

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

November 1, 2022
ITOCHU Techno-Solutions Corporation



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I FY2022 1st Half Operating Results

II Progress of Medium-Term Management Plan

III FY2022 Forecasts



Summary

- ◆ **Revenue, gross profit, orders received, and backlog reached record highs**
- ◆ **Operating income and subsequent income items fell YoY**

- Orders received grew in diverse fields in light of the uncertain external environment by leveraging our customer base.
- Made strategic moves to secure and develop human resources ahead of time for steady sales achievement and further sustainable growth.



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Performance highlights

(Billions of yen)

	1st Half FY2021 Results	1st Half FY2022 Results	YoY change	YoY change (%)
Revenue	233.5	254.4	+21.0	+9.0%
Gross profit	59.1	60.5	+1.4	+2.4%
Gross profit margin	25.3%	23.8%	(1.5p)	-
Other income and expenses	(39.5)	(43.2)	(3.7)	+9.4%
Operating income	19.6	17.3	(2.3)	(11.7%)
Operating income margin	8.4%	6.8%	(1.6p)	-
Net profit attributable to CTC's shareholders	14.1	12.0	(2.1)	(14.9%)
Orders received	244.4	286.1	+41.7	+17.1%
Backlogs	325.9	371.3	+45.4	+13.9%

■ Revenue

- Revenue growth was strong in various fields such as manufacturing, trading, distribution, public sector, government agencies, automobile, and financial services, as well as in the business of our overseas consolidated subsidiaries.

■ Gross profit

- Gross profit increased YoY thanks to the revenue growth despite a YoY decline of 1.5P in gross profit margin mainly due to the following reasons.
 - The high base effect from H1 FY2021 with large-scale, high-margin projects, and revenue coming from low-margin projects, and lower rebates from vendors in the Telecommunication Group.
 - Securing human resources to support our medium-to-long term growth at one of our consolidated subsidiaries that chiefly provides maintenance and infrastructure construction services.

■ Other income and expenses

- SG&A expenses rose mainly due to the following reasons.
 - Headcount growth, salary increases, performance-linked bonus provision, one-time 50th anniversary payments to employees in Q1 FY2022, and personnel expense increase from the lower operation rate in the Telecommunication Group.
 - Expense increases mainly due to increased sales activities, and education and training that contribute to "Upgrade" policy in our Medium-term Management Plan.

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

- Decreased YoY due to the increase in other income and expenses.

■ Order received

- Trended firmly in various fields such as manufacturing, pharmaceuticals, public sector, utilities, local government, social infrastructure, and financial services.

■ Backlogs

- Climbed further from the Q1-end level to reach our record-high.

Performance by business group

	Orders received			Revenue			Backlogs		
	1st Half FY2021 Results	1st Half FY2022 Results	YoY Change	1st Half FY2021 Results	1st Half FY2022 Results	YoY Change	1st Half FY2021 Results	1st Half FY2022 Results	YoY Change
Enterprise	37.4	47.4	+9.9	38.1	44.1	+6.0	54.3	62.9	+8.6
Distribution	23.6	23.4	(0.1)	25.1	29.7	+4.5	30.2	29.5	(0.6)
Telecommuni- cation	83.3	66.0	(17.3)	79.9	78.2	(1.7)	113.4	98.6	(14.9)
Regional & Social Infrastructure	45.8	56.6	+10.7	41.0	43.5	+2.4	67.3	82.2	+14.9
Financial Services	18.8	46.0	+27.2	20.1	21.4	+1.3	28.3	53.6	+25.3
Others	35.5	46.8	+11.3	29.3	37.7	+8.4	32.4	44.5	+12.1
Total	244.4	286.1	+41.7	233.5	254.4	+21.0	325.9	371.3	+45.4

■ Enterprise:

- Orders /Revenue : Grew mainly from infrastructure projects for manufacturing, pharmaceuticals, transportation, and social infrastructure companies.

■ Distribution:

- Orders : Remained flat as a result that fewer orders in development projects for trading companies were mainly offset by development projects for distribution companies.
- Revenue: Increased mainly from development projects for trading and distribution companies and infrastructure projects for entertainment companies.

■ Telecommunication:

- Orders : Decreased mainly due to fewer orders in networking businesses including 5G.
- Revenue: Decreased mainly from declines in networking businesses excluding 5G, despite an increase in non-networking businesses.

■ Regional & Social infrastructure:

- Orders : Increased mainly from platform construction and operation projects for public sector and utility companies, infrastructure projects for automobiles, and Cloud computing projects for local governments, despite fewer orders in infrastructure projects for government agencies.
- Revenue: Increased mainly from infrastructure projects for public sector, government agencies, and automobiles and Cloud computing projects for local governments, despite fewer orders in infrastructure projects for social infrastructure companies.

■ Financial Services:

- Orders : Increased mainly from infrastructure and data analysis platform projects for government-affiliated and other financial institutions and banks.
- Revenue: Increased mainly from infrastructure projects for government-affiliated and other financial institutions and banks, despite fewer orders in product sales for banks.

■ Others:

- Orders : Increased mainly from product sales and infrastructure projects by our consolidated subsidiaries in Japan and overseas consolidated subsidiary (in Singapore).
- Revenue: Gained mainly from product sales and infrastructure projects by our overseas consolidated subsidiary (in Singapore).

Performance by business model

(Billions of yen)

	Orders received			Revenue			Backlogs		
	1st Half FY2021 Results	1st Half FY2022 Results	YoY Change	1st Half FY2021 Results	1st Half FY2022 Results	YoY Change	1st Half FY2021 Results	1st Half FY2022 Results	YoY Change
Services	79.6 (32.6%)	103.5 (36.2%)	+23.9	100.2 (42.9%)	109.2 (42.9%)	+9.1	195.4 (59.9%)	219.0 (59.0%)	+23.7
SI Development	59.2 (24.2%)	70.1 (24.5%)	+10.9	52.6 (22.5%)	57.5 (22.6%)	+4.9	43.6 (13.4%)	47.9 (12.9%)	+4.3
Products	105.6 (43.2%)	112.5 (39.3%)	+6.9	80.7 (34.6%)	87.7 (34.5%)	+7.0	86.9 (26.7%)	104.3 (28.1%)	+17.4
Total	244.4	286.1	+41.7	233.5	254.4	+21.0	325.9	371.3	+45.4

* Percentage shows composition ratio

■ Services

- Orders : Increased mainly from operation and maintenance projects for public sector and government-affiliated financial institutions, despite fewer orders in services for distribution companies and operation and maintenance projects for government agencies.
- Revenue: Increased mainly from operation and maintenance projects for public sector.

■ SI Development

- Orders : Increased mainly from development projects for transportation companies and government-affiliated financial institutions, despite fewer orders in infrastructure construction projects for telecommunication carriers.
- Revenue: Rose mainly from data analysis projects for social infrastructure companies and infrastructure construction projects for government agencies, public sector, and government-affiliated financial institutions.

■ Products

- Orders : Grew mainly from infrastructure projects for manufacturing and entertainment companies, public sector, government-affiliated financial institutions and banks, and projects by our domestic and overseas consolidated subsidiaries, despite fewer orders in 5G-related projects for telecommunication carriers.
- Revenue: Increased mainly from projects for energy, entertainment and distribution companies, and projects by our overseas consolidated subsidiaries, despite fewer orders in infrastructure projects for social infrastructure companies.

Breakdown of “Other income and expenses”

(Billions of yen)

		1st Half FY2021 Results	1st Half FY2022 Results	YoY Change
SG&A expenses	Personnel expenses	(23.7)	(26.3)	(2.6)
	Outside staff expenses	(3.7)	(4.1)	(0.4)
	Depreciation and amortization	(4.8)	(3.1)	+1.7
	Others	(7.5)	(11.0)	(3.4)
		(39.7)	(44.4)	(4.7)
	Other income	0.3	1.4	+1.1
	Other expenses	(0.1)	(0.2)	(0.1)
	Other income and expenses	(39.5)	(43.2)	(3.7)

■ Personnel expenses

- Rose mainly due to the headcount growth, salary increases, performance-linked bonus provision, one-time 50th anniversary payments to employees in Q1 FY2022 and the lower operation rate in the Telecommunication Group.

■ Others*

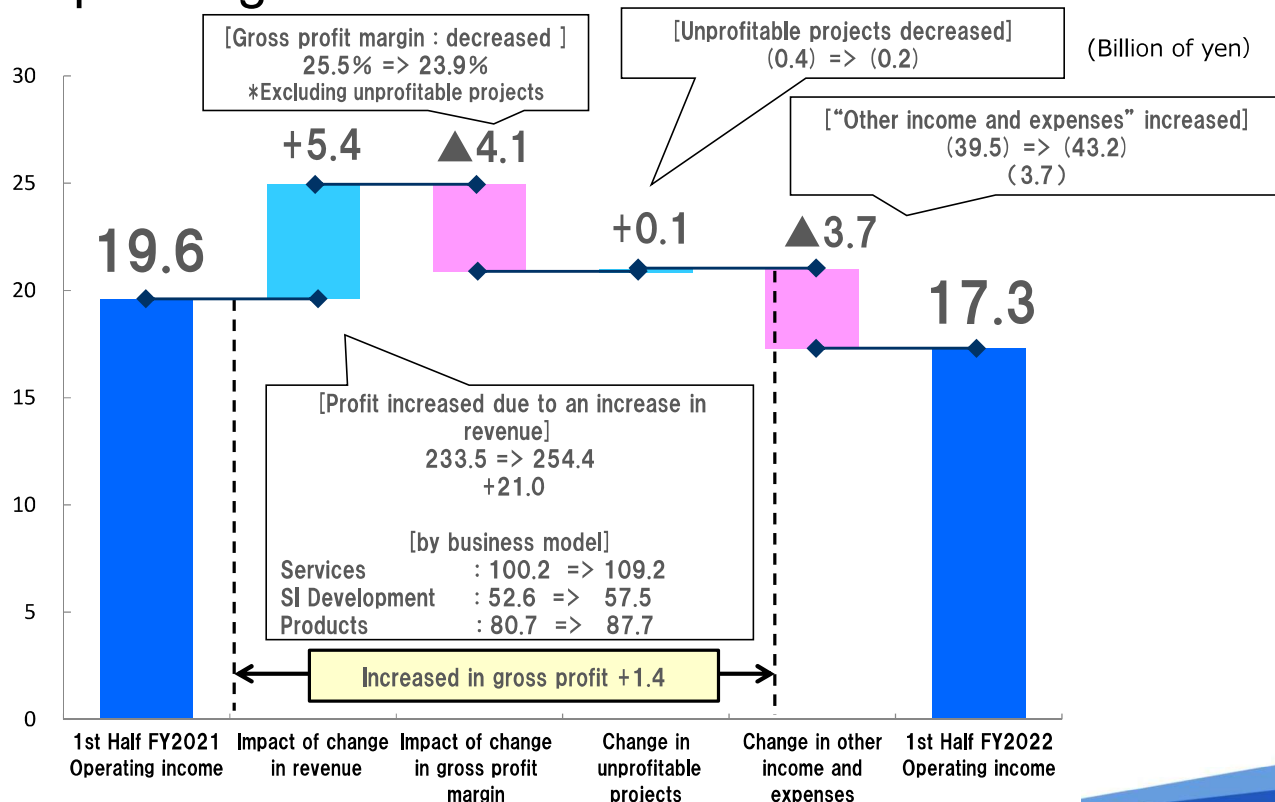
- Increased mainly due to increased sales activities, and education and training that contribute to “Upgrade” policy in our Medium-term Management Plan.

*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

- Recognized foreign exchange gains on foreign currency deposits held to hedge foreign exchange risk.

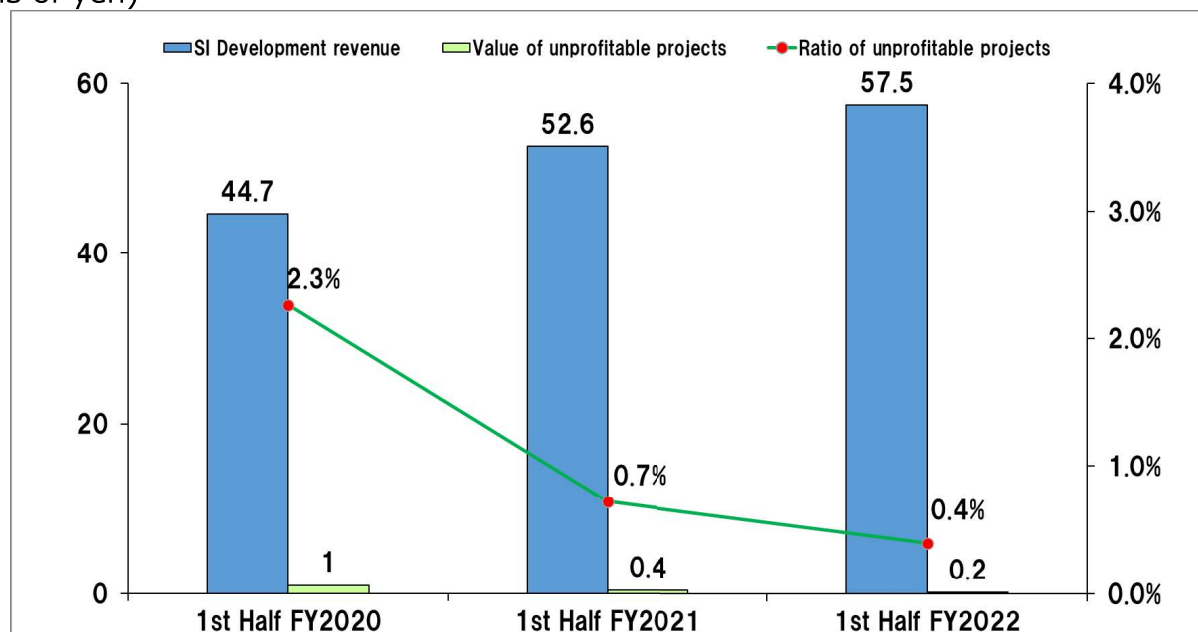
Main reasons for YoY changes in operating income



Revenue and unprofitable projects in SI Development

The ratio of unprofitable projects to SI Development revenue declined.

(Billions of yen)



For reference : Performance

(Billions of yen)

	2nd Quarter FY2021 Results	2nd Quarter FY2022 Results	YoY change	YoY change (%)
Revenue	124.9	137.7	+12.8	+10.2%
Gross profit	31.6	32.8	+1.2	+3.7%
Gross profit margin	25.3%	23.8%	(1.5p)	-
Other income and expenses	(19.7)	(21.6)	(1.9)	+9.6%
Operating income	11.9	11.2	(0.7)	(6.0%)
Operating income margin	9.6%	8.1%	(1.5p)	-
Net profit attributable to CTC's shareholders	8.7	7.7	(1.0)	(11.6%)
Orders received	131.3	161.8	+30.5	+23.2%
Backlogs	325.9	371.3	+45.4	+13.9%

■ Revenue

➢ Revenue growth was strong in various fields such as manufacturing, distribution, government agencies, public sector, and automobile as well as in the business of our overseas consolidated subsidiaries.

■ Gross profit

➢ Increased YoY thanks to the revenue growth despite a YoY decline of 1.5P in gross profit margin mainly due to the following reasons.

- Revenue coming from large-scale, low-margin projects, lower rebates from vendors in the Telecommunication Group.
- Securing human resources to support our medium-to-long term growth at one of our consolidated subsidiaries that chiefly provides maintenance and infrastructure construction services.

■ Other income and expenses

➢ SG&A expenses rose mainly due to the following reasons.

- Personnel expense increase from the headcount growth, salary increases, performance-linked bonus provision, and the lower operation rate especially in the Telecommunication Group.
- Expense increases mainly due to increased sales activities, and education and training that contribute to "Upgrade" policy in our Medium-term Management Plan.

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

➢ Decreased YoY due to the increase in other income and expenses.

■ Orders received

➢ Trended firmly in sectors such as manufacturing, entertainment, distribution, utilities, financial services and in the businesses of our domestic and overseas consolidated subsidiaries.

For reference : Performance by business group/business model

(Billions of yen)

		Orders received			Revenue			Backlogs		
		2nd Quarter (3months) FY2021 Results	2nd Quarter (3months) FY2022 Results	YoY Change	2nd Quarter (3months) FY2021 Results	2nd Quarter (3months) FY2022 Results	YoY Change	2nd Quarter (3months) FY2021 Results	2nd Quarter (3months) FY2022 Results	YoY Change
By business group	Enterprise	20.9	25.5	+4.7	20.0	23.8	+3.8	54.3	62.9	+8.6
	Distribution	13.0	14.0	+1.0	12.6	16.3	+3.7	30.2	29.5	(0.6)
	Telecommuni- cation	43.1	42.2	(0.9)	43.0	42.0	(1.0)	113.4	98.6	(14.9)
	Regional & Social Infrastructure	25.2	25.2	+0.0	22.4	22.6	+0.2	67.3	82.2	+14.9
	Financial Services	11.8	30.4	+18.6	11.3	11.3	+0.0	28.3	53.6	+25.3
	Others	17.4	24.6	+7.1	15.6	21.7	+6.1	32.4	44.5	+12.1
	Total	131.3	161.8	+30.5	124.9	137.7	+12.8	325.9	371.3	+45.4
By business model	Services	40.5	58.4	+18.0	50.9	55.6	+4.7	195.4	219.0	+23.7
	SI Development	32.6	39.7	+7.2	27.9	31.1	+3.2	43.6	47.9	+4.3
	Products	58.3	63.6	+5.3	46.1	50.9	+4.8	86.9	104.3	+17.4
	Total	131.3	161.8	+30.5	124.9	137.7	+12.8	325.9	371.3	+45.4

<Performance by Business Group>

■ Enterprise

- Orders/Revenue: Grew mainly from infrastructure projects, Cloud computing and analysis service projects for manufacturing, transportation, and social infrastructure companies.

■ Distribution

- Orders : Increased mainly from development projects for distribution companies, despite fewer orders in development projects for trading companies than those recorded in the previous year.
- Revenue: Climbed mainly from development projects for distribution companies and infrastructure projects for entertainment companies.

■ Telecommunication

- Orders : Decreased due to fewer orders in networking businesses excluding 5G and non-networking businesses, despite an increase in 5G-related projects.
- Revenue: Declined due to fewer orders in other networking businesses, despite an increase in non-networking businesses and 5G-related projects.

■ Regional & Social infrastructure

- Orders : Remained flat as a result of that fewer orders in infrastructure projects for government agencies were offset mainly by increases in operation projects for utilities and infrastructure projects for transportation companies.
- Revenue: Remained flat as a result of that fewer orders in infrastructure projects for social infrastructure companies were offset mainly by increases in infrastructure projects for government agencies and automobiles.

■ Finance

- Orders : Grew mainly from platform construction projects for government-affiliated financial institutions and infrastructure projects for other financial institutions.
- Revenue: Remained flat as a result of that fewer orders in product sales for banks were offset mainly by increases in development projects for government-affiliated financial institutions and banks.

■ Others

- Orders : Increased mainly from product sales by our consolidated subsidiaries in Japan and by overseas consolidated subsidiaries (in Singapore and Malaysia).
- Revenue: Gained mainly from product sales by our overseas consolidated subsidiary (in Singapore).

<Performance by Business Model>

■ Services

- Orders : Rose mainly from Cloud computing projects for manufacturing companies and 5G-related projects for telecommunications carriers, despite fewer orders in operation and maintenance projects for government agencies.
- Revenue: Increased mainly from services for manufacturing companies and maintenance projects for public sector.

■ SI Development

- Orders : Increased mainly from development projects for transportation companies, data analysis projects for social infrastructure companies, and platform construction projects for government-affiliated financial institutions, despite fewer orders in infrastructure construction projects for government agencies.
- Revenue: Rose mainly from data analysis projects for social infrastructure companies, and platform construction projects for public sector and government-affiliated financial institutions, despite fewer orders in infrastructure construction projects and system development projects for telecommunications carriers.

■ Products

- Orders : Grew mainly from infrastructure projects for manufacturing and entertainment companies, and projects by our overseas consolidated subsidiaries, despite fewer orders in 5G-related projects for telecommunications carriers and infrastructure projects for government agencies.
- Revenue: Increased mainly from projects for entertainment and distribution companies, and projects by our overseas consolidated subsidiaries, despite fewer orders in infrastructure projects for social infrastructure companies and banks.

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2nd Q FY2022(3months)

For reference :

Breakdown of “Other income and expenses”

(Billions of yen)

		2nd Quarter (3months) FY2021	2nd Quarter (3months) FY2022	YoY change
SG&A expenses	Personnel expenses	(11.7)	(12.8)	(1.1)
	Outside staff expenses	(1.8)	(2.0)	(0.2)
	Depreciation and amortization	(1.8)	(1.6)	+0.2
	Others	(4.5)	(5.5)	(1.0)
		(19.8)	(22.0)	(2.1)
Other income		0.2	0.5	+0.3
Other expenses		(0.0)	(0.1)	(0.1)
Other income and expenses		(19.7)	(21.6)	(1.9)

■ Personnel expenses

- Rose mainly due to the headcount growth, salary increases, performance-linked bonus provision, and lower operation rate especially in the Communication Group.

■ Others

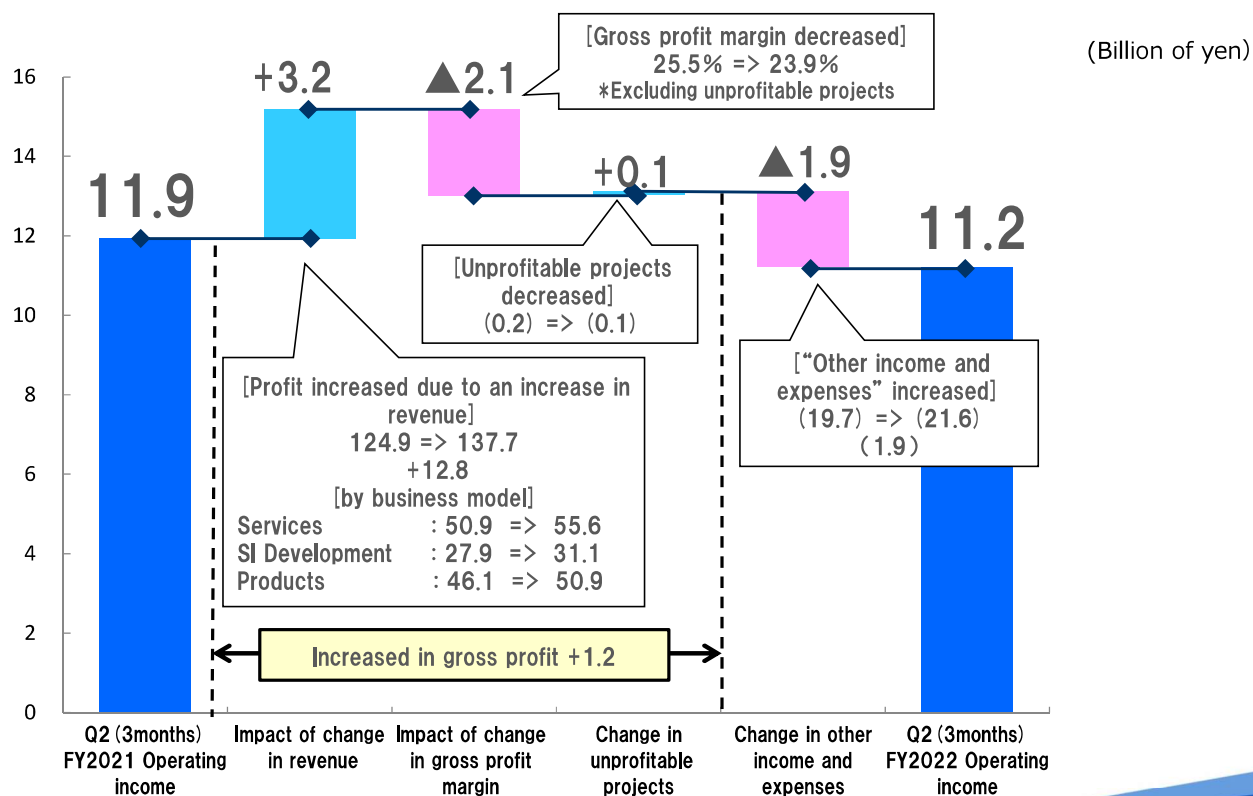
- Increased mainly due to increased sales activities, and education and training that contribute to “Upgrade” policy in our Medium-term Management Plan.

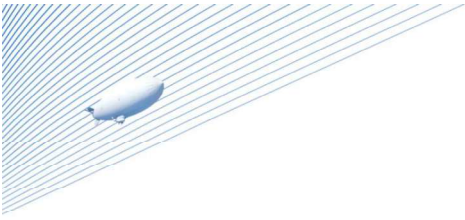
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For reference :

2nd Q FY2022(3months)

Main reasons for YoY changes in operating income





I Operating Results

FY2022 1st Half

II Progress of Medium-Term Management Plan

III Forecasts

FY2022

3 Basic policies of the new Medium-Term Management Plan

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

- Acquired projects of DX business for LOBs
- Acquired projects of data analysis and utilization infrastructure
- Supported our customers' business transformation by working closely with them through our strengths in "Waza (Unique Skillset)".

Community building and
expanding business
co-creation

- Created business co-creation communities and
- Won projects through collaboration with customers and partners

Providing high value-
added services and
advanced technologies

- Acquired high value-added projects including 5G new areas and Cloud-native development projects
- Advanced sophistication of operations business

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 for mobile carriers
Strengthening XaaS businesses	<ul style="list-style-type: none"> • Enhanced our service lineup for OneCUVIC evolution • Expanded XaaS business for a wider range of customers
Global expansion of domestic business models	<ul style="list-style-type: none"> • Acquired "global super accounts" • Won global projects by strengthening the Group-wide collaboration

1st Half Review

Upgrade

Increase feasibility

Practicing self-improvement with a view to the future

Priority Scenarios	1st Half Highlights
Strengthening overall capabilities by combining individual growth and the right person in the right place	<ul style="list-style-type: none"> • Fostered human resources to create the future with technology • Obtained "Monisu Certification" from the Ministry of Health, Labor and Welfare as an excellent employer in terms of employment of persons with disabilities
Management infrastructure reform to adapt to changes in the environment	<ul style="list-style-type: none"> • Advanced business transformation and internal DX to achieve the To Be vision in 10 years • Enriched our systems for work styles reform
Co-existence with various stakeholders	<ul style="list-style-type: none"> • Strengthened collaboration with existing partners and identified new partners

1) 1st Half Business Cases by business group

Business group	Theme	Business Case
Enterprise	■ DX/Data Utilization	Supported the use of data in drug discovery research , including exploration, analysis, and reporting, to improve the reliability of experimental data and shorten the time required for new drug development. – press release –
	■ DX/GX Green Transformation	Systematized services for visualization and reduction of corporate greenhouse gas emissions and introduction and utilization of renewable energy, contributing to the realization of carbon neutrality . – press release –
Distribution	■ DX/ Data Utilization	Launched offering of “D-Native”, a package of Cloud-native services for each of the following phases to support data utilization: "collection and maintenance," "processing, analysis, and AI development," "storage and processing," and "operation and monitoring". – press release –
	■ SDGs	Participated in ITOCHU Corporation's project to ensure supply chain transparency of natural rubber and developed its traceability system. In the first half of this fiscal year, the user scope was expanded to include plant workers, supporting the promotion of business activities that take environmental impact and human rights issues into consideration.

2) 1st Half Business Cases by business group

Business group	Theme	Business Case
Telecomm-unication	■ Cloud	Supported mobile carriers' implementation of containerized IT infrastructure , enabling timely delivery of IT services and contributing to improvement of user convenience. – press release –
	■ Co-Creation	In the IoT camera solution that does not require wiring work, which was launched jointly with NTTDOCOMO, INC. and MOYAI Co., CTC approached companies in the industries including railroads, convenience stores, commercial facilities, and call centers along with other business group customers during the first half of this fiscal year, contributing to their operational efficiency improvement with human flow analysis, in-store behavior analysis, and remote monitoring in addition to monitoring and surveillance.
Regional & Social Infra-structure	■ DX	Contributed to the strengthening of information systems including security Cloud, and the promotion of DX of local governments. Focused on a platform construction project, and acquired a collective operation project of communication system for utility companies.
	■ Agile Development	Contributed to business transformation of the customers' application development processes with provision of technical support by working closely with them, while providing the low-code development environment using Outsystems to LOB departments of companies (in the industries including electric power, housing, equipment, cosmetics, automobiles, and auto parts) .

3) 1st Half Business Cases by business group

Business group	Theme	Business Case
Financial Services	■ DX	Provided comprehensive consulting services supporting identification of issues in contact center operations, and selection and implementation of systems and providing with post-implementation analysis services available, contributing to contact center DX. – press release –
	■ Security	Provided the next-generation AI-powered anti-virus software to prevent unknown threats, enabling streamlining the implementation of the latest security measures in telework environments. – press release –
Global	■ Global Super Accounts	Acquired projects for a Japanese major bank's branches in Malaysia and Singapore, and Japanese automobile and manufacturing companies' branches in Thailand as initiatives to promote global expansion of our domestic business model .

I

FY2022 1st Half

Operating Results

II

Progress of Medium-Term Management Plan

III

FY2022

Forecasts

Full-Year Forecast for FY2022

Unchanged from the forecast at the beginning of FY 2022.

(Billion of yen)

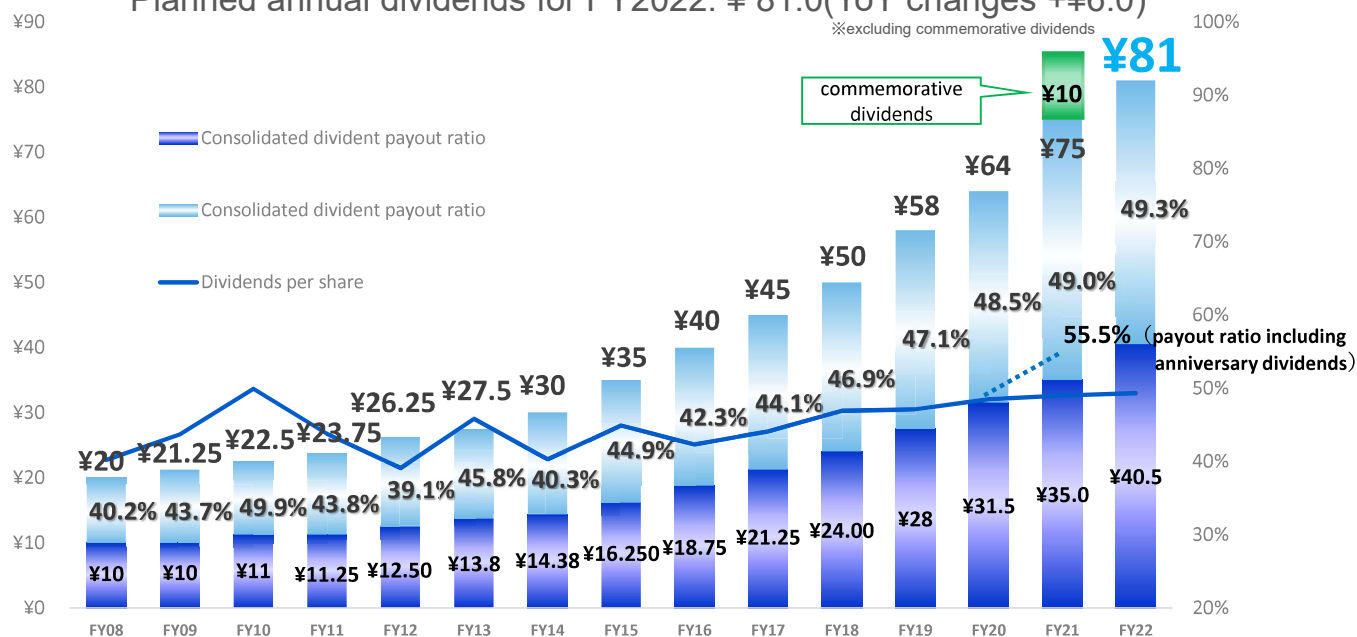
	FY2021 Results	FY2022 Forecast	YoY change	YoY change (%)
Revenue	522.4	553.0	+30.6	+5.9%
Gross profit	134.7	143.0	+8.3	+6.2%
Gross profit margin	25.8%	25.9%	+0.1p	-
Other income and expenses	(84.2)	(87.5)	(3.3)	+3.9%
Operating income	50.5	55.5	+5.0	+9.9%
Operating income margin	9.7%	10.0%	+0.4p	-
Net profit attributable to CTC's shareholders	35.4	38.0	+2.6	+7.4%
Order received	547.0	563.0	+16.0	+2.9%
Backlogs	339.6	349.6	+10.0	+3.0%

Shareholder Return Plan

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

Interim dividends for FY2022 : ¥ 40.5 (YoY changes +¥5.5)

Planned annual dividends for FY2022: ¥ 81.0 (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

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