

# Business and Financial Update for the Fiscal Year 2023

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ITOCHU Techno-Solutions Corporation



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## Financial Results for FY2023

## Revenue, income at all stages, orders received and backlogs set new record highs

	(Billions of yen)			
	FY2022 Results	FY2023 Results	YoY change	YoY change (%)
Revenue	570.9	647.5	+76.5	+13.4%
Gross profit	139.1	162.6	+23.5	+16.9%
Gross profit margin	24.4%	25.1%	+0.7p	-
Other income and expenses	(92.6)	(105.3)	(12.7)	+13.7%
Operating income	46.5	57.3	+10.9	+23.3%
Operating income margin	8.1%	8.9%	+0.8p	-
Net profit attributable to CTC's shareholders	34.2	41.3	+7.1	+20.6%
Orders received	628.4	693.9	+65.5	+10.4%
Backlogs	397.0	443.4	+46.4	+11.7%



## Financial Results for FY2023

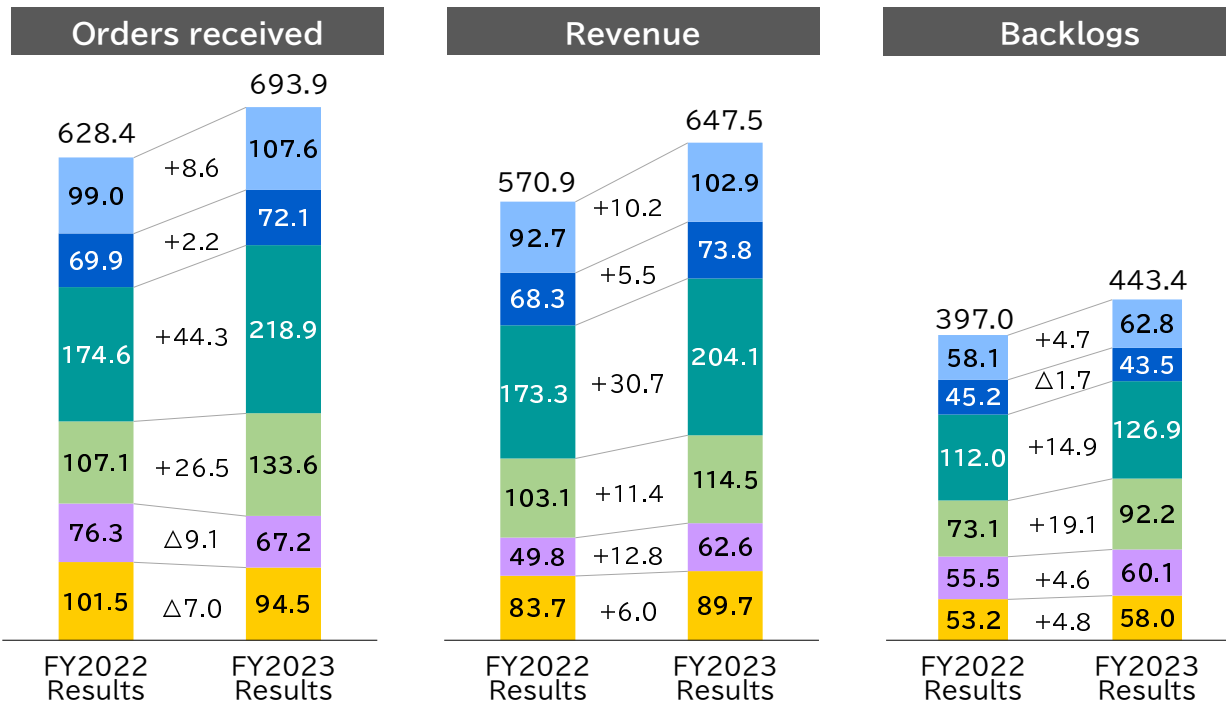
<b>Orders received</b>	<p><b>Achieved order growth by steadily capturing demand for business system renewal with IT technology</b></p> <ul style="list-style-type: none"> <li>Orders were strong in DX projects for manufacturing companies, including automobile, and utility, transportation and retail companies.</li> <li>For telecommunications carriers, order growth was seen in telecommunication equipment projects and service infrastructure construction projects regarding their non-telecommunication businesses.</li> </ul>
<b>Revenue</b>	<p><b>Revenue increased in all business groups thanks to the strong orders and high-level backlogs</b></p> <ul style="list-style-type: none"> <li>Revenue increased strongly from IT infrastructure projects and security related businesses for customers such as manufacturing companies, including automobile and semiconductor, utility companies, government-affiliated financial institutions and megabanks.</li> <li>For telecommunications carriers, revenue grew from telecommunication equipment projects and service infrastructure construction projects regarding their non-telecommunication businesses.</li> </ul>
<b>Gross profit</b>	<p><b>Gross profit increased YoY thanks to the revenue growth and an YoY increase of 0.7p in gross profit margin</b></p>
<b>Other income and expenses</b>	<p><b>SG&amp;A expenses increased</b></p> <ul style="list-style-type: none"> <li>Personnel expenses increased mainly from headcount growth and salary increases.</li> <li>Expenses increased mainly due to enhancement of our internal IT environment.</li> </ul>



# FY2023 Orders received, revenue and backlogs by business group

■ Enterprise ■ Distribution ■ Telecommunication ■ Regional & Social Infrastructure ■ Financial Services ■ Others

(Billions of yen)



### Enterprise

**Orders**

The following projects achieved brisk performance: cloud service for transportation and manufacturing companies, infrastructure construction and SAP development support for manufacturing companies, IoT camera solutions for railway companies and security for printing and medical companies.

**Revenue**

Performance mainly in the following projects was strong: IT environment development in factories for semiconductor manufacturers, IoT camera solutions for railway companies, infrastructure construction for manufacturers, and security for construction and printing companies.

### Distribution

**Orders**

Orders were strong mainly in the following projects: system development for retailers, SAP implementation support for transportation companies, and work style reform (including remote working) support for the headquarters' functions of retailers.

**Revenue**

Revenue was brisk mainly in the following projects: product sales for entertainment companies, SAP implementation support for transportation companies, and work style reform (including remote working) support for the headquarters' functions of retailers.

### Telecommunication

**Orders**

Orders increased mainly from telecommunication equipment projects for telecommunications carriers and service infrastructure construction projects regarding their non-telecommunication businesses.

**Revenue**

Revenue grew mainly from telecommunication equipment projects for telecommunications carriers and service infrastructure construction projects regarding their non-telecommunication businesses.

### Regional & Social Infrastructure

**Orders**

Orders were brisk mainly in the following projects: system operation for associations, private cloud infrastructure construction for automobile manufacturers, and IT infrastructure development for semiconductor manufacturers.

**Revenue**

Revenue was strong mainly in work style reform (including remote working) support projects for automobile manufacturers, local governments and associations.

### Financial Services

**Orders**

Orders mainly from the following projects remained strong: sales support system construction for cooperative financial institutions and security and private cloud service construction support/maintenance/operation projects for megabanks, despite a decline mainly from lack of the migration project of internal OA systems to cloud for a government-affiliated financial institution recorded in the previous year.

**Revenue**

Revenue grew mainly from steady releases in the migration project of internal OA systems to cloud for the government-affiliated financial institution, for which the order was received in the previous year, security and private cloud service construction support projects for megabanks.

### Others

**Orders**

Orders were solid mainly in digital healthcare environment development projects for hospital groups and IT infrastructure development projects for local banks by our overseas consolidated subsidiaries (in Singapore and Malaysia).

**Revenue**

Revenue was solid mainly in sales of equipment for semiconductor manufacturing by our consolidated subsidiaries in Japan and digital healthcare environment development projects for hospital groups and IT infrastructure development projects for energy companies by our overseas consolidated subsidiaries (in Singapore and Malaysia).



## Consolidated Balance Sheet at the End of FY2023

(Billions of yen)

	End of FY2022	End of FY2023	YoY Change
Cash and cash equivalents	92.5	118.1	+ 25.6
Trade and other receivable	158.2	183.8	+ 25.6
Inventories	55.7	61.0	+ 5.4
Other current assets	98.7	109.3	+ 10.7
<b>Current assets</b>	<b>405.1</b>	<b>472.2</b>	<b>+ 67.2</b>
Non current assets	123.0	118.9	(4.1)
<b>Total assets</b>	<b>528.0</b>	<b>591.2</b>	<b>+ 63.1</b>
Current liabilities	183.0	213.6	+ 30.6
Non current liabilities	39.4	36.6	(2.8)
<b>Total liabilities</b>	<b>222.4</b>	<b>250.2</b>	<b>+ 27.8</b>
Equity	305.6	340.9	+ 35.3
<b>Total liabilities and equity</b>	<b>528.0</b>	<b>591.2</b>	<b>+ 63.1</b>



## (Reference) FY2024 Earnings Plan

(Billions of yen)

	FY2023 Results	FY2024 Plan	YoY change	YoY change (%)
Revenue	<b>647.5</b>	<b>715.0</b>	+ 67.5	+ 10.4%
Gross profit	<b>162.6</b>	<b>180.0</b>	+ 17.4	+ 10.7%
Gross profit margin	25.1%	25.2%	+0.1p	-
Other income and expenses	<b>(105.3)</b>	<b>(115.0)</b>	(9.7)	+ 9.2%
Operating income	<b>57.3</b>	<b>65.0</b>	+ 7.7	+ 13.4%
Operating income margin	8.9%	9.1%	+0.2p	-
Net profit attributable to CTC's shareholders	<b>41.3</b>	<b>45.0</b>	+ 3.7	+ 9.0%
Orders received	<b>693.9</b>	<b>750.0</b>	+ 56.1	+ 8.1%
Backlogs	<b>443.4</b>	<b>478.4</b>	+ 35.0	+ 7.9%



# Business Topic 1 CTC's Generative AI Business

## Offering of NVIDIA GPUs - Provide support for constructing generative AI development platform -

GPU: A processing unit designed to perform massive arithmetic processing, which is important for advancing development of generative AI

- In Japan, achieved **No. 1** position in terms of revenue from offering NVIDIA products offered (for one year from February 2023) and received an award from NVIDIA for our contribution in sales growth and support service.

✓ CTC has ability to support implementation of a large number of GPUs and construction of complex system environments



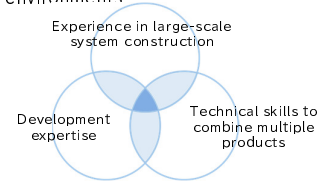
### Recognition from NVIDIA

Awarded "Best NPN of the Year" in NVIDIA Partner Network Award 2024



### Partner level

Ranked as ELITE PARTNER (highest partner level)



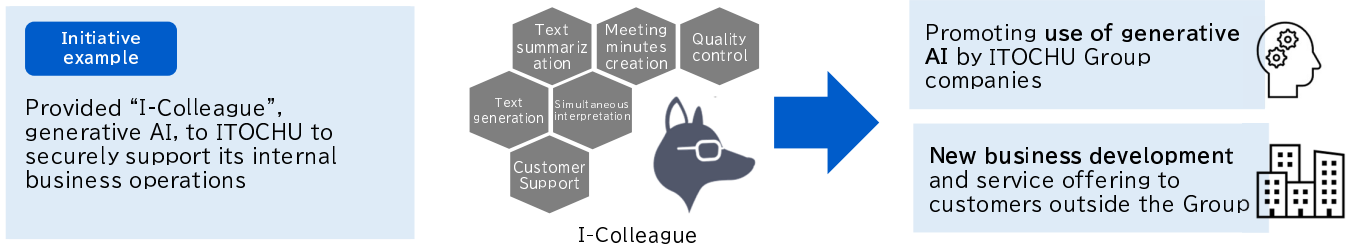
- CTC supported construction of SoftBank Corp.'s computing platform for the development of generative AI.

\*Press release from SoftBank Corp. on October 31, 2023 "[SoftBank Corp.'s Japan Top-level Generative AI Computing Platform Now Operational. Subsidiary Begins Full-fledged Development of Homegrown LLMs](#)"

## Establishment of "Generative AI Research Lab" with ITOCHU Corporation and other partners

- Explore business frontier with ITOCHU Corporation -

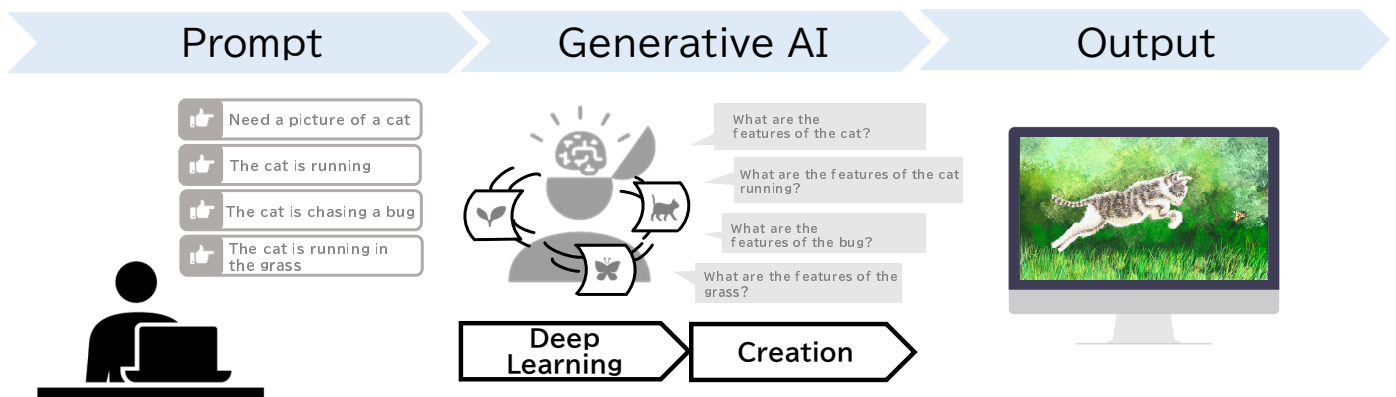
- In May 2023, ITOCHU Corporation (hereinafter: ITOCHU), CTC, and BrainPad Inc. etc. jointly established "the Generative AI Research Lab" and are working on applying generative AI such as ChatGPT to **support** companies in **their business transformation** and **new business development**.



## What is Generative AI?

- AI that **creates data including text, images, audio** according to instructions (prompts)
- By using **deep learning** (\*) models trained with pre-input data, it generates outputs such as sentences that match prompts based on the data

\*Technology that analyzes data at multiple layers and automatically extracts, collects, and stores features of each data. It is based on a model called "artificial neural network" that mimics the neural network of the human brain.



With the increase in global data distribution, the amount of training data has increased. Accuracy and speed of creation have also increased as computer processing power improves.

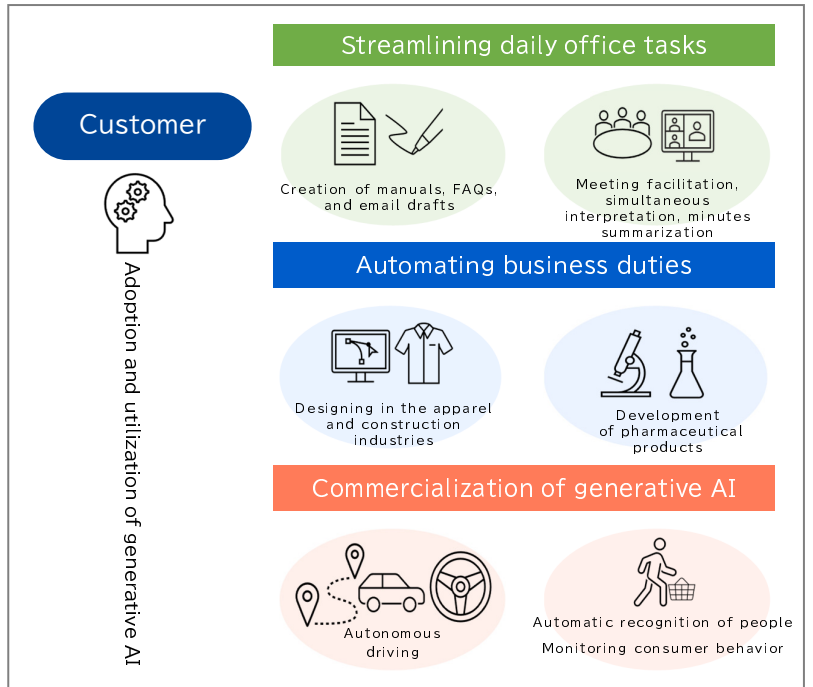
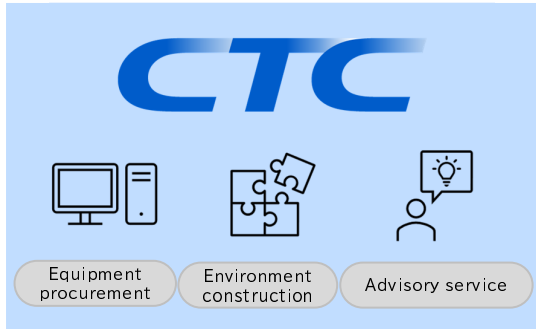
Generative AI is rapidly innovating and, through services such as ChatGPT, Microsoft Copilot, and Google Gemini, becoming more widely adopted in our society.

## We customize generative AI service to support utilization by customer

- Starting by streamlining daily office tasks -

- High-performance equipment and specialized knowledge are essential to make the best use of generative AI in business operations.
- CTC provides **advisory services** in addition to **construction of a generative AI environment** that combines **the most appropriate equipment**.

CTC **provides strong support for adoption and utilization of generative AI** tailored to each customer's needs.



Adjustment slide

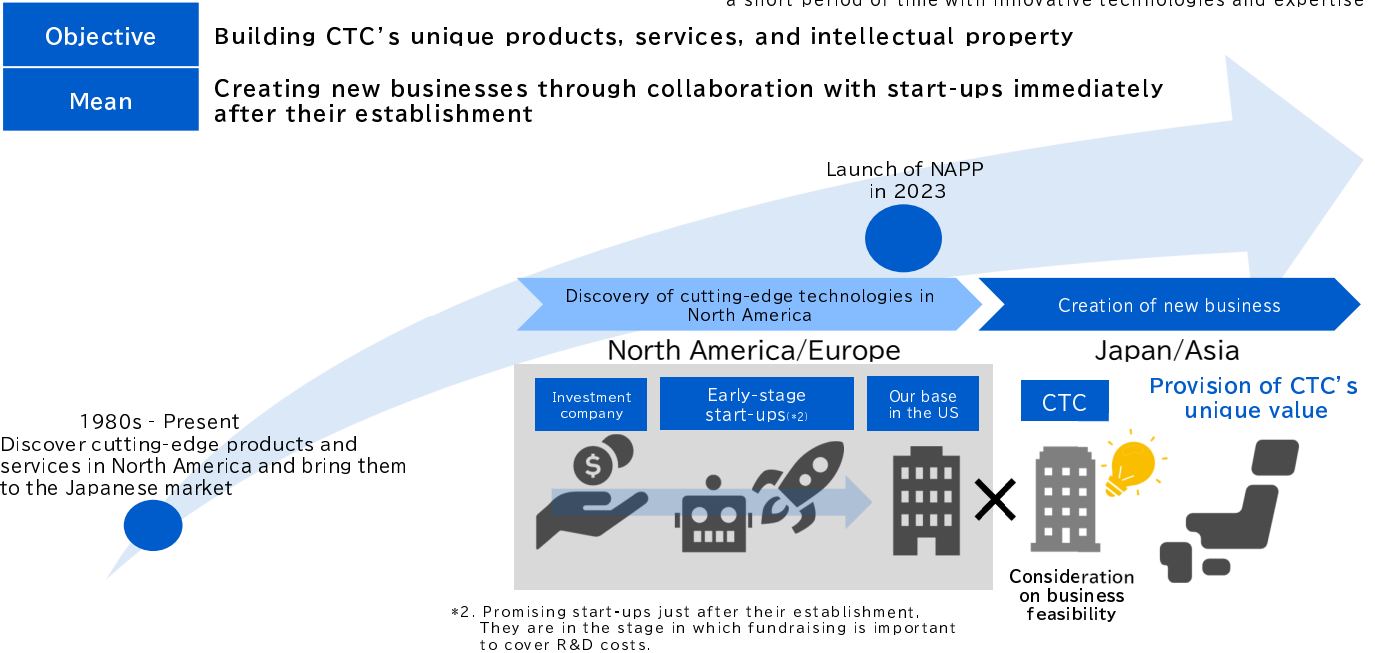
**Business Topic 2**

Exploring the next generation core technologies in North America - Aiming to create CTC's unique value -

**NAPP(North America Partnership Program)**

Initiative to deepen relationships with start-ups (\*1) through U.S. and European investment companies with insight on cutting-edge technologies and IT trends

\*1. Companies that create innovation and achieve rapid growth in a short period of time with innovative technologies and expertise



\*2. Promising start-ups just after their establishment. They are in the stage in which fundraising is important to cover R&D costs.



**Case:Collaboration with Liquid AI - Spurring the utilization of edge devices -**

Launched collaboration with Liquid AI, Inc. (headquartered in Massachusetts, the U.S.) in February 2024

Working on creating businesses using the company's innovative technology, Liquid Neural Network (LNN)

**LNN Features**

- Ability to perform calculations normally requiring about 100,000 neurons for self-driving vehicles **with as few as 19 neurons**(\*1)
- Ability to enable **real-time learning and operation on edge devices** (\*2) with optimization of arithmetic processing
- Ability expected to **significantly reduce power consumption and CO2 emissions**

\*1. Cells that transmit information in the brain. In neural networks, it means an arithmetic unit.

\*2. Device at the end of a network, in close proximity to physical objects such as people and IoT. Contrasted with data centers and cloud computing, which aggregate, store, and process data collected from edge devices.



Ramin Hasani / Co-founder & CEO, Liquid AI, Inc.

- Liquid AI, Inc. was established as a Massachusetts Institute of Technology (MIT) spin-off start-up in the field of generative AI
- Ramin Hasani, CEO, turned his attention to the neural network of nematodes(\*3), and applied this to machine learning, which led to LNN

\*3. A filamentous creature about 1mm in length, characterized by its simple nervous system that is easy to observe.

About [Collaboration with Liquid AI to Develop Edge AI Solution](#)



Business Topic 3

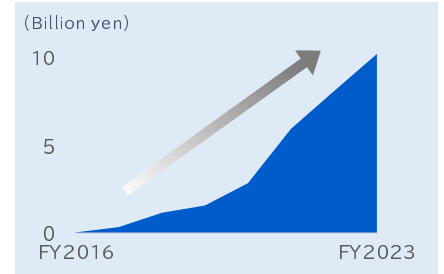
Utilization of low-code development platform

Example: Growing sales of OutSystems - Enabler for legacy modernization -

- Began offering OutSystems in 2015 and **our cumulative revenue exceeded 10 billion yen** (in FY2023)
- **Awarded OutSystems Premier Partner, its highest partner title**, in recognition of our solid sales track record and solution quality



OutSystems cumulative revenue trend



CTC was No.1 in 3 categories in 2023



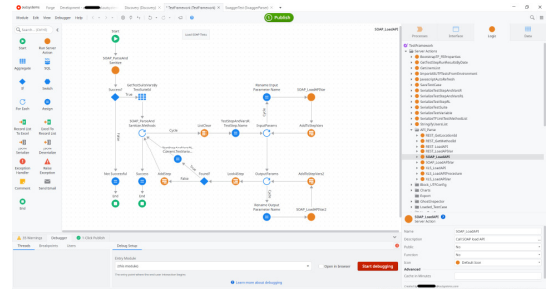
- ✓ Sales in Japan
- ✓ No. of projects won(\*)
- ✓ No. of new customer acquisition (\*)

\*in Asia

Our Customers adopted OutSystems



Actual development screen



<b>Product overview</b>	Products from OutSystems, a leading low-code development platform company established in Portugal
<b>Product feature</b>	Enables development with visual operations Can be used for large-scale and complex systems Provided with a wide variety of services for operations
<b>CTC's proposal</b>	Use for legacy system modernization (renewal of outdated system)

Meeting the needs of legacy modernization

Many financial and manufacturing companies have legacy systems(\*), and three hurdles are preventing their modernization

\*System with problems including outdated technology, bloated/complex system and the "black box" issue

Hurdles to legacy modernization

**1 Shortage of IT professionals**

IT professionals are too busy with maintenance and managing legacy systems to renew them

**2 Cost increase**

Lack of in-house expertise in system development and operation and dependence on outsourcee result in cost increase

**3 Risk of problems during renewal**

Renewal of systems that have become a black box carries a high risk of problems

Helping Customers with OutSystems

**1 Increase of development productivity**

- No need to learn development languages
- Enabling restructuring of legacy systems with visual operation

**2 Cost optimization through in-house shifting**

- Provision of a wide range of training menu options for in-house shifting
- Provision of support accompanying customers along every step for the shift

**3 Prevention of black boxing**

- Provision of a wide variety of functions for system operation and analysis
- Enabling application lifecycle management from design to operation



