
Business and Financial Update for 3Q YTD of the Fiscal Year Ending March 31, 2024

ITOCHU Techno-Solutions Corporation

February 5, 2024



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 2. Natural rubber traceability system for “PROJECT TREE”
 3. Establishment of Taiwan Office in September 2023



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Financial results for 3Q YTD FY2023

	(Billions of yen)			
	3Q YTD FY2022	3Q YTD FY2023	YoY change	YoY change (%)
Revenue	399.0	441.8	+42.8	+10.7%
Gross profit	94.2	109.8	+15.7	+16.6%
Gross profit margin	23.6%	24.9%	+1.3p	-
Other income and expenses	(66.4)	(74.3)	(7.9)	+11.8%
Operating income	27.7	35.5	+7.8	+28.1%
Operating income margin	7.0%	8.0%	+1.0p	-
Net profit attributable to CTC's shareholders	19.2	24.9	+5.7	+29.4%
Orders received	409.3	446.9	+37.6	+9.2%
Backlogs	349.9	402.1	+52.2	+14.9%

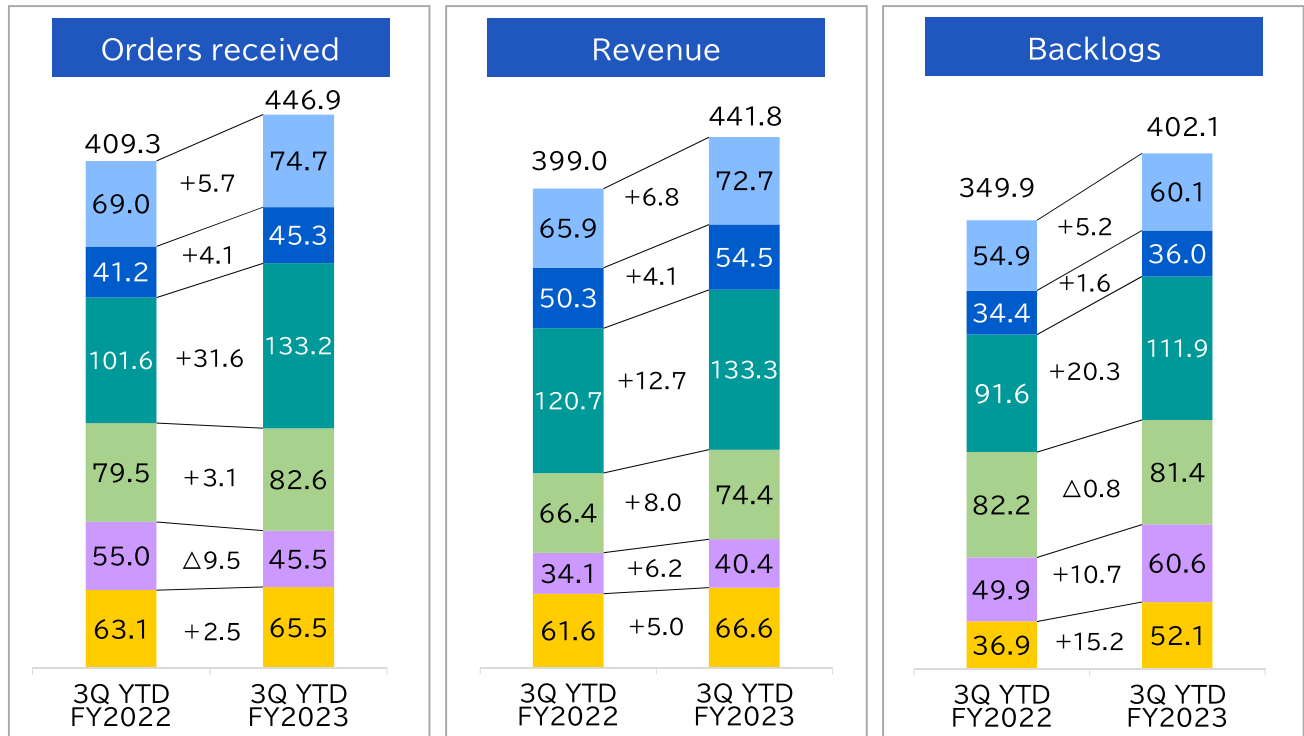
Financial results for 3Q YTD FY2023

Orders received	<ul style="list-style-type: none"> ■ Achieved further order growth by steadily capturing strong DX demand from our valued customers <ul style="list-style-type: none"> - Orders were strong in digitalization projects for the manufacturing industry, including automobile and semiconductor, and the transportation and retail industries. - For telecommunications carriers, orders for telecommunication equipment projects, and service infrastructure construction projects for their non-telecommunication businesses grew.
Revenue	<ul style="list-style-type: none"> ■ Revenue increased in all business groups thanks to the strong orders and high-level backlogs <ul style="list-style-type: none"> - Performance was brisk in product sales and system construction projects for a wide range of customers, including the manufacturing, entertainment and social infrastructure industry, local government, and government-affiliated financial institution. - For telecommunications carriers, service infrastructure construction projects for non-telecommunication businesses performed well.
Gross profit	<ul style="list-style-type: none"> ■ Gross profit increased YoY thanks to the revenue growth and an YoY increase of 1.3p in gross profit margin
Other income and expenses	<ul style="list-style-type: none"> ■ SG&A expenses increased <ul style="list-style-type: none"> - Personnel expenses increased mainly from headcount growth and salary increases - Expenses increased mainly due to revitalized sales activities and enhancement of our internal IT environment

3Q YTD FY2023

Orders received, revenue and backlogs by business group

■Enterprise ■Distribution ■Telecommunication ■Regional & Social Infrastructure ■Financial Services ■Others (Billions of yen)



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Enterprise



Orders

Increased from strong demand for DX and cloud computing mainly from various manufacturing sector industry and transportation and service industry companies. Orders also increased from businesses to solve social issues, such as IoT camera solution for the transportation industry (see P7 for Business Topic 1).

Revenue

Grew mainly from brisk performance in product sales and system construction projects for the semiconductor manufacturing industry, system development projects for the transportation and information service industries, and security projects for the construction industry.

Distribution



Orders

Increased mainly from strong order intakes in system development projects for the retail industry, SAP implementation support projects for the transportation industry and cloud implementation support projects for the food industry.

Revenue

Grew mainly from favorable performance in product sales to the entertainment industry, SAP implementation support projects for the transportation industry and system development projects for the retail industry.

Telecommunication



Orders

Increased mainly from telecommunication equipment projects for telecommunications carriers and service infrastructure construction projects for their non-telecommunication businesses, as well as from infrastructure construction projects through business co-creation with a system integrator.

Revenue

Grew mainly from service infrastructure construction projects for non-telecommunication businesses of telecommunications carriers.

Regional & Social Infrastructure



Orders

Increased from strong demand for IT infrastructure from the semiconductor manufacturing industry and DX-related business for the automobile manufacturing industry. In addition, rises in product sales to utility industry and software license sales to the social infrastructure industry also contributed to the order increase.

Revenue

Grew from strong performance in software license sales to the social infrastructure industry, local governments and the semiconductor-related industry.

Financial Services



Orders

Despite a decline mainly from lack of IT infrastructure construction projects for government-affiliated financial institution recorded in the previous year, DX-related businesses remained strong, including cloud service construction projects for cooperative financial institutions and data integration platform projects for megabanks.

Revenue

Grew mainly from steady revenue recognition of IT infrastructure construction projects for government-affiliated financial institutions, for which orders were received in the previous year, as well as from global business system development projects for megabanks.

Others



Orders

Increased mainly from product sales to information service industry by our overseas consolidated subsidiary (in North America).

Revenue

Grew mainly from product sales to the manufacturing industry by one of our domestic consolidated subsidiaries and product sales to the energy industry by our overseas consolidated subsidiary (in Malaysia).



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Business Topic 1

IoTube & THEASIGHT, which realize a safe and secure society

What is IoTube & THEASIGHT ?



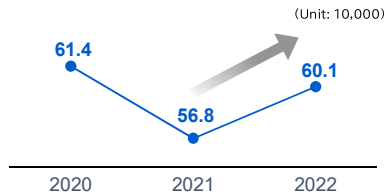
- IoT camera solution equipped in an LED fluorescent light that watches over (in Japanese *"Mimamori"*) people with its IoT camera and immediately **notifies** service users of **abnormalities** when they occur.
- The solution has been provided in collaboration of CTC, NTT Communications Corporation and MOYAI Co.
- The solution has been offered to multiple train operators since its launch in August 2022 and watches over nearly 9.5 million passengers(*) daily for their safety and security in railcars.

*CTC estimate

Background

Our society's needs for safety and security in our daily lives has been growing.

No. of penal code offenses known to the police



Q: Do you think security in Japan became better or worse over the last ten years? (%)



Stabbing rampage topped the reasons for the worsening security

- I think security in Japan became worse, if anything/ I think security in Japan became worse
- I think security in Japan became better/ I think security in Japan became better, if anything
- I don't know

(Source: "Crime Situation in 2022" by the National Police Agency)

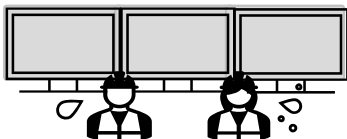


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Business Topic 1

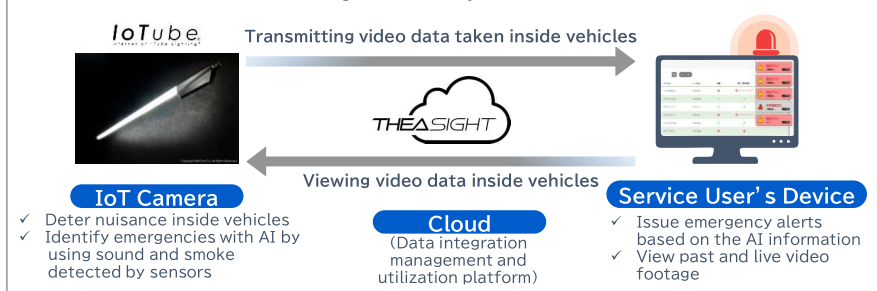
[As-Is]



- Need to spend high cost for security camera installation
- Not everything can be monitored by the human eye
- Fear of not being able to detect and confirm abnormalities immediately

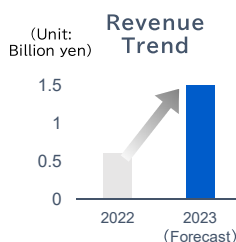
[What is possible with IoTube & THEASIGHT]

Illustrative image of the system of this solution

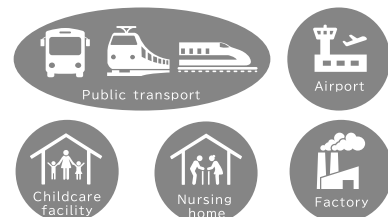


Why IoTube & THEASIGHT ?

- The solution enables reduction of total installment cost since the solution can be used just by replacing existing fluorescent lights with IoTube, thus **requiring no installation work**.
- It is our unique **one-stop solution** without wiring work for everything from recording, data transmission, data storage in user devices to data checking by using those devices. In addition, operation service is also included in the solution.
- Revenue from the solution has steadily grown since its launch in August 2022 (see the graph on the right).



- Toward realization of an even safer society, *"Mimamori (watching over)"* will be increasingly needed in various places going forward.



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Business Topic 2

Natural rubber traceability system for “PROJECT TREE”

What is “PROJECT TREE”?

- It is a project promoted by ITOCHU Corporation to realize sustainability of natural rubber supply for solving human rights issues, reducing illegal logging and improving productivity.
- Information on raw material harvest sites is obtained with GPS and recorded in our traceability system. Farmers and suppliers, who harvest, collect and supply raw materials in and from ethically, environmentally, socially appropriate farms under proper labor conditions, are incentivized to continue the practice with financial rewards and vocational trainings.



Child labor and forced labor



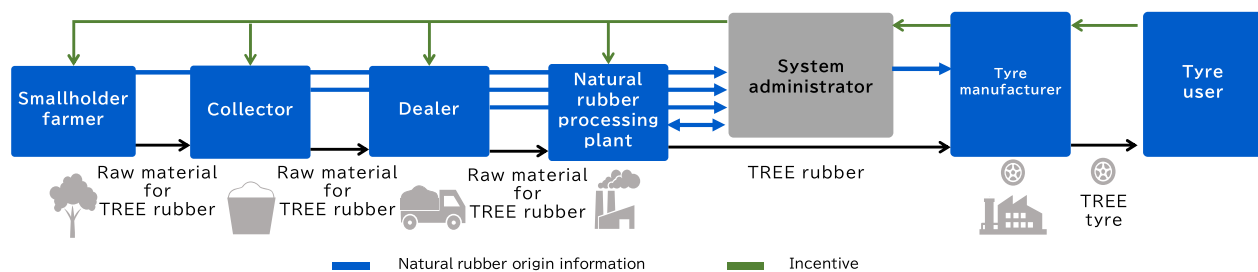
Illegal logging



Sustainable natural rubber supply

- CTC is responsible for building the project's traceability system using blockchain technology*.

* Blockchain technology: Technology that directly connects nodes (computers) on a network and uses cryptography to process and record transaction records in a decentralized manner.



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Business Topic 2

Why CTC ?

- CTC has expertise to build flexible systems based on favorable relationships with customers and an understanding of their businesses and can propose solutions to solve their issues with our *Waza* (unique skillset) to combine the most appropriate technologies.

CTC was highly recognized with the following awards from industry associations for its unique and international initiative that utilizes IT



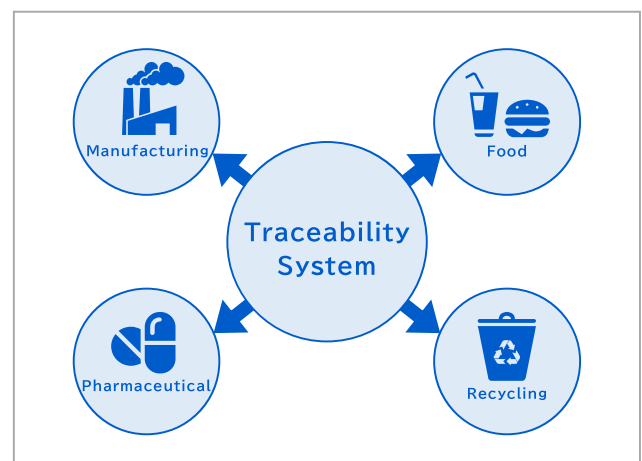
JISA Awards 2023 Winner



ASOCIO 2023 ESG Award

What is Next ?

- Traceability systems can be applied to a variety of businesses because they help improve customer satisfaction by being used to certify product quality and SDGs consciousness, while by strongly supporting supply chain management.
- In the EU, the European Deforestation Regulation, which requires certain commodities (palm oil, beef, etc.) to be certified as "deforestation and forest degradation free", will become applicable from the end of 2024, increasing demand more for traceability systems.



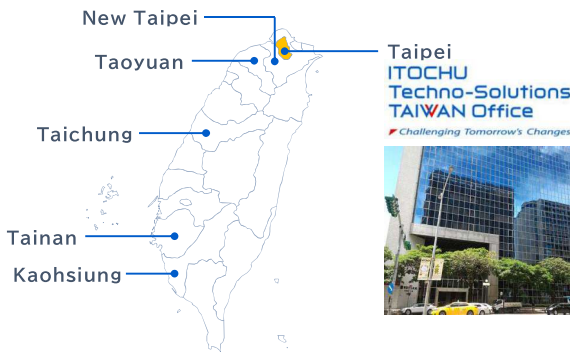
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Business Topic 3

Establishment of Taiwan Office in September 2023

Mission of Taiwan Office



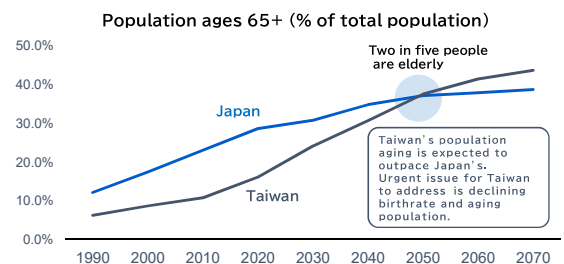
Discover solutions originating in Taiwan with a view to offering them to customers in Japan

- Discovering advanced solutions in major cities in Taiwan (see the map on the left) and aiming to offer such solutions in Japan and globally
- Also exploring the success possibility of offering IT services CTC has developed in Japan to prospective customers in Taiwan

Background

Local governments and companies in Taiwan are actively utilizing AI, IoT and other advanced technologies to solve social problems.

There are many common social issues faced both by Japan and Taiwan, such as the declining birthrate and aging population, the digital divide caused by generational and regional disparities, and natural disasters including earthquakes and floods. Therefore, IT solutions used in Taiwan can be applied to solve our social issues in Japan.



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Business Topic 3

Started discussions with various parties including central and local governments, companies and IT vendors to discover IT solutions



From left:
Richard Leu, Director-General,
Administration for Digital
Industries, Ministry of Digital
Affairs (moda)

Audrey Tang, Digital Minister in
charge of moda



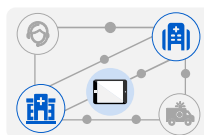
Lo, Ta-sheng, Deputy Mayor of
Kaohsiung City



Second from left:
JD Chiou, CEO, Intumit Inc.

Fourth from left:
Y.T. Yan, Chief of Staff & Senior
Vice President, Intumit Inc.

IT Solutions to Solve Social Issues Originating in Taiwan



Kaohsiung city emergency rescue cloud network

Enables obtaining information on the status of patients admitted to emergency rooms at each hospital in a timely manner and quick sharing of information such as the severity of emergency patients

Supports speeding up provision of emergency treatments and reducing burden on frontline medical workers



Wheelchair route planning and navigation service

Service to assist wheelchair users in navigating and finding alternative routes to avoid obstacles

Provides a user-friendly interface for wheelchair users and their caregivers



Smart rainwater and floodwater storage system for building

IoT devices with functions to monitor and regulate rainwater flow are installed in building foundations

Monitors rainfall and flood information in real time to realize smart flood control



AI-powered roadway hazard identification

Identifies and tracks the flow of people and vehicles at intersections by utilizing drones

Helps prevent traffic accidents by analyzing crash locations and patterns with AI image recognition



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Business Topic 3

Business Partner in Taiwan: Intumit Inc.



- Intumit Inc. was established in 1999 and has engaged in research on and development of AI platforms for over 20 years.
- “SmartRobot”, the company’s flagship product (AI platform-based conversational chatbot), **supports four languages (Japanese, English, Chinese, and Thai) as standard**, and can provide response suggestions based on more information by using generative AI.
- In Taiwan, SmartRobot is used not only to serve as chatbot but also to analyze chat- and voice-based inquiries by AI, automatically assign inquiries to responsible departments and automatically generate sample responses so that the solution can improve customer satisfaction and business efficiency.
The product has been offered to over 600 customers in and outside of Taiwan.
- CTC invested in the company and started offering its products in 2019.

