: 7.8 billions of yen (YoY Change: +17.1%)



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■ Revenue

- Remained in good shape in several fields including manufacture, transportation, public offices, distribution and public utilities.

■ Gross profit

- Rose for increase in revenue.
- Gross profit margin kept high level.

■ Other income and expenses

- SG&A increased mainly reflecting the rise in personnel expenses and office relocation cost, on the other hand other income rose due to the gain on the sale of data centers.

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

- Increased due to the rise in gross profit and the fall in other income and expenses.

■ Backlogs

- The projects at overseas consolidated subsidiaries in Singapore, Malaysia and US were at the favorable condition, in addition to projects for the wide range of industries such as manufacturing, public offices, distribution, transportation, and finance. However, backlogs decreased by the reactionary fall of the 5G-related projects ultimately.

For reference : Performance by business groups/business model for the 3rd quarter (3 months) of FY2021

(Billions of yen)

		Orders received			Revenue		
		3rd Quarter (3months) FY2020 Results	3rd Quarter (3months) FY2021 Results	YoY Change	3rd Quarter (3months) FY2020 Results	3rd Quarter (3months) FY2021 Results	YoY Change
By business group	Enterprise	26.8	32.0	+5.2	26.5	30.9	+4.4
	Distribution	10.1	11.0	+0.9	11.9	12.0	+0.1
	Telecommunication	55.7	39.4	(16.3)	43.2	43.0	(0.3)
	Regional & Social Infrastructure	14.0	17.0	+2.9	14.1	14.9	+0.8
	Financial Services	4.5	5.4	+0.9	6.1	6.6	+0.5
	Others	12.9	17.7	+4.8	14.0	18.3	+4.2
	Total	124.0	122.5	(1.6)	115.8	125.6	+9.7
By business model	Services	37.8	37.7	(0.2)	48.8	52.8	+4.0
	SI Development	30.7	28.3	(2.4)	26.5	31.3	+4.8
	Products	55.5	56.4	+1.0	40.5	41.5	+1.0
	Total	124.0	122.5	(1.6)	115.8	125.6	+9.7

<Performance by Business Groups>

■ Enterprise

Orders increased primarily for infrastructure projects and data analysis platform at manufacturing industry and public offices. Revenue rose by infrastructure projects for manufacturing industry.

■ Distribution

Orders rose mainly for SI development and data analysis platform for trading companies, and infrastructure for finance. Revenue were roughly on a par with the previous fiscal year.

■ Telecommunication

Orders declined by reactionary fall of the 5G-related projects for telecom companies. Revenue were roughly on a par with the previous fiscal year.

■ Regional & Social infrastructure

Orders rose mainly by infrastructure projects at public utilities. Revenue increased chiefly from maintenance and operation for public offices.

■ Finance

Orders rose mainly due to infrastructure projects for government financial institutions. Revenue rose primarily for infrastructure projects for banks.

■ Others

Orders increased chiefly from services and infrastructure projects at overseas consolidated subsidiaries in Singapore, Malaysia and US. Revenue rose chiefly from infrastructure projects at overseas consolidated subsidiaries in Singapore and Malaysia.

<Performance by Business Models>

■ Services

Orders were roughly on a par with the previous fiscal year by increase of network maintenance and operation for public offices and cloud projects at public utilities, despite of reactionary fall of infrastructure services at overseas consolidated subsidiaries.

Revenue increased mainly from infrastructure service at overseas consolidated subsidiaries.

■ SI Development

Orders declined particularly from reactionary fall of 5G-related projects for telecom companies and SI development for railway companies.

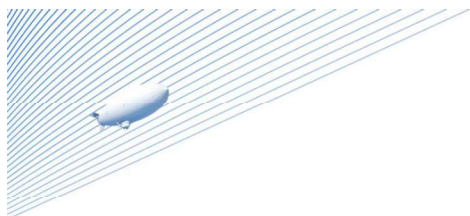
Revenue increased particularly from infrastructure projects for logistics companies, public offices and telecoms companies.

■ Products

Orders rose due to infrastructure projects at manufacturing companies and overseas consolidated subsidiaries ultimately despite the reactionary fall of 5G-related projects for telecoms companies.

Revenue increased from infrastructure projects at manufacturing companies and overseas consolidated subsidiaries.

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For reference : Breakdown of “Other income and expenses” for the 3rd quarter (3 months) of FY2021

(Billions of yen)

		3rd Quarter (3months) FY2020	3rd Quarter (3months) FY2021	YoY change
SG&A expenses	Personnel expenses	(12.3)	(12.8)	(0.6)
	Outside staff expenses	(1.7)	(1.8)	(0.1)
	Depreciation and amortization	(1.7)	(1.8)	(0.1)
	Others	(4.3)	(4.6)	(0.3)
		(19.9)	(21.1)	(1.1)
Other income		0.2	4.5 *	+4.3
Other expenses		(0.1)	(0.0)	+0.0
Other income and expenses		(19.8)	(16.6)	+3.2

*Including the gain on the sale of data centers : +4.1 billions of yen

<SG&A expenses>

■ 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.

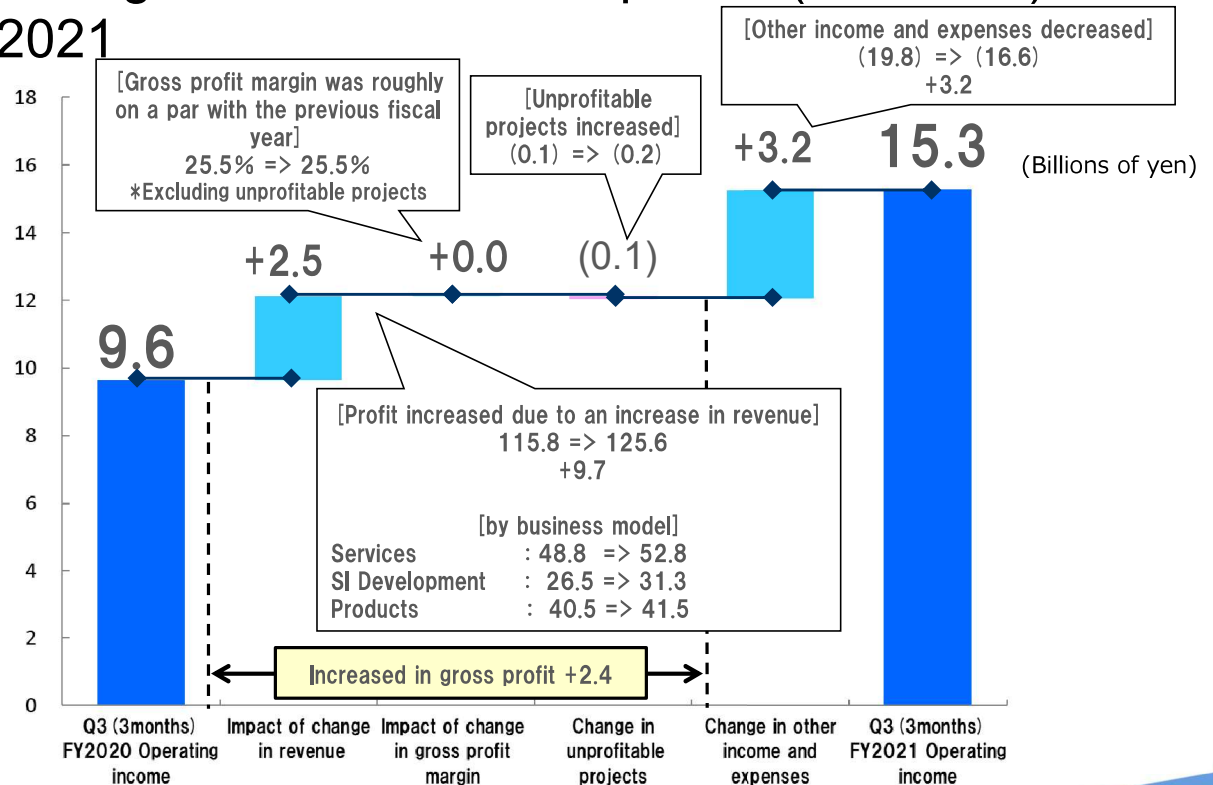
■ Others

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

<Other income>

➢ Rose by the gain on the sale of data centers.

For reference : Main reasons for YoY changes in operating income for the 3rd quarter (3 months) of FY2021



Beyond the Horizons

その先の未来へ