

Announcement of Operating Results for the Fiscal Year Ended March 31, 2009

May 13, 2009

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 Operating Results for FY2008

II. Forecast for FY2009

III. Management Policies for FY2009

I. Overview of Operating Results for FY2008

Overview of FY2008 Performance



Annual declines in revenues and profits, but profits improving in the second half

- Despite solid growth in the service business, orders received and net sales were down reflecting shrinking product sales, mainly in servers. Telecom and distribution sectors remained robust, but more companies in the Internet, finance and manufacturing industries downsized and froze investments.
- However, order backlog at year-end was highest since our shares went public, reflecting rising orders for long-term projects, mainly in our service business.
- Profits were impacted by lower revenues as well as higher advance costs incurred to rebuild internal systems and hire new graduates. However, gross profit margin reached an all-time high on the rising contribution from our service business thanks to ongoing changes to our business model.
- In the second half, revenues fell slightly, but profits increased due to improved management efficiency evidenced by an improved gross profit margin and reduced SG&A expenses. We achieved record highs on a six-month basis for all measures of profit.
- While net sales fell slight short of our February 12 forecast, profits significantly outperformed forecasts due to an improved gross profit margin and reduced SG&A expenses

FY2008 Performance Highlights

(Compared with FY2007)



Decline in revenues and profits under harsh economic conditions
Record-high gross profit margin

	FY2008 Actual		FY2007 Actual		YoY change	
	Billions of yen	Profit margin	Billions of yen	Profit margin	Billions of yen	Percent change
Net sales	307.2	—	319.2	—	(12.0)	-3.8%
Gross profit	80.2	26.1%	80.4	25.2%	(0.1)	-0.2%
SG&A expenses	(58.5)	—	(55.4)	—	(3.1)	+5.8%
Operating income	21.6	7.1%	25.0	7.8%	(3.3)	-13.3%
Ordinary income	22.0	7.2%	26.0	8.2%	(4.0)	-15.5%
Net income	12.9	4.2%	15.4	4.8%	(2.4)	-16.1%
Orders received	316.7	—	345.8	—	(29.1)	-8.4%
Back log	134.9	—	125.4	—	9.4	+7.6%

Major factors

[Net sales]

Products sales declined due to cyclical low in Internet companies' major investments and further investment cutbacks by financial and manufacturing companies

[Gross profit]

While revenues declined, gross profit margin improved as service business increased and our dependency on low-margin product resale business declined

[SG&A expenses]

Increase in advance costs to hire new graduates and rebuild internal systems

[Orders received]

Orders received declined due to non-recurrence of large-scale projects and lower demand for products

[Backlog]

Continued increase in backlog reflecting progress in business model changes. Record high at year-end.

For reference: Performance Highlights for 1st and 2nd Half of FY2008 (Compared with FY2007)



1H: Total sales and profits declined on weak product sales and an increase in unprofitable projects

2H: Revenues fell, but profits increased despite economic woes due to reduction of unprofitable projects, business model changes, and reduced SG&A expenses

→ We achieved **record-high** profits and profit margins **on a six-month basis** for all measures of profit in 2H

	1st half FY2008 Actual		1st half FY2007 Actual		YoY change	
	Billions of yen	Profit margin	Billions of yen	Profit margin	Billions of yen	Percent change
Net sales	131.6	—	140.2	—	(8.6)	-6.2%
Gross profit	32.6	24.8%	35.3	25.2%	(2.6)	-7.6%
SG&A expenses	(29.8)	—	(27.4)	—	(2.4)	+8.8%
Operating income	2.8	2.1%	7.8	5.6%	(5.0)	-64.5%
Ordinary income	3.1	2.4%	8.3	6.0%	(5.2)	-62.8%
Net income	1.3	1.0%	4.6	3.3%	(3.2)	-71.1%
Orders received	157.7	—	161.5	—	(3.8)	-2.4%
Backlog	151.6	—	120.1	—	+31.4	+26.1%
	2nd half FY2008 Actual		2nd half FY2007 Actual		YoY change	
	Billions of yen	Profit margin	Billions of yen	Profit margin	Billions of yen	Percent change
Net sales	175.6	—	179.0	—	(3.3)	-1.9%
Gross profit	47.6	27.1%	45.0	25.2%	+2.5	+5.7%
SG&A expenses	(28.7)	—	(27.9)	—	(0.7)	+2.8%
Operating income	18.8	10.8%	17.1	9.6%	+1.7	+10.3%
Ordinary income	18.9	10.8%	17.6	9.9%	+1.2	+6.9%
Net income	11.6	6.6%	10.7	6.0%	+0.8	+7.5%
Orders received	158.9	—	184.2	—	(25.3)	-13.7%
Backlog	134.9	—	125.4	—	+9.4	+7.6%

For reference: Performance Highlights for FY2008

(Compared with February 12 Forecast)



Although net sales were slightly lower than forecast, profits significantly outperformed forecasts

Major factors

[Net sales]

Net sales fell slightly short of forecast due to fall in product demand from the financial industry and postponing of projects in the distribution sector

[Gross profit]

Higher gross profit margin due to curbing of unprofitable projects and concentration of sales in highly profitable service business

[SG&A expenses]

Reduced SG&A expenses on improved SE productivity and determined efforts to cut expenses

[Orders received]

Demand for hardware from finance and manufacturing sectors fell in Q4

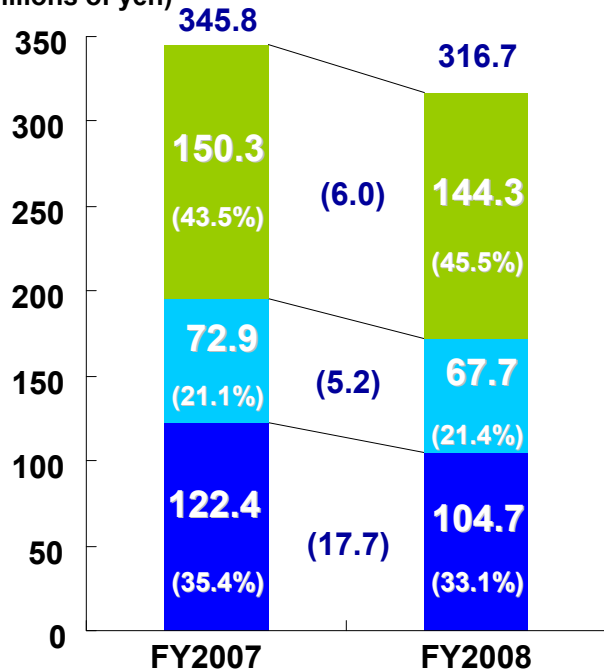
	FY2008 Actual		FY2008 Forecast of Feb. 12		Actual vs. forecast (Feb. 12)	
	Billions of yen	Profit margin	Billions of yen	Profit margin	Billions of yen	Percent achieved
Net sales	307.2	—	310.0	—	(2.7)	99.1%
Gross profit	80.2	26.1%	79.5	25.6%	0.7	101.0%
SG&A expenses	(58.5)	—	(59.5)	—	0.9	98.5%
Operating income	21.6	7.1%	20.0	6.5%	1.6	108.4%
Ordinary income	22.0	7.2%	20.5	6.6%	1.5	107.4%
Net income	12.9	4.2%	11.5	3.7%	1.4	112.5%
Orders received	316.7	—	320.0	—	(3.2)	99.0%
Back log	134.9	—	135.4	—	(0.5)	99.6%

Performance by Business Model

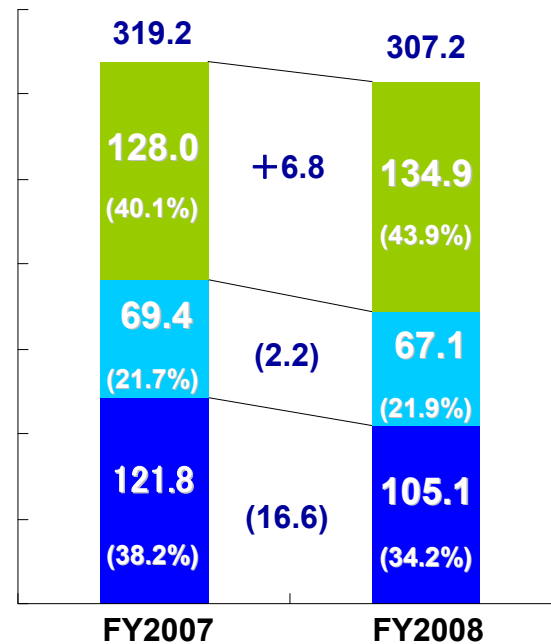
- **Services:** Expansion primarily in system-operation services despite tough economic situation
 - **SI development:** Orders and sales fell due to contraction in telecom and finance sectors but increased in the distribution sector.
 - **Products:** Though network and storage products sales rose, server sales slowed due to further investment cutbacks
- ➔ **Contribution from products fell, but the service business expanded, reflecting that it is a source of stable earnings**

Orders received

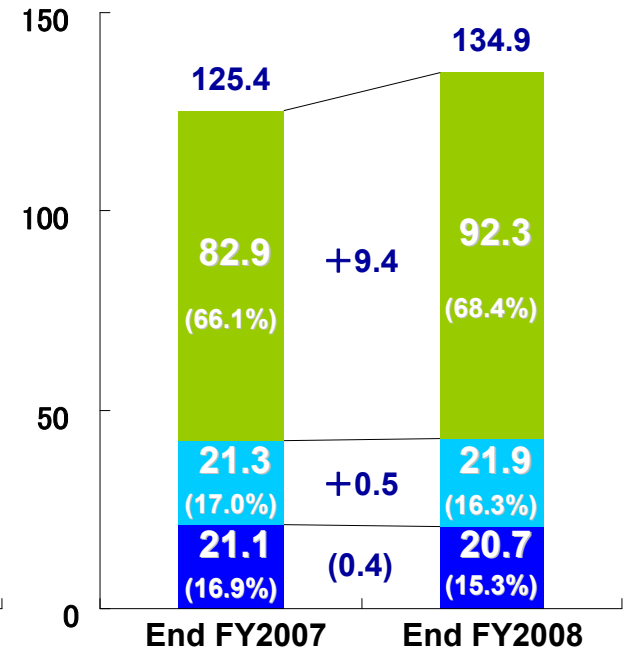
(Billions of yen)



Net sales



Backlog



Products SI development Services

YoY Changes by Business Group

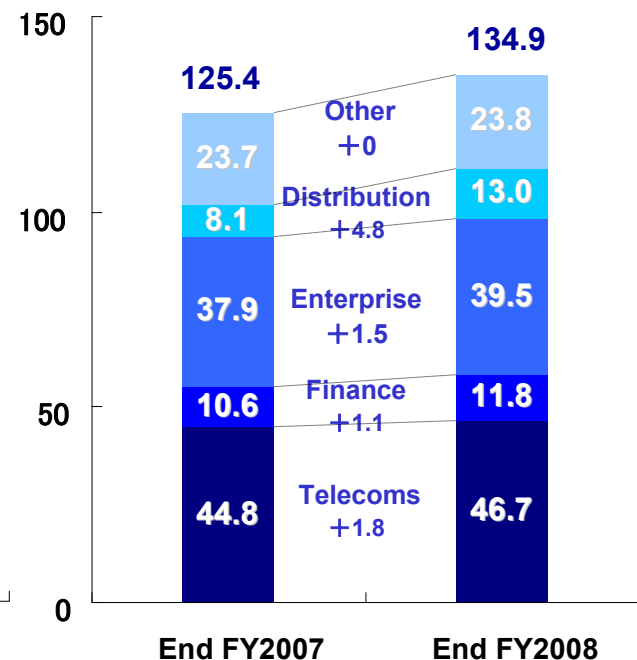
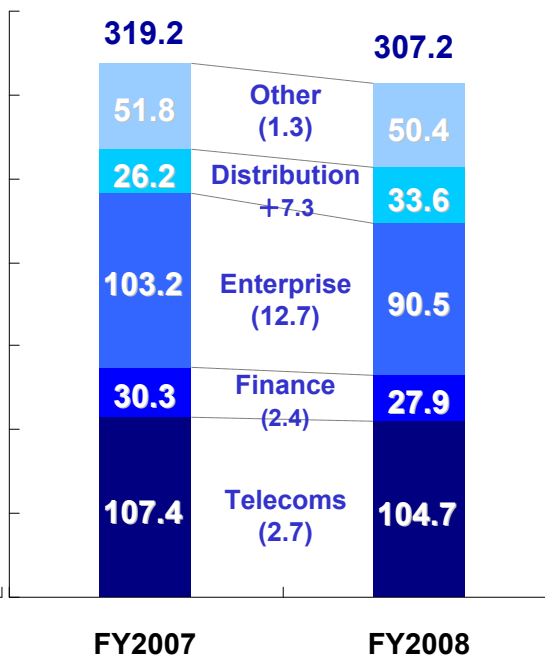
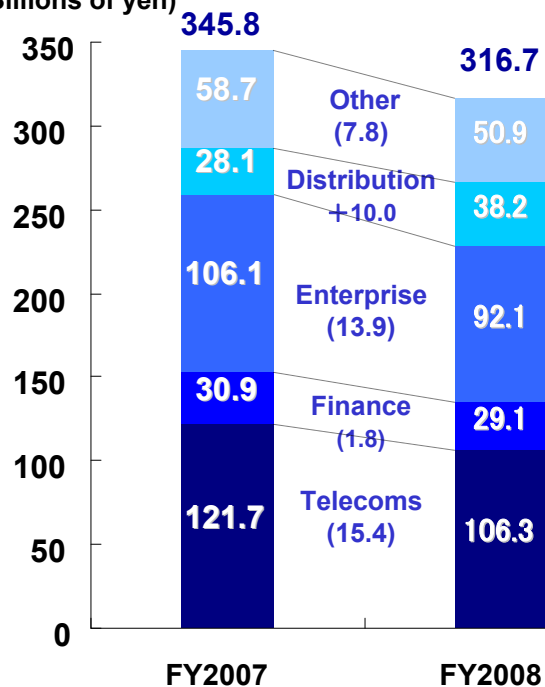
- Telecoms: Remained stable despite lower orders and net sales due to declines in products and SI development
- Finance: Orders and net sales declined due to ongoing investment cutbacks
- Enterprise: Cyclical low for major investment by Internet companies and investment cutbacks by manufacturers resulted in lower product sales
- Distribution: Steady progress on projects for major clients including trading houses and convenience stores

Orders received

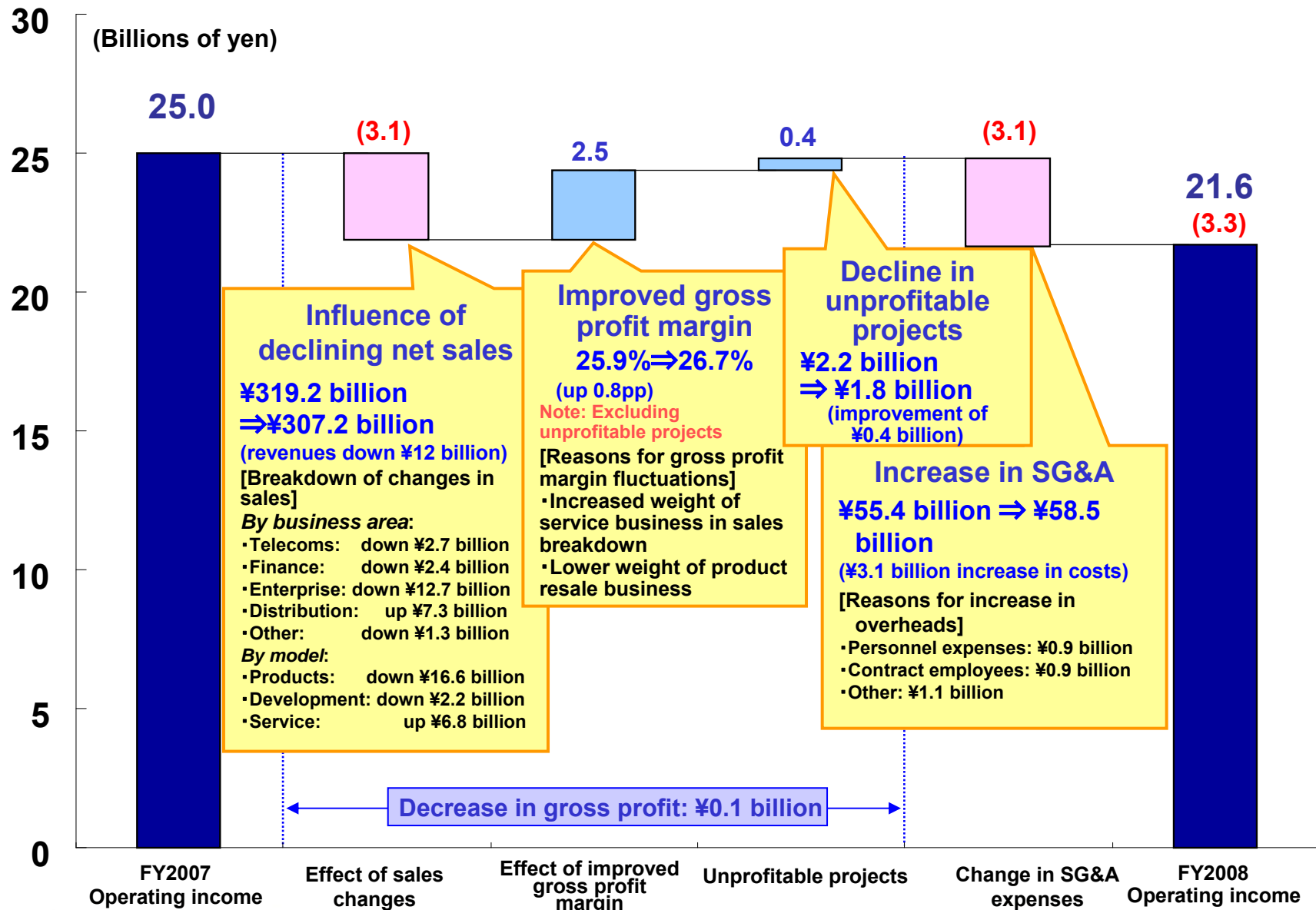
Net sales

Backlog

(Billions of yen)

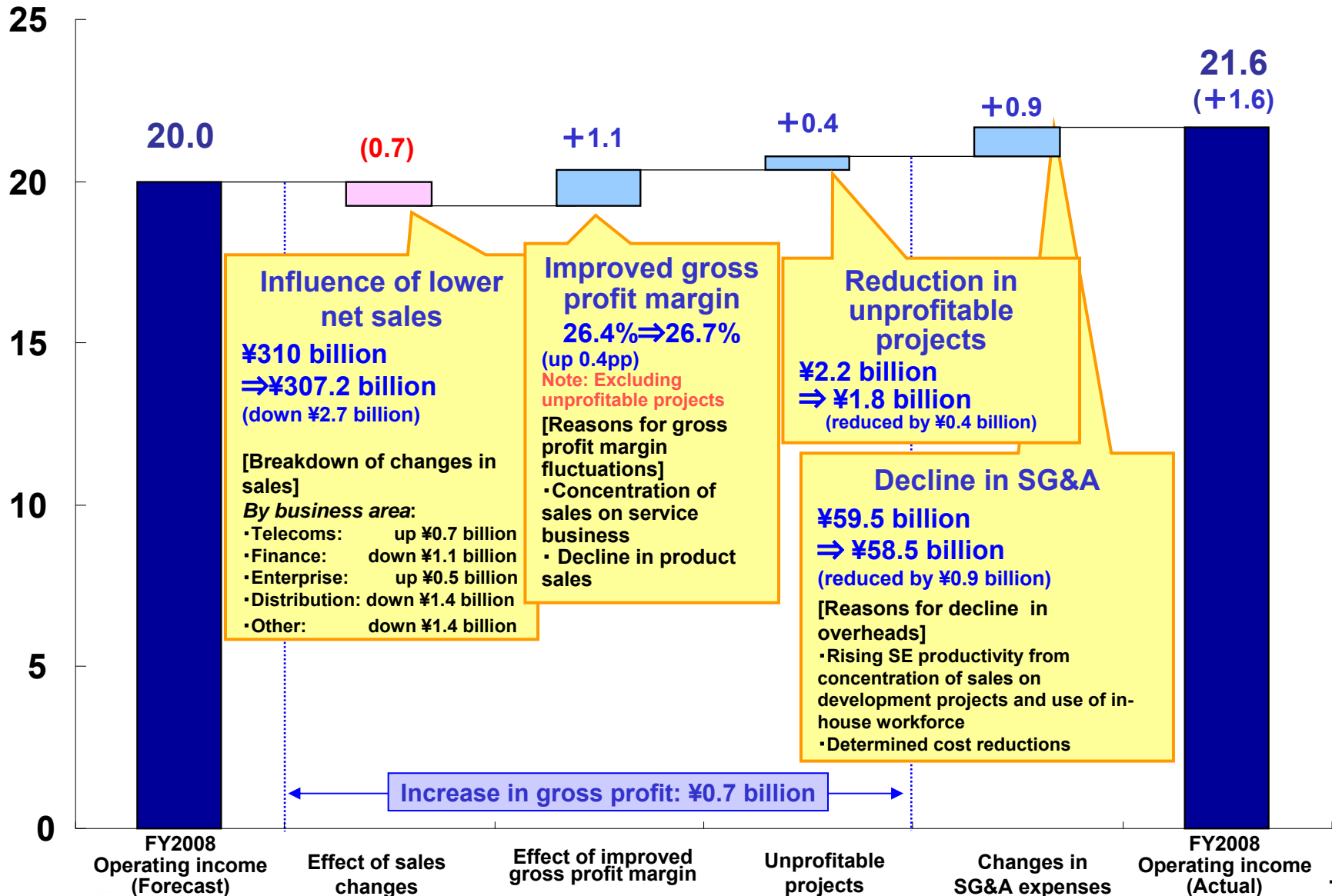


Main Reasons for YoY Changes in Operating Income



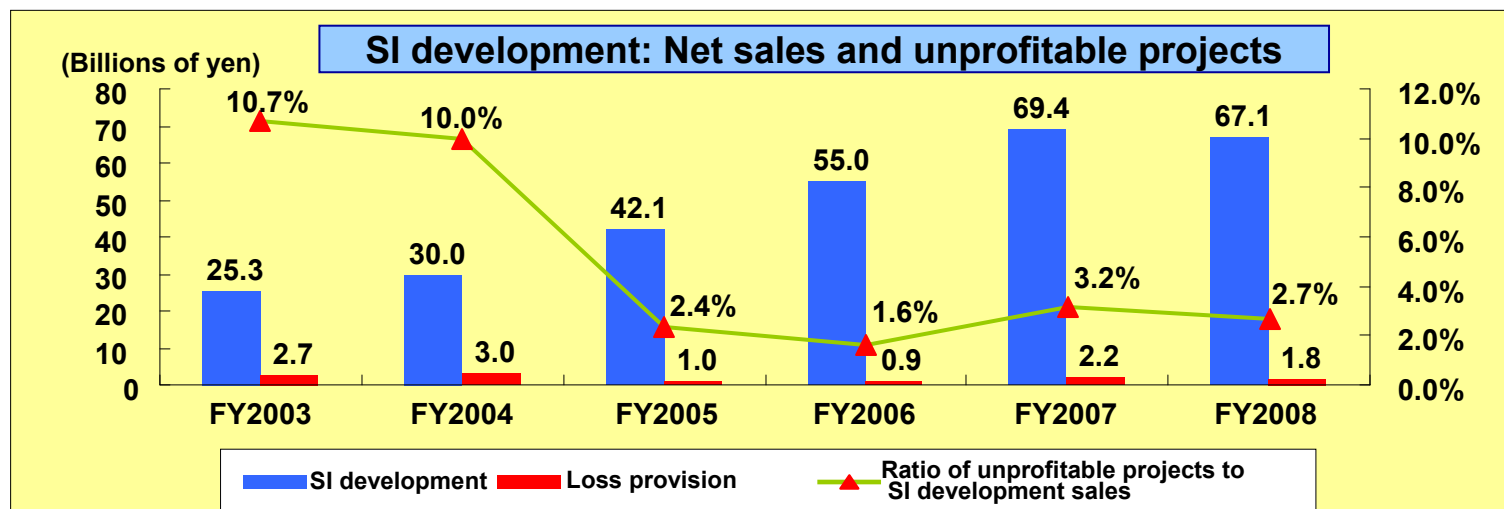
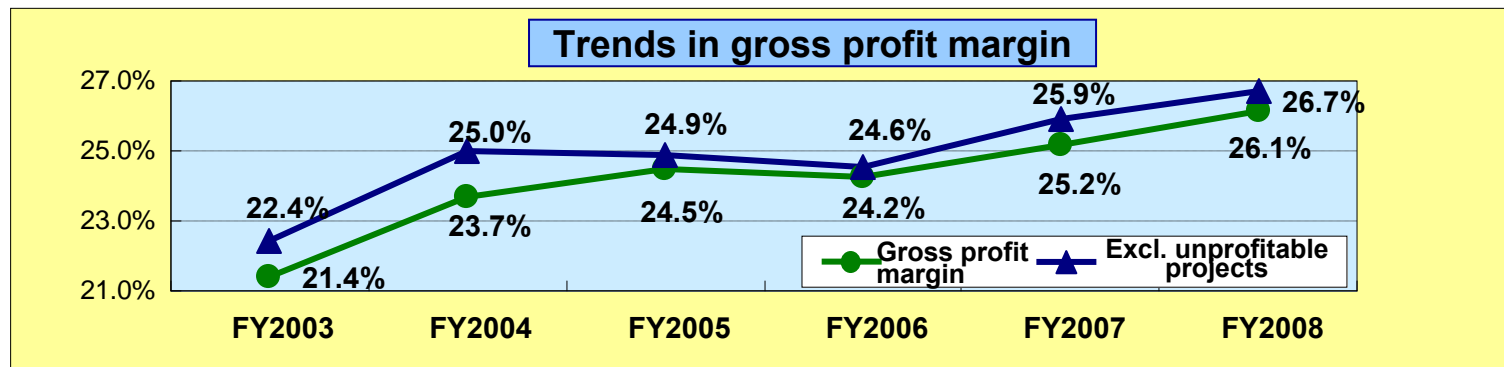
For reference: Main Reasons for Changes in Operating Income

(Compared February 12 Forecast)



Trends in Gross Profit Margin and Unprofitable Projects

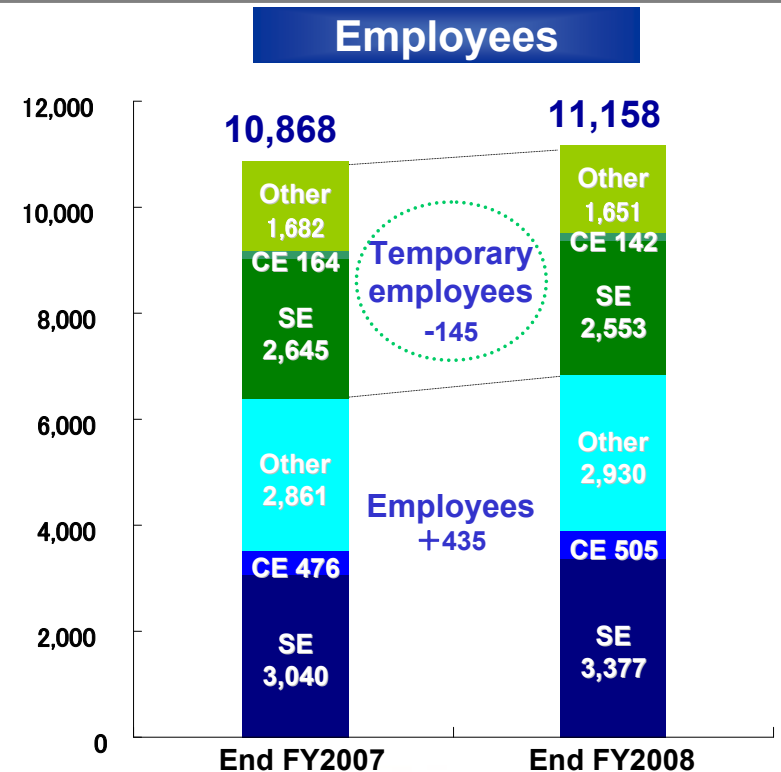
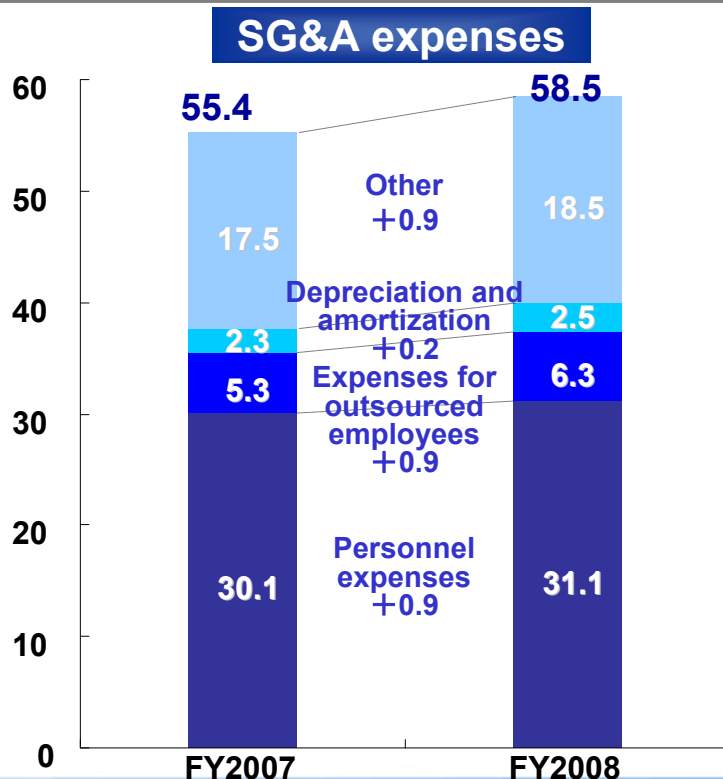
- Gross profit margin improved for second consecutive year, reaching **record high** in FY2008.
⇒ Smooth progress in business model changes resulted in improved gross profit margin
- Unprofitable projects declined vs. FY2007 (-¥2.2 billion → -¥1.8 billion)
⇒ We minimized unprofitable projects in the second half through strict project management



Reasons for Changes in SG&A

YoY increase of ¥3.1 billion due to increased advance costs to rebuild internal systems and hire new graduates.

- ◆ ¥0.9 billion in personnel expenses ⇒ Increase in employee headcount (+356 / period's average)
*Note: New graduate hires in FY2008: 346
- ◆ ¥0.9 billion in contract employee expenses ⇒ Increase temporary employee headcount (+99 / period's average) *Note: Year-end headcount was lower vs. end-FY2007
- ◆ ¥1.1 billion for depreciation/amortization and other ⇒ Higher internal system rebuilding expenses
⇒ **SG&A lower in second half vs. both first half and forecast, thanks to determined cost reductions and use of in-house workforce**



Non-operating and Extraordinary Items

(Billions of yen)

	FY2008	YoY change		Major factors
	Actual	FY2007	Change	
	Billions of yen	Billions of yen	Billions of yen	
Non-operating income	0.82	1.11	(0.28)	Equity in income of associated companies (0.16) Profit on investment in limited partnership (0.09)
Non-operating expenses	(0.48)	(0.07)	(0.41)	Interest expense (primarily interest on lease) (0.11) Loss on investment in limited partnership (0.30)
Total non-operating income	0.33	1.04	(0.70)	
Extraordinary gains	0.45	0.38	+0.07	Gain on sale of investments in securities and shares in affiliated companies +0.11 Reversal of allowance for after-market costs (0.05)
Extraordinary losses	(0.97)	(1.16)	+0.18	Loss on write-down of investments in securities +0.49 Loss on retirement of fixed assets (0.09) Loss on sale of investments in securities (0.09) Provision for after-market costs (0.06) Compensation for damages (0.05)
Total extraordinary losses	(0.51)	(0.77)	+0.25	

Consolidated Cash Flows and Balance Sheets

Consolidated cash flows

(Billions of yen)

	FY2007	FY2008	YoY change
Cash and cash equivalents at beginning of period	67.0	70.9	+3.8
Operating activities	10.4	11.2	+0.8
Investing activities	3.5	(13.8)	(17.3)
Financing activities	(10.1)	(11.1)	(0.9)
Cash and cash equivalents at end of period	70.9	57.2	(13.7)
Free cash flow	14.0	(2.5)	(16.5)

Free Cash Flow (FCF)

- Cash flow from operating activities rose slightly, but investing activities outlays rose on increased acquisition of tangible fixed assets such as DC and a decrease in proceeds due to changes in deposits. As a result, FCF declined versus the previous year.

[Major reasons for changes in cash flow]

- (1) Cash flows from operating activities
 - Decline in net income before taxes (3.7)
 - Decrease in accounts receivable +4.2
 - Increase in inventories (1.4)
- (2) Cash flows from investing activities
 - Increase in payment for acquisition of tangible fixed assets (10.9)
 - Decrease in proceeds due to changes in deposits (8.8)
- (3) Cash flows from financing activities
 - Rise in repayments of finance lease debt (0.8)

Consolidated balance sheets

	End FY2007	End FY2008	YoY change
Current assets	178.0	173.4	(4.6)
Fixed assets	40.0	54.0	+14.0
Total assets	218.0	227.4	+9.3
Current liabilities	71.2	72.6	+1.3
Long-term liabilities	1.0	7.0	+5.9
Total liabilities	72.3	79.6	+7.3
Total net assets	145.7	147.7	+2.0
Total liabilities and net assets	218.0	227.4	+9.3

[Breakdown of assets and liabilities] (brackets [] denote YoY change)

- Current assets
 - Cash and cash equivalents +41.4 [+17.2]
 - Lease investment assets +1.9 [+1.9]
 - Securities (primarily CP) +5.9 [-35.9]
 - Deposits +13.0 [+6.6]
- Fixed assets
 - Land + 6.3 [+4.6]
 - Buildings and structures +16.1 [+6.8]
 - Lease assets +6.5 [+6.5]
- Current liabilities
 - Trade notes and accounts payable +26.2 [-2.6]
 - Lease obligations +2.3 [+2.3]
 - Unearned income +16.8 [+1.1]
- Long-term liabilities
 - Lease obligations +6.2 [+6.2]
- Total equity
 - Retained earnings +98.1 [+4.0]
 - Treasury stock -5.8 [-1.2]

II. Forecast for FY2009

FY 2009 Consolidated Operating Results Forecast



	FY2009 Forecast		FY2008 Actual		YoY change	
	Billions of yen	Profit margin	Billions of yen	Profit margin	Billions of yen	Percent change
Net sales	302.0	—	307.2	—	(5.2)	-1.7%
Gross profit	78.5	26.0%	80.2	26.1%	(1.7)	-2.2%
SG&A expenses	(57.5)	—	(58.5)	—	+1.0	-1.9%
Operating income	21.0	7.0%	21.6	7.1%	(0.6)	-3.2%
Ordinary income	21.0	7.0%	22.0	7.2%	(1.0)	-4.7%
Net income	12.0	4.0%	12.9	4.2%	(0.9)	-7.2%
Orders received	307.0	—	316.7	—	(9.7)	-3.1%
Backlog	139.9	—	134.9	—	+5.0	+3.7%

1st and 2nd Half FY2009 Consolidated Operating Results Forecasts

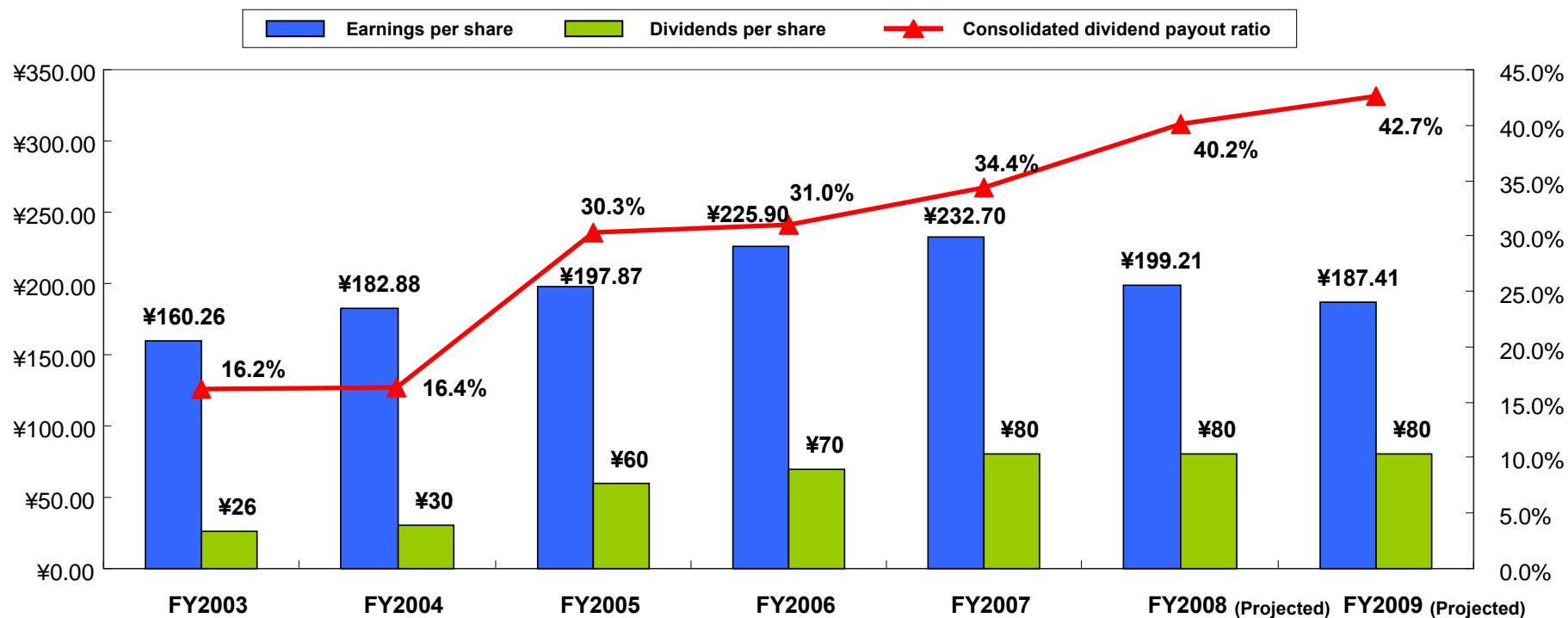


	1st half FY2009 Forecast		1st half FY2008 Actual		YoY change	
	Billions of yen	Profit margin	Billions of yen	Profit margin	Billions of yen	Percent change
Net sales	132.0	—	131.6	—	+0.3	+0.3%
Gross profit	33.6	25.5%	32.6	24.8%	+0.9	+2.8%
SG&A expenses	(28.6)	—	(29.8)	—	+1.2	-4.3%
Operating income	5.0	3.8%	2.8	2.1%	+2.1	+78.1%
Ordinary income	5.0	3.8%	3.1	2.4%	+1.8	+61.0%
Net income	2.8	2.1%	1.3	1.0%	+1.4	+109.5%
Orders received	143.0	—	157.7	—	(14.7)	-9.4%
Backlog	145.9	—	151.6	—	(5.6)	-3.7%

	2nd half FY2009 Forecast		2nd half FY2008 Actual		YoY change	
	Billions of yen	Profit margin	Billions of yen	Profit margin	Billions of yen	Percent change
Net sales	170.0	—	175.6	—	(5.6)	-3.2%
Gross profit	44.9	26.4%	47.6	27.1%	(2.7)	-5.7%
SG&A expenses	(28.9)	—	(28.7)	—	(0.1)	+0.6%
Operating income	16.0	9.4%	18.8	10.8%	(2.8)	-15.3%
Ordinary income	16.0	9.4%	18.9	10.8%	(2.9)	-15.4%
Net income	9.2	5.4%	11.6	6.6%	(2.4)	-20.7%
Orders received	164.0	—	158.9	—	+5.0	+3.2%
Backlog	139.9	—	134.9	—	+5.0	+3.7%

Shareholder Returns

Maintained a stable dividend



	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008
Dividend yield*	0.6%	0.9%	1.3%	1.2%	2.7%	3.9%
ROE	9.5%	10.4%	10.4%	11.0%	10.8%	8.8%
DOE	1.5%	1.7%	3.2%	3.4%	3.7%	3.5%

* Calculated based on fiscal-year-end share price.

III. Management Policies for FY2009

Market environment

- ◆ Businesses are increasingly reducing IT investment and becoming selective about areas in which they invest. They are giving priority to investments that are directly related to management issues and cost reductions.
- ◆ Selection of system integrators and vendors with technical capabilities and financial strength to handle the greater sophistication and larger size of projects.
- ◆ Accelerating shift from possession to use in corporate IT systems and facilities. Accelerated growth of our integrated backbone/virtualized shared-hosting services that utilize data centers.

Competitive environment

Companies are seeking stable growth because the current economy is not conducive to top-line growth.

- Own IT assets for customers and provide computing as a service
- Actively make anticipatory investment related to data centers and service business
- Specialize and differentiate to securing new revenue sources






Vendor environment

Significant changes in the business structures of major vendors and their strategies

- Advancing industry reorganization through integration and collaboration
(e.g. Oracle's purchase of Sun)
- Building a one-stop shop
(e.g. CISCO's foray into the server field; HP's expansion into the network field)
- Growth in service business
(e.g. HP's acquisition of EDS; IBM's move to strengthen its service business)

Business Environment

FY2009 segment outlook

Business area	Overall trend	Promising areas / Key points
Telecoms		<p>New areas look promising: launch of services based on new communications technologies and entry into the MVNO business.</p>
Finance		<p>Banks and securities companies will further reduce IT-related investment but are expected to continue investing in high-priority projects.</p>
Manufacturing		<p>Investment directed at themes directly related to management issues such as operational streamlining, legal compliance, environmental issues, and BCP.</p>
Distribution		<p>Relatively stable investments expected thanks to active reorganization in the sector and systems reaching their replacement phase.</p>
Public sector		<p>Encouraging green IT through development of cloud computing aimed at reducing IT devices' power consumption</p>

The CTC of the Future



Leading company in the IT service industry

Capable of offering comprehensive IT service

Fully exploit all Group functions

Lead IT market with latest technology and services

Actively work on cutting-edge technologies and create business models

Highly profitable and one of the largest companies in the industry

Rank among industry leaders in net sales, profits, and market cap.

[1] Accelerate *business model changes*

-  **Expand the service, SI development, and product solution businesses**
-
-

[2] Strengthen *earnings capability*

-  **Improve profitability and efficiency**
-
-

[3] Enhance *management infrastructure*

-  **Develop human resources and enhance management infrastructure**
-
-

CTC's Differentiation Strategy (1)

Respond to customer needs for *one-stop shopping*

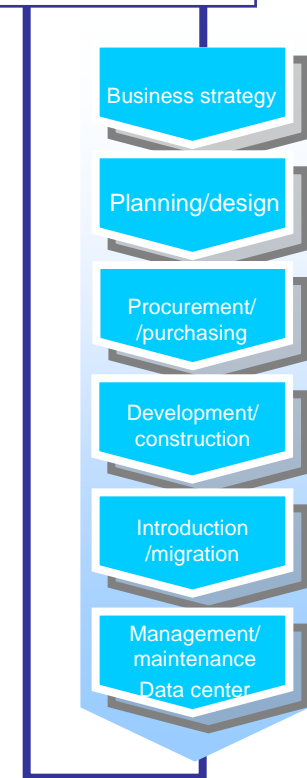
Customer needs

- ✓ Reduce IT-related costs
- ✓ Consolidate operations systems:
individual systems → company-wide systems

Demonstrate CTC's strengths

- **Combine *open-system multi-vendor* and *multi-service* characteristics**
 - ◆ Offer products from leading foreign vendors (CISCO, HP, Microsoft, Oracle/Sun, SAP, etc.)
 - ◆ Superior technical capabilities to handle security and integration/virtualization
 - ◆ Capability to offer comprehensive IT services including infrastructure construction, development, and system operations

One Stop



CTC's Differentiation Strategy (2)

Offer service business that fully utilizes *data centers*

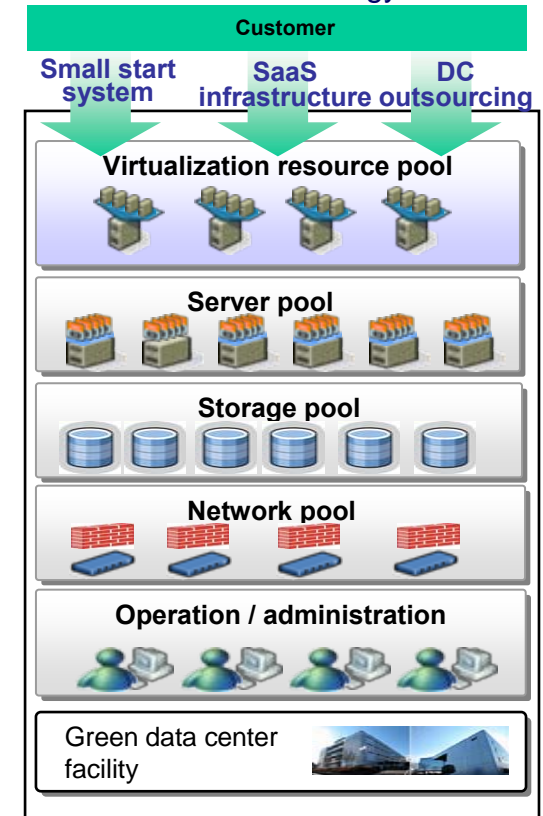
Business trends

- ✓ Expanding demand for full outsourcing
- ✓ Spread of new technology and services (next generation NW , virtualization, SaaS, etc.)

Demonstrate CTC's strengths

- **Integrate data center & new technology/services**
 - ◆ Green IT
 - ◆ Cloud computing
 - ◆ Integrated backbone / virtualized shared-hosting service
 - ◆ DC on-demand service
- **Harness the group's ability as a comprehensive IT service provider**
 - ◆ Harness comprehensive capabilities in system operations, maintenance, infrastructure construction

TechnoCUVIC, IT integrated backbone service that combines data center function and virtualization technology



[1]-(1) Service business

Strengthen capabilities to offer comprehensive IT services and create new services through anticipatory investment

- ◆ Build capabilities to handle full outsourcing service projects
 - Use Group's full capabilities to provide all services
 - Expand business by organizing services into service menus (CTC-MAPS)
 - Establish cost structure that matches customer needs
- ◆ Expand SaaS/ASP services by utilizing data center
 - Integrated backbone / virtualized shared-hosting service TechnoCUVIC, TELARGO (distribution management), Mail ASP (high-security e-mail service), etc.
- ◆ Strengthen efforts to offer accessory service business to reduce customer's TCO
 - ⇒ Re-Platform (assessment, construction, and operation service), ITFM (office relocation integration service), etc.



[1]-(2) SI development

- ◆ Strengthen initiatives in infrastructure-related systems
 - Bolster ERP promotion framework (SAP, Oracle, etc.)
 - Expand business cooperation with Wipro in ERP upgrading
- ◆ Develop specialized business for specific prospective clients
 - Bolster CRM, BI, DWH, and other areas of strength for us
- ◆ Build consulting abilities that will generate SI business
 - Establish a Solutions Business Promotion Division to strengthen consulting
- ◆ Streamline SI development methods
 - Promote use of the SINAVI development standard

[1] - (3) Products, solutions business

Boost product sales by enhancing solutions lineup

- ◆ Set up a new division to execute IT business strategy
 - ➔ Newly establish an IT Business Marketing Division to provide products and solutions geared toward business needs and future technological trends
- ◆ Strengthen vendor relationships: CISCO, EMC, HP, NetApp, Oracle/Sun, Rackable, SAP, etc.
- ◆ Promote initiatives in priority areas (measures leading to SI development and service businesses)

[Priority areas for FY2009]

Integration
Virtualization

Office
solutions

Develop cloud
infrastructure

Collaborate with
cloud service
providers

Seek business opportunities arising from cloud computing (virtualization, automation), growing data volumes and access speeds (increased demand for storage and DWH-BI), unified communications (reduction in TCO upon conversion to IP, shift to on-demand service), etc.

[2] Reduce costs and raise productivity

Control costs
and SG&A
expenses

- ✓ Strengthen screening of development partners to reduce costs
- ✓ Reduce in-house indirect costs
- ✓ Keep headcount increase in check

Reduce
unprofitable
projects

- ✓ Bolster project management and assessment
 - Manage progress based on percentage-of-completion standards
 - Establish and enhance development standards and frameworks (SINAVI)

[3] (1) Develop human resources

➤ Key themes

- Encourage pursuit of technical qualifications
- Nurture PMs and IT architects
- Enhance English language skills
- Promote diversity

[3] (2) Streamline in-house operations through information systems etc.

➤ Key themes

- Share information infrastructure with subsidiaries
- Encourage use of web-based internal-approval system
- Actively rotate personnel within groups
- Optimally deploy personnel

CTC

Challenging Tomorrow's Changes