

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

November 1, 2023

ITOCHU Techno-Solutions Corporation



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Summary

We passed through the halfway point towards steadily achieving our 2023 financial goal by capturing strong DX demand from our valued customers.

- ◆Revenue, profits or income at all stages and orders received set new record highs for the first half of the fiscal year. Backlogs rose to an all-time high.
- ◆Gross profit margin and operating income margin also increased YoY.



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Performance highlights

(Billions of yen)

| | 1st Half FY2022 Results | 1st Half FY2023 Results | YoY change | YoY change (%) |
|---|-------------------------------|-------------------------------|------------|-------------------|
| Revenue | 254.4 | 274.6 | +20.2 | +7.9% |
| Gross profit | 60.5 | 69.2 | +8.7 | +14.3% |
| Gross profit margin | 23.8% | 25.2% | +1.4p | - |
| Other income and expenses | (43.2) | (48.2) | (5.0) | +11.5% |
| Operating income | 17.3 | 21.0 | +3.7 | +21.4% |
| Operating income margin | 6.8% | 7.6% | +0.8p | - |
| Net profit attributable to CTC's shareholders | 12.0 | 14.9 | +2.9 | +24.2% |
| Orders received | 286.1 | 296.9 | +10.7 | +3.7% |
| Backlogs | 371.3 | 419.3 | +48.0 | +12.9% |



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■Revenue

- Revenue growth continued thanks to the high-level backlogs and strong orders.
- Specifically, strong results from the following businesses and projects by Business Group mainly contributed to the revenue growth.
The Enterprise Group: Product sales for manufacturing companies, The Distribution Group: DX projects for trading companies, The Regional & Social Infrastructure Group: Product sales for social infrastructure companies, The Financial Services Group: Infrastructure construction projects for government-affiliated financial institutions.

■Gross profit

- Gross profit increased YoY thanks to the revenue growth and an YoY increase of 1.4P in gross profit margin.

■Other income and expenses

- SG&A expenses rose due to the following reasons.
 - Personnel expenses increased mainly from headcount growth and salary increases
 - Expense increases mainly due to increased sales activities and enhancement of our internal IT environment
 - Expenses incurred for the TOB

■Orders received

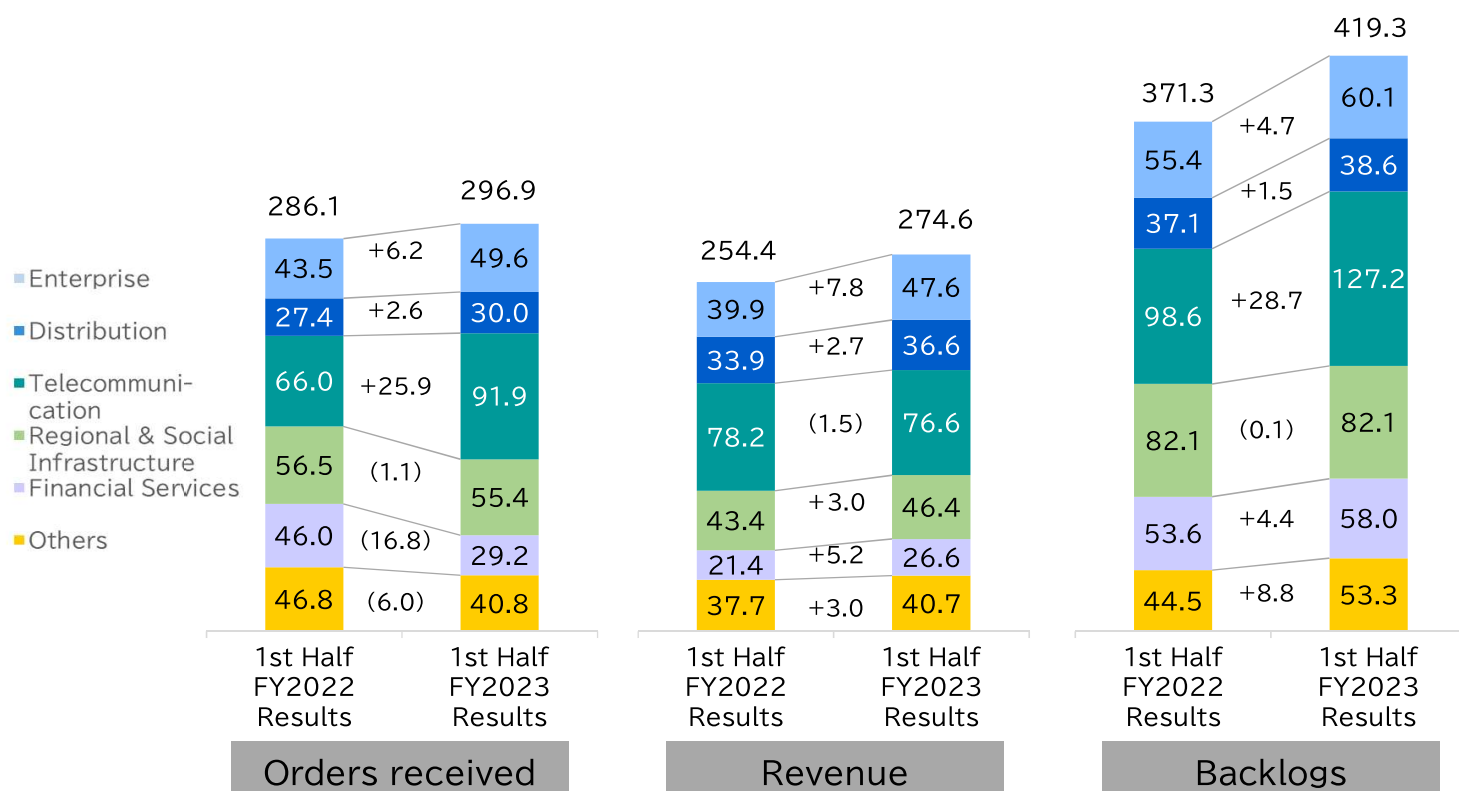
- Despite absence of large-scale projects in the Financial Services Group recorded in 1H of FY2022, its order trend remained strong.
- Orders for non-networking business projects in the Telecommunication Group, orders from manufacturing companies in the Enterprise Group, and orders from retail companies in the Distribution Group grew YoY, respectively.

■Backlogs

- Backlogs climbed further from the FY 2023 Q1-end level to renew our record-high.

Performance by Business Group

(Billions of yen)



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■Enterprise:

- Orders : Grew mainly from product sales and maintenance projects for manufacturing companies, services and product sales for transportation companies and Cloud services for information service companies.
- Revenue: Increased mainly from product sales and Cloud services for manufacturing and construction companies and product sales for transportation companies.

■Distribution:

- Orders : Orders from trading companies for system development projects remained strong. In addition, the Group saw increases in orders from retail companies for Cloud services and system development projects.
- Revenue: Increased mainly from infrastructure projects for entertainment companies and SAP related business (* see the next slide for details) for information service companies.

■Telecommunication:

- Orders : Increased both in networking and non-networking businesses mainly from product sales and maintenance services for telecommunication carriers and infrastructure construction projects as part of our co-creation business with a system integrator.
- Revenue: Decreased mainly from lack of large-scale product sales for the co-creation business with the information service provider recorded in 1H of FY2022, although revenue from networking business remained almost flat.

■Regional & Social infrastructure:

- Orders : Despite a decline from lack of platform construction and operation projects for utility companies and public sector recorded in 1H of FY2022, orders mainly from the following projects remained strong: system maintenance work and application development projects for public sector and product sales for utility and social infrastructure companies.
- Revenue: Increased mainly from product sales for social infrastructure and automobile companies, despite lack of infrastructure projects for public sector and government agencies recorded in 1H of FY2022.

■Financial Services:

- Orders : Despite a decline from lack of large-scale projects for government-affiliated financial institutions and other financial institutions recorded in 1H of FY2022, orders trended firmly mainly from Cloud operation projects for banks and other financial institutions and product sales for banks.
- Revenue: Increased mainly from infrastructure construction projects for government-affiliated financial institutions, for which orders were received in 1H of FY2022, due to its entering the execution phase, product sales for banks and application development projects for other financial institutions.

■Others:

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

【What is “Figures” ?】

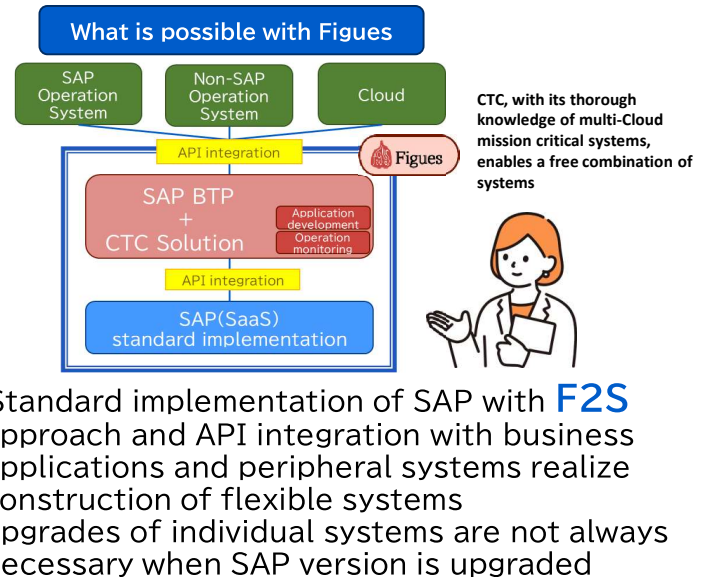
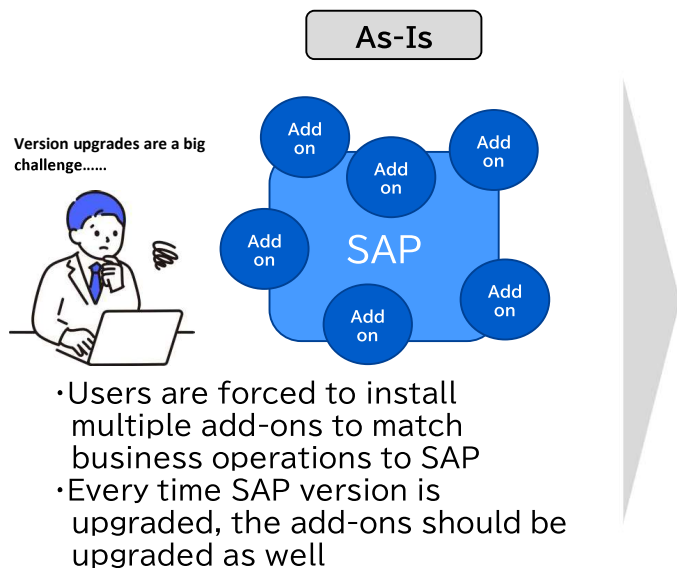
Standard implementation of SAP under the concept of “Fit to Standard(**F2S**)” advocated by SAP



API integration between SAP and customers’ own applications and individual systems



Realization of multi-Cloud and flexible mission-critical systems

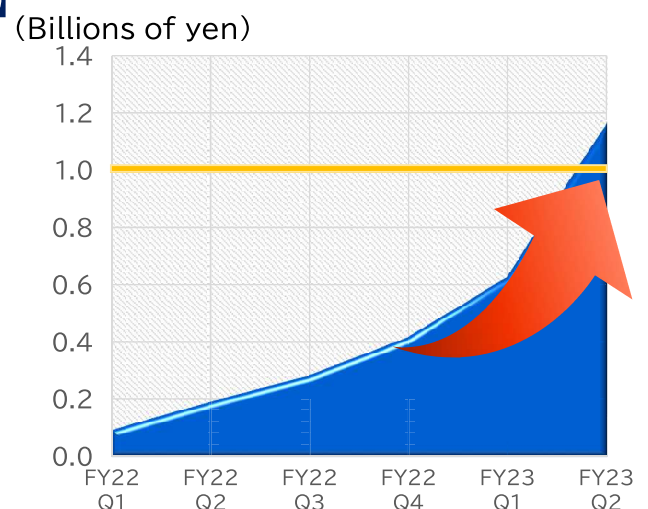


【Why CTC is chosen by customers ?】

- CTC is one of the few Japanese vendors that **offer both SAP’s SaaS type ERP and SAP BTP as two wheels of the same cart**. We can solve our customers’ issues with “Technology” and “Waza (Unique Skillset)” backed by more than 20 years of experience.
- CTC has employees certified as **“SAP BTP Ambassador”** and **“SAP BTP Champion”**, whose numbers are limited to only a few in Japan. We can provide strong support for customers’ utilization of SAP with our industry-leading technological capabilities and track record.

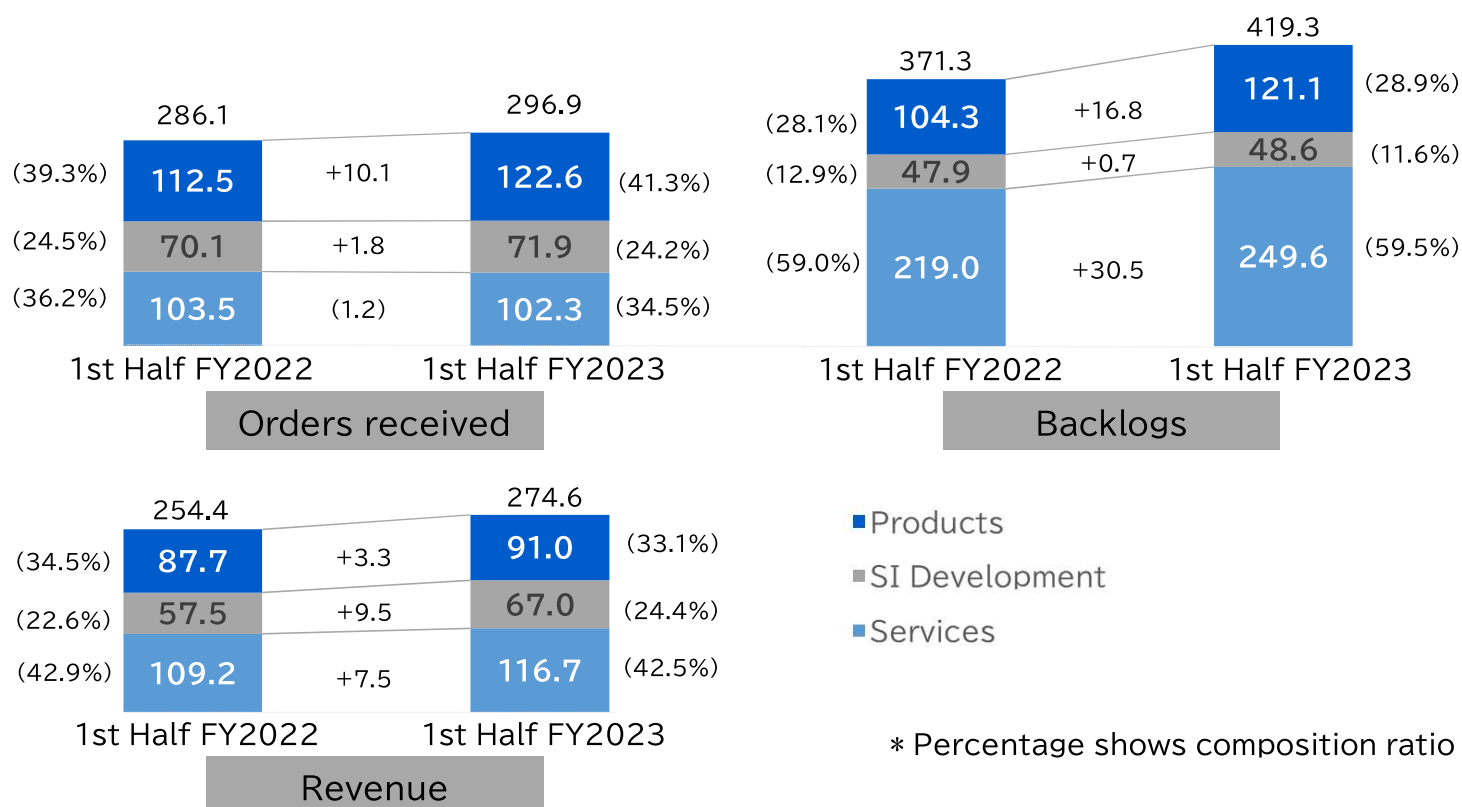
【Track records from Figures Business】

We released “Figures” in October 2021, aiming to achieve revenue of 1 billion yen over the following 3 years. However, the solution topped **the 1-billion-yen target** ahead of the initial schedule in two years. Currently, we have set a goal of achieving cumulative revenue of 5 billion yen by the end of the next three years.



Performance by business model

(Billions of yen)

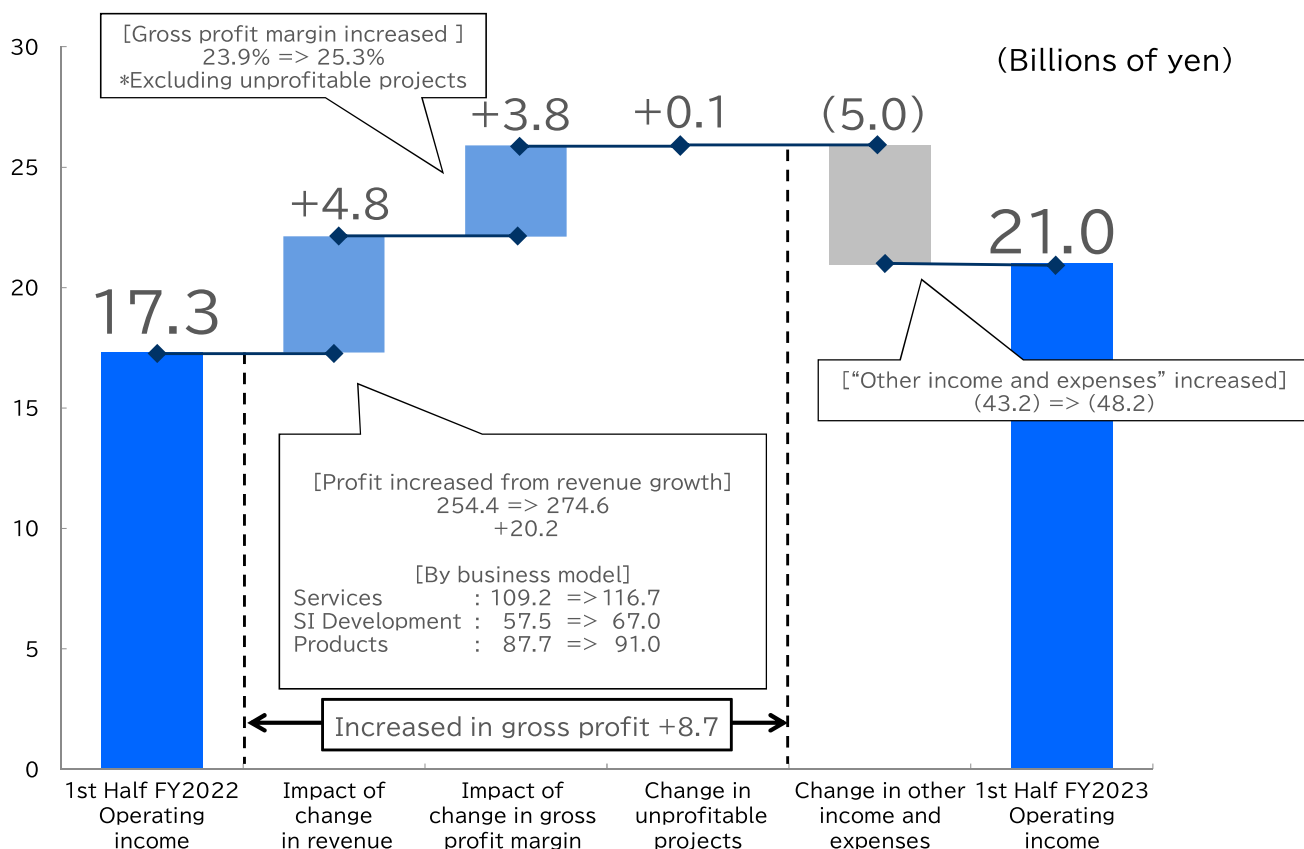


Breakdown of “Other income and expenses”

(Billions of yen)

| | 1st Half FY2022 Results | 1st Half FY2023 Results | YoY Change |
|----------------------------------|-------------------------|-------------------------|--------------|
| Personnel expenses | (26.3) | (28.8) | (2.6) |
| Outside staff expenses | (4.1) | (4.7) | (0.5) |
| Depreciation and amortization | (3.1) | (2.8) | +0.2 |
| Others | (11.0) | (12.8) | (1.8) |
| SG&A expenses | (44.4) | (49.2) | (4.7) |
| Other income | 1.4 | 1.1 | (0.3) |
| Other expenses | (0.2) | (0.1) | +0.1 |
| Other income and expenses | (43.2) | (48.2) | (5.0) |

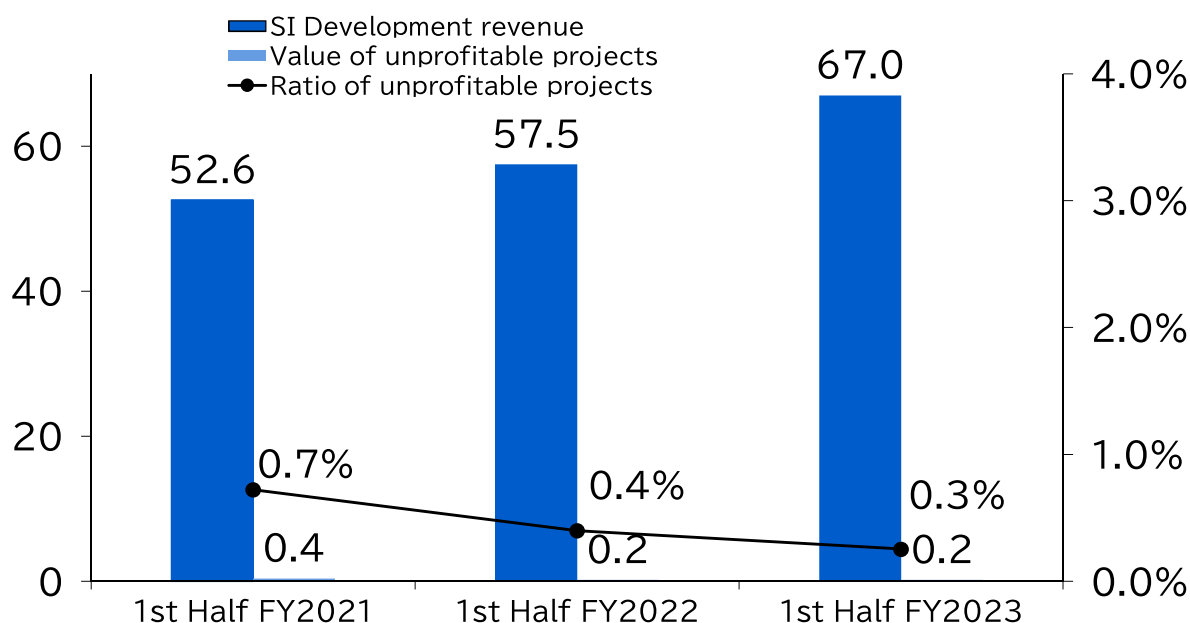
Main reasons for YoY changes in operating income



Revenue and unprofitable projects in SI Development

The ratio of unprofitable projects to SI Development revenue remained at record low level

(Billions of yen)



Full-Year Forecast for FY2023

Unchanged from the forecast at the beginning of FY 2023

(Billions of yen)

| | FY2022 Results | FY2023 Forecast | YoY change | YoY change (%) |
|--|-------------------|--------------------|------------|-------------------|
| Revenue | 570.9 | 625.0 | +54.1 | +9.5% |
| Gross profit | 139.1 | 156.0 | +16.9 | +12.2% |
| Gross profit margin | 24.4% | 25.0% | +0.6p | - |
| Other income and expenses | (92.6) | (98.0) | (5.4) | +5.8% |
| Operating income | 46.5 | 58.0 | +11.5 | +24.8% |
| Operating income margin | 8.1% | 9.3% | +1.2p | - |
| Net profit attributable to CTC's shareholders | 34.2 | 40.0 | +5.8 | +16.9% |
| Order received | 628.4 | 651.0 | +22.6 | +3.6% |
| Backlogs | 397.0 | 423.0 | +26.0 | +6.5% |

·The forecasts contained in this document are forward-looking statements that are subject to risks and uncertainties.
Please be aware that actual results may differ from these forecasts due to various factors, including economic conditions.



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