

Announcement of 1st Half Operating Results for the Fiscal Year Ending March 31, 2010

November 12, 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 1st Half FY2009 Results

II. 2nd Half and Full-year Forecasts for FY2009

III. Progress on FY2009 Priority Issues

I . Overview of 1st Half FY2009 Results

Profits up markedly amid a tough economic climate

- Net sales were largely on par with year-earlier net sales and in line with our projections, mainly reflecting the delivery of large-scale projects in the new technology area, steady progress on projects for major customers, and growth in the service business.
- Profits were up markedly year on year, in line with our projections, mainly due to growth in the service business, reduced costs, and reduced SG&A expenses.
- Orders received were down year on year and below our projections, reflecting non-recurrence of last fiscal year's large-scale projects on top of a decline in mainly product sales due to corporate IT investment cutbacks.

1st Half FY2009 Performance Highlights

(Compared with Projections)



Forecasts were largely met despite a decline in orders received

	1 st Half FY2009 Actual		1 st Half FY2009 Projections		Actual vs. projections	
	Billions of yen	Profit margin	Billions of yen	Profit margin	Billions of yen	Percent achieved
Net sales	131.0	—	132.0	—	(0.9)	99.3%
Gross profit	33.2	25.4%	33.6	25.5%	(0.3)	99.0%
SG&A expenses	(27.8)	—	(28.6)	—	+0.7	97.6%
Operating income	5.3	4.1%	5.0	3.8%	+0.3	107.0%
Ordinary income	5.2	4.0%	5.0	3.8%	+0.2	104.3%
Net income	2.6	2.0%	2.8	2.1%	(0.1)	95.6%
Orders received	123.3	—	143.0	—	(19.6)	86.3%
Backlog	127.3	—	145.9	—	(18.6)	87.2%

Major factors

[Net sales]

Despite investment cutbacks mainly by manufacturing industries and Internet companies, forecasts were largely in line with projections thanks to buoyant telecom and distribution sectors.

[Gross profit]

While unprofitable projects were up, gross profit margin was largely in line with projections due to growth in the service business and reduced costs.

[SG&A expenses]

Improved due to the curbing of outsourcing expenses and overheads.

[Orders received]

Orders received fell short of projections due to investment cutbacks mainly by Internet companies and automobile, precision instrument and other manufacturing companies on top of the postponing of projects in the telecom, financial, and distribution sectors to the second half of the fiscal year.

[Backlog]

Backlog was lower as orders received declined.

1st Half FY2009 Performance Highlights

(Compared with 1st Half of FY2008)



Profits grew significantly due to growth in the service business and cost control

	1 st Half FY2009 Actual		1 st Half FY2008 Actual		YoY change	
	Billions of yen	Profit margin	Billions of yen	Profit margin	Billions of yen	Growth rate
Net sales	131.0	—	131.6	—	(0.5)	-0.4%
Gross profit	33.2	25.4%	32.6	24.8%	+0.5	+1.7%
SG&A expenses	(27.8)	—	(29.8)	—	+1.9	-6.6%
Operating income	5.3	4.1%	2.8	2.1%	+2.5	+90.6%
Ordinary income	5.2	4.0%	3.1	2.4%	+2.1	+68.0%
Net income	2.6	2.0%	1.3	1.0%	+1.3	+100.3%
Orders received	123.3	—	157.7	—	(34.4)	-21.8%
Backlog	127.3	—	151.6	—	(24.3)	-16.0%

Major factors

[Net sales]

Despite a slump among manufacturing industries and Internet companies, sales were largely on par with the year-earlier level on the back of favorable sales to the public and distribution sectors.

[Gross profit]

Gross profit improved due to growth in the service business and reduced costs.

[SG&A expenses]

Significantly reduced SG&A expenses year on year by paring back personnel expenses and internal systems-related expenses and by cutting outsourcing expenses and overheads.

[Orders received]

Orders received fell markedly due to non-recurrence of last fiscal year's large-scale projects (which were primarily in the telecom, financial, distribution and public sectors) and investment cutbacks mainly by manufacturing companies and Internet companies.

[Backlog]

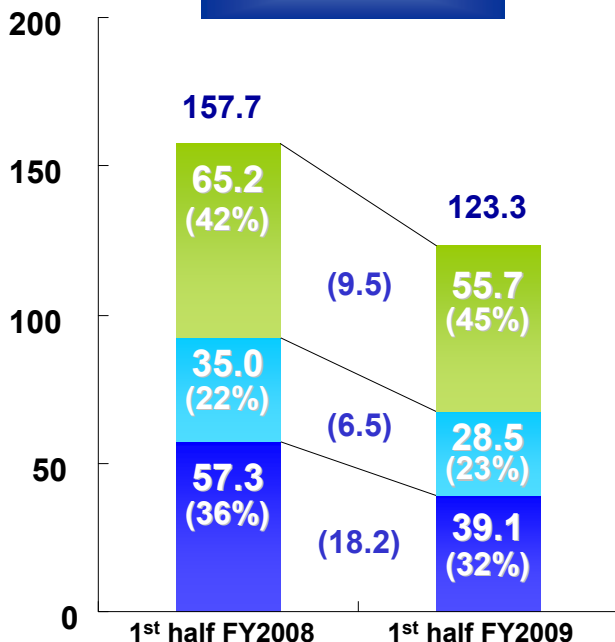
Backlog was lower as orders received declined.

YoY Changes by Business Model

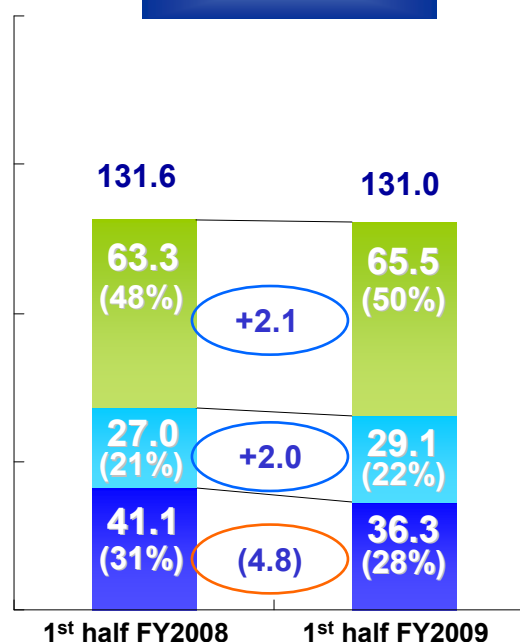
- **Products:** Sales declined due to cutbacks in corporate IT investment, mainly for servers
- **SI development:** Sales rose on the back of large-scale projects for a trading house and banks in addition to other factors
- **Services:** Sales increased due to favorable growth in system-operation services and continued growth in hardware maintenance

(Billions of yen)

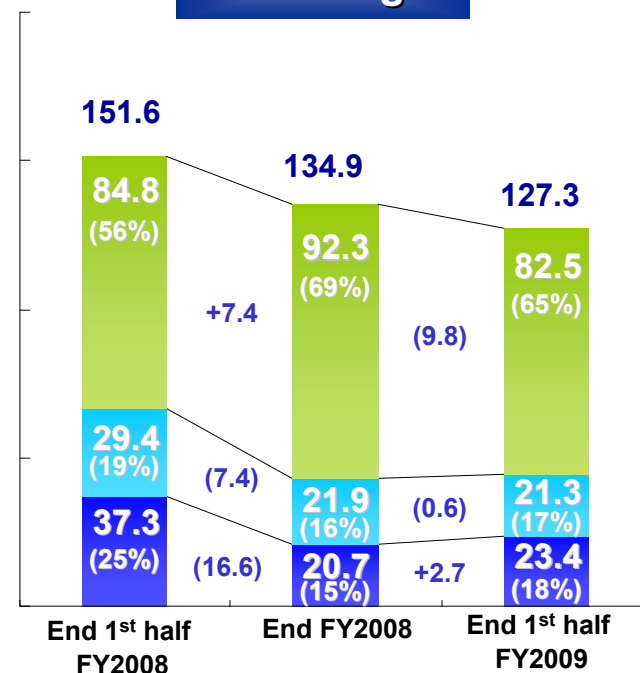
Orders received



Net sales



Backlog



■ Products ■ SI development ■ Services

YoY Changes by Business Group

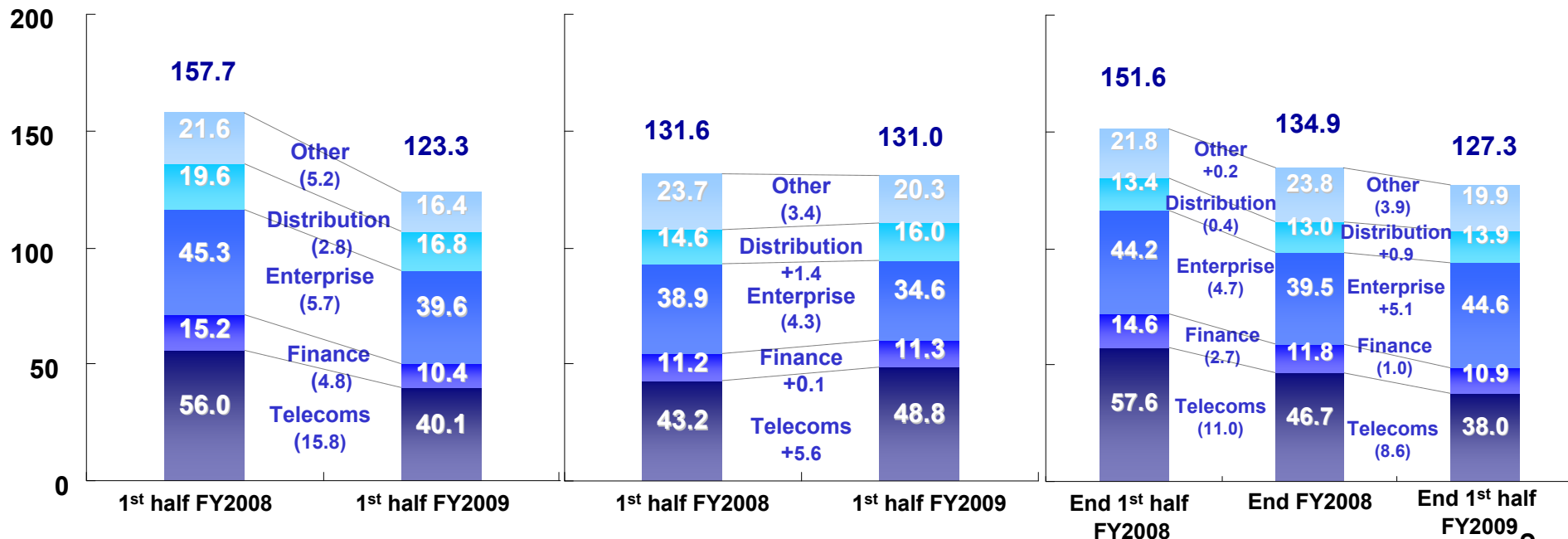
- **Telecoms:** Although orders were down due to non-recurrence of orders for large-scale projects received last fiscal year, those projects contributed to current-year net sales, which were higher year on year
- **Finance:** Net sales were largely on par with their year-earlier level, despite a decrease in orders received due to investment cutbacks and the non-recurrence of large-scale projects for banks and credit card companies
- **Enterprise:** Decline in business from Internet companies and from automobile, semiconductor and other manufacturing companies due to the deteriorating economic climate
- **Distribution:** Favorable progress on projects for major customers amid a decline in orders received due to the non-recurrence of large-scale projects for trading house groups

(Billions of yen)

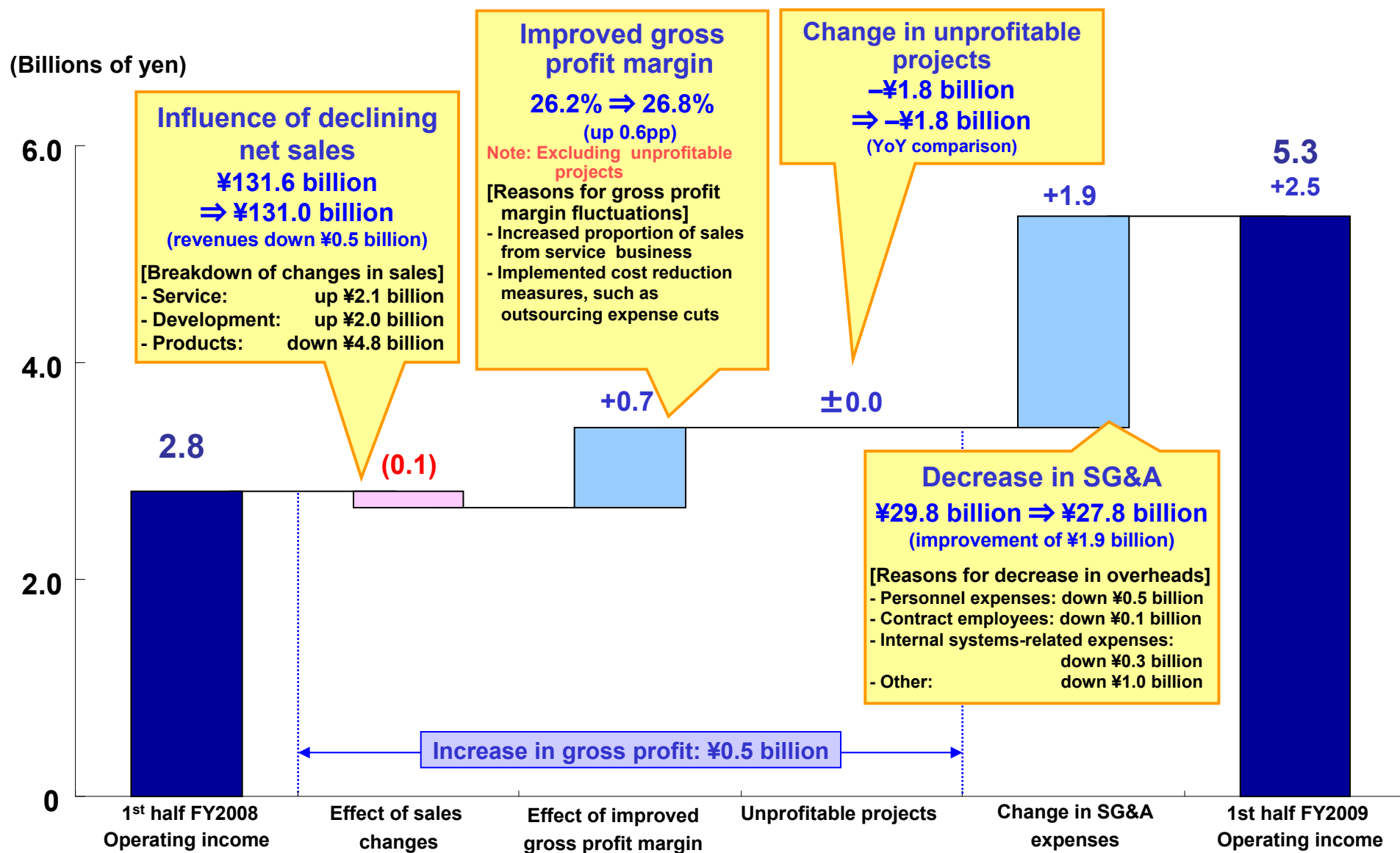
Orders received

Net sales

Backlog

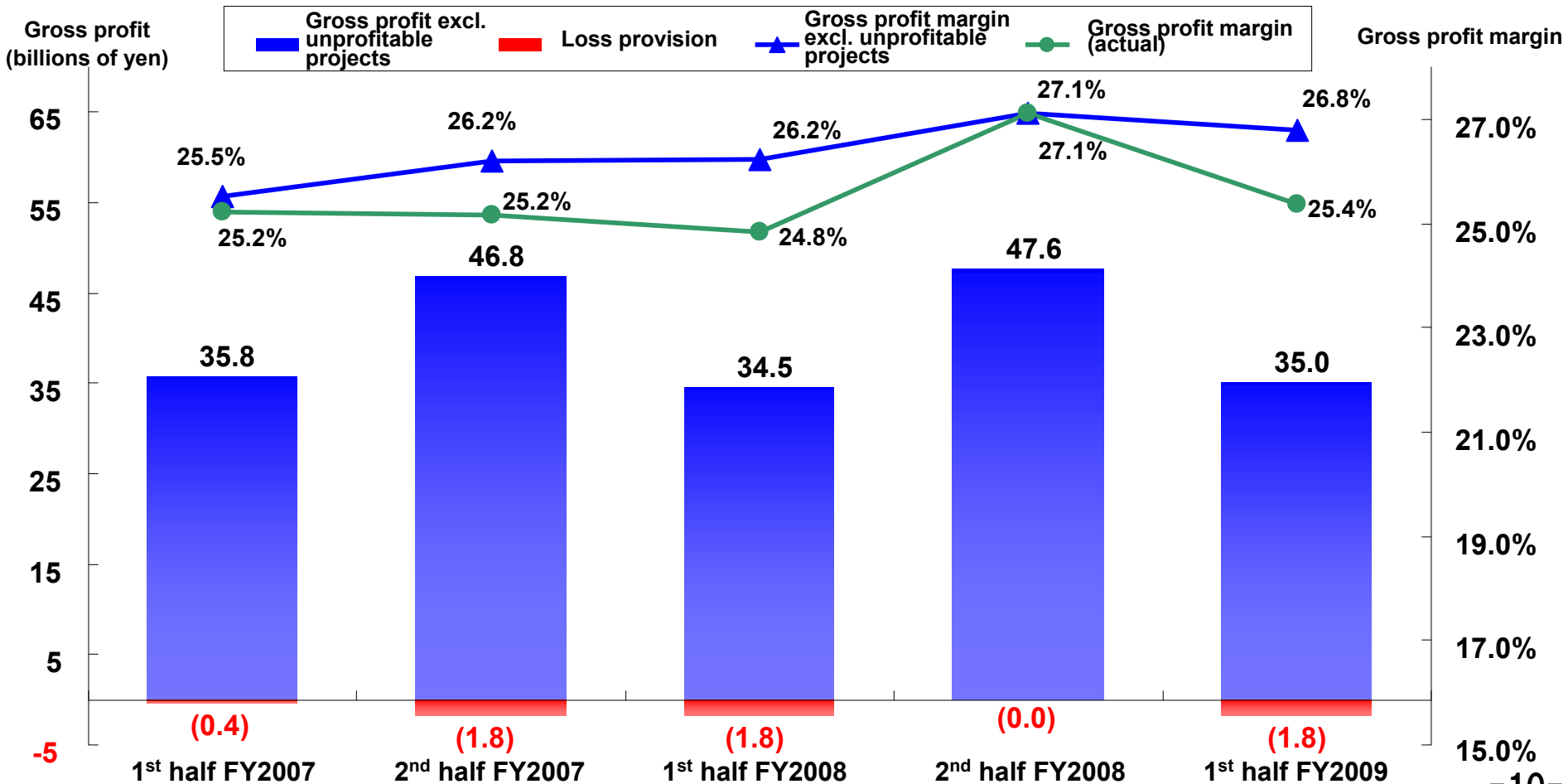


Main Reasons for YoY Changes in Operating Income



Trends in Unprofitable Projects and Gross Profit Margin

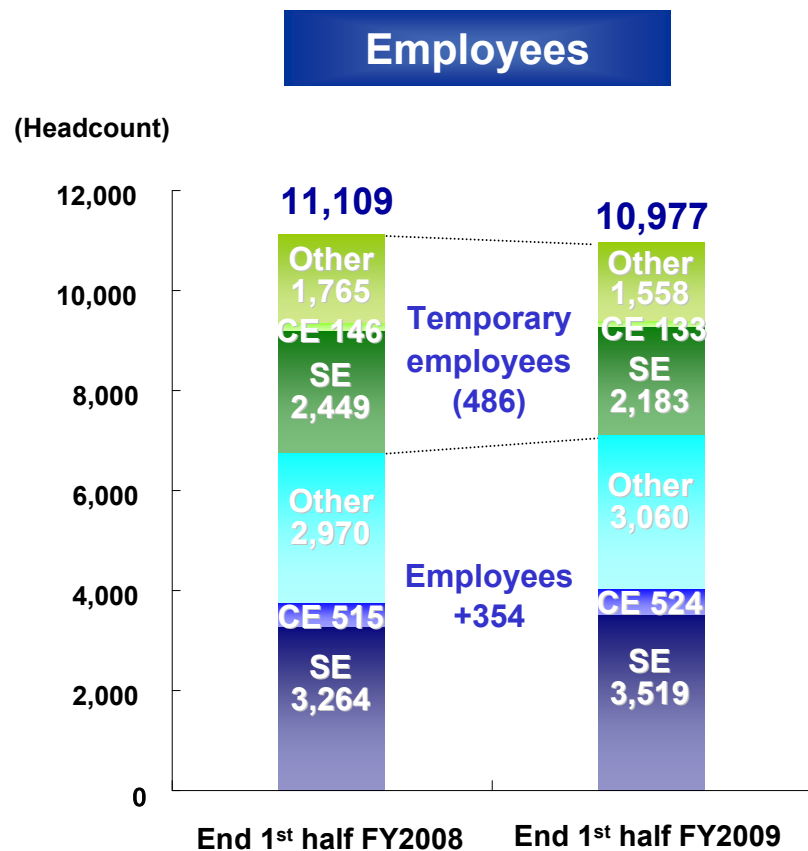
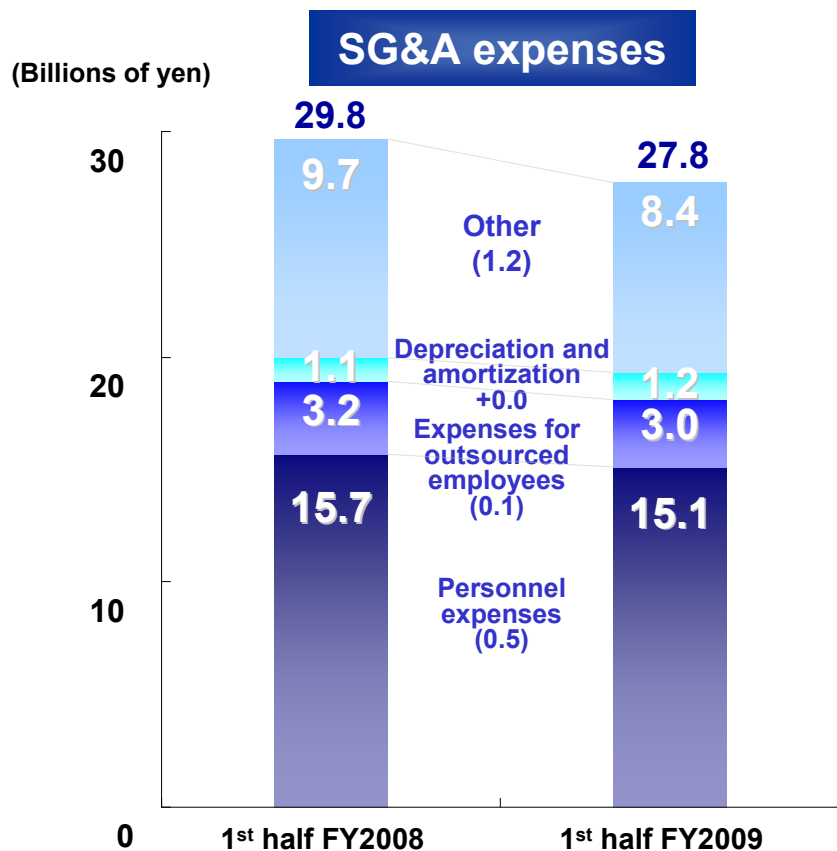
- Unprofitable projects were around the same level as in the first half of FY2008 (-¥1.8 billion ⇒ -¥1.8 billion)
- Gross profit excluding unprofitable projects remains high (+0.6pp vs. first half of FY2008)



Reasons for Changes in SG&A

Reduction of SG&A expenses helped to substantially boost profits (down ¥1.9 billion YoY)

- ◆ **Personnel expenses:** Down due to linking of pay to performance, despite increased headcount mainly from hiring of new graduates. *Note: New graduate hires in FY2009: 303
- ◆ **Contract employee expenses:** Reduced due to a review of outsourced staff numbers. *Note: Temp staff headcount down 486 YoY
- ◆ **Other:** Down substantially due to reduction of internal system-related expenses and reduction of overheads.



Non-operating and Extraordinary Items Challenging Tomorrow's Changes

(Billions of yen)

	1 st half FY2009	YoY change		Major factors
	Actual	1 st half FY2008	Change	
	Billions of yen	Billions of yen	Billions of yen	
Non-operating income	0.21	0.42	(0.20)	Interest income (0.13) Dividend income (0.05)
Non-operating expenses	(0.35)	(0.12)	(0.22)	Interest expense (0.09) Loss from investment in partnership (0.08) Equity in losses of associated companies (0.07)
Total non-operating income	(0.13)	0.29	(0.43)	
Extraordinary gains	-	0.11	(0.11)	Gain on sales of investment securities (0.07) Reversal of allowance for doubtful accounts (0.04)
Extraordinary losses	(0.20)	(0.59)	+0.39	Loss on write-down of investment securities +0.18 Provision for after-market costs +0.22
Total extraordinary losses	(0.20)	(0.48)	+0.27	

Consolidated Cash Flows and Balance Sheets



Consolidated cash flows

(Billions of yen)

	1 st half FY2008	1 st half FY2009	YoY change
Cash and cash equivalents at beginning of period	70.9	57.2	(13.7)
Operating activities	(4.4)	9.9	+14.3
Investing activities	(1.1)	1.1	+2.2
Financing activities	(5.2)	(3.5)	+1.6
Cash and cash equivalents at end of period	60.0	64.6	+4.5
Free cash flow	(5.6)	11.0	+16.6

Consolidated balance sheets

	End 1 st half FY2008	End 1 st half FY2009	YoY change
Current assets	169.6	161.8	(7.7)
Fixed assets	44.0	52.3	+8.3
Total assets	213.6	214.2	+0.5
Current liabilities	69.2	58.6	(10.5)
Long-term liabilities	2.6	7.4	+4.7
Total liabilities	71.8	66.1	(5.7)
Total net assets	141.7	148.1	+6.3
Total liabilities and net assets	213.6	214.2	+0.5

Free cash flow (FCF)

Net cash provided by operating activities rose due mainly to an increase in income before income taxes and reduction in inventories. Net cash provided by investing activities rose due mainly to an increase in proceeds from redemption of long-term deposits. As a result, FCF was up versus a year earlier.

[Major reasons for changes in cash flow]

- Increase in income before income taxes	+2.3
- Decrease in accounts receivable	+3.0
- Decrease in inventories	+15.7
- Decrease in accounts payable	(4.5)
- Proceeds from redemption of long-term deposits	+2.0

Major reasons for changes in financing cash flow

- Purchase of treasury stock	+2.5
- Rise in repayments of finance lease obligations	(0.8)

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

■ Current assets	
Cash and cash equivalents	29.8 [+13.5]
Merchandise	11.0 [-12.3]
Securities (primarily CP)	34.9 [-8.9]
■ Fixed assets	
Tangible fixed assets	30.3 [+11.9]
Intangible fixed assets	5.5 [-0.4]
Investment securities	4.5 [-1.4]
■ Current liabilities	
Trade notes and accounts payable	17.6 [-7.2]
Accounts payable	4.6 [-3.8]
■ Long-term liabilities	
Long-term lease obligations	6.6 [+4.9]
■ Total equity	
Retained earnings	93.8 [+4.6]
Treasury stock	-1.3 [+1.9]

II. 2nd Half and Full-year Forecasts for FY2009

Full-year Earnings Forecast for FY2009



■ Net sales forecast

We revised downward our full-year forecast for net sales due to a first-half decline in orders received amid the worsening economic climate.

■ Profit forecasts

Although net sales' decline impacted gross profit, we anticipate an improvement in profitability as the proportion of total sales from the relatively high-profit-margin service business continues to rise. In light of first-half performance, we expect second-half gross profit margin to be on par with FY2008's second-half level (27.1%).

We expect SG&A expenses to track around their first-half level by virtue of continuing reductions in overheads on top of further cuts in staff outsourcing expenses.

As a result of the above, we expect operating income, ordinary income, and net income to come in at around initial projections.

Full-year Forecast for FY2009



- We revised downward our net sales forecast due to the first-half decline in orders.
- Forecasts for operating income, ordinary income, and net income were left unchanged, reflecting improved gross profit margin and reduced SG&A expenses.

For reference:

	FY2009 Revised forecast for FY2009 (12 Nov.)		FY2008 Actual		YoY change		Initial projections for FY2009		Revised forecast vs. initial projections	
	Billions of yen	Profit margin	Billions of yen	Profit margin	Billions of yen	Growth rate	Billions of yen	Profit margin	Change in billions of yen	Percent change
Net sales	292.0	—	307.2	—	(15.2)	-5.0%	302.0	—	(10.0)	-3.3%
Gross profit	76.8	26.3%	80.2	26.1%	(3.4)	-4.3%	78.5	26.0%	(1.7)	-2.2%
SG&A expenses	(55.8)	—	(58.5)	—	+2.7	-4.8%	(57.5)	—	+1.7	-3.0%
Operating income	21.0	7.2%	21.6	7.1%	(0.6)	-3.2%	21.0	7.0%	±0.0	±0.0%
Ordinary income	21.0	7.2%	22.0	7.2%	(1.0)	-4.7%	21.0	7.0%	±0.0	±0.0%
Net income	12.0	4.1%	12.9	4.2%	(0.9)	-7.2%	12.0	4.0%	±0.0	±0.0%
Orders received	296.0	—	316.7	—	(20.7)	-6.6%	307.0	—	(11.0)	-3.6%
Backlog	138.9	—	134.9	—	+4.0	+3.0%	139.9	—	(1.0)	-0.7%

Forecast for the 2nd Half of FY2009



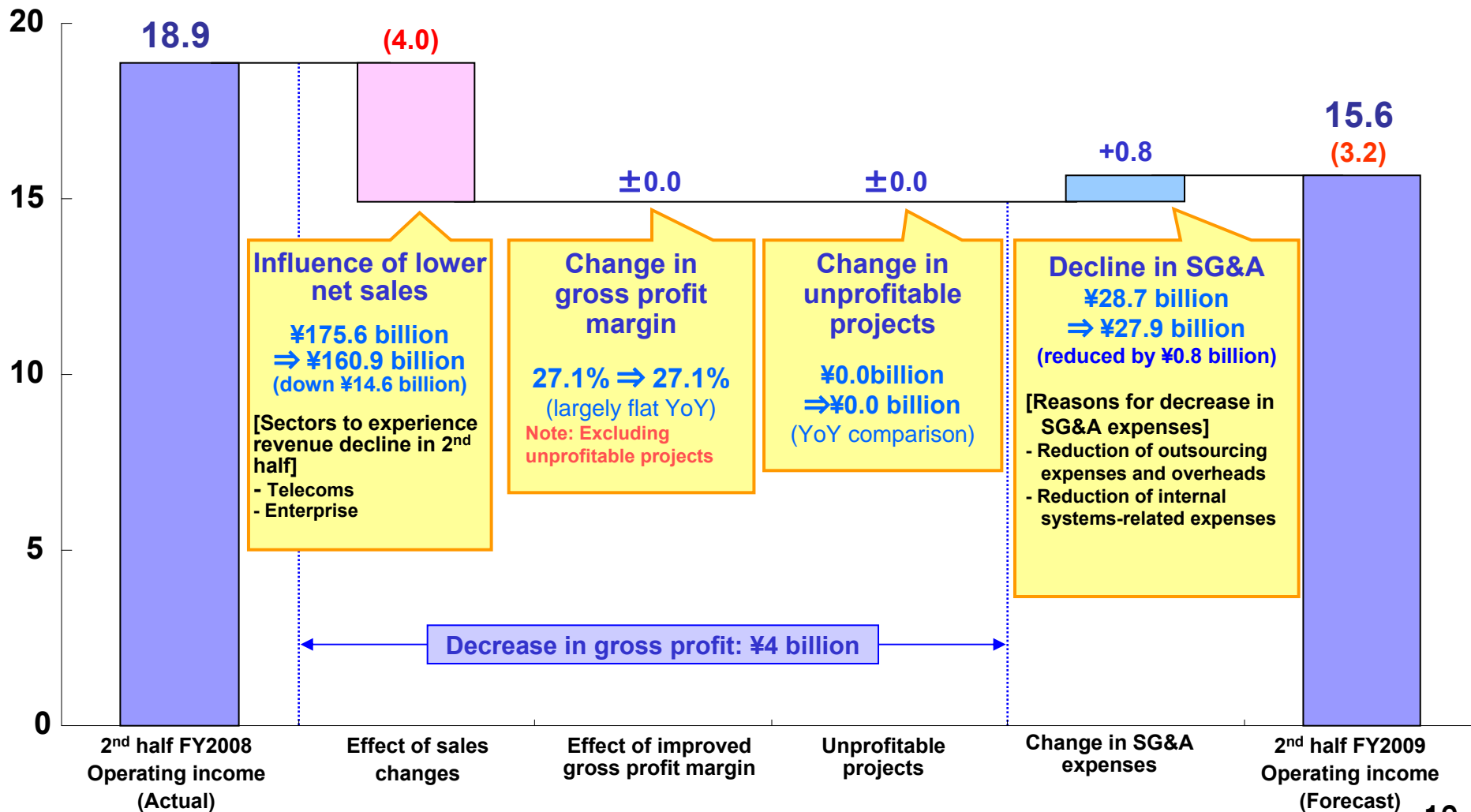
- Although we forecast a decline in revenues and profits in the second half due to the first-half decline in orders received, we will limit profits' decline by reducing SG&A expenses.

For reference:

	2 nd half FY2009 Revised forecast for FY2009 (Nov. 12)		2 nd half FY2008 Actual		YoY change		Initial projections for 2 nd half FY2009		Revised forecast vs. initial projections	
	Billions of yen	Profit margin	Billions of yen	Profit margin	Billions of yen	Growth rate	Billions of yen	Profit margin	Change in billions of yen	Percent change
Net sales	160.9	—	175.6	—	(14.6)	-8.3%	170.0	—	(9.0)	-5.3%
Gross profit	43.5	27.1%	47.6	27.1%	(4.0)	-8.5%	44.9	26.4%	(1.3)	-3.0%
SG&A expenses	(27.9)	—	(28.7)	—	+0.8	-2.9%	(28.9)	—	+0.9	-3.5%
Operating income	15.6	9.7%	18.8	10.8%	(3.2)	-17.1%	16.0	9.4%	(0.3)	-2.2%
Ordinary income	15.7	9.8%	18.9	10.8%	(3.1)	-16.6%	16.0	9.4%	(0.2)	-1.4%
Net income	9.3	5.8%	11.6	6.6%	(2.2)	-19.6%	9.2	5.4%	+0.1	+1.3%
Orders received	172.6	—	158.9	—	+13.6	+8.6%	164.0	—	+8.6	+5.3%
Backlog	138.9	—	134.9	—	+4.0	+3.0%	139.9	—	(1.0)	-0.7%

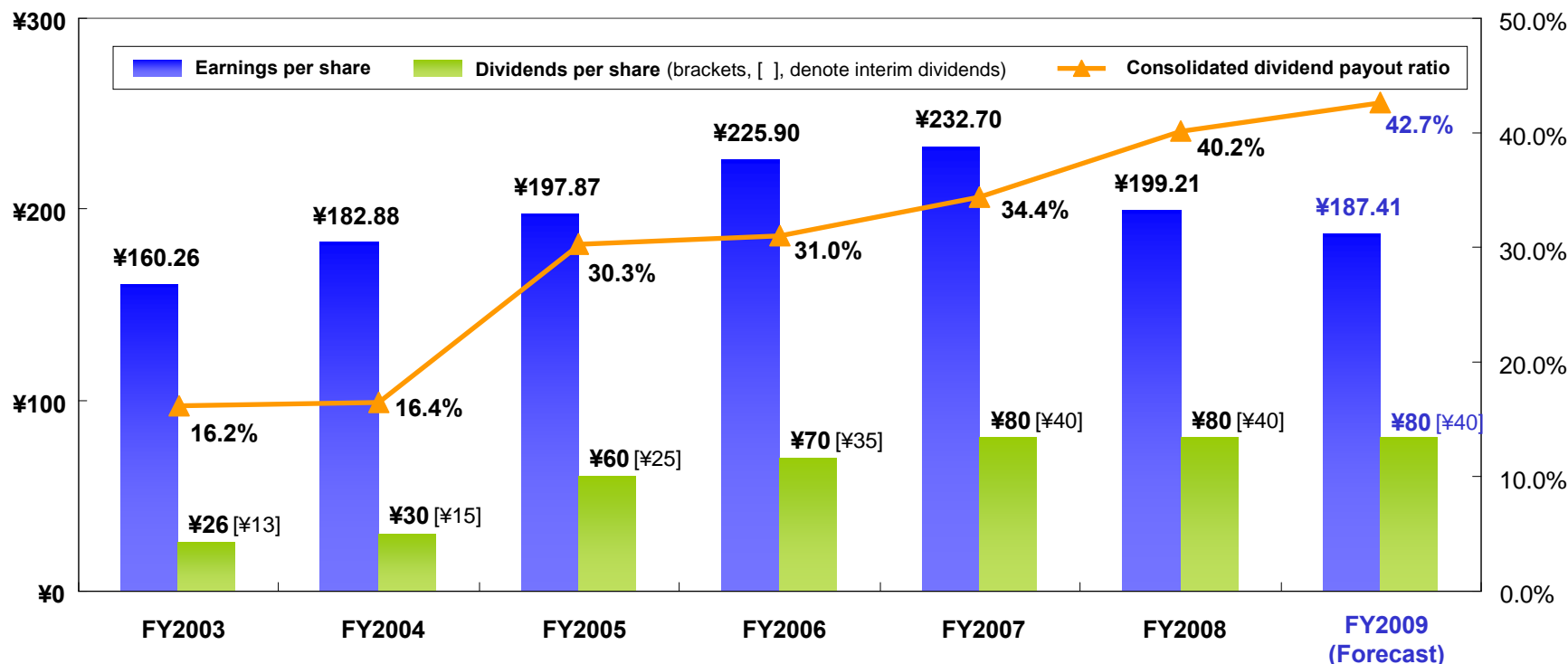
Main Reasons for Changes in Operating Income in the 2nd Half of FY2009 (Compared with 2nd Half of FY2008)

(Billions of yen)



Shareholder Returns

- Have set an interim dividend of ¥40 per share (forecast annual dividend of ¥80)
- Consolidated dividend payout ratio of 42.7% (assumes full-year net income of ¥12 billion)



	FY 2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009 (Forecast)
Dividend payout ratio	16.2%	16.4%	30.3%	31.0%	34.4%	40.2%	42.7%
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%	-

III. Progress on FY2009 Priority Issues

Business Environment

IT investment and customer trends

- A rapid second-half recovery seems unlikely, except in some industries, and IT investment will be cut back overall.
- Customers' attitudes to IT investment will change
 - Focus on strategic investment, shift from sole ownership to sharing, cost cutting, progressive streamlining and optimization, increasing environmental awareness, etc.



Examples of IT needs

- Business intelligence, contact centers
- Outsourcing
- Integration and virtualization
- Green IT, data centers

IT industry trends

- Structural changes in the domestic SI industry (business integrations and tie-ups, offshoring)
- Increasing competition from other types of businesses (cloud computing, data center businesses, etc.)
- Integration of US IT vendors

[1] Accelerate business model changes

Expand service business, SI development, and product solutions businesses

- ◆ Integrated backbone / virtualized shared-hosting service business is faring well (TechnoCUVIC / TechnoCUVIC Pro etc.),
Created the Replatform concept and launched the new RePlavail service,
Rolled out SaaS services (mobile asset management services, SecurePremium, Salesforce)
Established services in conjunction with Wipro,
Establishment of the Solutions Division drove effective consulting efforts,
Cooperated with Cisco in the data center business (launched UCS competency center)

[2] Strengthen earnings capability

Raise profitability and efficiency

- ◆ Efforts to control costs and SG&A expenses are on track

[3] Enhance management infrastructure

Develop human resources and enhance management infrastructure

- ◆ Engineer training (related to Microsoft, VMware products)
- ◆ Implemented a three-year IT plan,
began rebuilding HR system to upgrade to next gen.

Key 2nd Half Initiatives

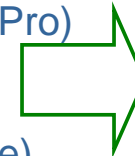
◆ Respond to customer needs for one-stop shopping

- Step up efforts toward customers' strategic investments (promote SI through business intelligence, contact centers, and application packages)
- Strengthen vendor relationships, promote new-solutions sales (Cisco UCS, Google Apps, Microsoft Office SharePoint Server)
- Promote offshore development
- Further strengthen consulting capabilities to acquire SI business
- Use the Group's comprehensive capabilities to enhance maintenance services

◆ Expand service business

Step up efforts toward the cloud computing business

- Virtualized shared-hosting service (TechnoCUVIC / TechnoCUVIC Pro)
- Virtualized integrated backbone infrastructure management service (RePlavail)
- SaaS services (Secure Premium, mobile asset management service)



Plan to newly construct a sixth data center



Customer strategy (super account strategy)

Thoroughly strengthen marketing/customer strategies across the entire Group

For Reference: Cloud Business Initiatives

Google Microsoft salesforce.com

Private Cloud

Support for private cloud building

EMC
Cisco
Oracle
VMware
xsigo
bladelogic
Rackable

Sun
NetApp
HP
Microsoft
VM Pool

Integration and virtualization

Large-scale system operation

Automation

Parallel decentralized processing

High integration server

Integration to support cloud adoption

- Single sign-on
- ID integration
- Links between systems
- Links between services

Design the optimal hybrid cloud model for customers

Public Cloud

Provide public cloud services

EIMANAGER Document management, workflow

Biz-Horizon Business portal site

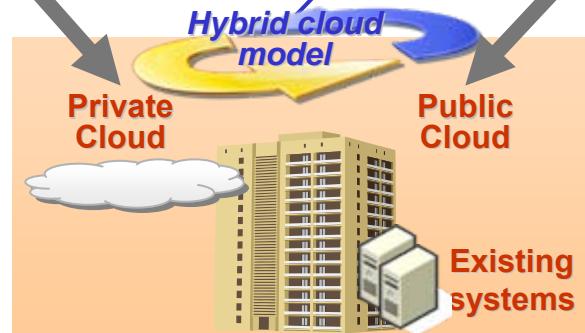
SecurePremium Mail ASP

Powerful CRM CRM

リバースオークション Reverse Auction

MAMS Telematics

金融HPC HPC infrastructure for the financial industry



Customers

IT infrastructure integration capabilities

Integration and virtualization concept:
RePlatform

RePlatform

RePlavail

Services launched in FY2009

CTC data centers

Integrated backbone / virtualized shared-hosting services:
Techno CUVIC

Techno CUVIC

TechnoCUVIC Pro

Ongoing Priority Issues

Continue stepping up measures for improving productivity and profitability

- **Reduce SG&A expenses**

⇒ Optimally deploy and boost utilization of engineers

⇒ Continue reducing overheads

- **Curb unprofitable projects**

⇒ Strengthen internal processes for making decisions on the launch of development projects

⇒ Further enhance internal check systems

CTC

Challenging Tomorrow's Changes