

Announcement of Interim Results for the Fiscal Year ending March 2008

October 29, 2007

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.

I. Overview of FY2007 Interim Results

II. Progress on FY2007 principal measures

- ◆ Synergistic effects of merger
- ◆ Business strategies for future growth

III. Full-year forecast for FY2007

- ◆ Business outlook for 2nd-half of FY2007
- ◆ Forecast for the full fiscal year
- ◆ Shareholder Returns

I. Overview of FY2007 Interim Results

Summary of FY2007 Interim Performance



Total sales increased, but below first-half expectations

- Orders received and net sales rose as the result of merger effects and in response to robust business demand. The backlog was high and up from the end of the previous period.
- We are progressing steadily in line with our business model. As particular focus areas, SI development and such service businesses as data center operations, are expanding our business opportunities and improving profitability.
- However, product sales and revenue from operations and construction were lower than planned. At the same time, SG&A expenses were up year on year, in line with first-half expectations. We fell below our profit targets, as sales were unable to absorb these higher expenses.

Interim Performance Highlights (1)



Top line expanding with merger effects. Backlog still high.

	First half of FY2006 <Actual>		First half of FY2007 <Actual>		YoY change		<Reference> First Half of FY2007 <Forecast>		Actual vs. expectations	
	Billions of yen	Profit margin	Billions of yen	Profit margin	Billions of yen	Percentage	Billions of yen	Profit margin	Billions of yen	Percent achieved
Net sales	117.5	—	140.2	—	+22.7	+19.4%	151.5	—	(11.2)	92.6%
Gross profit	30.4	25.9%	35.3	25.2%	+4.8	+16.0%	38.2	25.2%	(2.8)	92.6%
SG&A expenses	(20.0)	—	(27.4)	—	(7.3)	+36.8%	(27.8)	—	+0.3	98.8%
Operating income	10.4	8.9%	7.8	5.6%	(2.5)	(24.2%)	10.4	6.9%	(2.5)	76.0%
Ordinary income	10.6	9.1%	8.3	6.0%	(2.3)	(21.7%)	10.5	6.9%	(2.1)	79.6%
Net income	5.0	4.3%	4.6	3.3%	(0.4)	(9.1%)	6.4	4.2%	(1.7)	72.3%
Orders received	126.3		161.5		+35.2		168.5		(6.9)	95.9%
Backlog	92.5		120.1		+27.6		115.8		+4.3	103.7%

Note: Above figures for the first half of FY2006 are based on the pre-merger CTC.

Interim Performance Highlights (2)



Sales and profits down, compared with simple aggregates of pre-merger CTC and CRC

- Downturn reflects comparison with previous term, which included large projects and unusual demand by telecoms and the public sector
- SG&A expenses higher due to merger related costs

	First half of FY2006		First half of FY2007		YoY change	
	<Actual> (pre-merger CTC + CRC)		<Actual>			
	Billions of yen	Profit margin	Billions of yen	Profit margin	Billions of yen	Percentage
Net sales	148.3	—	140.2	—	(8.0)	(5.4%)
Gross profit	36.2	24.4%	35.3	25.2%	(0.8)	(2.3%)
SG&A expenses	(23.4)	—	(27.4)	—	(3.9)	+17.0%
Operating income	12.7	8.6%	7.8	5.6%	(4.8)	(38.0%)
Ordinary income	13.1	8.8%	8.3	6.0%	(4.7)	(36.2%)
Net income	6.3	4.3%	4.6	3.3%	(1.6)	(26.7%)

*Note: Above figures for the first half of FY2006 are based on the aggregates of pre-merger CTC + CRC before both groups' internal eliminations. -6-

<Reference>

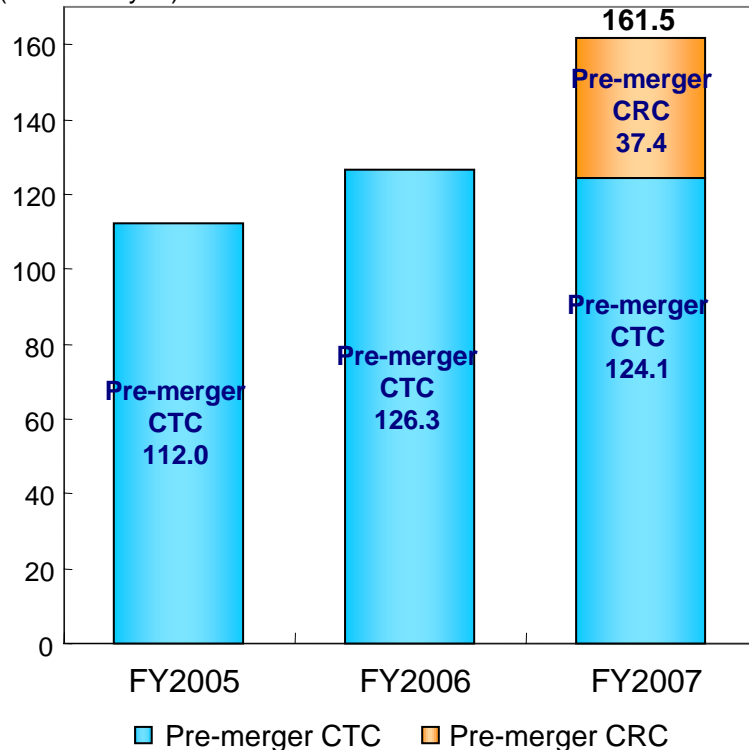
Orders received and Net sales



- Orders received expanded, owing to the merger
- Net sales performing reasonably, despite unusual high demand in 1H of FY06

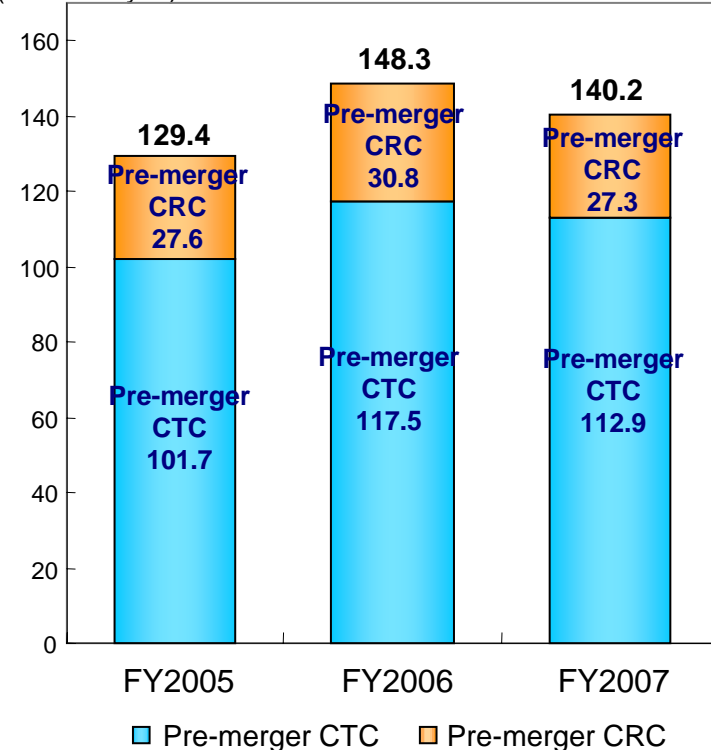
First-half orders received

(Billions of yen)



First-half Net sales

(Billions of yen)



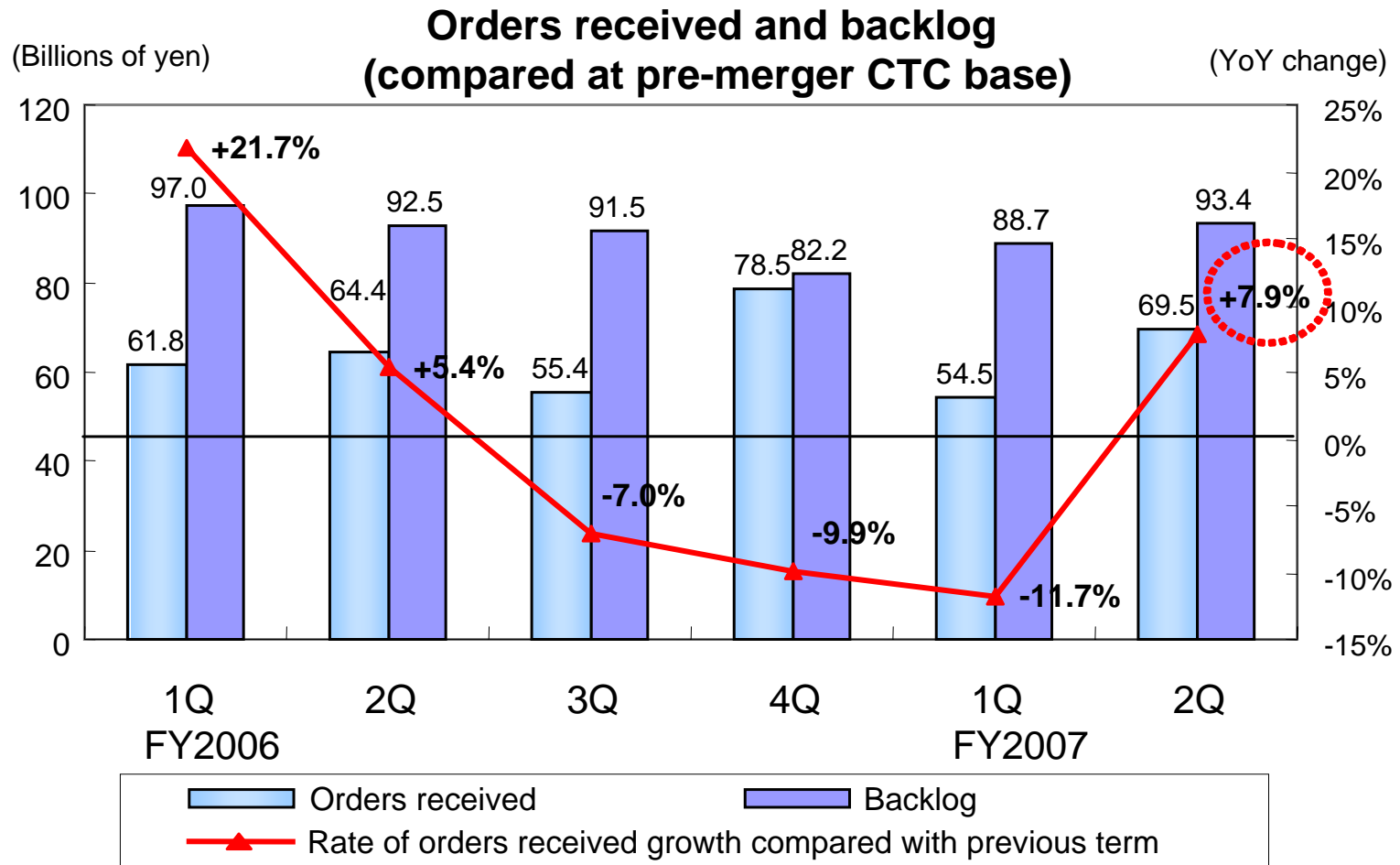
<Reference>

Orders received and Backlog



■ Orders received recovering at pre-merger CTC base

⇒ Orders received returned to an increasing trend after an interval of four quarters.

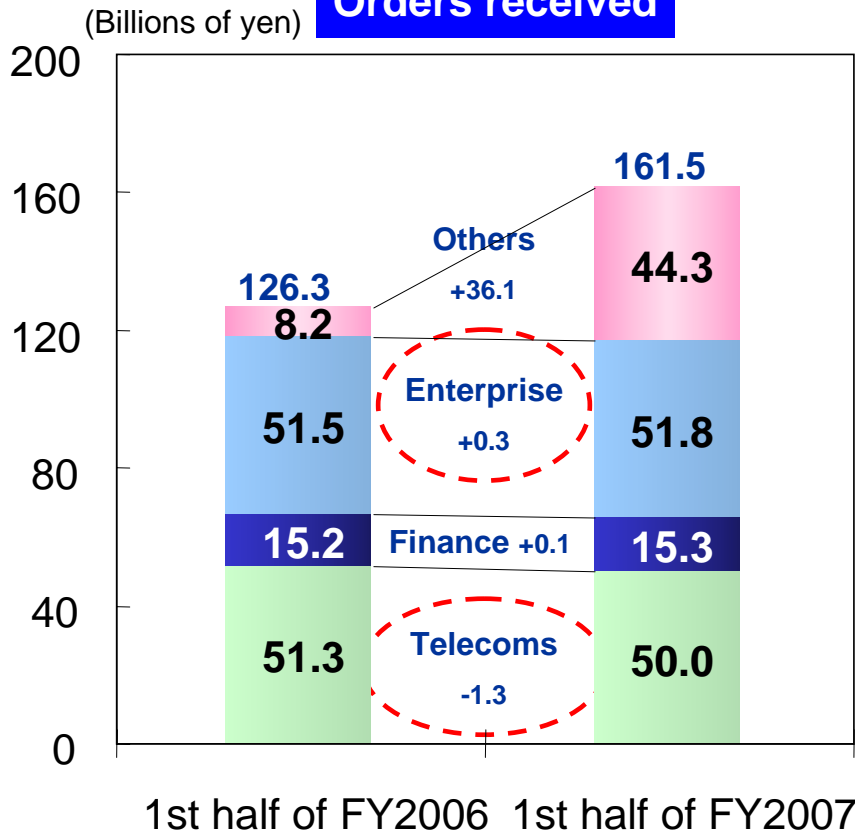


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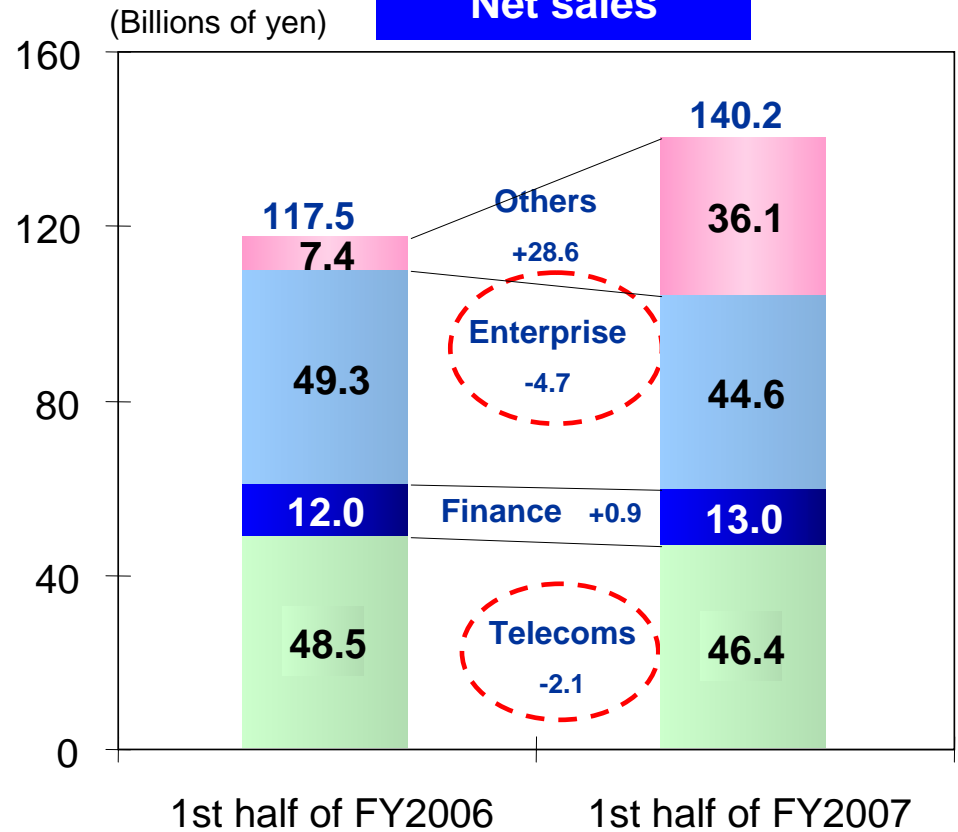
Orders received and Net sales, by sector



Orders received



Net sales



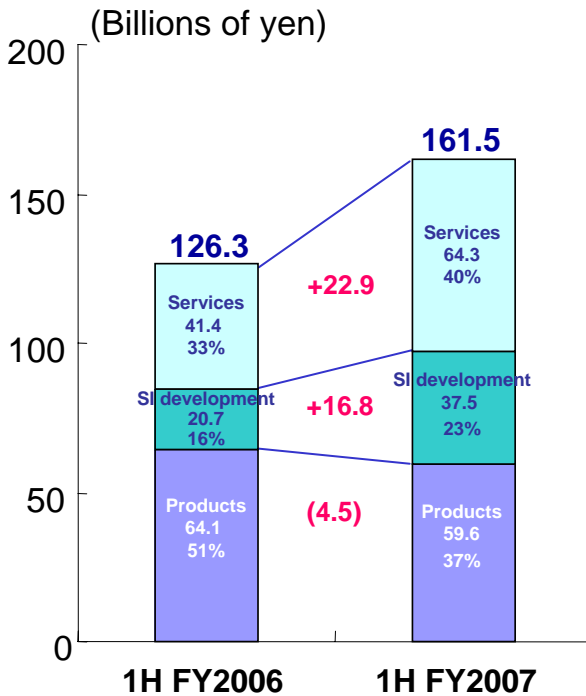
Note: Figures for the first half of FY2006 are for the pre-merger CTC. Figures in the "Others" category for the first half of FY2007 include merger contributions (distribution, data center, science and engineering systems, etc.).

Change of Business Models

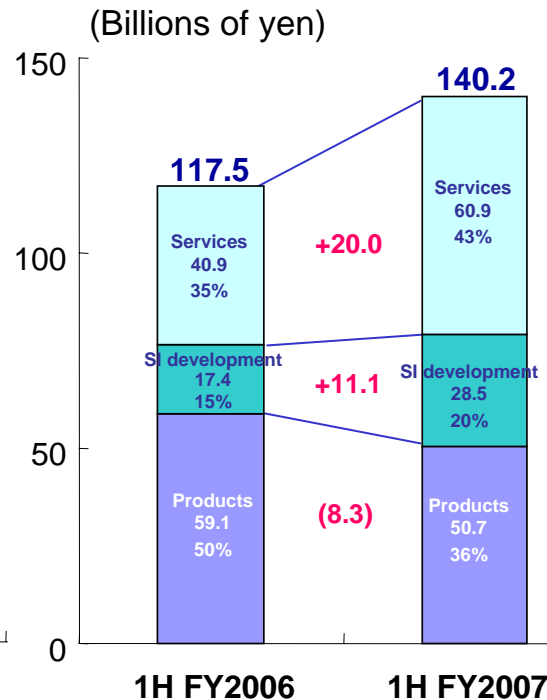
■ Move to a 4:3:5 revenue ratio from 'maintenance and operation services', 'SI development' and 'products' respectively

⇒ Expanded sales and business domains in services business and SI development businesses resulting in reduced reliance on products

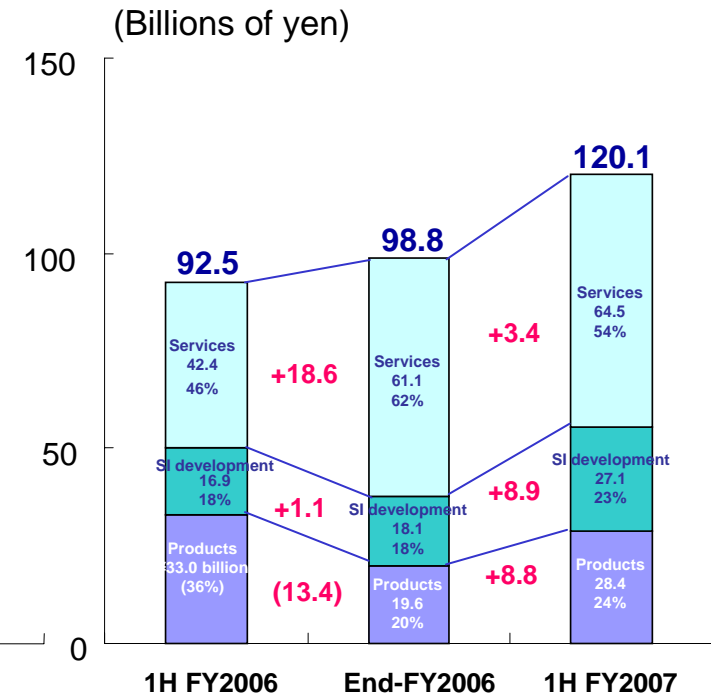
Orders received



Net sales



Backlog



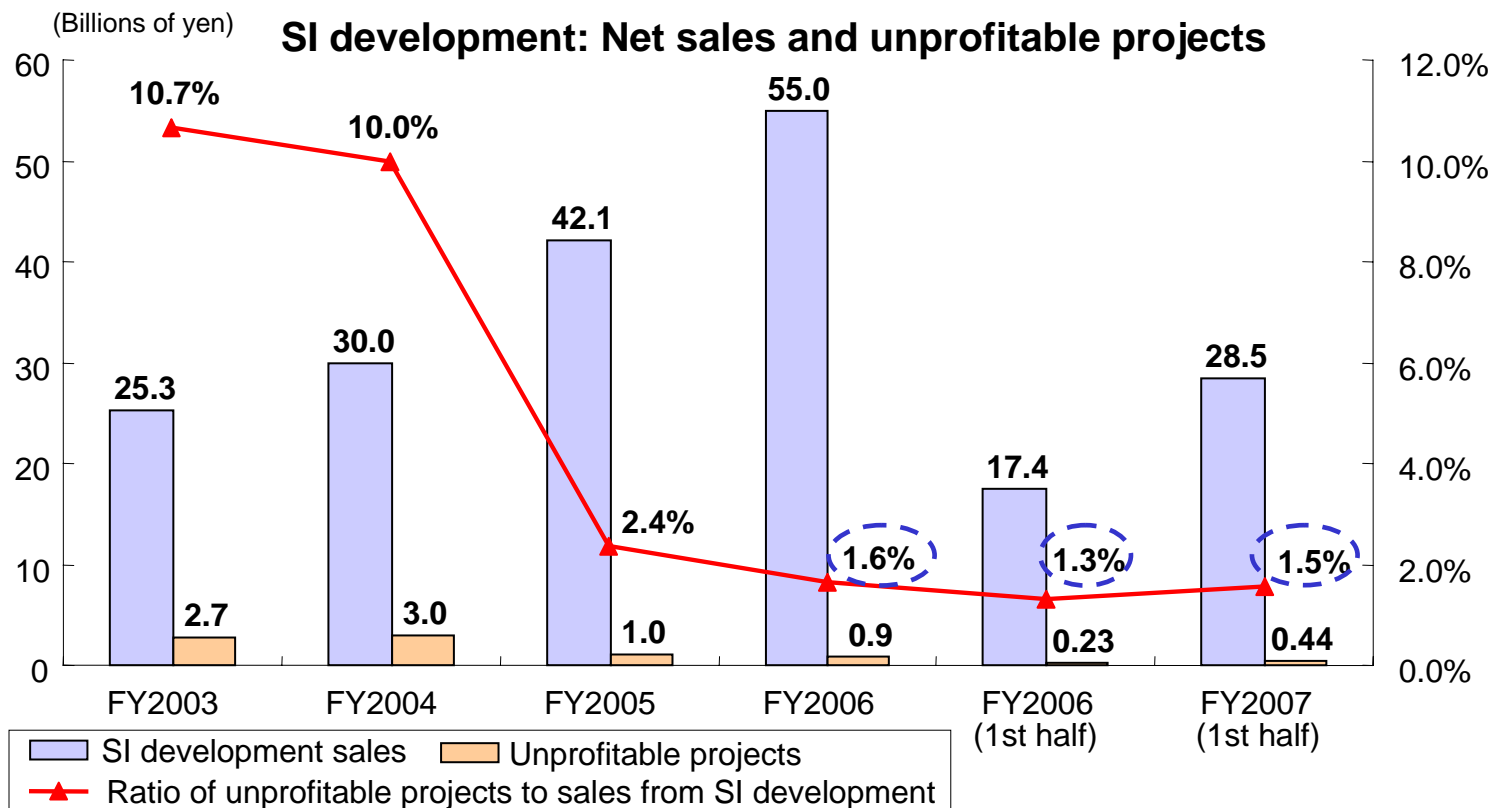
Note: Figures for the first half of FY2006 are for the pre-merger CTC.

Net sales and Unprofitable projects in SI development business

■ SI development business expanding, and profitability improving

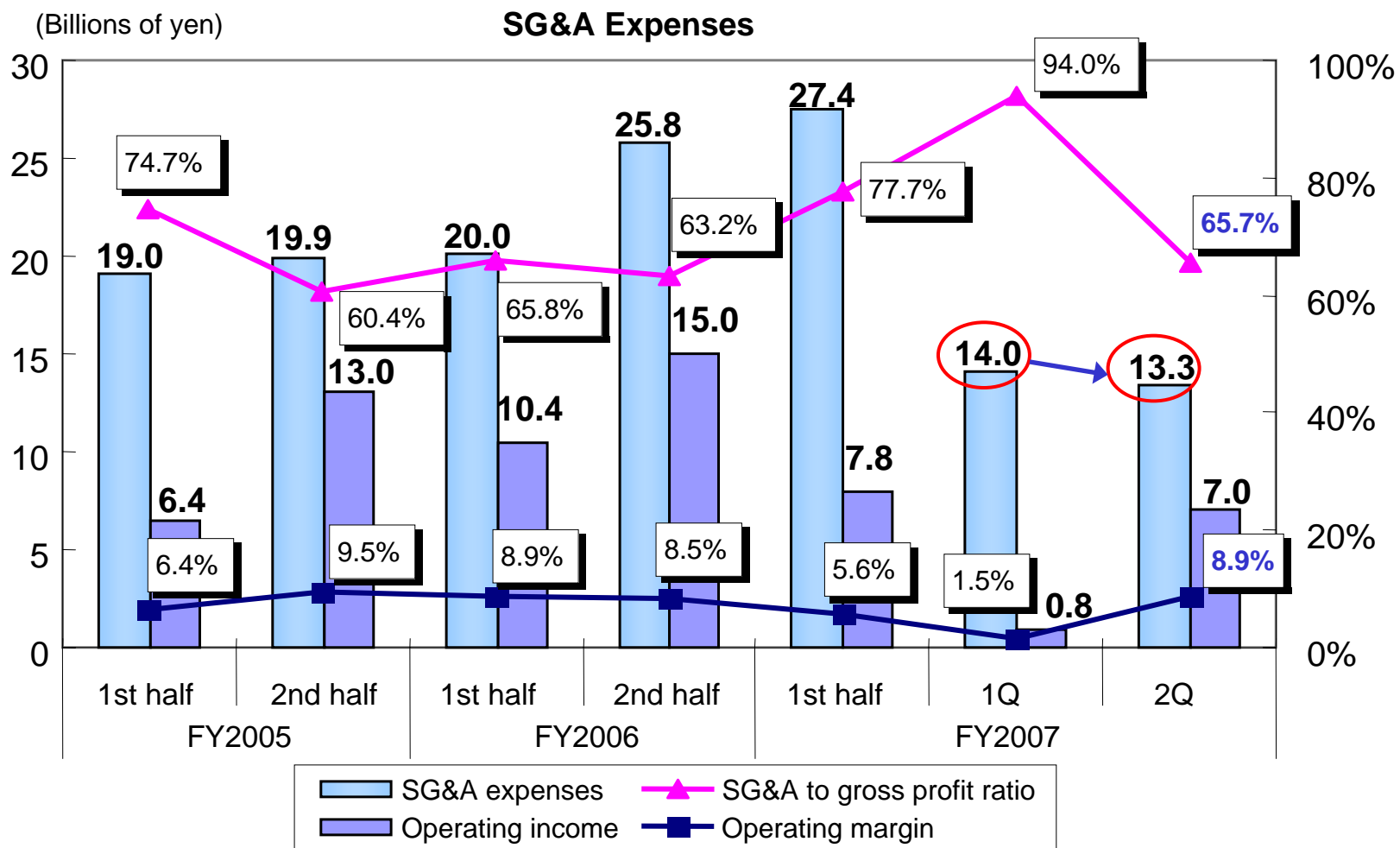
⇒ Through stronger project management, number of unprofitable projects down.

Accumulated SI development expertise contributing to expansion in sales and income



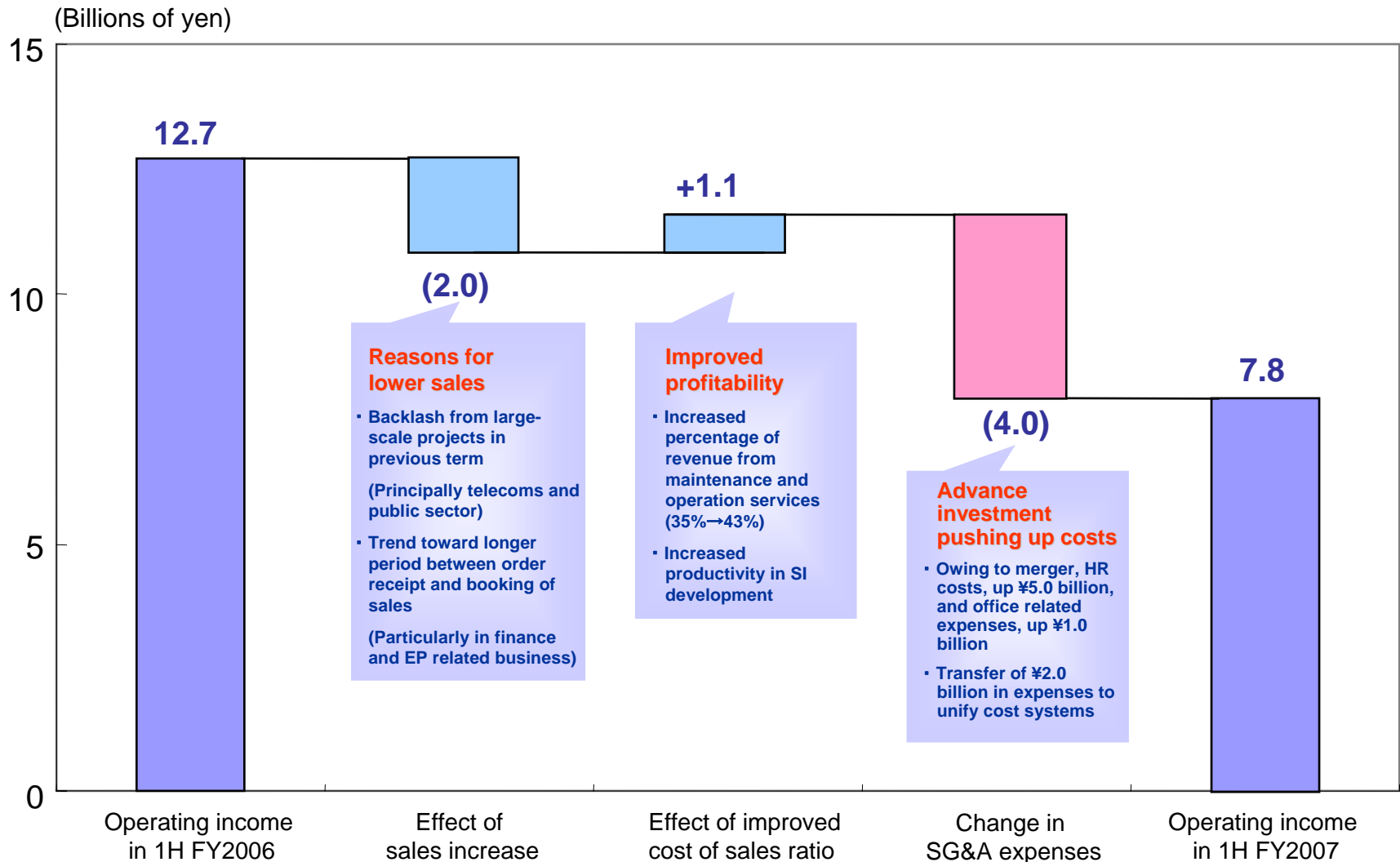
Cost management

- Investments for future growth elevated costs in 1st half.
- Productivity rose in the 2nd quarter.



<Reference>

Main reasons for changes in Operating Income



Note: Operating income in the first half of FY2006 represents the simple total of first-half results for the pre-merger consolidated CTC and the pre-merger consolidated CRC (before both groups' internal eliminations).

<Reference>

Non-operating and Extraordinary Items



(Billions of yen)

	1H FY2007	YoY change		Major factors
	Actual	1H FY2006 actual	Change	
	Billions of yen	Billions of yen	Billions of yen	
Non-operating income	0.52	0.91	(0.39)	Interest and dividend income +0.24 Equity in income of associated companies +0.10
Non-operating expenses	(0.07)	(0.65)	+0.58	Loss on investment in limited partnership (0.03)
Total non-operating income	0.45	0.26	+0.19	
Extraordinary gains	0.38	—	+0.38	Gain on sale of investments in securities +0.24 Return of income after costs +0.12
Extraordinary losses	(0.51)	(1.27)	+0.75	Loss on write-down of investments in securities (0.43) Loss on disposal of fixed assets (0.07)
Total extraordinary losses	(0.13)	(1.27)	+1.13	

<Reference>

Consolidated Balance Sheets



(Billions of yen)

Assets	March 31, 2007	September 30, 2007	change	Major factors
Current assets	176.2	165.6	(10.5)	Cash, cash equivalents (13.9) Accounts receivable (10.7) Securities +14.9
Fixed assets	38.6	39.0	+0.4	Tangible fixed assets +0.6 Intangible fixed assets +1.0 Investments, etc. (1.2)
Total assets	214.8	204.7	(10.1)	
Liabilities, and shareholders' equity	March 31, 2007	September 30, 2007	change	Major factors
Current liabilities	72.9	62.3	(10.5)	Accounts payable (7.5) Allowance for bonuses (1.5)
Long-term liabilities	1.4	1.5	+0.1	
Total liabilities	74.4	63.9	(10.4)	
Total net assets	140.4	140.7	+0.2	Retained earnings (2.4) Treasury stock +2.3
Total liabilities, and shareholders' equity	214.8	204.7	(10.1)	

<Reference>

Consolidated Cash Flows



(Billions of yen)

	1H FY2006	1H FY2007	YoY change	Major factors
Cash and cash equivalents at beginning of period	55.4	67.0	+11.5	
Operating activities	4.5	(1.3)	(5.8)	Increase in accounts receivable +4.5 Increase in inventories +2.0
Investing activities	(10.3)	7.0	+17.4	Payments for acquisition of tangible fixed assets (0.6) Payments of acquisition of intangible fixed assets (1.3) Proceeds from deposits +10.0
Financing activities	(1.8)	(4.7)	(2.8)	Repurchases of treasury stock (2.2) Dividend payments (0.6)
Foreign currency transaction adjustments on cash and cash equivalents	0.0	0.0	±0.0	
Cash and cash equivalents at end of period	47.7	68.0	+20.3	
Free cash flow	(5.8)	5.7	+11.6	

II. Progress on FY2007 principal measures

1. Pursue measures for growth

- (1) Expand the top lines
- (2) Enhance business domains
- (3) Raise profitability

2. Implement various measures to realize the 4:3:5 ratio revenue model

- (1) Expand maintenance and operation services business
- (2) Raise SI development business revenues to more than ¥100 billion
- (3) Strengthen product strategies

3. Strengthen management structure to become a more attractive company

- (1) Pursue personnel strategy
- (2) Strengthen group management foundations
- (3) Establish a new CTC corporate culture

1. Synergistic Effects of Merger

Progress steadily toward early realization of merger synergies

(1) Reorganize and interchanges between personnel

- Reallocate human resources and redistributing system engineers
- Establish Integration Promotion Committee

(2) Offer data center services to customers of former CTC

(3) Conduct infrastructure business for customers of former CRC

(4) Boost operating efficiency and reducing costs through optimal reallocation of human resources

Various initiatives are currently underway to achieve a
¥5 billion net sales impact in FY2007

2. Business Strategy for future growth(1)

Investing in Data Center

(constructing our 3rd data center in the Tokyo metropolitan area)

- (1) Meet growing demand for urban data centers
- (2) Make a main urban data centers
- (3) Embrace environmental considerations (green data center)
- (4) Sited in favorable location; has 1,000-rack capacity
- (5) Enable comprehensive provision of high-value-added operation services



2. Business Strategy for future growth(2)



Expand maintenance and operation services business

(1) Turn maintenance and operation services into a core business

- ⇒ Create specialized organization to concentrate on after-market business
- ⇒ Strengthen human resources at companies conducting operation service business

(2) Engage in high-value-added service business

- ⇒ IT service management, operation services meeting Information Technology Infrastructure Library (=ITIL) standards (COMPACT), Storage services

2. Business Strategy for future growth(3)



Raise SI development business revenues to more than ¥100 billion

(1) Boost our solutions lineup

⇒ Promote common companywide solutions

Integrated IT base, integrated storage, eWork, internal control, call centers

(2) Expand human resources

⇒ Hired 236 mid-career employees in first half of FY2007
(154 engineers, 37 salespeople, 45 others)

⇒ Hired 303 new university graduates and are providing technical education in infrastructure, development and system integration toward their early deployment

⇒ Development partner tie-ups (expand number of business alliance partners and reinforce certified partner system)

2. Business Strategy for future growth(4)



Strengthen product strategies

(1) Strengthen product strategies

(1)-1. Promote common companywide solutions

(1)-2. Develop business sector-specific solutions

⇒ Financial industry solution: B-FIT6

⇒ Solutions that cut across the enterprise sector (BI, security, Web 2.0)

(2) Promote project collaboration with vendors

⇒ Combine vendor-specific technologies and CTC's total services

Realize a full lineup spanning consulting over the entire infrastructure to integration, optimization and virtualization

(3) Expand infrastructure SI

⇒ Enhance technical expertise combining networks, storage and servers

III. Full-year forecast for FY2007

■ Business environment to remain favorable

(Robust demand for projects toward legal compliance and reduced total cost of ownership)

Business environment

CTC's focus points

Telecoms

- ◆ Investment demand should remain robust, as telecoms carriers cope with increasingly severe competition and enter new business areas

- Win projects that involve technological progress (such as NGN, FMC and WiMAX)
- Complete projects at a steady pace, driven by thorough project management

Finance

- ◆ Centering on megabanks and securities firms, SI development projects should grow (notable trend toward larger-scale projects that continue over longer periods), meeting demand for stronger group management, legal compliance and more effective customer response.

- Recruit personnel and enhance human resource skills (including activities involving partner companies)
- Expand infrastructure for delivering revenue and profits through market- and information-oriented systems
- Respond to global developments

Enterprise/ distribution

- ◆ Across a wide range of sectors, we anticipate growing demand for solutions that achieve system integration and virtualization, related to CRM and BI and reducing TCO
- ◆ Security-related demand should fuel project demand from the public sector

- Implement sector-specific business strategies (prospect for and cultivate "Super Accounts")
- Enhance client-specific operations services and raise customer satisfaction
- Concentrate on business in the government and educational sectors

Data centers

- ◆ The passing of the Protection of Personal Information Act and the Japanese SOX Act will boost demand related to internal control and security
- ◆ Data center outsourcing demand should grow, including demand for backbone systems including business continuity planning and disaster recovery planning

- Build a third data center in the Tokyo metropolitan area
- Create value-added services

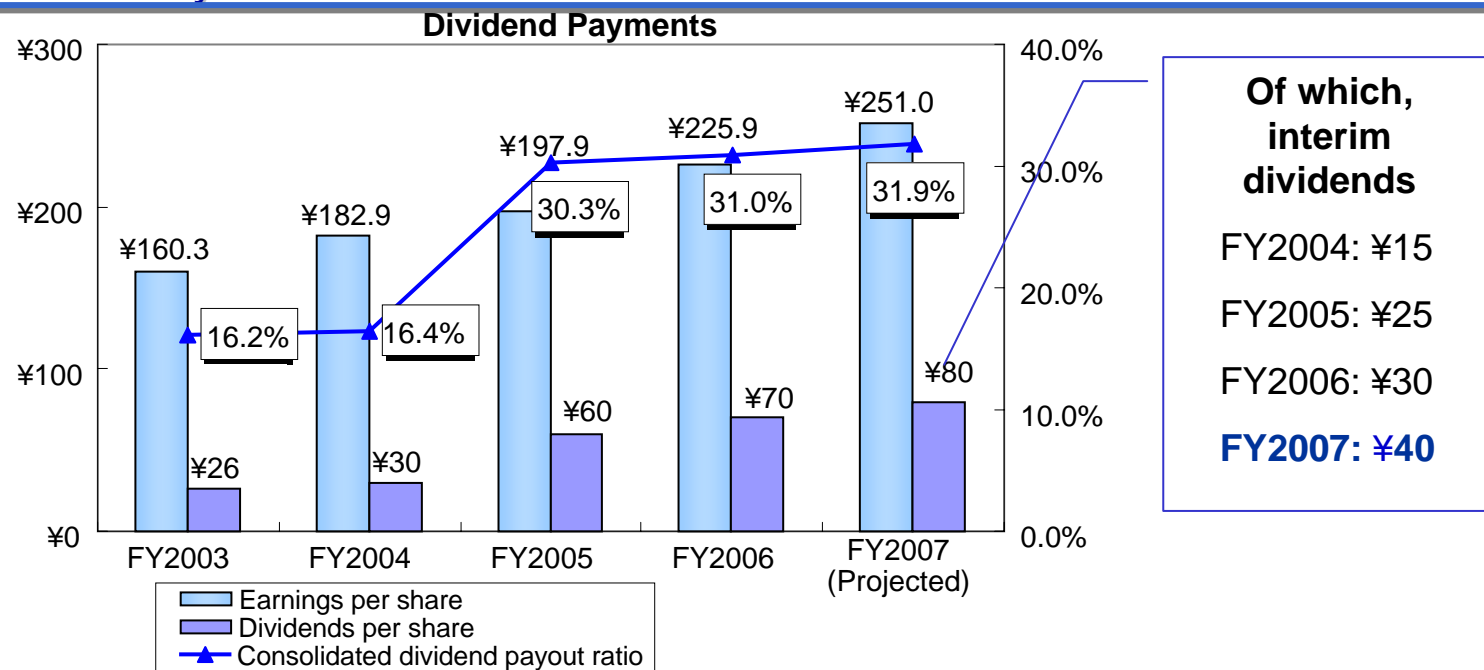
Forecast for the full fiscal year

- Amid a favorable business environment and a high backlog, we will concentrate on meeting our targets for the fiscal year

	FY2007 (Forecast)		First Half of FY2007 (Actual)		Percentage achieved
	Billions of yen	Profit margin	Billions of yen	Profit margin	
Net sales	348.0	—	140.2	—	40.3%
Gross profit	85.6	24.6%	35.3	25.2%	41.3%
SG&A expenses	(56.8)	—	(27.4)	—	48.4%
Operating income	28.8	8.3%	7.8	5.6%	27.4%
Ordinary income	29.1	8.4%	8.3	6.0%	28.7%
Net income	16.7	4.8%	4.6	3.3%	27.7%
Orders received	350.0		161.5		46.2%
Backlog	100.9		120.1		119.1%

Shareholder Returns

- Consistently return earnings to shareholders in line with operating performance
- As part of the shareholder return policy, flexibly purchase and dispose treasury stock



	FY2003	FY2004	FY2005	FY2006	FY2007		
					1st half	2nd half (F)	Total
Treasury stock purchased (shares)	1,540,000	2,150,000	370,000	—	450,000	700,000	1,150,000
Acquisition payment (billions of yen)	5.0	8.6	1.2	—	2.2	2.7	4.9
Disposal of treasury stock (shares)	—	—	—	2,800,000	1,300,000	—	—

Shares issued and outstanding as of September 30, 2007	67,000,000 shares
Treasury stock as of September 30, 2007	540,000 shares

Note: Treasury stock purchased and disposed of during FY2006 includes shares exchanged at the time of the merger with the former CRC.

CTC

Challenging Tomorrow's Changes