

Summary of Q&A at Announcement of Operating Results for the Fiscal Year Ended March 31, 2022

Date/Time: April 28, 2022 (Thursday) 2:00 p.m. - 3:10 p.m

Presenters: Ichiro Tsuge, President & CEO

Hisashi Eda, Senior Managing Executive Officer, CTO and Director

Mamoru Seki, Managing Executive Officer, CFO and Director

Tadataka Okubo, Senior Managing Executive Officer

Q: What was the impact of the semiconductor shortage? Will the semiconductor supply recover in fiscal 2022?

A: It had an impact of reducing sales by 16 billion yen. It consists of around 14 billion yen in sales that have shifted to fiscal 2022 and approximately 2 billion yen that was lost.

We do not expect the situation to drastically change for the better in fiscal 2022.

Q: When you announced results for Q3 of FY2021, you reported that orders worth 10 billion yen could possibly be postponed because of the semiconductor shortage. However, for Q4 of FY2021 (January to March 2022), the Telecommunication Group gained more orders than expected.

Did it receive other projects?

A: The semiconductor shortage had an impact worth around 4 billion yen on orders. This impact was smaller than forecast.

Q: What was behind the decline in gross profit margin for Q4 of FY2021 (January to March 2022)? Will it continue to impact the figure?

A: The main reason is that the entire increase in expenses for performance-based bonuses was recorded in Q4 after full-year results were higher than planned at the beginning of the fiscal year. Excluding this factor, the gross margin was down slightly as a result of a reactionary fall after a high-profitability project in the previous fiscal year.

For FY2022, we have set a target of increasing profit and accordingly we will further increase bonuses. However, we will record them evenly around the year. If results are as planned, they will not be concentrated in Q4.

Q: What explains the impairment recorded by the operating company in Indonesia whereas overseas businesses as a whole showed growth?

A: In the overseas business, group companies in Singapore, Malaysia and the United States delivering strong results. Meanwhile, the company in Indonesia was heavily affected by COVID-19. That does not mean that its earnings strength declined. Its major clients are in the government sector. They prioritized economic measures and the number of projects put out to tender decreased. The impairment was a result of our conservative forecast in a

situation where a rapid recovery is not expected.

Q: What explains the increase in capital expenditure of around 30 billion yen compared with the previous year?

A: The increase resulted from the leasing of new office space and equipment related to that. According to IFRS 16, future office rents must be recognized as capital expenditures.

Q: What is your position on dividends?

A: We regard commemorative dividends as different from ordinary dividends. We continue increasing ordinary dividends. However, we are not wedded to the concept of continual dividend increases itself. We will pay solid dividends by achieving strong results.

Q: Does the forecast take into account a deterioration of the macroeconomic circumstances? What action will you take in the case of the deterioration?

A: It is difficult to quantify its impact. If we make good progress, we may achieve the target ahead of schedule. However, in light of the current situation, it is not easy. We do not set any target that would require unreasonable efforts. Amid the uncertainty, it is important to review what we are doing and to determine the order of priority of what to do. Strengthening our financial standing is also important, but we have a good financial position at the moment, and as such we do not have concerns about this. We will pay close attention to customers' business conditions and take action.

Q: Is there any concern about a further deterioration in the situation from the conservative outlook?

A: We do not expect our businesses to contract further.

Q: Will there be any reactionary fall in H1 of FY2022 after large projects?

A: There were several large projects that may lead to a reactionary fall. We will make up for it with other projects with the aim of achieving overall growth.

Q: What is the growth rate by business group for FY2022

A: We do not expect any specific business group to drive the results. Instead, we will seek growth overall.

Rough projections of growth rates are as follows.

Enterprise: Mid to high single-digit percent in orders and around 10% in revenue

Distribution: Around 5% in orders and mid to high single-digit percent in revenue

Telecommunication: Mid to high single-digit percent in orders and around 5% in revenue

Regional & Social Infrastructure: Around 5% in both orders and revenue

Financial Services: Around 10% in both orders and revenue

Q: In light of the rough projection of growth in orders for FY2022 by business group that you have just explained, the overall growth rate sounds low. Does it take risks into account on the whole?

A: That is correct. Risks are taken into account to some extent in consideration of uncertainties in overseas businesses and the risks of external circumstances.

Q: ITOCHU Corporation additionally bought CTC's shares. What is behind this move?

A: That is out of our control and we are not in a position to comment on that.