



Announcement of Interim Operating Results for the Fiscal Year Ending in March 2007

October 30, 2006

ITOCHU Techno-Solutions Corporation

These materials contain forward-looking statements about the future performance of CTC, based on management's assumptions and beliefs in light of information currently available to it, and involve certain risks and uncertainties. Actual results may differ from projected performance, owing to a variety of factors, including changes in the economic environment.



**Overview of Interim Operating Performance
(Former ITOCHU TECHNO-SCIENCE Corporation)**

Overview of FY2006 Interim Performance

Substantial Increases in Revenues and Profits

◆ Significantly improved operating performance

1. Orders received expanded for the fifth consecutive quarter, and first-half orders received exceeded those of the first half of the preceding fiscal year
2. Revenues and profits posted double-digit increases for the third consecutive quarter, and first-half profits substantially outpaced the level of the first half of the preceding term

◆ Increased profitability

1. The interim gross profit margin was the highest to date, at 25.9%
2. Owing to stronger project management, the number of unprofitable projects decreased
3. As we continued to pursue the “75/65” cost model, all profit margins from operating income downward, reached their highest levels in our history—second only to their FY2000 levels
4. The Company posted merger costs of ¥0.31 billion, which it recorded as extraordinary losses

Overview of FY2006 Interim Performance

Principal Points of Focus

Revive the Businesses in Enterprise systems

Expand product sales

Ensure sustainability of the support business

Curtail unprofitable development projects

Recruit personnel and raise productivity

First-Half Results

Significantly expanded the number of sectors

Posted hardware-focused resurgence

Business remained firm

Unprofitable projects decreased
– ¥0.6 billion → – ¥0.2 billion

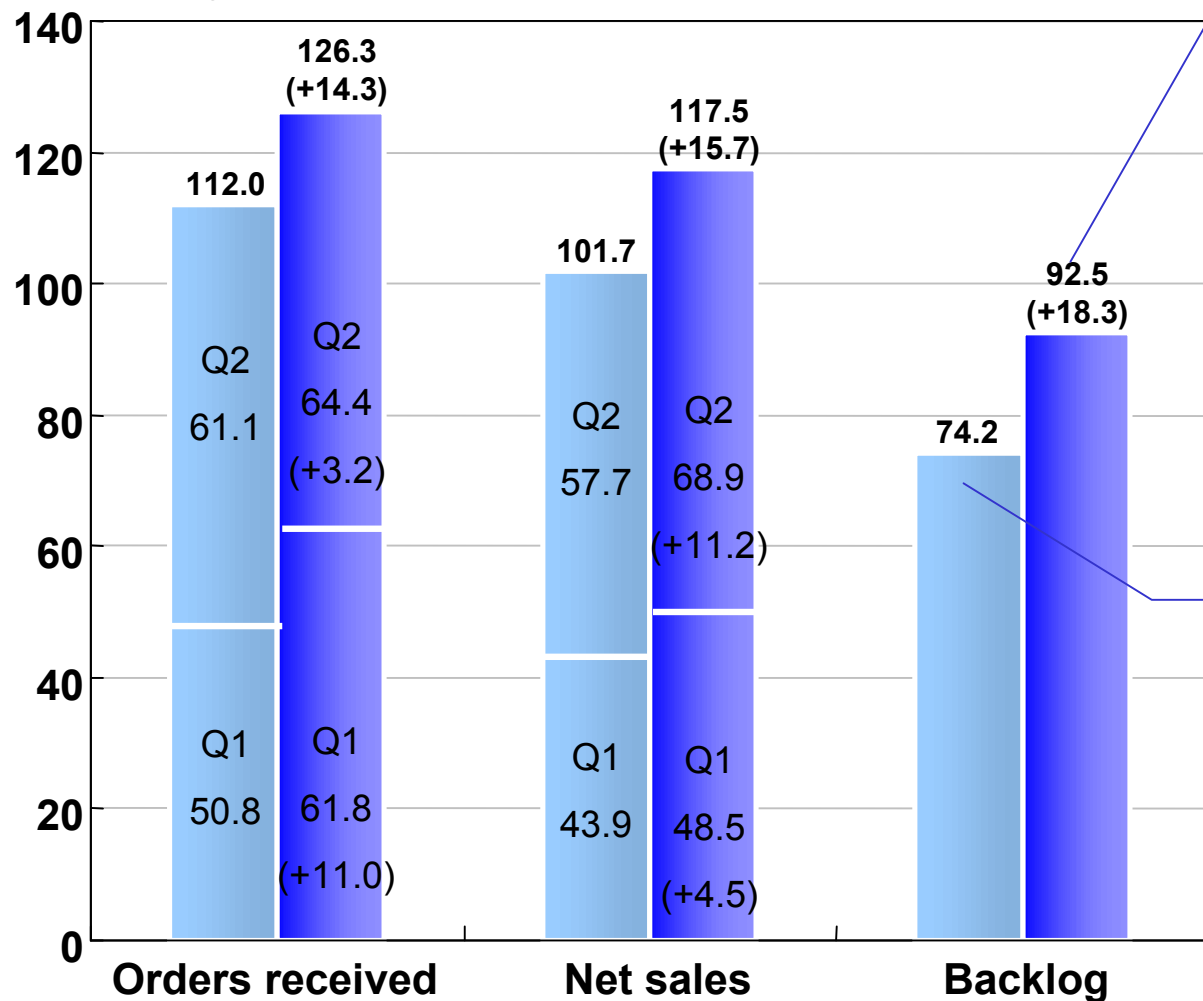
First-half recruiting results:
More than 160 new-graduate hires
More than 200 mid-career hires

Consolidated Performance Highlights

	First Half of FY2005 Actual Performance		First Half of FY2006 Actual Performance		Year-on-Year Change	<Reference> First Half of FY2006 Initial Plan	
	Billions of yen	Profit margin	Billions of yen	Profit margin		Billions of yen	Profit margin
	Net sales	101.7	—	117.5		—	+15.5%
Gross profit	25.5	25.1%	30.4	25.9%	+19.3%	27.9	24.9%
SG&A expenses	(19.0)	—	(20.0)	—	+5.1%	(21.0)	—
Operating income	6.4	6.4%	10.4	8.9%	+61.1%	6.9	6.1%
Ordinary income	7.1	7.0%	10.6	9.1%	+50.0%	7.2	6.4%
Net income	3.9	3.8%	5.0	4.3%	+30.5%	4.0	3.6%
Orders received	112.0		126.3		+12.8%	118.8	
Backlog	74.2		92.5		+24.7%	90.3	

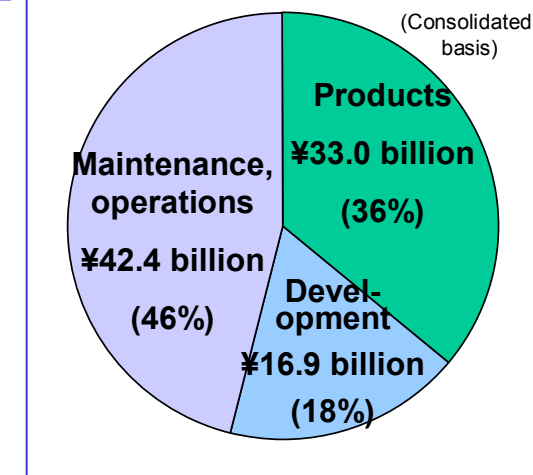
<Reference> Orders Received, Net Sales and Backlog (Consolidated)

(Billions of yen)

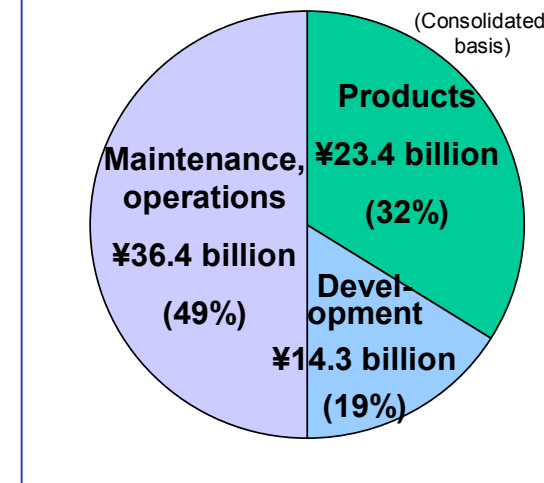


- First half of fiscal year ended March 2006
- First half of fiscal year ending March 2007

**Breakdown of Backlog
First half of FY2006**

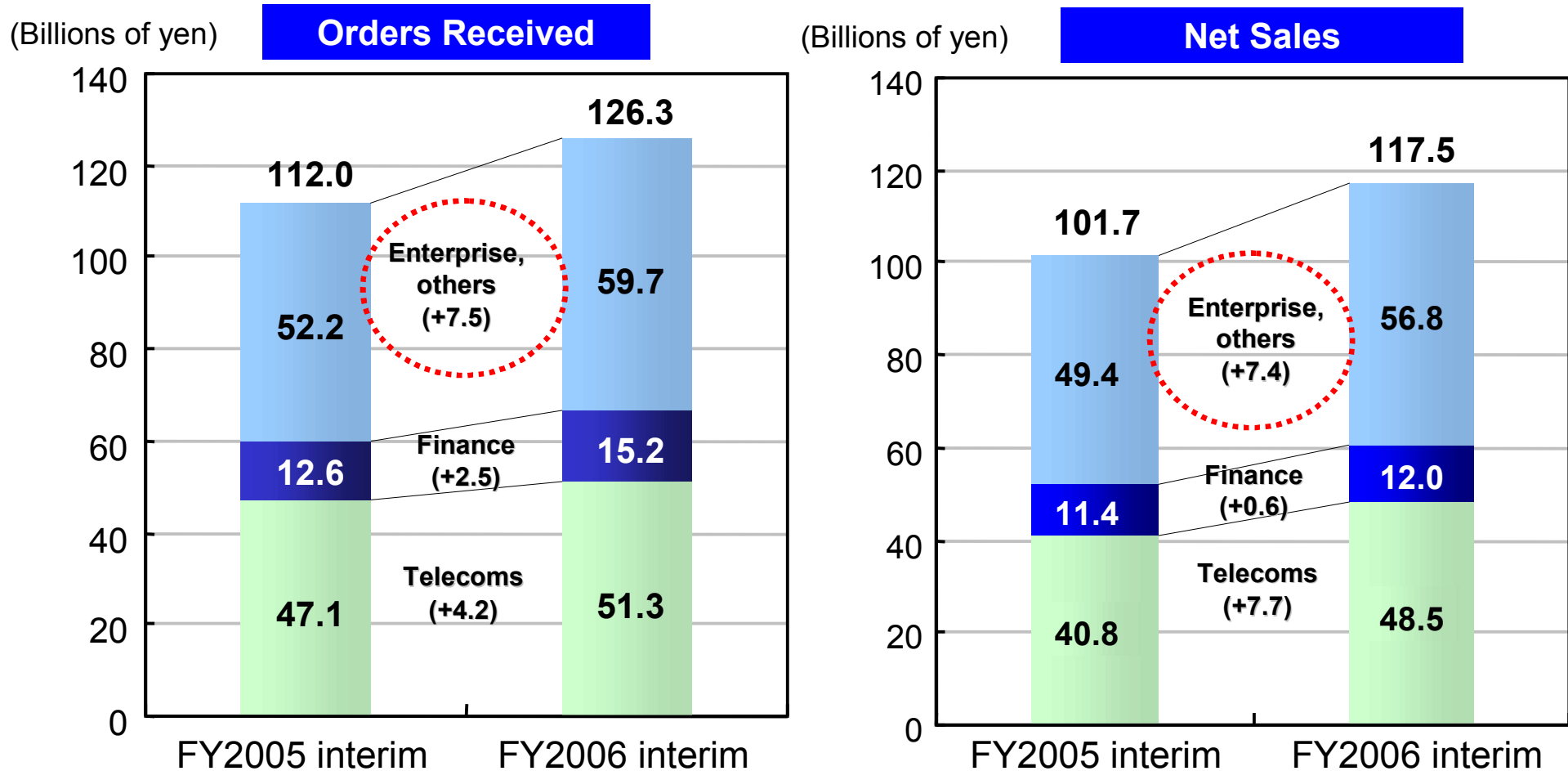


**Breakdown of Backlog
First half of FY2005**



<Reference> Orders Received and Net Sales, by Sector

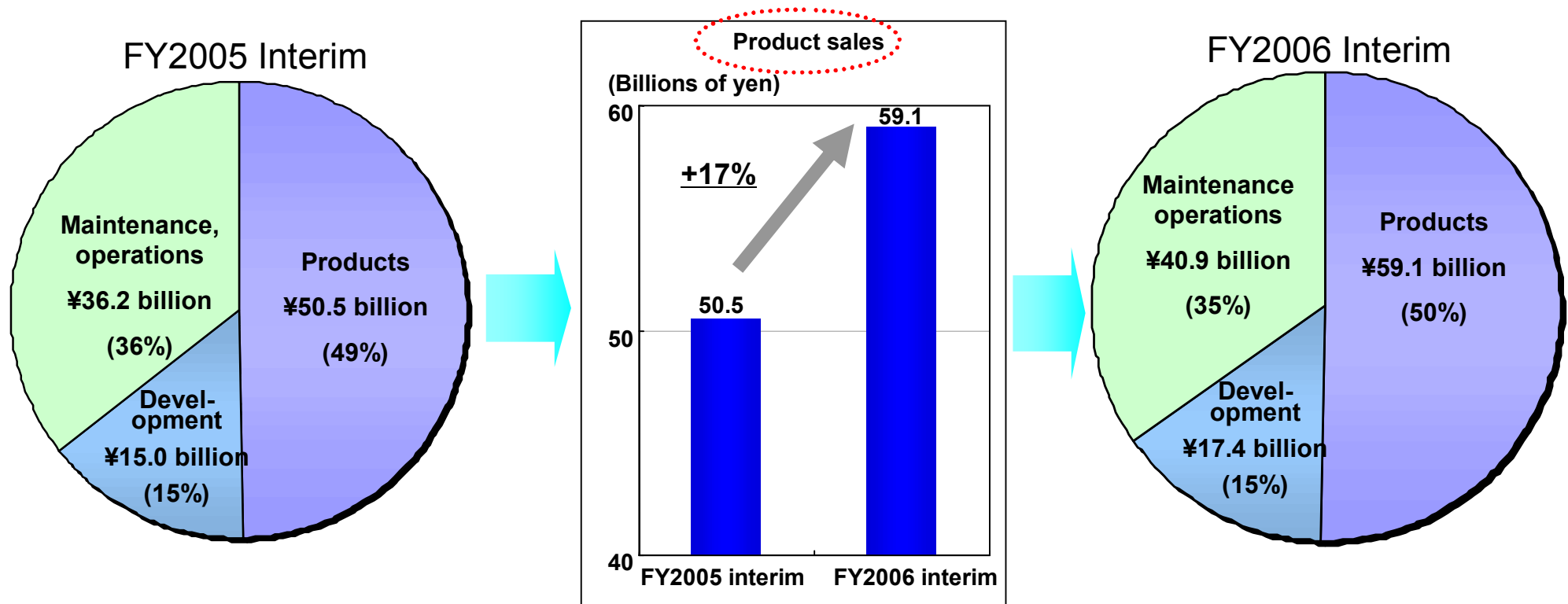
Buoyed by robust IT investment, business has expanded over a wide range of sectors.



Note: The sales amounts indicated above derive from the totals of the Company's primary business divisions and are segmented differently from the figures in the interim settlement of accounts.

<Reference> Sales Breakdown, by Type (Consolidated)

We increased sales in a well balanced manner, in line with our model of a 3:2:5 ratio of revenue from maintenance and operations, development and products. In particular, sales of servers and other products expanded, benefiting from increased demand for system expansion and renewal.



<Reference> Gross Profit Margin, SG&A Cost Ratio and Breakdown of Selling Costs

We progressed with 75% cost of sales and 65% SG&A to gross profit ratio

Recruiting also continued according to plan

● Gross Profit Margin and Selling Cost Ratio

	First Half of FY2005	First Half of FY2006	Year-on-Year Change	Principal Reasons for Changes
Gross profit margin	25.1%	25.9%	+0.8 percentage point	<ul style="list-style-type: none"> Reduction in unprofitable development projects: Approx -¥0.6 billion → approx. -¥0.2 billion
SG&A ratio	74.7%	65.8%	-8.9 percentage points	<ul style="list-style-type: none"> Better absorption of selling costs, owing to higher revenues and improved profit margins [Results of these factors: + ¥4.9 billion] <ol style="list-style-type: none"> Effect of higher revenues: + ¥4.1 billion Effect of improved profit margin: + ¥0.8 billion

● Breakdown of SG&A (Billions of yen)

	First Half of FY2005	First Half of FY2006	Year-on-Year Change	Principal Reasons for Changes
Personnel costs	9.9	9.9	0	<ul style="list-style-type: none"> Salary related: + ¥0.4 billion, retirement benefits: - ¥0.6 billion (Net increase in personnel in first half: 266 people)
Consigned personnel costs	2.0	2.2	+0.2	<ul style="list-style-type: none"> Increase in personnel, particularly SEs (Net increase in personnel in first half: 91 people)
Other costs	7.1	7.9	+0.8	<ul style="list-style-type: none"> Operations outsourcing: + ¥0.2 billion, training: + ¥0.13 billion, rent: + ¥0.06 billion, supplies: + ¥0.08 billion
Total	19.0	20.0	+1.0	

<Reference> Non-Operating Income and Non-Operating Expenses

● Non-Operating Income

(Billions of yen)

	First Half of FY2005	First Half of FY2006	Year-on-Year Change	Major Factors
Equity in losses of associated companies	(0.2)	(0.54)	(0.34)	• Amortization of the consolidation adjustment account for associated companies owing to a decline in share prices
Financial account balance, others	0.85	0.81	(0.04)	• Dividend income 0.12 • Income from investments in associated entities 0.67
Non-operating income	0.65	0.26	(0.39)	

● Non-Operating Expenses

(Billions of yen)

	First Half of FY2005	First Half of FY2006	Year-on-Year Change	Major Factors
Extraordinary gains	0.15	0	(0.15)	
Extraordinary losses	0.58	(1.27)	(0.69)	• Merger-related costs 0.32 • Office relocation expenses 0.22
Non-operating expenses	(0.43)	(1.27)	(0.84)	


<Reference> Consolidated Balance Sheet and Statement of Cash Flows

(Billions of yen)


<Assets>	As of September 30, 2005	As of September 30, 2006	Year-on-Year Change	Principal Changes
Current assets	129.3	146.3	+17.0	<ul style="list-style-type: none"> •Accounts receivable +6.1 •Inventories +4.7 •Securities +3.9
Fixed assets	22.2	28.5	+6.3	<ul style="list-style-type: none"> •Revaluation of investments in securities +3.7 •Tangible fixed assets +0.6
Total assets	151.5	174.8	+23.3	
<Liabilities and Shareholders Equity>	As of September 30, 2005	As of September 30, 2006	Year-on-Year Change	Principal Changes
Current liabilities	43.6	53.7	+10.1	<ul style="list-style-type: none"> •Notes and accounts payable +4.4 •Prepaid revenue +2.4
Long-term liabilities	0.3	2.0	+1.7	<ul style="list-style-type: none"> •Deferred tax liabilities +1.8
Total liabilities	43.9	55.8	+11.9	
Total shareholders' equity	107.4	119.0	+11.6	<ul style="list-style-type: none"> •Retained earnings +9.1 •Valuation difference on other securities +1.9
Total liabilities and shareholders equity	151.5	174.8	+23.3	

(Billions of yen)

	First Half of FY2005	First Half of FY2006	Year-on-Year Change
Cash and cash equivalents at beginning of period	52.6	55.4	+2.8
Cash flows from operating activities	4.4	4.5	+0.1
Cash flows from investing activities	0	(10.3)	-10.4
Cash flows from financing activities	(2.0)	(1.8)	+0.2
Effect of exchange rate changes on cash and cash equivalents	0	0	0
Cash and cash equivalents at end of period	55.0	47.7	-7.2
Free cash flow	4.4	(5.8)	-10.3



Overview of Interim Operating Performance (Former CRC Solutions Corp.)



Overview of FY2006 Interim Performance

Substantial Increases in Revenues and Profits

◆ Demonstrating strength

1. Robust performance in information processing services, centering on data center operations
2. Revenues from software development expanded significantly, as next-term CVS system development for convenience stores proceeded according to plan

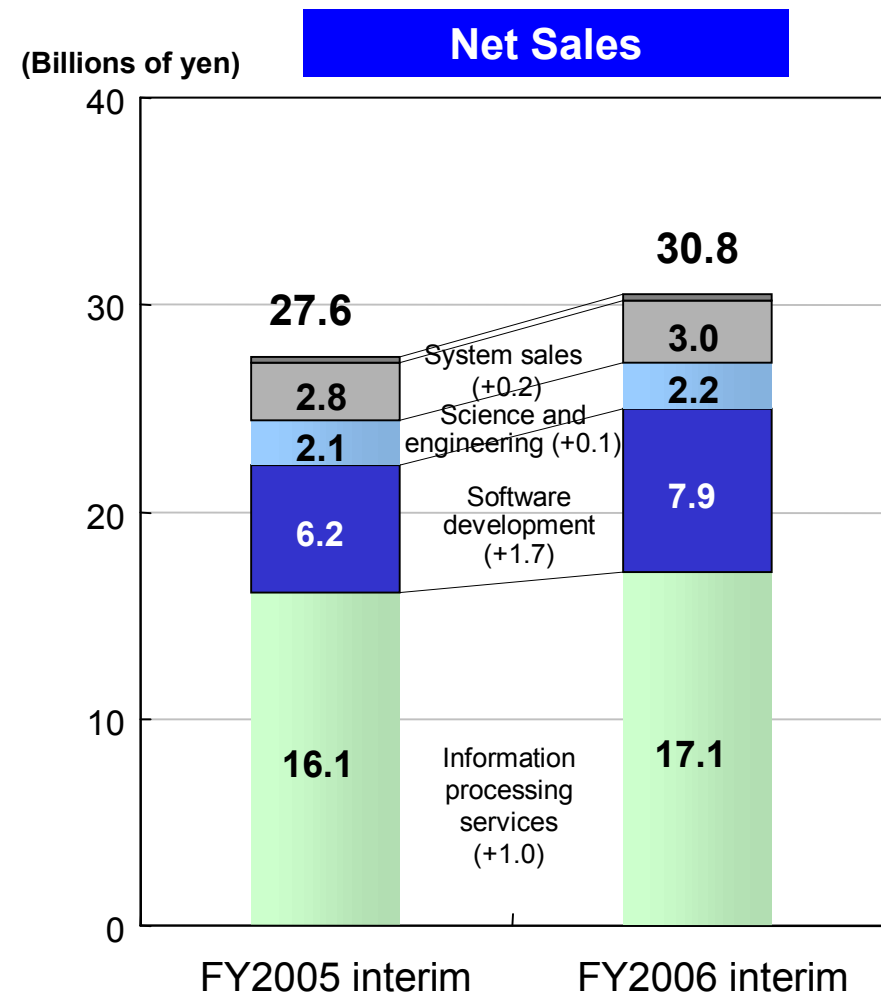
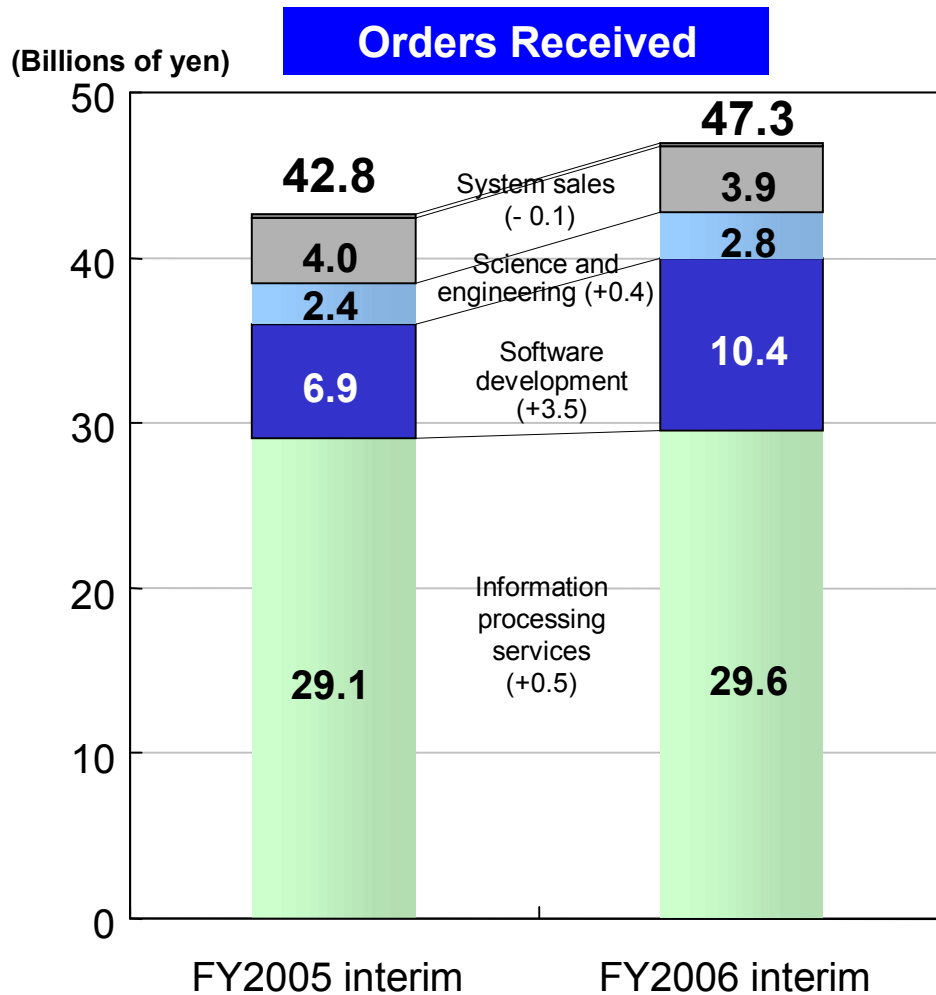
◆ Increased profitability

1. In the first half, revenues and profits increased for the third consecutive period
2. The gross profit margin reached a historic high of 18.6%, and each profit category hit the highest levels ever for a half-year period
3. Owing to stronger project management, losses on unprofitable projects decreased
4. The Company posted merger costs of ¥0.2 billion, which it recorded as extraordinary losses

Consolidated Performance Highlights

	First Half of FY2005		First Half of FY2006		Year-on-Year Change	<Reference>	
	Actual Performance		Actual Performance			First Half of FY2006 Initial Plan	
	Billions of yen	Profit margin	Billions of yen	Profit margin		Billions of yen	Profit margin
Net sales	27.6	—	30.8	—	+11.3%	29.0	—
Gross profit	4.6	16.6%	5.7	18.6%	+24.2%	—	—
SG&A expenses	(3.0)	—	(3.4)	—	+10.9%	—	—
Operating income	1.5	5.5%	2.3	7.5%	+50.9%	—	—
Ordinary income	1.6	5.8%	2.4	7.9%	+50.6%	1.8	6.5%
Net income	0.8	3.2%	1.2	4.0%	+37.4%	1.1	3.8%
Orders received	42.8		47.3		+10.5%	—	
Backlog	20.5		22.9		+12.0%	—	

<Reference> Orders Received and Net Sales, by Sector





Forecast for the Full Fiscal Year



Operating Results Forecast for the Full Fiscal Year Ending in March 2007

(Billions of yen)

	FY2005*1		FY2006					
	Actual Performance		Previous Plan*2 (a)		Revised Plan (b)			Change (b-a)
	Billions of yen	Profit margin	Billions of yen	Profit margin	Billions of yen	Profit margin	Year-on-Year Change	
Net sales	239.0	—	286.7	—	295.0	—	+23.4%	+8.3
Gross profit	58.5	24.5%	69.2	24.1%	73.0	24.7%	+24.8%	+3.8
SG&A expenses	39.0	—	(45.7)	—	(47.7)	—	+22.3%	-2.0
Operating income	19.5	8.2%	23.5	8.2%	25.3	8.6%	+29.7%	+1.8
Ordinary income	20.5	8.6%	24.1	8.4%	26.0	8.8%	+26.6%	+1.9
Net income	11.5	4.8%	13.8	4.8%	13.8	4.7%	+19.8%	0
Orders received	258.7		—		—			
Backlog	83.7		—		—			

Notes:

*1: FY2005 operating results are for ITOCHU TECHNO-SCIENCE Corporation.

*2: The previous plan refers to the figures announced on July 28, 2006.

Full-Year Results Forecast—Primary Reasons for Changes (Compared with Initial Plan)

	First Half	Second Half	Full Year
◆ Gross profit	+ ¥2.5 billion	+ ¥1.3 billion	+ ¥3.8 billion
◆ Merger-related expenses			
<ol style="list-style-type: none"> 1. Company name change related 2. Systems-related 3. Office-related 		– ¥1.3 billion	– ¥2.0 billion
◆ Pre-emptive activities			
<ol style="list-style-type: none"> 1. Security enhancements 2. Office consolidation 		– ¥0.7 billion	
◆ Extraordinary losses*	– ¥1.1 billion	– ¥0.7 billion	– ¥1.8 billion

* Includes first-half merger-related costs of ¥0.32 billion and ¥0.22 billion in costs related to office relocation.



The CTC of the Future



1. The CTC of the Future (1)

Management integration is the first step toward our next leap forward!

In the IT and information services industry:

1. Employ a **unique** business model that plays to our **collective strengths** as a company
2. In terms of scale, become a **top group** in the industry
3. Become a **leading technology company**

1. The CTC of the Future (2)

A company that provides **total solutions**

Maintenance and operation services:
development: products = **4:3:5**

A company with the strength to create **new solutions**

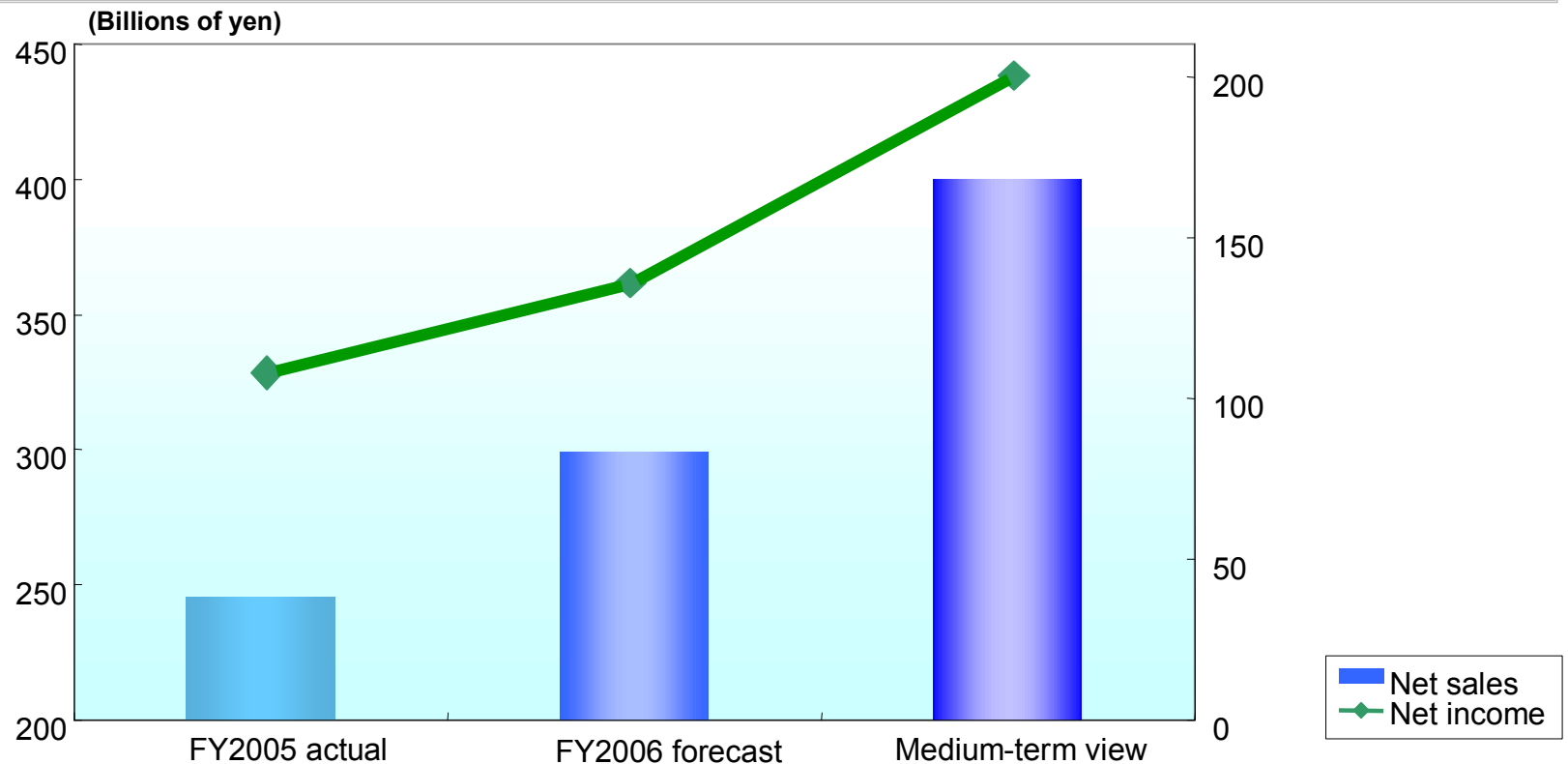
A company that is strong in specific **types of business** and in certain **sectors**

A company that generates revenue from **new business domains**

1. The CTC of the Future (3)

A Medium-Term Numerical Target (FY2008)

Net sales of ¥400 billion, net income of ¥20 billion



Remain a top group in the industry!



Principal Measures in the Second Half



2-1. Pursue Joint Synergies (1)

The short-term effects of joint synergies (FY2008)

◆ Cross-sell to each other's customers

1. Provide data center services to customers of the former CTC
2. Offer backbone infrastructure to customers of the former CRC

Sales
expansion
effect

¥10.5 billion

◆ Improve business efficiencies

1. Effectively reduce management costs
2. Share human resources, equipment and assets

Profit
expansion
effect

¥3.0 billion

2-1. Pursue Joint Synergies (2)

The medium- to long-term effects of joint synergies (FY2008)

(Creating a foundation to sustain 10% internal growth)

◆ Integrate the specific business models of principal customers

1. Expand our ability to provide total support services
2. Develop the multishop development business and 24-hour operation service model

◆ Enhance business opportunities with a larger scale of management

1. Increase our ability to take on large-scale system integration and service projects, and expand our development structure
2. Raise our scale of investment

◆ Launch a next-generation data center service model

1. Develop a new service model (related to content distribution and billing agency ASP)
2. Over the medium to long term, invest between ¥15 billion and ¥20 billion in data center expansion

2-1. Pursue Joint Synergies (3)

The medium- to long-term effects of joint synergies

(Creating a foundation to sustain 10% internal growth)

◆ Share development expertise and operational knowledge

1. Improve quality and development efficiency by using a shared development foundation
2. Enhance our development partner alliances and the ability to pursue offshore development

◆ Raise efficiency by sharing human resources, equipment and assets

1. Allocate human resources appropriately, using the right people for the right jobs
2. Continue with core system reconfiguration (Next.MI)

◆ Enhance personnel

1. Promote strategic business alliances
2. Improve our name recognition to enhance recruiting efforts

2-1. Pursue Joint Synergies (4)

Most importantly, form a shared consciousness!

- ◆ Create a common culture
- ◆ Formulate a new corporate philosophy, vision and mission
- ◆ Maximize synergies as quickly as possible
- ◆ Forming a shared consciousness points to the successful integration of management!

2-2. Continued Fundamental Management Policies in FY2006

Continue to implement strategically pre-emptive growth strategies

Continue implementation of 5⇒6 growth strategies

- ◆ Customer strategy
- ◆ Product strategy
- ◆ SI business strategy
- ◆ **Service business strategy**
- ◆ Enhanced management foundation
- ◆ Alliance strategy

Strengthen and cultivate personnel to support these six strategies



CTC

▶ *Challenging Tomorrow's Changes*

Your best engine

Leading Technology Company



**<Appendix 1> Details of
Principal Measures**

<Appendix 1> Principal Measures (1)

1. Develop our strengths by expanding our scale of business: customer strategy

- ◆ Configure specific business models for specific customers
- ◆ Horizontally share information about each other's customers, as well as examples of success

2. Further enhance our large-scale infrastructure business: product strategy

- ◆ Further enhance V-Selections (V for Value added + Verified)
- ◆ Improve vendors and product portfolios
- ◆ Move toward SOC virtualization
- ◆ Cultivate “super engineers”

<Appendix 1> Principal Measures (2)

3. Enhance system integration strength: SI business strategy

- ◆ Have 5,000 engineers as employees, within a total mobilized force of 20,000 system engineers
- ◆ Reciprocate in our respective fields of expertise (backbone configuration, operational expertise)
- ◆ Enhance or ability to handle large-scale projects
- ◆ Establish a development center and realize the PSO* concept
- ◆ In April 2007, commence engineering skill certification system

*PSO: Project Support office

4. Boost profits by strengthening the service business domain: Service business strategy

- ◆ Expand the scale of our operation services, focusing on the data center business
- ◆ Over the medium to long term, invest between ¥15 billion and ¥20 billion in data center expansion
- ◆ Develop new operation services

<Appendix 1> Principal Measures (3)

5. Enhance our management foundation

- ◆ Strengthen professional capabilities and efficiency, and integrate the organizations
- ◆ Next.MI core system reconfiguration (steady progress)

6. Further expand our scale and improve our profit ratios: alliance strategy

- ◆ Recruit the resources to support internal growth
 - ⇒ Expand project management and development resources, and acquire core technologies and expertise
- ◆ Pursue a larger scale
 - ⇒ Acquire customer bases and sales channels in specific domains
- ◆ Promote new business domains
 - ⇒ Expand the system integration and service businesses
- ◆ Aggressively employ abundant financial assets

<Appendix 1> Principal Measures (4)

7. Improve our cultivation of personnel

- ◆ Raise employee skill levels

 - ⇒ Invest ¥1.2 billion per year in education and training

 - ⇒ Leading-edge overseas vendor training systems


- ◆ Promote diversity management

 - ⇒ Aggressively employ women and foreign personnel

- ◆ Strengthen employees' English-language skills

 - ⇒ Provide overseas training for selected employees

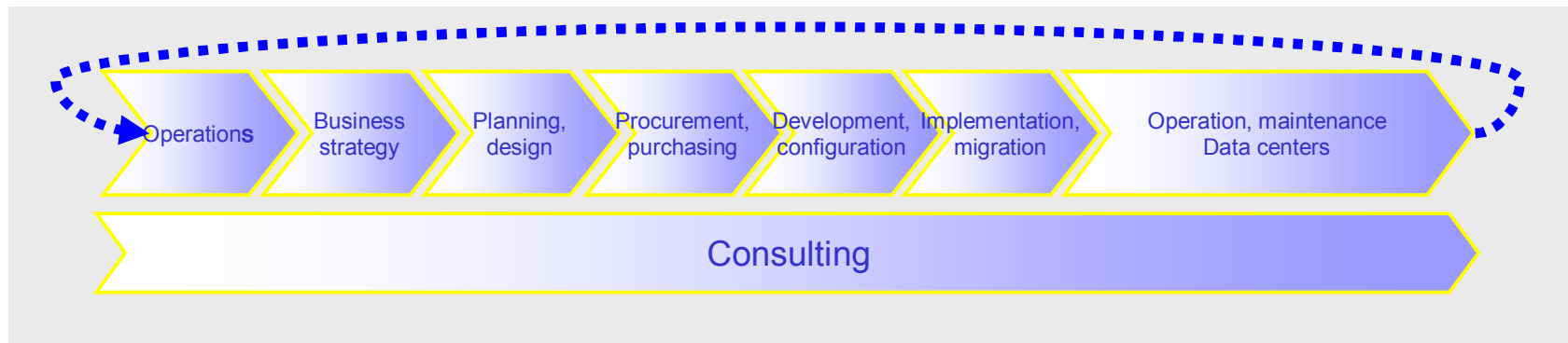
- ◆ Raise management capabilities to enable next-generation management



**<Appendix 2> Details on the
CTC of the Future**

<Appendix 2> The CTC of the Future (1)

A company that offers total solutions



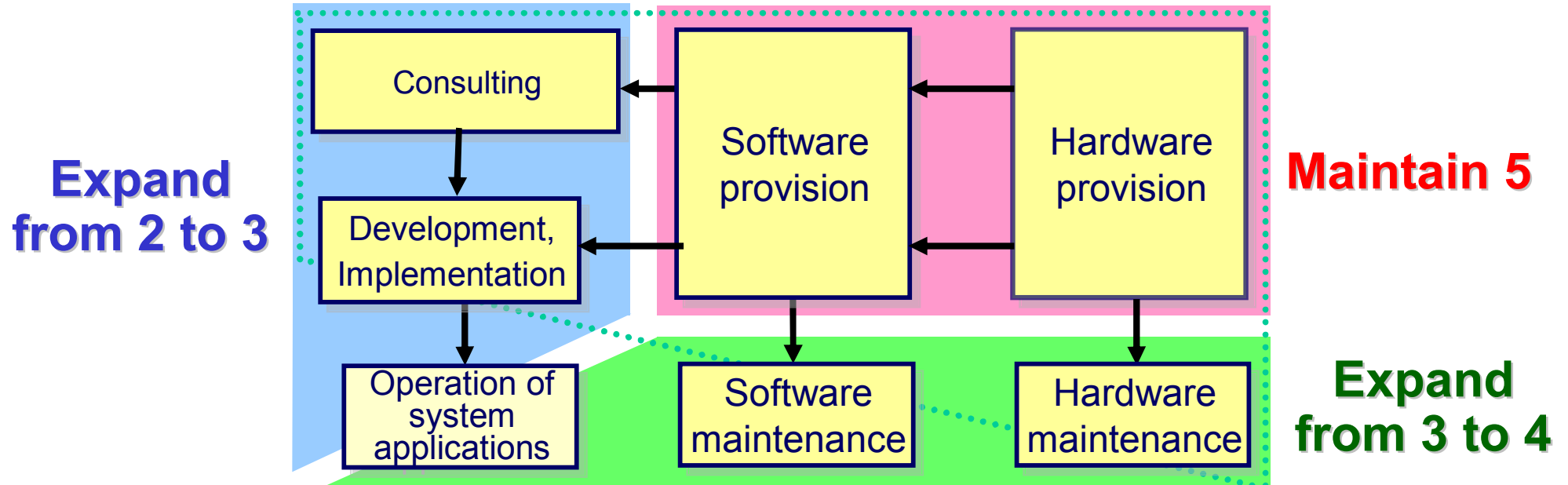
Aggressively promote large-scale system integration and service projects

Develop specific business models for major customers

<Appendix 2> The CTC of the Future (2)

Maintenance and operation services: development: products = 4:3:5

- ◆ A unique profit structure that other companies can not emulate
(On average, competing system integrators have a profit structure of 2:7:1)
- ◆ A robust profit structure that does not rely on products



Note: The ratio 2:7:1 is based on Japan Information Technology Services Industry Association sales ratios, by type of business

<Appendix 2> The CTC of the Future (3)

A company that engenders new solutions

- ◆ By making use of alliances with leading-edge European and U.S. companies, discover new products and solutions, and combine them into infrastructure configuration expertise

- ◆ Operation and service business expertise and added value, with a focus on data centers
- ◆ Develop the infrastructure consulting business

Lead with technology, evaluate with technology

A leading technology company

<Appendix 2> The CTC of the Future (4)

A company that is strong in specific types of business and in certain sectors

- ◆ Provide consistent services that support the IT life cycle of **specific customers**
- ◆ Configure **telecoms** backbone network systems
- ◆ Configure large-scale information systems for the **financial** sector
- ◆ Provide total services for specific customers in the **distribution** sector
- ◆ Conduct **front-end backbone** system configuration business, focusing on BI, call centers, SCM and sales management
- ◆ Participate in **infrastructure backbone** configuration business
- ◆ Provide **maintenance and operation** services, including data centers
- ◆ Offer solutions in **scientific fields**

<Appendix 2> The CTC of the Future (5)

A company that consistently generates revenue from new business domains

- ◆ By combining expertise in leading-edge technologies and infrastructure configuration, as well as in the operations and services business, provide new solutions based on IT infrastructures
- ◆ Cultivate IT utility and ASP service businesses (outsourcing)