

Business and Financial Update for the 1st Quarter of Fiscal Year 2024

Aug 5, 2024

ITOCHU Techno-Solutions Corporation



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Financial Results for FY2024 1Q

Orders received, revenue and all the income items reached record highs for 1Q.

	(Billions of yen)			
	1st Quarter FY2023 Results	1st Quarter FY2024 Results	YoY change	YoY change (%)
Revenue	132.4	156.1	+23.6	+17.8%
Gross profit	32.8	37.0	+4.2	+12.8%
Gross profit margin	24.8%	23.7%	(1.1p)	-
Other income and expenses	(24.0)	(26.3)	(2.3)	+9.5%
Operating income	8.8	10.7	+1.9	+21.7%
Operating income margin	6.6%	6.8%	+0.2p	-
Net profit attributable to CTC's shareholders	6.4	7.7	+1.4	+21.4%
Orders received	135.4	174.5	+39.1	+28.9%
Backlogs	400.0	461.9	+61.9	+15.5%



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Orders received

- We received high-level orders from government agencies, local governments, telecommunications carriers, financial institutions and other wide range of industries.
- Orders from the business of building a generative AI platform, which was strong last year, remained brisk.

Revenue

- Our efforts to expand business domain in the telecommunications industry succeeded to see revenue growth both from telecommunication equipment projects and projects to set up service platform of telecommunications carriers.
- Revenue from security countermeasure projects for remote work environments was strong.
- Revenue was also brisk from cloud projects for customers in various industries including the manufacturing, social infrastructure and finance.

Gross profit

- Gross profit increased YoY thanks to the revenue growth.



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FY2024 1Q

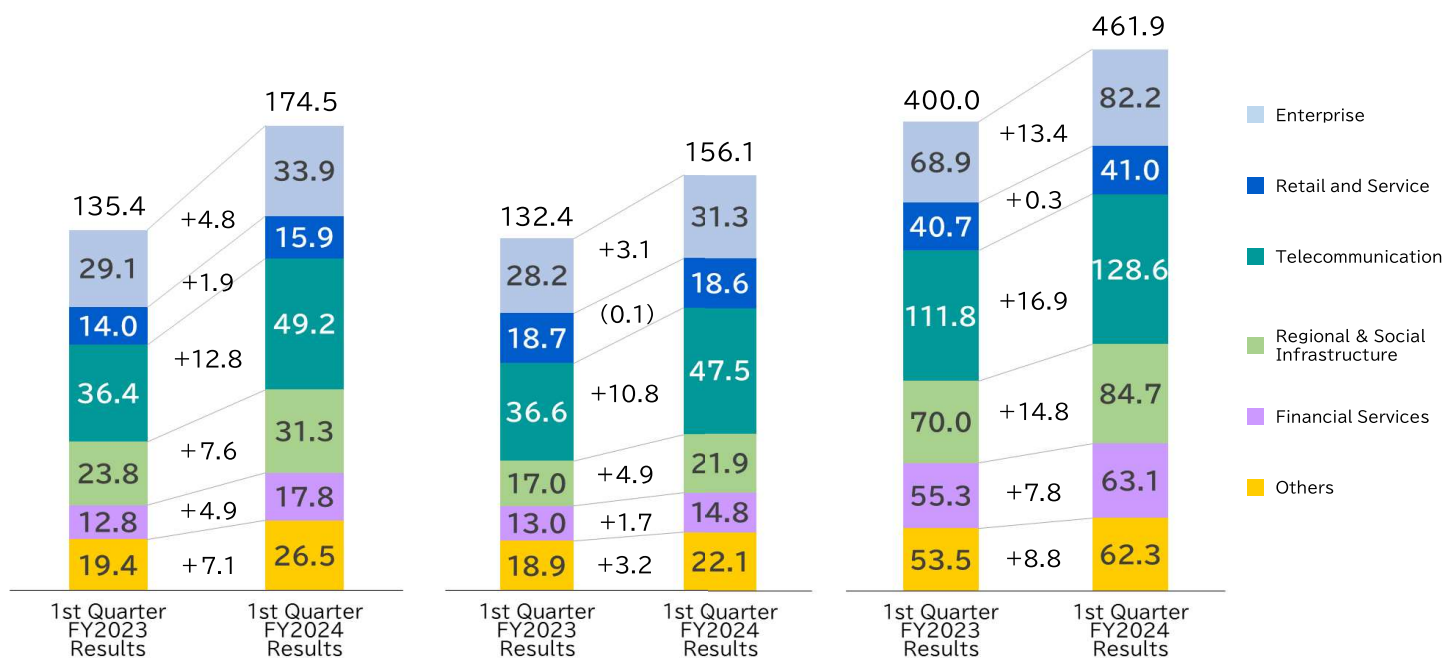
Orders received, revenue and backlogs by business group

(Billions of yen)

Orders received

Revenue

Backlogs



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Enterprise



Orders

Orders increased in projects for our customers to realize flexible work styles, including virtual desktop environment deployment for design work and security countermeasures for automobile manufacturers, and cloud migration of contact centers for insurance companies.

Revenue

Revenue increased mainly from endpoint security measure support projects and private cloud infrastructure construction projects for manufactures including automobile.

Retail and Service



Orders

Orders were strong in solutions to integrate ERP and peripheral systems for transportation companies. Orders also increased from POS system renewal projects for petroleum wholesalers.

Revenue

Revenue from system development projects for trading and transportation companies was solid and revenue from POS system renewal projects for petroleum wholesalers increased as well. The entire business group revenue remained almost flat YoY.

Telecommunication



Orders

Orders were brisk in generative AI platform construction projects for Internet-related businesses and telecommunications carriers. Orders also increased mainly from system building projects for telecommunication facilities of telecommunications carriers.

Revenue

Revenue was strong in system building projects for telecommunication facilities of telecommunications carriers. Revenue also increased from businesses for service platform provided by telecommunications carriers.

Regional & Social Infrastructure



Orders

Investments in networks were brisk by government agencies and local governments for preparation of migration to government cloud. Orders rose due to projects to create secure networks of government agencies and local governments and anomaly detection system projects for electric power companies.

Revenue

Revenue increased mainly from DX projects to reform the electricity system and IT environment improvement projects for semiconductor manufacturers.

Financial Services



Orders

Orders were brisk from zero-trust projects for megabanks and provision of service-based sales support systems for cooperative financial institutions by capturing the strong IT investment demand of financial institutions.

Revenue

Revenue was strong from contact center renewal projects for securities firms. Revenue also increased mainly from zero-trust projects and risk management application platform renewal projects for megabanks.

Others



Orders

Orders were solid mainly in projects for semiconductor manufacturers by our consolidated subsidiaries in Japan and IT infrastructure improvement projects for government agencies and semiconductor manufacturers by our overseas consolidated subsidiaries (in Singapore and Malaysia).

Revenue

Revenue increased mainly from construction support projects of data utilization platform for Singapore-based banks by our consolidated subsidiary in the country.



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Business Topic 1

Expanding support with security measures essential for DX promotion

Background of the need for security measures

The importance of taking security measures is growing with the emergence of risks such as information leakage, business disruption and damage compensation due to computer viruses and cyberattacks.

Potential risks posed by the widespread IT adoption

- ✓ IT system use for services provided by government agencies and local governments
- ✓ Cashless payment
- ✓ Medical record digitization
- ✓ Disruption due to suspension of administrative services
- ✓ Disruption due to suspension of payment services
- ✓ Disruption due to personal information leakage

- **CTC can provide the most optimal support by combining** cutting-edge products, monitoring and operational services, and expert assistance to address diversifying security risks and needs for countermeasures.

CTC solution offerings

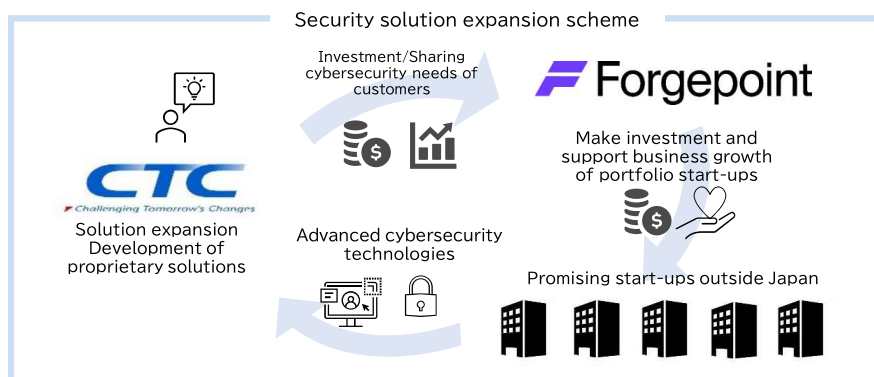


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Initiative to further expand cutting-edge technology solutions

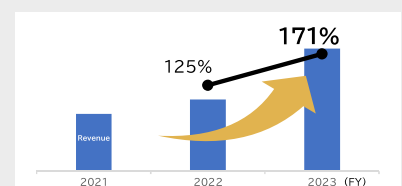
- In July 2024, invested in the fund **focused on the cybersecurity field**, managed by Forgepoint Capital, LLC, a US venture capital firm.
- **Aiming to further expand CTC's security solutions** by incorporating advanced technologies of portfolio start-ups.



Meet the growing need for cybersecurity by enriching our entire solutions through product lineup expansion



CTC's security product revenue YoY growth rate



- Forgepoint**
- ✓ Founded in 2015 and headquartered in Silicon Valley
 - ✓ Alberto Yépez, Co-Founder and Managing Director, was recognized by Fortune as one of the top VCs Dominating Cybersecurity Investing.
 - ✓ The VC has the industry's largest network of advisors*, consisting of more than 90 companies, to reach for the latest trends.

*The network consists of companies that can share security needs in their individual industries and support start-ups' growth, including leading companies in the security and IT industries, major companies that could become customers of start-ups, investment banks and consulting firms.



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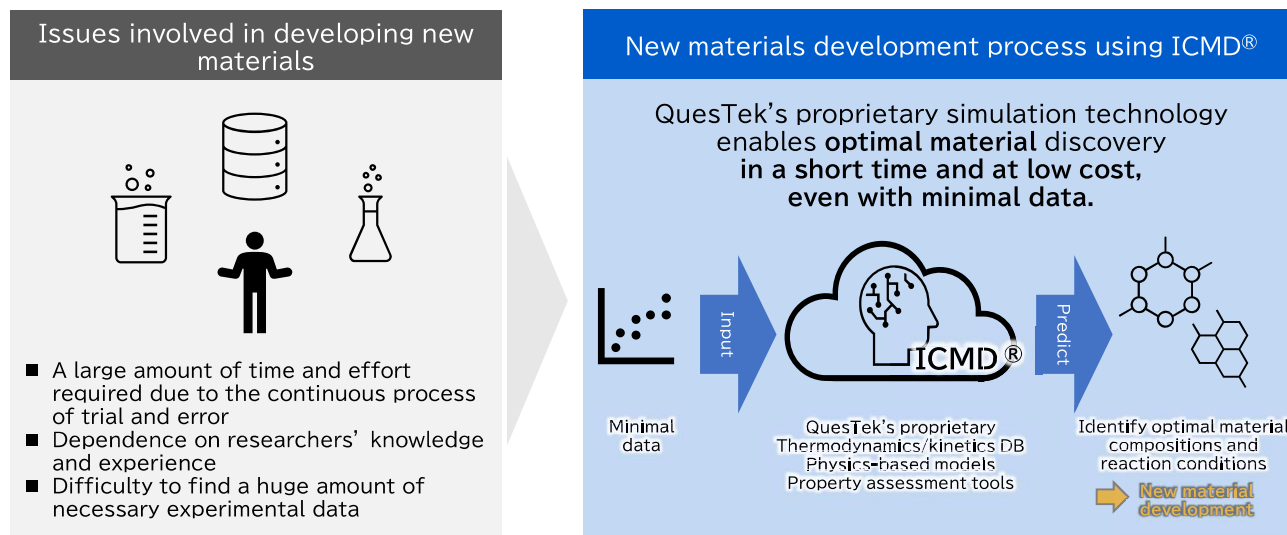
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Business Topic 2

Strongly drive customers' new materials development by making full use of the world's leading-edge technologies

- ICMD®, a cloud-based materials development platform, developed by QuesTek International LLC (hereinafter "QuesTek") and provided by CTC, has attracted a lot of inquiries from potential customers.
*Integrated Computational Materials Design
...Cloud-based materials development platform developed by QuesTek for material modeling and design simulation
- The platform has been attracting attention as a technology that can solve conventional problems related to the development of new materials, which leads to solving social issues.
- Materials development, whose processes can be streamlined with the platform, accounts for nearly 20% of Japan's manufacturing GDP (about 21.7 trillion yen), indicating the high growth potential of the platform.

*CTC estimate based on Japan's nominal GDP in 2022



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New materials that can be developed with ICMD (examples)



Development of these new materials will lead to **carbon neutrality** and other solutions to address social issues.

About QuesTek



QuesTek is a leading company in designing and developing innovative materials, co-founded by Greg Olson, Professor at Massachusetts Institute of Technology, a pioneer in ICME (Integrated Computational Materials Engineering) technology. ICME technology is a method to develop materials through multi-scale, integrated simulations using computer technology.

About CTC



CTC has been providing the sales of various material-related software and databases, as well as support and consulting services for material-related fields including alloy design, material process design, and material evaluation, for over 30 years. In February 2020, we established QuesTek Japan Co., Ltd., a joint venture between CTC and QuesTek. Based on our many years of experience in the materials-related business, we provide cutting-edge materials development technologies to our customers.



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Business Topic 3

Launched joint research project with Keio University to create a safe and secure Internet society

Launched the joint research project "Trust Knots" with Keio University in June 2024.



Objective

Ensuring the trust of data exchanged over the Internet and **preventing fraud and unauthorized transactions.**

Research theme

Mechanisms of Trust* (How can we trust data exchange partners and data?)

Issue

Problems caused by lack of trust in data distribution are on the rise, **hindering the development of the digital society.**

Example 1

Increase of **identity fraud** using someone else's ID, **falsification of data** in circulation and **false information**

Example 2

Increase of business-side costs and users' burden for verifying authenticity and user identity

*Trust is "the degree to which one believes that the other party behaves as expected without checking supporting facts to confirm the expectation". In order to enhance the trustworthiness of transactions on the Internet, it is important to increase the verifiability of data exchange partners, data itself, data exchange routes and data transactions.

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Background behind the project launch

CTC has long been involved in the digital ID landscape, and **one of CTC employees serves as a member*1 of the Trusted Web Promotion Council*2 established by the Japanese government.**

Challenges preventing the development of a digital society

In 2020, the government established the Trusted Web Promotion Council. Keio University, OpenID Foundation Japan, and others are members of the Council.

In 2024, launched the "Trust Knots" project

*1 One of CTC employees serves as Chairman of OpenID Foundation Japan, in which CTC participates as a member company, and the employee, as Chairman of the Foundation, serves as a member of the Council.

*2 The Trusted Web Promotion Council studies a mechanism to improve trust of information flowing through the Internet by expanding the area where data itself and data exchange can be verified without overly relying on a specific service.

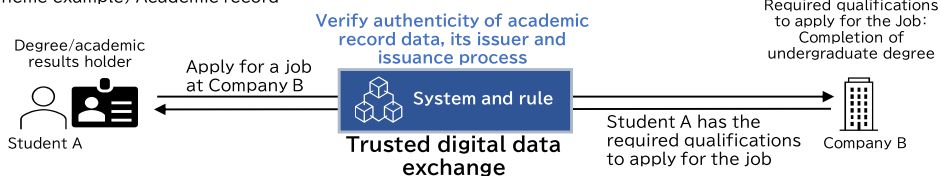
Initiatives of Trust Knots

Creation of mechanism

- Mechanism to **verify the identity of data exchange partners**
- Mechanism to **verify how data is issued and that it has not been falsified**

Demonstration experiment

Conduct demonstration experiments by theme
(Theme example) Academic record



In addition, Trust Knots will make **policy recommendations to the government and economic organizations** and provide information to service providers based on the demonstration experiment results.



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Business Topic 4

Leverage advanced skills of elderly employees to get over the 2025 digital cliff

- Revised our post-retirement employment system in April 2024.
- To drive DX by improving working conditions of rehires for addressing growing IT professional shortage.

Revision objective

- ✓ Retain skillful and well-experienced workforce
- ✓ Expand opportunities for elderly employees to play an active role
- ✓ Enhance competitiveness to acquisition human resource

Overview of new post-retirement rehiring system

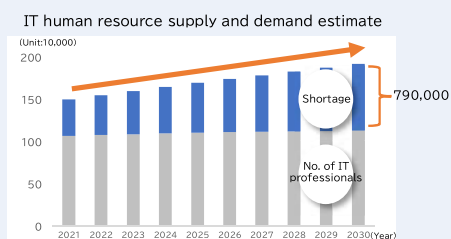
*Position expected to contribute to CTC by utilizing advanced skills and expertise

Course	Role	Job/Compensation
Highly skilled professional	Equivalent to Specialist position*	Equivalent level of job and compensation to regular employees
Specific field professional	Equivalent to general employees	
Limited responsibility	Limited/supportive work	Job with reduced workload and corresponding compensation

Background of revision

Need to address future human resource shortage

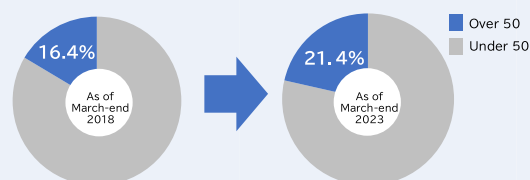
IT professional shortage is estimated to reach 790,000 by 2030.



Need to utilize and pass on advanced skills and expertise of elderly employees

As our workforce age demographic changes, there is an urgent need to utilize the skills of elderly employees and pass them on to younger employees.

CTC stand-alone age composition



History to reform of CTC's personnel system

- Have created environments where personnel with advanced skills and expertise can play an active role regardless of age by assigning them to right positions through continuous system reforms.
- In April 2023, prior to the revision of the post-retirement rehiring system, roles requiring a high degree of specialization were defined as specialist positions and job-type elements were introduced for the specialists.

