

Operating Results for the 1st Quarter of Fiscal Year Ending March 31, 2024

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ITOCHU Techno-Solutions Corporation



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Summary: FY2023 1Q Operating Results

The measures and initiatives under our Medium-term Management Plan have steadily yielded tangible results, with which we have made a good start towards achieving our FY2023 targets

Orders received, backlogs, revenue, gross profit and all the subsequent income items reached record highs

- Orders received remained strong in all the Business Groups.
Growth of orders received was notable in the Enterprise and Distribution Groups that received orders for DX and Cloud businesses from a wide range of industries as well as in the Telecommunication Group that received orders for telecommunications businesses from telecommunications carriers and for non-telecommunications businesses including businesses targeting corporate customers.
- Gross profit margin and operating income margin were up significantly YoY.



Performance

(Yen in billions)

	1st Quarter FY2022 Results	1st Quarter FY2023 Results	YoY change	YoY change (%)
Revenue	116.8	132.4	+15.7	+13.4%
Gross profit	27.8	32.8	+5.0	+18.1%
Gross profit margin	23.8%	24.8%	+1.0p	-
Other income and expenses	(21.7)	(24.0)	(2.3)	+10.8%
Operating income	6.1	8.8	+2.7	+44.1%
Operating income margin	5.2%	6.6%	+1.4p	-
Net profit attributable to CTC's shareholders	4.3	6.4	+2.1	+48.1%
Orders received	124.3	135.4	+11.1	+8.9%
Backlogs	347.1	400.0	+52.9	+15.2%

■ Revenue

➤ Revenue was strong in industry fields such as manufacturing, construction, entertainment, telecommunication carriers, government-affiliated financial institution and bank, as well as in the business of our domestic and overseas consolidated subsidiaries.

■ Gross profit

➤ Increased due to the revenue growth and a rise in gross profit margin.

■ Other income and expenses

➤ Increased from rises in personnel expense and sales activity related expenses due to stronger sales activities.

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

➤ Both increased thanks to the gross profit growth.

■ Orders received

➤ Trended firmly in industry fields including transportation, distribution and information service, telecommunication carriers and social infrastructure.

Orders received, Revenue, Backlogs (by Business Group)

(Yen in billions)

	Orders received			Revenue			Backlogs		
	1st Quarter FY2022 Results	1st Quarter FY2023 Results	YoY Change	1st Quarter FY2022 Results	1st Quarter FY2023 Results	YoY Change	1st Quarter FY2022 Results	1st Quarter FY2023 Results	YoY Change
Enterprise	19.7	24.0	+4.3	18.0	23.9	+5.9	53.6	58.2	+4.7
Distribution	11.5	13.9	+2.4	15.7	18.6	+2.9	39.4	40.5	+1.0
Telecommuni- cation	23.9	36.4	+12.5	36.2	36.6	+0.5	98.4	111.8	+13.4
Regional & Social Infrastructure	31.4	28.8	(2.6)	20.9	21.3	+0.5	79.6	80.6	+1.0
Financial Services	15.6	12.8	(2.8)	10.1	13.0	+2.9	34.5	55.3	+20.8
Others	22.2	19.4	(2.8)	15.9	18.9	+3.0	41.7	53.6	+11.9
Total	124.3	135.4	+11.1	116.8	132.4	+15.7	347.1	400.0	+52.9

<Performance by Business Group>

■ Enterprise

Orders received: Grew mainly from Cloud computing projects for transportation, information service and manufacturing companies and product sales for manufacturing companies.

Revenue: Increased mainly from product sales for manufacturing and construction companies and development projects for information service companies.

■ Distribution

Orders received: Rose mainly from services for distribution companies.

Revenue: Gained mainly from product sales for entertainment companies and development projects for distribution companies.

■ Telecommunication

Orders received: Increased both in its telecommunications and non-telecommunications businesses.

Revenue: Rose from an increase in telecommunications business despite a decline in non-telecommunication business.

■ Regional & Social Infrastructure

Orders received: Decreased mainly due to absence of common platform construction projects for public sector, despite increases from product sales for social infrastructure and information service companies and development projects for public sector.

Revenue: Climbed mainly from operation projects for utility companies and product sales for manufacturing companies, despite lower YoY revenue from common platform construction projects for public sector.

■ Financial Services

Orders received: Declined due to absence of orders in services for government-affiliated financial institutions and product sales for government-affiliated financial institutions and banks, despite increases from Cloud infrastructure construction projects for banks.

Revenue: Rose mainly from development projects for government-affiliated financial institutions, cooperative financial institutions and banks and product sales for banks.

■ Others

Orders received: Decreased mainly due to fewer orders in product sales at our overseas consolidated subsidiary (in Singapore).

Revenue: Gained mainly from product sales by our domestic and overseas consolidated subsidiaries (in Singapore and Malaysia).

Orders received, Revenue, Backlogs (by Business Model)

(Yen in billions)

	Orders received			Revenue			Backlogs		
	1st Quarter FY2022 Results	1st Quarter FY2023 Results	YoY Change	1st Quarter FY2022 Results	1st Quarter FY2023 Results	YoY Change	1st Quarter FY2022 Results	1st Quarter FY2023 Results	YoY Change
Services	45.0 (36.2%)	52.1 (38.5%)	+7.1	53.6 (45.9%)	57.1 (43.1%)	+3.5	216.2 (62.3%)	258.9 (64.8%)	+42.7
SI Development	30.4 (24.5%)	33.0 (24.4%)	+2.6	26.4 (22.6%)	31.6 (23.9%)	+5.2	39.3 (11.3%)	45.0 (11.2%)	+5.7
Products	48.9 (39.3%)	50.3 (37.1%)	+1.4	36.7 (31.5%)	43.7 (33.0%)	+7.0	91.6 (26.4%)	96.0 (24.0%)	+4.4
Total	124.3	135.4	+11.1	116.8	132.4	+15.7	347.1	400.0	+52.9

* Percentage shows composition ratio

<Performance by Business Model>

■ Services

Orders received: Increased mainly from Cloud computing projects for transportation and information service companies, services for distribution companies and operation/maintenance projects for telecommunication carriers and information service companies, despite absence of services for government-affiliated financial institutions.

Revenue: Rose mainly from Cloud computing projects for manufacturing companies and operation projects for utility companies.

■ SI/Development

Orders received: Grew mainly from development projects for information service companies and public sector.

Revenue: Gained mainly from development projects for information service and distribution companies, government-affiliated financial institutions, cooperative financial institutions and banks.

■ Products

Orders received: Increased mainly from product sales for information service companies, telecommunication carriers, social infrastructure companies and banks, despite absence of product sales for public sector, banks and government-affiliated financial institutions and fewer product orders received by our overseas consolidated subsidiary (in Singapore).

Revenue: Rose from product sales for manufacturing and entertainment companies and telecommunication carriers and product sales by our domestic and overseas consolidated subsidiaries (in Singapore and Malaysia), despite lower YoY revenue from product sales for public sector.

Breakdown of “Other income and expenses

(Yen in billions)

	1st Quarter FY2022 Results	1st Quarter FY2023 Results	YoY Change
Personnel expenses	(13.4)	(14.6)	(1.1)
Outside staff expenses	(2.1)	(2.4)	(0.3)
Depreciation and amortization	(1.4)	(1.4)	(0.0)
Others	(5.5)	(6.1)	(0.7)
SG&A expenses	(22.5)	(24.5)	(2.1)
Other income	0.8	0.6	(0.3)
Other expenses	(0.0)	(0.0)	(0.0)
Other income and expenses	(21.7)	(24.0)	(2.3)

<SG&A expenses>

■ Personnel expenses

➤Rose mainly due to increases in headcount and presale responsibilities fulfilled by engineers, despite an absence of one-off expense for 50th anniversary payments to employees recorded in Q1 of FY2022.

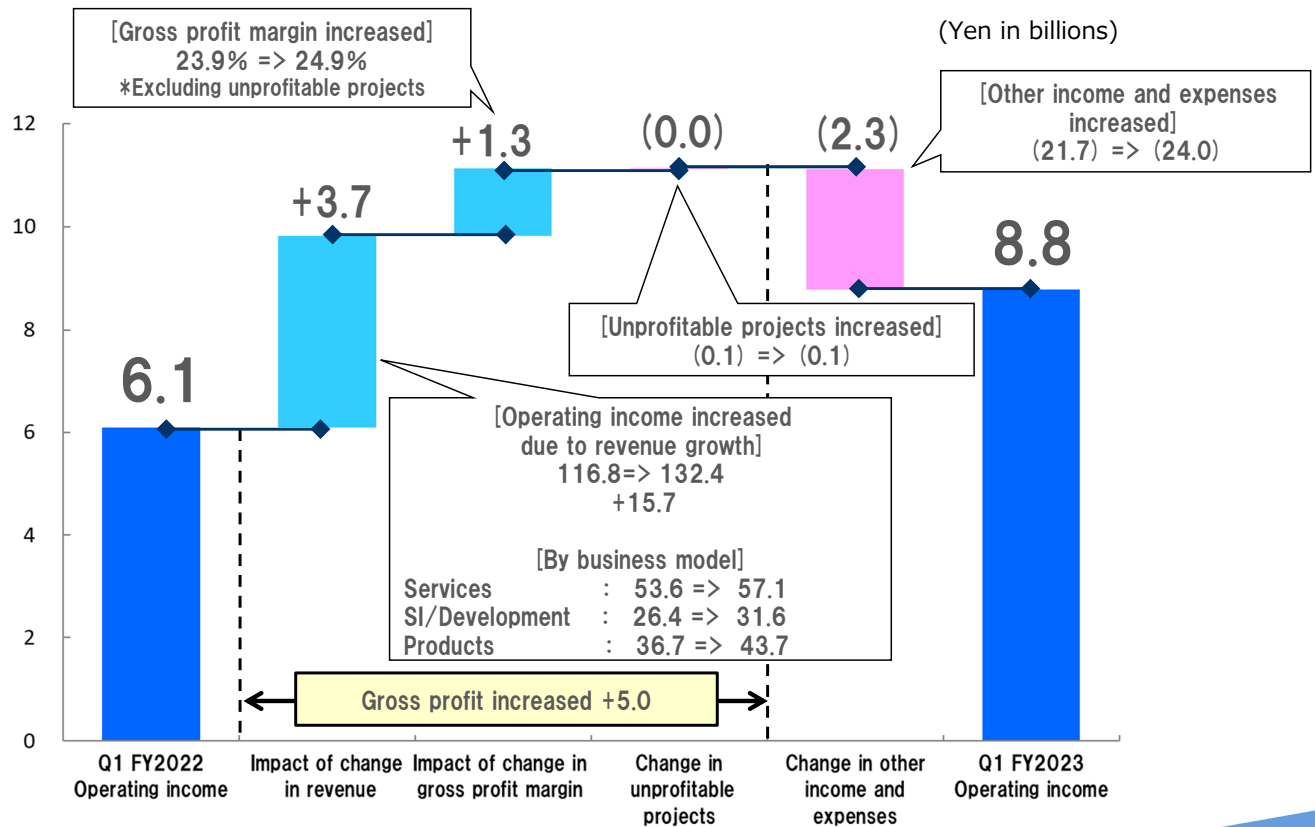
■ Others

➤Increased mainly due to the cost of our internal IT environment equipment and increased sales activities.

<Other income>

➤Decreased mainly from a YoY decline in valuation gains on foreign currency deposits held to hedge foreign exchange risk.

Main factors for YoY change in Operating Income



Beyond the Horizons

To the Future Ahead