

Consolidated Financial Results for the First Half of the Fiscal Year ending March 31, 2017 (IFRS)

November 1, 2016

Listed Company Name: ITOCHU Techno-Solutions Corporation
 Securities Code: 4739
 Representative: Satoshi Kikuchi, President & CEO
 Contact: Masami Suzuki, General Manager, General Accounting & Financial Control Department
 Phone: +81-3-6203-5000

Listing Exchanges: Tokyo Stock Exchange
 URL: <http://www.ctc-g.co.jp/en/index.html>

Scheduled date to submit the quarterly report (*Shihanki Hokokusho*): November 11, 2016
 Scheduled date of dividend payment: December 2, 2016
 Supplementary documents for financial results: Yes
 Financial results briefing: Yes (for institutional investors and analysts)

(Figures less than one million yen are omitted)

1. Consolidated Business Results for the six months ended September 30, 2016 (April 1, 2016 – September 30, 2016)

(1) Consolidated operating results

(Percentages represent year-on-year changes)

	Revenue		Operating income		Profit before tax		Profit		Profit attributable to owners of the Company		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended 9/16	175,817	6.4	8,889	51.9	8,912	49.6	5,986	60.0	5,913	56.1	3,783	61.6
Six months ended 9/15	165,230	2.5	5,852	(26.7)	5,955	(25.1)	3,742	(25.9)	3,788	(24.0)	2,340	(58.3)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended 9/16	51.14	—
Six months ended 9/15	32.77	—

(2) Consolidated financial position

	Total assets	Total equity	Total equity attributable to owners of the Company	Percentage ownership of the owners of the Company
	Millions of yen	Millions of yen	Millions of yen	%
September 30, 2016	295,197	182,400	179,102	60.7
March 31, 2016	307,932	183,043	179,285	58.2

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended 3/16	—	32.50	—	37.50	70.00
Year ending 3/17	—	37.50	—	—	—
Year ending 3/17 (forecast)	—	—	—	37.50	75.00

(Note) 1. Revision of the dividend forecast in the latest announcement: None

3. Forecast for Consolidated Business Results for the Fiscal Year ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(Percentages represent changes from the same period of previous fiscal year)

	Revenue		Operating income		Profit before tax		Profit for the year		Profit for the year attributable to owners of the Company		Basic earnings per share for the year
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	400,000	2.1	30,000	7.4	30,000	7.4	19,600	8.1	19,500	8.2	168.66

(Notes) Revision of earnings forecast in the latest announcement: None

* Notes

- (1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None
- (2) Changes in accounting policies and changes of accounting estimates
- (i) Changes in accounting principles required by IFRS: Not applicable
 - (ii) Changes in accounting principles other than (i): Not applicable
 - (iii) Changes in accounting estimates: Not applicable
- (3) Number of outstanding shares (common shares)
- (i) Number of shares outstanding at the end of period (including treasury shares):

Six months ended 9/16:	120,000,000 shares	Year ended 3/16:	120,000,000 shares
------------------------	--------------------	------------------	--------------------
 - (ii) Number of treasury shares at the end of period:

Six months ended 9/16:	4,385,774 shares	Year ended 3/16:	4,385,750 shares
------------------------	------------------	------------------	------------------
 - (iii) Average number of shares during the period (cumulative figure for consolidated quarterly accounting period):

Six months ended 9/16:	115,614,246 shares	Six months ended 9/15:	115,614,388 shares
------------------------	--------------------	------------------------	--------------------

* This document is an English translation of a statement written initially in Japanese as a guide for non-Japanese investors. The Japanese original document should be considered as the primary version.

* Disclosure regarding audit procedures

- This quarterly financial results report is not subject to quarterly review procedures by independent auditors under the Financial Institutions and Exchange Act. At the time of disclosure of this report, review procedures for quarterly financial statements had not been completed.

* Cautionary statement with respect to forward-looking statements

- These materials contain forward-looking statements and statements of this nature based on assumptions judged to be valid and information available to the Company as of the announcement date of the summary. These statements are not promises by the Company regarding future performance. Actual results may differ materially from forecasts due to a variety of factors. With respect to the conditions that underpin earnings forecasts as well as cautionary statements regarding the proper use of earnings forecasts, please refer to the section “1. Qualitative Information, (3) Qualitative information about consolidated earnings forecasts” of this Consolidated Financial Results in the Accompanying Materials section on page 2.

Accompanying Materials – Contents

1. Qualitative Information	4
(1) Qualitative information about consolidated operating results	4
(2) Qualitative information about consolidated financial position	4
(3) Qualitative information about consolidated earnings forecasts	5
2. Items Regarding Summary (and Notes) Information	5
(1) Changes in significant subsidiaries during the period under review	5
(2) Changes in accounting policies and changes of accounting estimates	5
3. Summary Quarterly Consolidated Financial Statements	6
(1) Summary quarterly consolidated statement of financial position	6
(2) Summary quarterly consolidated income statement and summary quarterly consolidated comprehensive income statement	8
(3) Summary quarterly consolidated statement of changes in equity	10
(4) Notes on going concern assumptions	11
4. Supplementary Information	12

1. Qualitative Information Regarding Results for the First Half

(1) Explanation of Operating Results

In the first half of the fiscal year ending March 2017, the Japanese economy continued to follow a moderate recovery trend overall, chiefly supported by improvements in corporate earnings and the employment environment, despite uncertainty over the economic outlook, due partly to concerns over an economic slowdown in China and other Asian emerging economies and countries with natural resources, and the impact of the United Kingdom's decision to exit the EU.

In the information services industry, the overall business environment remained steady, given the recovery trend of IT investments centered mainly on the financial and distribution industries.

In this environment, the ITOCHU Techno-Solutions Corporation (CTC) Group has established a Medium-Term Management Plan for three years from the fiscal year ended March 2016 to the fiscal year ending March 2018 by specifying its vision, "Take responsibility for the evolution of the IT industry, as the industry's leading company." In an effort to achieve this, the Group has been taking measures including expanding the service-type business, strengthening the customer base by exerting its comprehensive capabilities and making aggressive growth investments.

Specifically, the Group focused on operations specializing on mission-critical systems centered on backbone systems, and began offering CUVICmc2, a cloud service that has superior security and cost performance, and Avail-I, which are maintenance services that automatically scan problems in the multivendor environment to reduce the burdens of customers in terms of maintenance and shorten the time for the resolution of problems. Moreover, in August 2015, the Group formed a three-party business partnership with ITOCHU Corporation and BELLSYSTEM24 Holdings, Inc. (hereinafter "BELLSYSTEM24") in the field of business process outsourcing (BPO). As part of this partnership, the Group has launched eBellCloud, comprehensive services for constructing and managing a call center based on BELLSYSTEM24's cloud-based call center platform. It also launched CSIRT construction and management support services. These services mainly provide comprehensive support for the establishment and management of a Computer Security Incident Response Team (CSIRT), an organization that responds internally to security incidents as a result of cyber attacks. In this way, the Group carried out initiatives to expand the service-type business. As for initiatives to exert the Group's comprehensive capabilities, in April 2016, the Group carried out reform including the reorganization of the segments, mainly to expand the scope of businesses with key customers and strengthen the capability to respond to large projects by using human resources in a flexible manner.

Moreover, the Group has specified the strengthening of the management base as one of the key measures in its Medium-Term Management Plan. Accordingly, the Group has been promoting work-style innovation to ensure that its employees are able to experience job satisfaction and carry out their duties efficiently and effectively. To reinforce this initiative, the Group also adopted new systems in April 2016. These include slide work, which allows employees to choose their working hours in a flexible manner. This is designed to support the diversification of the work style of employees by meeting their needs for child rearing, nursing care, self-development and the like. Other new systems include the time-based paid holiday system that allows the employees to build up leave in hourly increments, and mobile work, which supports employees in achieving efficient operations by using free hours when they are out of the office and commuting hours. In sales activities, the Group mainly focused on projects related to systems for convenience stores, development projects for trading companies and projects related to the construction of infrastructure for telecom carriers.

As a result of the above activities, in the first half of the fiscal year ending March 2017, revenue rose 6.4% year on year, to ¥175,817 million, with all the business models, services, SI development and products recording higher revenue. On the profit front, reflecting higher revenue and an increase in gross profit on the back of an improvement in the gross profit rate, operating income rose 51.9% year on year, to ¥8,889 million, profit before tax increased 49.6%, to ¥8,912 million, profit climbed 60.0%, to 5,986 million and profit attributable to owners of the Company rose 56.1%, to ¥5,913 million.

(2) Explanation of Financial Position

Total assets amounted to ¥295,197 million as of September 30, 2016, a decrease of ¥12,734 million from March 31, 2016. This mainly reflected decreases of ¥10,424 million in cash and cash equivalents and ¥21,184 million in trade and other receivables, offsetting increases of ¥6,792 million in inventories, ¥5,980 million in other current financial assets (current assets) and ¥6,037 million in other current assets.

Total liabilities amounted to ¥112,797 million, a decrease of ¥12,090 million from March 31, 2016. This was mainly due to decreases of ¥14,114 million in trade and other payables and ¥3,203 million in income taxes

payable, offsetting an increase of ¥8,837 million in other current liabilities.

Total equity amounted to ¥182,400 million, a decrease of ¥643 million from March 31, 2016. This was mainly attributable to decreases of ¥2,202 million in other comprehensive income and ¥4,426 million in payment of dividends, offsetting an increase of ¥5,986 million in profit.

(3) Explanation of Forecast for Consolidated Business Results and Other Forward-Looking Statements
Going forward, although it is necessary to continue to pay close attention to the growing uncertainty of overseas economies and the effects of the fluctuations of the financial and capital markets, the domestic economy is expected to continue to stage a gradual recovery.

In light of these circumstances, at present, the Company has not revised its forecast for business results announced on May 2, 2016.

3. Summary Quarterly Consolidated Financial Statements

(1) Summary quarterly consolidated statement of financial position

	Previous consolidated fiscal year (As of March 31, 2016)	Consolidated fiscal year under review (As of September 30, 2016)
Items	Amount (millions of yen)	Amount (millions of yen)
(Assets)		
Current assets		
Cash and cash equivalents	44,880	34,455
Trade and other receivables	111,118	89,934
Inventories	18,488	25,280
Current tax assets	8	12
Other current financial assets	20,025	26,005
Other current assets	34,492	40,530
Total current assets	229,013	216,219
Non-current assets		
Property, plant and equipment	35,514	
Goodwill	4,245	35,968
Intangible assets	11,548	3,684
Investments accounted for using the equity method	635	12,625
Other non-current financial assets	14,490	603
Deferred tax assets	10,286	13,768
Other non-current assets	2,198	10,399
Total non-current assets	78,918	1,928
Total assets	307,932	78,978

	Previous consolidated fiscal year (As of March 31, 2016)	Consolidated fiscal year under review (As of September 30, 2016)
Items	Amount (millions of yen)	Amount (millions of yen)
(Liabilities and Equity)		
Current liabilities		
Trade and other payables	47,202	33,087
Other current financial liabilities	6,179	5,084
Income taxes payable	6,312	3,109
Liabilities for employee benefits	14,061	12,190
Provisions	660	1,162
Other current liabilities	34,140	42,977
Total current liabilities	108,558	97,612
Non-current liabilities		
Non-current financial liabilities	10,207	9,322
Liabilities for employee benefits	3,973	3,807
Provisions	1,671	1,677
Deferred tax liabilities	474	377
Other non-current liabilities	3	0
Total non-current liabilities	16,329	15,185
Total liabilities	124,888	112,797
Equity		
Common stock	21,763	21,763
Capital surplus	33,076	33,076
Treasury stock	(9,231)	(9,231)
Retained earnings	132,677	134,252
Other components of equity	999	(758)
Total equity attributable to owners of the Company	179,285	179,102
Non-controlling interests	3,758	3,297
Total equity	183,043	182,400
Total liabilities and equity	307,932	295,197

(2) Summary quarterly consolidated income statement and summary quarterly consolidated comprehensive income statement

Summary quarterly consolidated income statement

	Previous consolidated fiscal year (From April 1, 2015 to September 30, 2015)	Consolidated fiscal year under review (From April 1, 2016 to September 30, 2016)
Items	Amount (millions of yen)	Amount (millions of yen)
Revenue	165,230	175,817
Cost of sales	(127,864)	(135,640)
Gross profit	37,365	40,177
Other income and expenses		
Selling, general and administrative expenses	(31,648)	(31,065)
Other income	178	127
Other expenses	(42)	(349)
Total other income and expenses	(31,512)	(31,287)
Operating income	5,852	8,889
Financial income	138	115
Financial costs	(72)	(123)
Share of profit of associates accounted for using the equity method	36	30
Profit before tax	5,955	8,912
Income tax expense	(2,213)	(2,926)
Profit	3,742	5,986
Profit attributable to :		
Owners of the Company	3,788	5,913
Non-controlling interests	(46)	73
Earnings per share	(Yen)	(Yen)
(Attribution to the owners of the Company):		
Basic earnings per share	32.77	51.14
Diluted earnings per share	—	—

Summary quarterly consolidated comprehensive income statement

	Previous consolidated fiscal year (From April 1, 2015 to September 30, 2015)	Consolidated fiscal year under review (From April 1, 2016 to September 30, 2016)
Items	Amount (millions of yen)	Amount (millions of yen)
Profit	3,742	5,986
Other comprehensive income, net of tax effect		
Items that will not be reclassified to profit or loss:		
Changes in net fair value of financial assets measured through other comprehensive income	24	(609)
Share of other comprehensive income of associates accounted for using the equity method	(0)	(0)
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	24	(1,567)
Cash flow hedges	(0)	4
Share of other comprehensive income of associates accounted for using the equity method	24	(29)
Total other comprehensive income, net of tax effect	(1,401)	(2,202)
Total comprehensive income	2,340	3,783
Total comprehensive income attributable to:		
Owners of the Company	2,808	4,153
Non-controlling interests	(467)	(369)

(3) Summary quarterly consolidated statement of changes in equity

(Millions of yen)

Items	Attributable to the owners of the Company						
	Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity		
					Exchange differences on translating foreign operations	Changes in net fair value of financial assets measured through other comprehensive income	Cash flow hedges
April 1, 2015	21,763	33,076	(9,225)	121,530	907	812	13
Profit	—	—	—	3,788	—	—	—
Other comprehensive income	—	—	—	—	(983)	23	(21)
Total comprehensive income	—	—	—	3,788	(983)	23	(21)
Payment of dividends	—	—	—	(3,613)	—	—	—
Purchase of treasury stock	—	—	(5)	—	—	—	—
Transfer to retained earnings from other components of equity	—	—	—	(24)	—	5	—
Total transactions with owners	—	—	(5)	(3,637)	—	24	—
September 30, 2015	21,763	33,076	(9,231)	121,681	(76)	860	(8)

(Millions of yen)

Items	Attributable to the owners of the Company	Non-controlling interests	Total equity
	Total equity attributable to owners of the Company		
April 1, 2015	168,876	4,030	172,907
Profit	3,788	(46)	3,742
Other comprehensive income	(980)	(420)	(1,401)
Total comprehensive income	2,808	(467)	2,340
Payment of dividends	(3,613)	(64)	(3,677)
Purchase of treasury stock	(5)	—	(5)
Transfer to retained earnings from other components of equity	—	—	—
Total transactions with owners	(3,618)	(64)	(3,683)
September 30, 2015	168,066	3,497	171,564

(Millions of yen)

Items	Attributable to the owners of the Company						
	Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity		
					Exchange differences on translating foreign operations	Changes in net fair value of financial assets measured through other comprehensive income	Cash flow hedges
April 1, 2016	21,763	33,076	(9,231)	132,677	64	950	(16)
Profit	—	—	—	5,913	—	—	—
Other comprehensive income	—	—	—	—	(1,153)	(610)	4
Total comprehensive income	—	—	—	5,913	(1,153)	(610)	4
Payment of dividends	—	—	—	(4,335)	—	—	—
Purchase of treasury stock	—	—	(0)	—	—	—	—
Transfer to retained earnings from other components of equity	—	—	—	(2)	—	2	—
Total transactions with owners	—	—	(0)	(4,338)	—	2	—
September 30, 2016	21,763	33,076	(9,231)	134,252	(1,088)	342	(12)

(Millions of yen)

Items	Attributable to the owners of the Company	Non-controlling interests	Total equity
	Total equity attributable to owners of the Company		
April 1, 2016	179,285	3,758	183,043
Profit	5,913	73	5,986
Other comprehensive income	(1,759)	(443)	(2,202)
Total comprehensive income	4,153	(369)	3,783
Payment of dividends	(4,335)	(90)	(4,426)
Purchase of treasury stock	(0)	—	(0)
Transfer to retained earnings from other components of equity	—	—	—
Total transactions with owners	(4,335)	(90)	(4,426)
September 30, 2016	179,102	3,297	182,400

(4) Notes on going concern assumptions

None

4. Supplementary Information

Reorganization of the Categories of Reportable Segments

Effective from the first quarter of the fiscal year ending March 2017 under review, the Company has integrated the two existing segments, the Enterprise segment and the Distribution segment, into the Distribution & Enterprise segment, and established a new Public & Regional segment.

For the summary of results of each reportable segment, please refer to the “First Quarter Consolidated Financial Summary for the Fiscal Year Ending March 31, 2017” that is scheduled to be posted on the Company’s website today.