

# Consolidated Financial Results

## for the First Quarter of the Fiscal Year ending March 31, 2015

### (IFRS)

August 7, 2014

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Scheduled date to submit the quarterly report (*Shihanki Hokokusho*): August 13, 2014

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, 2014 (April 1, 2014 – June 30, 2014)

### (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	%
Three months ended 6/14	74,071	6.9	1,146	405.3	1,174	332.9	747	816.6	722	–	722	22.4
Three months ended 6/13	69,263	–	226	–	271	–	81	–	9	–	590	–

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended 6/14	12.28		–	
Three months ended 6/13	0.15		–	

(Note) A hyphen indicates the increase profit attributable to owners of the parent company in the first quarter of the fiscal year ending March 31, 2015 relative to the first quarter of the previous fiscal year, as profit exceeded 1,000%, at 7,903.4%.

### (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	%
June 30, 2014	269,926	164,099	160,443	59.4
March 31, 2014	282,650	166,700	162,967	57.7

## 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 3/14	–	55.00	–	55.00	110.00
Year ending 3/15	–	–	–	–	–
Year ending 3/15 (forecast)	–	57.50	–	57.50	115.00

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

## 3. Forecast for Consolidated Business Results for the Fiscal Year ending March 31, 2015 (April 1, 2014 – March 31, 2015)

(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	365,000	4.1	27,000	13.4	26,800	11.5	16,800	16.3	16,500	16.0	280.29

(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):                                 |                   |                          |                   |
| Three months ended 6/14:   | 60,000,000 shares | Year ended 3/14:         | 60,000,000 shares |
| (ii) Number of treasury shares at the end of period:   |                   |                          |                   |
| Three months ended 6/14:   | 1,131,646 shares  | Year ended 3/14:         | 1,131,626 shares  |
| (iii) Average number of shares during the period (cumulative figure for consolidated quarterly accounting period): |                   |                          |                   |
| Three months ended 6/14:   | 58,868,361 shares | Three months ended 6/13: | 59,503,282 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

- Effective from the first quarter of the fiscal year ending March 31, 2015, CTC started to apply the International Financial Reporting Standards (IFRS), and the figures for the first quarter and full year of the fiscal year ended March 31, 2014 have been converted into IFRS-based figures.

- 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.

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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 continued to recover at a moderate pace, as corporate earnings improved on the back of government economic policy and monetary policy, and capital spending also showed signs of strengthening, although some effects of the consumption tax hike were seen.

In the information services industry, the overall business environment has been gradually improving, with continuous signs of a cautious stance toward IT investment in some parts of the telecom industry offset by increasing willingness to invest in certain quarters of the distribution and manufacturing industries in addition to the financial sector.

In this environment, the CTC Group plans to further strengthen its capability to offer comprehensive IT service, which is its forte, and to implement initiatives aimed at improving profitability, positioning the fiscal year ending March 31, 2015 as the year in which it aims to return to a growth path. More specifically, the Group opened the Oracle Authorized Solution Center, the first such center in Japan and the Asia Pacific Region, within the Technical Solution Center, CTC's comprehensive verification center, with the purpose of offering cutting-edge solution proposals and verification. The Group also implemented initiatives to strengthen its technology and services by promoting closer cooperation between Amazon Web Service and CTC's cloud service (ElasticCUVIC and TechnoCUVIC) with the aim of supporting cloud computing within a hybrid environment and by commencing handling of MidoNet, a network virtualization solution of Midokura, to further expand SDN solutions that allows a network to be centrally controlled and managed by software. In addition, with an eye towards expanding business in growth areas, the Group participated in the project for research and development of technologies for response to power system output fluctuation, which was publicly solicited by the New Energy and Industrial Technology Development Organization (NEDO). The goal of the project is to improve technologies for renewable energy projections and output controls and to establish methods of management of supply and demand. Moreover, as part of the Group's initiatives for improving profitability, it reviewed its project management method to control unprofitable activities and introduced hedging measures against foreign exchange risk for cost reduction purposes.

In terms of sales activities, projects to augment networks for mobile carriers were promoted in the Telecommunications Business, while efforts were concentrated on development projects for market systems, risk management systems, and international systems of megabanks and infrastructure construction projects for postal service companies in the Financial & Public Business and core system infrastructure construction for retailers and food wholesalers in the Distribution Business.

As a result, the SI development business and service business improved in the first three months of the consolidated fiscal year under review, resulting in revenue of 74,071 million yen (up 6.9% year on year). In terms of profit, due to a decline in the gross profit margin and the Group experienced an increase in personnel expenses and other aspects, but thanks to higher gross profit associated with higher sales, it achieved operating income of 1,146 million yen (up 405.3% year on year); profit before tax of 1,174 million yen (up 332.9% year on year); profit of 747 million yen (up 816.6% year on year); and profit attributable to owners of the company of 722 million yen (up 7,903.4% year on year).

Effective from the first three months of the consolidated fiscal year ending March 31, 2015, the Group began to apply the International Financial Reporting Standards ("IFRS") in place of the Japan GAAP that it previously used. The figures previously published for the first three months of the previous consolidated fiscal year and the previous consolidated full fiscal year have been converted from the Japan GAAP to IFRS.

### (2) Qualitative information about consolidated financial position

Assets at the end of the first three months of the consolidated fiscal year under review amounted to 269,926 million yen, down 12,723 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 24,762 million yen in trade and other receivables, offsetting an increase of 6,536 million yen in inventories.

Liabilities declined to 105,827 million yen, down 10,122 million yen from the end of the previous consolidated fiscal year. This was due primarily to decreases of 13,811 million yen in trade and other payables, in spite of an increase of 2,805 million yen in other current financial liabilities.

Equity amounted to 164,099 million yen, down 2,600 million yen from the end of the previous consolidated fiscal year. This mostly reflected a decrease of 3,237 million yen in dividends paid by the parent company, in spite of an increase of 747 million yen in profit.

### (3) Qualitative information about consolidated earnings forecasts

With regard to the future outlook, the domestic economy is on a modest recovery path and expectations for a full recovery in IT investment are growing, despite concerns about slowing growth in emerging markets.

In light of such circumstances, the Group has not revised the full-year operating results forecast for the fiscal year ending March 31, 2015 which were released on May 1, 2014.

2. Items Regarding Summary (and Notes) Information

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

None

(2) Changes in accounting policies and changes of accounting estimates

None

## 3. Summary Quarterly Consolidated Financial Statements

## (1) Summary quarterly consolidated statement of financial position

	Date of transition to the IFRS (As of April 1, 2013)	Previous consolidated fiscal year (As of March 31, 2014)	Consolidated fiscal year under review (As of June 30, 2014)
Items	Amount (millions of yen)	Amount (millions of yen)	Amount (millions of yen)
(Assets)			
Current assets			
Cash and cash equivalents	66,133	55,083	52,901
Trade and other receivables	87,447	101,530	76,767
Inventories	20,038	23,573	30,109
Current tax assets	–	12	1,159
Other current financial assets	842	689	438
Other current assets	22,360	26,249	33,949
Subtotal	196,822	207,139	195,325
Non-current assets held for sale	–	–	901
Total current assets	196,822	207,139	196,227
Non-current assets			
Property, plant and equipment	34,707	35,596	35,352
Goodwill	4,236	4,467	4,445
Intangible assets	10,727	10,046	9,573
Investments accounted for using the equity method	1,315	1,489	536
Other non-current financial assets	12,225	11,054	10,925
Deferred tax assets	12,681	11,609	11,417
Other non-current assets	1,074	1,246	1,448
Total non-current assets	76,968	75,511	73,699
Total assets	273,791	282,650	269,926

	Date of transition to the IFRS (As of April 1, 2013)	Previous consolidated fiscal year (As of March 31, 2014)	Consolidated fiscal year under review (As of June 30, 2014)
Items	Amount (millions of yen)	Amount (millions of yen)	Amount (millions of yen)
(Liabilities and Equity)			
Current liabilities			
Trade and other payables	40,207	44,491	30,609
Other current financial liabilities	5,648	6,064	8,870
Income taxes payable	7,803	6,560	358
Liabilities for employee benefits	13,391	11,892	8,598
Provisions	761	1,225	1,821
Other current liabilities	21,736	25,811	36,096
Total current liabilities	89,548	96,045	86,354
Non-current liabilities			
Non-current financial liabilities	14,428	12,748	12,604
Liabilities for employee benefits	6,590	4,576	4,422
Provisions	1,448	1,649	1,595
Deferred tax liabilities	870	887	815
Other non-current liabilities	75	42	34
Total non-current liabilities	23,413	19,904	19,472
Total liabilities	112,961	115,949	105,827
Equity			
Common stock	21,763	21,763	21,763
Capital surplus	33,076	33,076	33,076
Treasury stock	(10,370)	(4,223)	(4,223)
Retained earnings	111,525	111,132	108,594
Other components of equity	1,398	1,219	1,232
Total equity attributable to owners of the Company	157,392	162,967	160,443
Non-controlling interests	3,436	3,732	3,655
Total equity	160,829	166,700	164,099
Total liabilities and equity	273,791	282,650	269,926

## (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, 2013 to June 30, 2013)	Consolidated fiscal year under review (From April 1, 2014 to June 30, 2014)
Items	Amount (millions of yen)	Amount (millions of yen)
Revenue	69,263	74,071
Cost of sales	(53,535)	(57,395)
Gross profit	15,728	16,675
Other income and expenses		
Selling, general and administrative expenses	(15,190)	(15,553)
Other income	69	56
Other expenses	(380)	(33)
Total other income and expenses	(15,501)	(15,529)
Operating income	226	1,146
Financial income	80	63
Financial costs	(52)	(41)
Share of profit of associates accounted for using the equity method	15	5
Profit before tax	271	1,174
Income tax expense	(189)	(426)
Profit	81	747
Profit attributable to :		
Owners of the Company	9	722
Non-controlling interests	72	24
Earnings per share	(Yen)	(Yen)
(Attribution to the owners of the Company):		
Basic earnings per share	0.15	12.28
Diluted earnings per share	—	—



## Summary quarterly consolidated comprehensive income statement

	Previous consolidated fiscal year (From April 1, 2013 to June 30, 2013)	Consolidated fiscal year under review (From April 1, 2014 to June 30, 2014)
Items	Amount (millions of yen)	Amount (millions of yen)
Profit	81	747
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	262	46
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	214	(61)
Cash flow hedges	10	(5)
Share of other comprehensive income of associates accounted for using the equity method	21	(3)
Total other comprehensive income, net of tax effect	508	(24)
Total comprehensive income	590	722
Total comprehensive income attributable to:		
Owners of the Company	459	713
Non-controlling interests	130	8

## (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, 2013	21,763	33,076	(10,370)	111,525	–	1,401	(2)
Profit	–	–	–	9	–	–	–
Other comprehensive income	–	–	–	–	178	262	10
Total comprehensive income	–	–	–	9	178	262	10
Payment of dividends	–	–	–	(3,272)	–	–	–
Purchase of treasury stock	–	–	(1)	–	–	–	–
Other movement in non-controlling interests	–	–	–	–	–	–	–
Transfer to retained earnings from other components of equity	–	–	–	–	–	–	–
Total transactions with owners	–	–	(1)	(3,272)	–	–	–
June 30, 2013	21,763	33,076	(10,371)	108,261	178	1,663	7

(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, 2013	157,392	3,436	160,829
Profit	9	72	81
Other comprehensive income	450	58	508
Total comprehensive income	459	130	590
Payment of dividends	(3,272)	(80)	(3,353)
Purchase of treasury stock	(1)	–	(1)
Other movement in non-controlling interests	–	8	8
Transfer to retained earnings from other components of equity	–	–	–
Total transactions with owners	(3,273)	(71)	(3,345)
June 30, 2013	154,578	3,495	158,074

(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, 2014	21,763	33,076	(4,223)	111,132	442	771	4
Profit	–	–	–	722	–	–	–
Other comprehensive income	–	–	–	–	(49)	46	(5)
Total comprehensive income	–	–	–	722	(49)	46	(5)
Payment of dividends	–	–	–	(3,237)	–	–	–
Purchase of treasury stock	–	–	(0)	–	–	–	–
Other movement in non-controlling interests	–	–	–	–	–	–	–
Transfer to retained earnings from other components of equity	–	–	–	(22)	–	22	–
Total transactions with owners	–	–	(0)	(3,260)	–	22	–
June 30, 2014	21,763	33,076	(4,223)	108,594	393	840	(1)

(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, 2014	162,967	3,732	166,700
Profit	722	24	747
Other comprehensive income	(8)	(15)	(24)
Total comprehensive income	713	8	722
Payment of dividends	(3,237)	(85)	(3,323)
Purchase of treasury stock	(0)	–	(0)
Other movement in non-controlling interests	–	–	–
Transfer to retained earnings from other components of equity	–	–	–
Total transactions with owners	(3,237)	(85)	(3,323)
June 30, 2014	160,443	3,655	164,099

## (4) Notes on going concern assumptions

None

#### 4. Additional Information

##### Changes to reportable segments

As a result of a structural reorganization effective April 1, 2014, “Cloud Platform”, and “Support & Service” business segments have been integrated to “IT Service”.

Please refer to the “First Quarter Consolidated Financial Summary For the fiscal year ending March 31, 2015 (April 1, 2014 – June 30, 2014)” published on the Company’s website today for details on business results by reportable.