

Consolidated Financial Results

for the First Quarter of the Fiscal Year ending March 31, 2013

(Japanese Accounting Standards)

July 31, 2012

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 URL: <http://www.etc-g.co.jp/en/index.html>

Scheduled date to submit the quarterly report (*Shihanki Hokokusho*): August 13, 2012
 Scheduled date of dividend payment: -
 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 three months ended June 30, 2012 (April 1, 2012 – June 30, 2012)

(1) Consolidated operating results

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended 6/12	65,651	15.0	2,618	32.4	2,653	32.2	1,253	30.3
Three months ended 6/11	57,086	1.4	1,977	394.1	2,007	341.6	962	-

(Note) Comprehensive income (million yen): Three months ended 6/12: 1,345 (21.1%) Three months ended 6/11: 1,111 (- %)

	Earnings per share	Earnings per share/ diluted
	Yen	Yen
Three months ended 6/12	20.82	-
Three months ended 6/11	15.43	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
June 30, 2012	242,278	152,057	62.6
March 31, 2012	252,701	158,823	62.7

(Reference) Shareholders' equity (million yen): June 30, 2012: 151,640 March 31, 2012: 158,363

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 3/12	-	45.00	-	50.00	95.00
Year ended 3/13	-				
Year ended 3/13 (forecast)		50.00	-	50.00	100.00

(Note) Changes from the latest released dividend forecasts: No

3. Forecast for Consolidated Business Results for the Fiscal Year ending March 31, 2013 (April 1, 2012 – March 31, 2013)

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

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Interim	137,000	5.0	8,900	1.3	8,900	0.7	5,100	3.4	85.21
Full year	315,000	5.8	27,000	8.9	27,000	8.2	16,000	20.1	268.11

(Note) Changes from the latest released performance forecasts: No

* Notes

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

(2) Application of simplified accounting treatment: No

(3) Changes in accounting principles and changes or restatement of accounting estimates

- | | |
|--|----------------|
| (i) Changes in accounting principles due to amendment of accounting standards, etc.: | Not applicable |
| (ii) Changes in accounting principles other than (i): | Yes |
| (iii) Changes in accounting estimates: | Yes |
| (iv) Restatement: | Not applicable |

For further details, please refer to the section "2. Item Regarding Summary (and Notes) Information, (3) Changes in accounting policies, accounting estimates, and restatements" of this Consolidated Financial Results in the Accompanying Materials section on page 3.

(4) Number of outstanding shares (common shares)

- | | | | |
|--|-------------------|--------------------------|-------------------|
| (i) Number of shares outstanding at the end of period (including treasury shares): | | | |
| Three months ended 6/12: | 62,500,000 shares | Year ended 3/12: | 62,500,000 shares |
| (ii) Number of treasury shares at the end of period: | | | |
| Three months ended 6/12: | 2,996,453 shares | Year ended 3/12: | 1,702,628 shares |
| (iii) Average number of shares during the period (cumulative figure for consolidated quarterly accounting period): | | | |
| Three months ended 6/12: | 60,197,745 shares | Three months ended 6/11: | 62,357,208 shares |

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

* Disclosure regarding audit procedures

This consolidated financial results does not constitute the audited financial statements under the Financial Instruments and Exchange Act. As of the date of disclosure of this consolidated financial results, an audit of the financial statements had not been carried out in accordance with the Financial Instruments and Exchange Act.

* 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.
- The Company plans to hold an IR presentation for institutional investors and analysts on July 31, 2012. Materials distributed during the IR presentation will be posted on the Company's website.

Accompanying Materials – Contents

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1. Qualitative Information

(1) Qualitative information about consolidated operating results

In the first three months of the fiscal year under review, the Japanese economy began to stage a modest recovery largely on the strength of post-earthquake reconstruction demand. However, the outlook remained uncertain amid concerns over downside risks such as the deepening European sovereign debt crisis, the appreciation of the yen and electricity supply constraints.

In the information services industry, businesses remained cautious about IT investment. However, the order environment began to show modest improvement, with solid demand both for facility upgrades and the reconstruction of backbone systems, and aggressive smartphone-related investment.

In this environment, the CTC Group made headway with measures to increase profitability and initiatives to realize medium-to-long-term growth. In cloud services, the Group focused on expanding and improving its line-up of cloud services in areas such as global logistics management solutions and smart device security solutions. The Group also decided to invest in Thai IT company Netband Consulting Co., Ltd. and signed a joint venture agreement with Netband for the purpose of expanding and promoting business in Southeast Asia.

In sales activities, the Group made progress with projects to augment networks and projects to construct connection management systems amid surging volumes of traffic due to widespread use of smartphones in the telecommunications sector. It also focused on POS system projects for oil refiner-distributors in the manufacturing sector and infrastructure construction projects for postal companies in the transportation sector.

As a result, consolidated sales for the first three months of the fiscal year under review were 65,651 million yen (up 15.0% from the same period of the previous fiscal year), with increased sales in products and SI development businesses making up for largely unchanged sales from the year-ago level in the service business. Consolidated operating income was 2,618 million yen (up 32.4%), due to increased gross profit as a result of increased sales, despite a lower gross profit margin and higher personnel expenses. Consolidated ordinary income was 2,653 million yen (up 32.2%). Consolidated net income amounted to 1,253 million yen (up 30.3%).

(2) Qualitative information about consolidated financial position

Consolidated assets at the end of the first quarter under review amounted to 242,278 million yen, down 10,423 million yen from the end of the previous fiscal year. This was mainly due to decreases of 12,188 million yen in cash and deposits, 11,623 million yen in notes and accounts receivable-trade and 10,998 million yen in securities, offsetting increases of 9,370 million yen in prepaid expenses, 7,631 million yen in merchandise, and 2,997 million yen in work in process.

Consolidated liabilities fell 3,657 million yen from the end of the previous fiscal year, to 90,220 million yen. This was primarily due to decline of 8,144 million yen in income taxes payable, offsetting an increase of 6,804 million yen in unearned revenue

Consolidated net assets reached 152,057 million yen, down 6,765 million yen from the end of the previous fiscal year. This chiefly reflects a decrease of 4,999 million yen due to acquisition of the Company's own shares and a decrease of 3,039 million yen due to the payment of cash dividends, offsetting an increase of 1,253 million yen due to net income.

(3) Qualitative information about consolidated earnings forecasts

Although corporate IT investment is expected to continue picking up, buoyed by the recovery in production activity, there are fears over downside risks such as a slowdown in economic activity largely due to the European sovereign debt crisis and the impact of a stronger yen, and electricity shortages over the summer.

In light of these conditions, the Group is leaving its earnings forecasts announced on April 27, 2012 unchanged at the present time.

(Note) The above earnings forecasts are based on information available as of the date of this announcement. Actual results may differ from the forecasts due to various factors.

2. Items Regarding Summary (and Notes) Information

(1) Changes in significant subsidiaries during the period under review

None

(2) Adoption of specific procedures in preparation of the quarterly consolidated financial reports

None

(3) Changes in accounting policies, accounting estimates, and restatements

“(ii) Changes in accounting policies other than (i)”

Change in method of converting income and expenses of overseas subsidiaries into Japanese yen

The Company previously converted the income and expenses of overseas subsidiaries, etc. into Japanese yen based on the spot exchange rate on the date of account settlement of the overseas subsidiaries, etc., but, effective from the first quarter of the fiscal year under review, the Company has adopted the new method of converting the income and expenses of overseas subsidiaries to Japanese yen using the average exchange rate for the period under review. As the Company expands its operations overseas, this change in the method of converting income and expenses arising throughout the consolidated fiscal year was made to properly reflect fluctuation in foreign exchange rates during the consolidated fiscal year and to present a more realistic picture of the status of the company.

The change in accounting policy has been applied retroactively. The effects of retroactive application to the first three months of the previous consolidated fiscal year and the previous consolidated fiscal year are insignificant.

“(ii) Changes in accounting policies other than (i)” and “(iii) Change in accounting estimate”

Change in depreciation and amortization method

The Company and its consolidated domestic subsidiaries previously amortized “non-data center business tangible fixed assets” by the declining balance method but, effective from the first quarter of the fiscal year under review, the Company changed to the straight-line method. This change is based on the judgment that, with the increase in materiality of “non-data center business tangible fixed assets (mainly cloud business assets)” resulting from expansion of service provision-type business such as cloud services, it is appropriate, in view of the usage of such assets, to change the depreciation method to the straight line method.

The change falls under “Changes in accounting policies which are difficult to distinguish from changes in accounting estimates,” and falls under “(ii) Changes in accounting policies other than (i)” and “(iii) Change in accounting estimate” in (3) Changes in Accounting Policies, Accounting Estimates, and Restatements of Items Regarding Summary (and Notes) Information.

3. Consolidated Financial Statements

(1) Consolidated balance sheet

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2012)	Consolidated fiscal year under review (As of June 30, 2012)
Assets		
Current assets		
Cash and deposits	32,855	20,667
Notes and accounts receivable	60,203	48,580
Securities	44,996	33,997
Merchandise	11,708	19,340
Work in process	5,224	8,211
Maintenance parts and materials	6,742	6,757
Prepaid expenses	14,649	24,019
Other	23,774	28,299
Allowance for doubtful accounts	-6	-5
Total current assets	200,148	189,878
Fixed assets		
Tangible fixed assets	28,824	29,091
Intangible fixed assets	7,706	7,588
Investments and other assets		
Other	16,095	15,789
Allowance for doubtful accounts	-73	-69
Total investments and other assets	16,022	15,719
Total fixed assets	52,553	52,399
Total assets	252,701	242,278
Liabilities		
Current liabilities		
Notes and accounts payable	24,174	21,304
Income taxes payable	8,274	130
Unearned income	17,518	24,323
Provision for bonuses	7,300	2,678
Provision for loss on order received	934	593
Provision for after service cost	354	392
Other	19,359	24,367
Total current liabilities	77,917	73,790
Long-term liabilities		
Provision for retirement benefits	535	534
Asset retirement obligations	1,239	1,370
Other	14,186	14,525
Total long-term liabilities	15,961	16,430
Total liabilities	93,878	90,220

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2012)	Consolidated fiscal year under review (As of June 30, 2012)
Net assets		
Shareholders' equity		
Capital stock	21,763	21,763
Capital surplus	33,076	33,076
Retained earnings	108,496	106,710
Treasury stock	-5,370	-10,370
Total shareholders' equity	157,966	151,179
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	448	510
Deferred gains or losses on hedges	-30	-15
Foreign currency translation adjustment	-20	-33
Total accumulated other comprehensive income	397	461
Minority interests	459	416
Total net assets	158,823	152,057
Total liabilities and net assets	252,701	242,278

(2) Consolidated income statement and consolidated statements of comprehensive income

Consolidated income statement

(Million yen)

	Previous consolidated fiscal year (From April 1, 2011 to June 30, 2011)	Consolidated fiscal year under review (From April 1, 2012 to June 30, 2012)
Net sales	57,086	65,651
Cost of sales	41,704	49,028
Gross profit	15,382	16,623
Selling, general and administrative expenses	13,405	14,004
Operating income	1,977	2,618
Non-operating income		
Interest income	14	15
Dividend income	34	42
Equity in gains of associated companies	28	9
Other	36	47
Total non-operating income	112	115
Non-operating expenses		
Interest expenses	54	43
Loss from investments in partnership	9	10
Other	18	26
Total non-operating expenses	82	79
Ordinary income	2,007	2,653
Extraordinary gains		
Gains on sales of investment securities	—	18
Total extraordinary gains	—	18
Extraordinary losses		
Loss on disposal of fixed assets	13	11
Impairment loss	98	4
Loss on valuation of investment securities	15	—
Loss on valuation of membership	8	—
Loss on litigation	—	173
Total extraordinary losses	136	188
Income before income taxes	1,871	2,483
Income taxes-current	129	37
Income taxes-deferred	767	1,164
Total income taxes	897	1,201
Income before minority interests	973	1,281
Minority interests in income	11	28
Net income	962	1,253

Consolidated statements of comprehensive income

(Million yen)

	Previous consolidated fiscal year (From April 1, 2011 to June 30, 2011)	Consolidated fiscal year under review (From April 1, 2012 to June 30, 2012)
Income before minority interests	973	1,281
Other comprehensive income		
Valuation difference on available-for-sale securities	133	62
Deferred gains or losses on hedges	3	14
Foreign currency translation adjustment	1	-11
Share of other comprehensive income of entities accounted for using equity method	-1	-1
Total other comprehensive income	137	63
Comprehensive income	1,111	1,345
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,099	1,316
Comprehensive income attributable to minority interests	11	28

(3) Note on going concern assumptions

Not applicable

(4) Note on significant changes in the amount of shareholders' equity

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stocks	Total Equity
	Million yen	Million yen	Million yen	Million yen	Million yen
Balance, March 31, 2012	21,763	33,076	108,496	-5,370	157,966
Net change in the nine months period					
Cash dividends			-3,039		-3,039
Net income			1,253		1,253
Purchase of treasury stock				-4,999	-4,999
Total Net change in the nine months period	-	-	-1,786	-4,999	-6,786
Balance, June 30, 2012	21,763	33,076	106,710	-10,370	151,179

4. Additional Information

Changes to reportable segments

As a result of a structural reorganization effective April 1, 2012, the Company changed the structure of its reportable segments, which previously consisted in two segments (Solution Business Segment and Services Business Segment) to a structure consisting of six segments, "Telecommunications", "Finance", "Enterprise", "Distribution", "Cloud Platform", and "Support & Service".

Please refer to the "First Quarter Consolidated Financial Summary for the Fiscal Year Ending March 31, 2013 (April 1, 2012 – June 30, 2012)" published today for details on business results by reportable segment.