

Operating Results for the 1st Quarter of Fiscal Year Ending March 31, 2023

August 3, 2022
ITOCHU Techno-Solutions Corporation



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Summary

◆Revenue, gross profit, orders received and backlog reached record highs

Revenue, gross profit, orders received and backlog all rose primarily from increases of DX and Cloud computing in various fields including the Enterprise, Regional & Social Infrastructure and Financial Services Groups despite a decrease in orders received in the Telecommunication Group.

◆Maintained the second only to the previous year's record high Q1 performance in operating income and subsequent income items despite YoY falls in these items

The YoY falls were attributable to a rise in SG&A expenses from personnel expense growth largely due to one-time 50th anniversary payments to employees, headcount growth and salary increases/performance-linked bonus provision.

Responded to strong IT investment demand, while taking one steady step forward in “Upgrade” by enhancing our personnel in order to offer new services using our expertise

Performance for the 1st Quarter of FY2022

(Billions of yen)

	1st Quarter FY2021 Results	1st Quarter FY2022 Results	YoY change	YoY change (%)
Revenue	108.6	116.8	+8.2	+7.6%
Gross profit	27.5	27.8	+0.3	+0.9%
Gross profit margin	25.3%	23.8%	(1.5p)	-
Other income and expenses	(19.8)	(21.7)	(1.8)	+9.2%
Operating income	7.7	6.1	(1.6)	(-20.5%)
Operating income margin	7.1%	5.2%	(1.9p)	-
Net profit attributable to CTC's shareholders	5.4	4.3	(1.1)	(-20.2%)
Orders received	113.1	124.3	+11.2	+9.9%
Backlogs	319.5	347.1	+27.7	+8.7%

■ Revenue

- Revenue was strong in various fields such as manufacturing, pharmaceuticals, distribution, public sector, government agencies, financial services, and overseas consolidated subsidiary businesses.

■ Gross profit

- Gross profit increased due to the revenue growth despite a 1.5-point YoY decline in gross profit margin.

■ Other income and expenses

- SG&A expenses increased chiefly from the rise in personnel expense due to headcount growth and one-time 50th anniversary payment to employees, improvement of our internal IT environment and increased sales activities.

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

- Both decreased YoY due to an increase in "other income and expenses".

■ Order received

- Order received trended firmly in various fields including manufacturing, pharmaceuticals, public sector, municipal governments, and financial services.

Performance by Business Group for the 1st Quarter of FY2022

(Billions of yen)

	Orders received			Revenue			Backlogs		
	1st Quarter FY2021 Results	1st Quarter FY2022 Results	YoY Change	1st Quarter FY2021 Results	1st Quarter FY2022 Results	YoY Change	1st Quarter FY2021 Results	1st Quarter FY2022 Results	YoY Change
Enterprise	16.6	21.8	+5.3	18.1	20.3	+2.2	53.0	61.2	+8.2
Distribution	10.6	9.5	(1.1)	12.5	13.4	+0.9	29.7	31.8	+2.1
Telecommuni- cation	40.3	23.9	(16.4)	36.8	36.2	(0.6)	113.4	98.4	(15.0)
Regional & Social Infrastructure	20.7	31.4	+10.7	18.7	20.9	+2.2	64.6	79.6	+15.1
Financial Services	7.0	15.6	+8.6	8.8	10.1	+1.3	27.8	34.5	+6.7
Others	18.0	22.2	+4.2	13.6	15.9	+2.3	31.1	41.7	+10.6
Total	113.1	124.3	+11.2	108.6	116.8	+8.2	319.5	347.1	+27.7

<Performance by Business Group>

■ Enterprise

Orders received/Revenue: Grew mainly from infrastructure and Cloud computing projects for manufacturing, pharmaceutical, information service and energy companies.

■ Distribution

Orders received: Declined chiefly in operation projects for retailers and service platform projects for real estate companies.

Revenue: Rose principally from development projects for trading companies and infrastructure projects for the distribution industry.

■ Telecommunication

Orders received: Fell due to a high base effect from 1Q of the previous year when network project orders including 5G-related orders were recorded.

Revenue: Was roughly on a par with the previous fiscal year.

■ Regional & Social Infrastructure

Orders received: Increased largely from IT platform construction projects for public sector and security projects for municipal governments.

Revenue: Climbed mostly from infrastructure projects for public sector and government agencies.

■ Financial Services

Orders received: Increased primarily from data analysis platform projects for government-affiliated financial institutions and banks.

Revenue: Rose mainly from data analysis platform projects for banks.

■ Others

Orders received: Increased chiefly from product sales by consolidated subsidiaries in Japan and from infrastructure projects by an overseas consolidated subsidiary (in Singapore).

Revenue: Gained principally from infrastructure projects by overseas consolidated subsidiaries (in Singapore and Indonesia).

Performance by Business Model for the 1st Quarter of FY2022

(Billions of yen)

	Orders received			Revenue			Backlogs		
	1st Quarter FY2021 Results	1st Quarter FY2022 Results	YoY Change	1st Quarter FY2021 Results	1st Quarter FY2022 Results	YoY Change	1st Quarter FY2021 Results	1st Quarter FY2022 Results	YoY Change
Services	39.1 (34.6%)	45.0 (36.2%)	+5.9	49.3 (45.4%)	53.6 (45.9%)	+4.3	205.8 (64.4%)	216.2 (62.3%)	+10.4
SI Development	26.7 (23.6%)	30.4 (24.5%)	+3.7	24.7 (22.7%)	26.4 (22.6%)	+1.7	39.0 (12.2%)	39.3 (11.3%)	+0.3
Products	47.3 (41.8%)	48.9 (39.3%)	+1.6	34.6 (31.9%)	36.7 (31.5%)	+2.1	74.7 (23.4%)	91.6 (26.4%)	+16.9
Total	113.1	124.3	+11.2	108.6	116.8	+8.2	319.5	347.1	+27.7

* Percentage shows composition ratio

<Performance by Business Model>

■ Services

Orders received: Increased largely from Cloud computing projects for manufacturing and pharmaceutical companies, middleware licenses for public sector, and operation/maintenance projects for government-affiliated financial institutions, despite a decline from a high base effect regarding operation projects for retailers and 5G-related projects for telecommunications carriers in the same period last year.

Revenue: Rose mostly from Cloud computing projects for information services and the distribution industry, maintenance projects for telecommunications carriers and maintenance/operation projects for public sector.

■ SI/Development

Orders received: Rose primarily from stress analysis projects for construction companies, IT platform building projects for public sector, and development projects for government-affiliated financial institutions, despite a decline from a high base effect regarding 5G-related projects for telecommunications carriers in the same period last year.

Revenue: Grew mainly from customer management systems projects for transportation companies and network construction projects for government agencies, despite a decrease from a high base effect related to infrastructure construction projects for telecommunications carriers in the same period last year.

■ Products

Orders received: Increased chiefly from next-generation infrastructure projects for energy companies, IT platform projects for public sector and data analysis platform projects for banks, despite a decline from a high base effect regarding 5G-related projects for telecommunications carriers and infrastructure projects by our overseas consolidated subsidiaries in the same period last year.

Revenue: Rose principally from infrastructure projects for energy companies and banks, despite a decline from a high base effect regarding 5G-related projects for telecommunications carriers in the same period last year.

Breakdown of “Other income and expenses” for the 1st Quarter of FY2022

(Billions of yen)

		1st Quarter FY2021 Results	1st Quarter FY2022 Results	YoY Change
SG&A expenses	Personnel expenses	(12.0)	(13.4)	(1.4)
	Outside staff expenses	(1.9)	(2.1)	(0.2)
	Depreciation and amortization	(3.0)	(1.4)	+1.6
	Others	(3.0)	(5.5)	(2.5)
		(19.9)	(22.5)	(2.6)
Other income		0.1	0.8	+0.7
Other expenses		(0.1)	(0.0)	+0.0
Other income and expenses		(19.8)	(21.7)	(1.8)

<SG&A expenses>

■ Personnel expenses

➢ Rose mainly due to the headcount growth, salary increases, performance-linked bonus provision and one-time 50th anniversary payments to employees.

■ Others

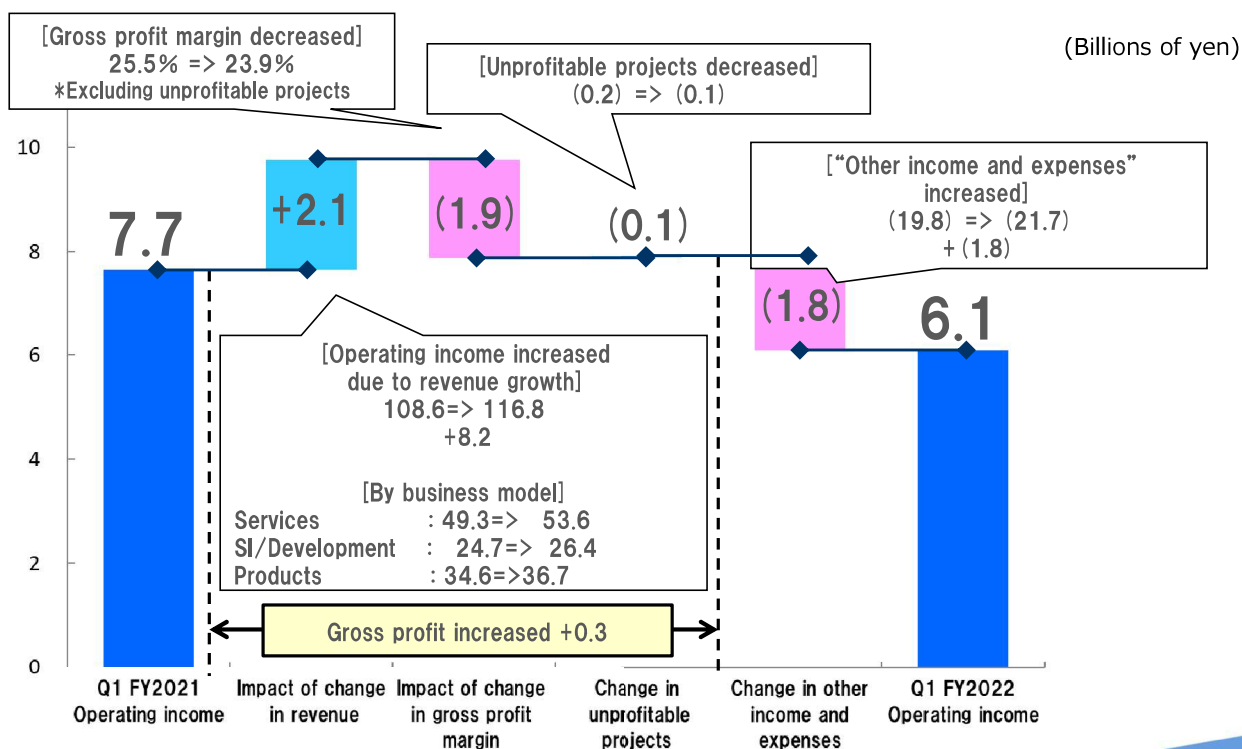
➢ Increased largely due to improvement of our internal IT environment and increased sales activities.

*Expenses associated with head office relocation in the previous fiscal year were divided into “Depreciation and amortization” and “Others” but the total amount of the said expenses was negligible. Therefore, the impacts on YoY changes from the total amount are negligible as well.

<Other income>

➢ Increased from recognition of valuation gains on foreign currency deposits held to hedge foreign exchange risk.

Main factors for YoY changes in Operating Income for the 1st Quarter of FY2022



Beyond the Horizons



To the Future Ahead