

Consolidated Financial Results for the Third Quarter of the Fiscal Year ending March 31, 2013 (Japanese Accounting Standards)

February 1, 2013

Listed Company Name: ITOCHU Techno-Solutions Corporation

Securities Code: 4739

Representative: Satoshi Kikuchi, President & CEO

Contact: Kunihiko Yaita, General Manager, Finance and Accounting Department

Phone: +81-3-6203-5000

Listing Exchanges: Tokyo Stock Exchange

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

Scheduled date to submit the quarterly report (*Shihanki Hokokusho*):

February 8, 2013

Scheduled date of dividend payment:

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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 nine months ended December 31, 2012 (April 1, 2012 – December 31, 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	%
Nine months ended 12/12	219,919	8.2	14,715	1.3	14,866	1.4	8,416	12.1
Nine months ended 12/11	203,314	5.5	14,521	59.4	14,659	58.2	7,508	71.3

(Note) Comprehensive income (million yen): Nine months ended 12/12: 8,756 (14.0%) Nine months ended 12/11: 7,682 (71.6 %)

	Earnings per share		Earnings per share/ diluted	
	Yen		Yen	
Nine months ended 12/12	140.90		–	
Nine months ended 12/11	121.91		–	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
December 31, 2012	247,268		156,493		63.1	
March 31, 2012	252,701		158,823		62.7	

(Reference) Shareholders' equity (million yen): December 31, 2012: 155,994 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	–	50.00	–	–	–
Year ended 3/13 (forecast)	–	–	–	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
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): | | | |
| Nine months ended 12/12: | 62,500,000 shares | Year ended 3/12: | 62,500,000 shares |
| (ii) Number of treasury shares at the end of period: | | | |
| Nine months ended 12/12: | 2,996,551 shares | Year ended 3/12: | 1,702,628 shares |
| (iii) Average number of shares during the period (cumulative figure for consolidated quarterly accounting period): | | | |
| Nine months ended 12/12: | 59,733,250 shares | Nine months ended 12/11: | 61,592,950 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 February 1, 2013. Materials distributed during the IR presentation will be posted on the Company's website.

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1. Qualitative Information

(1) Qualitative information about consolidated operating results

In the nine months of the fiscal year under review, the Japanese economy showed a tendency towards a modest recovery, largely on the strength of post-earthquake reconstruction demand. However, the outlook remained uncertain given the impact of downside risks such as global economic slowdown and deteriorating relations with neighboring countries.

In the information services industry, businesses remained cautious about IT investment. However, the number of orders received continued to improve, with firm demand for the reconstruction of backbone systems and production management systems, and aggressive investment in telecommunication equipment associated with the realization of high-speed mobile communication and the widespread use of smart devices.

In this environment, the CTC Group focused on the core measures of strengthening the infrastructure business and cloud business to increase profitability and making strategic investments for medium-to-long-term growth. More specifically, the Group made headway towards the construction of a shared infrastructure platform using server and storage virtualization technology for a broad range of industries including transportation, finance and manufacturing. In cloud services, the Group rolled out IT infrastructure environment services and began sales of cloudage ElasticCUVIC, offered as a package with system operation and management services. The Group also made upfront investments, including strengthening business operations in the Southeast Asia region, where growth is anticipated in the future, by launching a joint venture with Thai IT company, Netband Consulting Co., Ltd., in July 2012, following the establishment of a branch in Singapore in April 2011.

In sales activities, the Group made headway with projects to augment network facilities associated with the realization of high speed mobile communication and the widespread use of smart devices in the telecommunication sector and projects to construct connection management systems. It also focused on infrastructure construction projects for postal companies in the transportation sector.

As a result, consolidated sales for the nine months of the fiscal year under review were 219,919 million yen (up 8.2% from the same period of the previous fiscal year), with increased sales in products business making up for sales that were more or less unchanged from the year-ago level in the SI development business and service business. Consolidated operating income was 14,715 million yen (up 1.3%), 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 14,866 million yen (up 1.4%). Consolidated net income amounted to 8,416 million yen (up 12.1%).

(2) Qualitative information about consolidated financial position

Consolidated assets at the end of the nine months under review amounted to 247,268 million yen, down 5,433 million yen from the end of the previous fiscal year. This was mainly due to decreases of 13,132 million yen in notes and accounts receivable-trade and 11,999 million yen in securities, offsetting increases of 9,047 million yen in merchandise and 8,951 million yen in prepaid expenses.

Consolidated liabilities fell 3,103 million yen from the end of the previous fiscal year, to 90,775 million yen. This was primarily due to a decline of 7,059 million yen in income taxes payable, offsetting an increase of 3,408 million yen in unearned revenue

Consolidated net assets reached 156,493 million yen, down 2,330 million yen from the end of the previous fiscal year. This chiefly reflects a decrease of 5,000 million yen due to the acquisition of treasury stock and a decrease of 6,015 million yen due to the payment of cash dividends, offsetting an increase of 8,416 due to net income.

(3) Qualitative information about consolidated earnings forecasts

Although corporate IT investment is expected to continue picking up, the outlook remains uncertain due to the impact of downside risks such as global economic slowdown.

The Group's business results for the first nine months of the fiscal year under review are, however, more or less in line with expectations, and 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 nine 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 December 31, 2012)
Assets		
Current assets		
Cash and deposits	32,855	26,594
Notes and accounts receivable	60,203	47,070
Securities	44,996	32,997
Merchandise	11,708	20,756
Work in process	5,224	9,029
Maintenance parts and materials	6,742	6,671
Prepaid expenses	14,649	23,600
Other	23,774	27,322
Allowance for doubtful accounts	-6	-5
Total current assets	200,148	194,037
Fixed assets		
Tangible fixed assets	28,824	29,683
Intangible fixed assets	7,706	6,921
Investments and other assets		
Other	16,095	16,696
Allowance for doubtful accounts	-73	-70
Total investments and other assets	16,022	16,625
Total fixed assets	52,553	53,230
Total assets	252,701	247,268
Liabilities		
Current liabilities		
Notes and accounts payable	24,174	19,160
Income taxes payable	8,274	1,215
Unearned income	17,518	20,927
Provision for bonuses	7,300	3,934
Provision for loss on order received	934	662
Provision for after service cost	354	373
Other	19,359	28,130
Total current liabilities	77,917	74,403
Long-term liabilities		
Provision for retirement benefits	535	536
Asset retirement obligations	1,239	1,273
Other	14,186	14,561
Total long-term liabilities	15,961	16,371
Total liabilities	93,878	90,775

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2012)	Consolidated fiscal year under review (As of December 31, 2012)
Net assets		
Shareholders' equity		
Capital stock	21,763	21,763
Capital surplus	33,076	33,076
Retained earnings	108,496	110,897
Treasury stock	-5,370	-10,370
Total shareholders' equity	157,966	155,367
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	448	606
Deferred gains or losses on hedges	-30	16
Foreign currency translation adjustment	-20	5
Total accumulated other comprehensive income	397	627
Minority interests	459	498
Total net assets	158,823	156,493
Total liabilities and net assets	252,701	247,268

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

Consolidated income statement

(Million yen)

	Previous consolidated fiscal year (From April 1, 2011 to December 31, 2011)	Consolidated fiscal year under review (From April 1, 2012 to December 31, 2012)
Net sales	203,314	219,919
Cost of sales	148,786	163,359
Gross profit	54,527	56,560
Selling, general and administrative expenses	40,006	41,844
Operating income	14,521	14,715
Non-operating income		
Interest income	43	38
Dividend income	51	62
Equity in gains of associated companies	83	12
Other	202	233
Total non-operating income	380	347
Non-operating expenses		
Interest expenses	156	124
Loss from investments in partnership	33	19
Other	53	51
Total non-operating expenses	242	196
Ordinary income	14,659	14,866
Extraordinary gains		
Gains on sales of investment securities	66	18
Total extraordinary gains	66	18
Extraordinary losses		
Loss on disposal of fixed assets	138	57
Impairment loss	100	122
Loss on sales of investment securities	9	—
Loss on valuation of investment securities	30	—
Loss on sales of membership	10	—
Loss on valuation of membership	26	—
Compensation for damage	—	25
Loss on litigation	—	138
Total extraordinary losses	314	344
Income before income taxes	14,410	14,541
Income taxes-current	4,518	4,007
Income taxes-deferred	2,274	2,007
Total income taxes	6,792	6,015
Income before minority interests	7,618	8,526
Minority interests in income	109	109
Net income	7,508	8,416

Consolidated statements of comprehensive income

(Million yen)

	Previous consolidated fiscal year (From April 1, 2011 to December 31, 2011)	Consolidated fiscal year under review (From April 1, 2012 to December 31, 2012)
Income before minority interests	7,618	8,526
Other comprehensive income		
Valuation difference on available-for-sale securities	71	157
Deferred gains or losses on hedges	3	46
Foreign currency translation adjustment	-7	21
Share of other comprehensive income of entities accounted for using equity method	-3	4
Total other comprehensive income	64	230
Comprehensive income	7,682	8,756
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,572	8,646
Comprehensive income attributable to minority interests	109	109

(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			-6,015		-6,015
Net income			8,416		8,416
Purchase of treasury stock				-5,000	-5,000
Cancellation of treasury stocks		0		0	0
Total Net change in the nine months period	-	0	2,401	-5,000	-2,598
Balance, December 31, 2012	21,763	33,076	110,897	-10,370	155,367

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 "Third Quarter Consolidated Financial Summary for the Fiscal Year Ending March 31, 2013 (April 1, 2012 – December 31, 2013)" published on the Company's website today for details on business results by reportable segment.