

# Consolidated Financial Results

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

### (IFRS)

February 5, 2015

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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 13, 2015

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 nine months ended December 31, 2014 (April 1, 2014 – December 31, 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	%
Nine months ended 12/14	255,832	10.2	15,381	62.4	15,397	61.2	9,727	68.7	9,588	71.9	11,003	75.9
Nine months ended 12/13	232,058	-	9,471	-	9,554	-	5,767	-	5,579	-	6,255	-

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended 12/14	163.29		-	
Nine months ended 12/13	93.93		-	

#### (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	%
December 31, 2014	280,429	165,993	161,881	57.7
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	-	57.50	-		
Year ending 3/15 (forecast)				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	282.08

(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):                                 |                   |                          |                   |
| Nine months ended 12/14:   | 60,000,000 shares | Year ended 3/14:         | 60,000,000 shares |
| (ii) Number of treasury shares at the end of period:   |                   |                          |                   |
| Nine months ended 12/14:   | 2,191,671 shares  | Year ended 3/14:         | 1,131,626 shares  |
| (iii) Average number of shares during the period (cumulative figure for consolidated quarterly accounting period): |                   |                          |                   |
| Nine months ended 12/14:   | 58,719,365 shares | Nine months ended 12/13: | 59,401,174 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 3.

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## 1. Qualitative Information

### (1) Qualitative information about consolidated operating results

In the first nine months of the fiscal year under review, the Japanese economy remained on a modest recovery path with corporate earnings showing improvement in the context of a weaker yen and strong stock prices. However, due to concerns over negative factors such as the impact of a hike in consumption tax and the downside risks of the world economy, uncertainty about the economic outlook has begun to appear.

In the information services industry, despite a cautious stance toward IT investment seen in part in the telecom industry, the overall business environment improved moderately, driven by rising appetite for IT investment in some companies in the distribution and manufacturing industries as well as the financial sector.

In this environment, the CTC Group positions the fiscal year ending March 31, 2015 as the year in which it aims to get back on a growth track, to further strengthen its capacities to offer a comprehensive IT service, which is the Group's core, and to implement measures aimed at improving profitability. To be more precise, as it looks ahead to the next society in 2020 or later, where people's lifestyles and working styles are expected to change with the spread of new technologies and the change in the population structure, the Group established the "Innovation and R&D Division" in order to further reinforce the medium- and long-term technology strategy and new business planning related mainly to IT-driven agriculture and tourism and artificial intelligence. In the cloud service sector, the Group promoted "Software Defined Network (SDN)" technology, in which the entire network is centrally controlled by software, to expand the product range of related network equipment. In addition, it also started to provide a private cloud solution, called "Next Generation VM Pool," which features automation functions for IT infrastructure operation. In the security sector, responding to the aggravated threat of cyber-attacks worldwide, the Group established the "CTC Security Operation Center," where it monitors the status of customers' various security equipment remotely around the clock. It then began to offer "CTC Managed Security Services," whereby it centrally responds to emergencies, changes configurations and runs the operation of equipment for customers. In initiatives related to overseas expansion, the Group collaborated with CTC GLOBAL SDN. BHD., a Group associate in Malaysia, to start offering the "CTC Proactive Service," which utilizes automated technology to monitor systems for the prevention of obstacles, for customers in the ASEAN region who seek the same level of IT governance as in Japan. In order to improve profitability, the Group reviewed its project management method to restrict unprofitable projects, and reinforced hedging measures against foreign exchange risk. In addition, with the aim of further improving service quality and customer satisfaction, it promoted initiatives designed to change the mindset of employees toward their working style. Such measures include the full-scale introduction of the "morning-focused working system," in which employees are encouraged to work in the morning, in order to improve their concentration and efficiency with regard to work.

In terms of sales activities, the Group promoted projects to augment networks for mobile carriers in the Telecommunications Business, while it focused on system development for megabanks, facility enhancement projects for electric power-affiliated communications companies, and the establishment of infrastructure for postal companies in the Financial & Public Business. The Distribution Business concentrated mainly on projects to build mission-critical systems for retail and food wholesale companies.

As a result, all Products, SI Development, and Services businesses showed growth in the first nine months of the consolidated fiscal year under review, resulting in revenue of 255,832 million yen (up 10.2% year on year). In terms of profit, 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 15,381 million yen (up 62.4% year on year); profit before tax of 15,397 million yen (up 61.2% year on year); profit of 9,727 million yen (up 68.7% year on year); and profit attributable to owners of the company of 9,588 million yen (up 71.9% year on year).

Effective from the first quarter 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 nine 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 nine months of the consolidated fiscal year under review amounted to 280,429 million yen, down 2,221 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 17,585 million yen in trade and other receivables, offsetting an increase of 14,191 million yen in other current financial assets.

Liabilities declined to 114,435 million yen, down 1,514 million yen from the end of the previous consolidated fiscal year. This was due primarily to decreases of 10,133 million yen in trade and other payables and 4,829 million yen in income taxes payable, in spite of an increase of 14,455 million yen in other current liabilities.

Equity amounted to 165,993 million yen, down 706 million yen from the end of the previous consolidated fiscal year. This mostly reflected a decrease of 6,622 million yen in dividends paid by the parent company and 5,001 million yen in the purchase of treasury stock, in spite of an increase of 9,727 million yen in profit.

(3) Qualitative information about consolidated earnings forecasts

Although IT investment by companies is expected to recover, negative factors including the downside risks of the world economy have led to increased uncertainty about the economic outlook.

On the other hand, the Group's financial results in the first nine months of the consolidated fiscal year under review remained mostly as planned, and as of now, it has not changed the financial forecast announced 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 December 31, 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	44,301
Trade and other receivables	87,447	101,530	83,944
Inventories	20,038	23,573	31,771
Current tax assets	—	12	50
Other current financial assets	842	689	14,880
Other current assets	22,360	26,249	32,264
Total current assets	196,822	207,139	207,214
Non-current assets			
Property, plant and equipment	34,707	35,596	34,717
Goodwill	4,236	4,467	4,909
Intangible assets	10,727	10,046	9,461
Investments accounted for using the equity method	1,315	1,489	581
Other non-current financial assets	12,225	11,054	10,711
Deferred tax assets	12,681	11,609	10,768
Other non-current assets	1,074	1,246	2,063
Total non-current assets	76,968	75,511	73,214
Total assets	273,791	282,650	280,429

	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 December 31, 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	34,357
Other current financial liabilities	5,648	6,064	7,840
Income taxes payable	7,803	6,560	1,731
Liabilities for employee benefits	13,391	11,892	10,102
Provisions	761	1,225	1,280
Other current liabilities	21,736	25,811	40,266
Total current liabilities	89,548	96,045	95,579
Non-current liabilities			
Non-current financial liabilities	14,428	12,748	12,072
Liabilities for employee benefits	6,590	4,576	4,286
Provisions	1,448	1,649	1,614
Deferred tax liabilities	870	887	862
Other non-current liabilities	75	42	19
Total non-current liabilities	23,413	19,904	18,855
Total liabilities	112,961	115,949	114,435
Equity			
Common stock	21,763	21,763	21,763
Capital surplus	33,076	33,076	33,076
Treasury stock	(10,370)	(4,223)	(9,225)
Retained earnings	111,525	111,132	114,075
Other components of equity	1,398	1,219	2,191
Total equity attributable to owners of the Company	157,392	162,967	161,881
Non-controlling interests	3,436	3,732	4,112
Total equity	160,829	166,700	165,993
Total liabilities and equity	273,791	282,650	280,429

## (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 December 31, 2013)	Consolidated fiscal year under review (From April 1, 2014 to December 31, 2014)
Items	Amount (millions of yen)	Amount (millions of yen)
Revenue	232,058	255,832
Cost of sales	(177,356)	(195,526)
Gross profit	54,701	60,305
Other income and expenses		
Selling, general and administrative expenses	(44,723)	(46,034)
Other income	253	1,156
Other expenses	(760)	(46)
Total other income and expenses	(45,230)	(44,924)
Operating income	9,471	15,381
Financial income	155	115
Financial costs	(162)	(166)
Share of profit of associates accounted for using the equity method	89	43
Gain on sales of shares of subsidiaries and associates	–	23
Profit before tax	9,554	15,397
Income tax expense	(3,786)	(5,670)
Profit	5,767	9,727
Profit attributable to :		
Owners of the Company	5,579	9,588
Non-controlling interests	188	139
Earnings per share	(Yen)	(Yen)
(Attribution to the owners of the Company):		
Basic earnings per share	93.93	163.29
Diluted earnings per share	–	–

## Summary quarterly consolidated comprehensive income statement

	Previous consolidated fiscal year (From April 1, 2013 to December 31, 2013)	Consolidated fiscal year under review (From April 1, 2014 to December 31, 2014)
Items	Amount (millions of yen)	Amount (millions of yen)
Profit	5,767	9,727
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	(247)	56
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	686	1,190
Cash flow hedges	27	10
Share of other comprehensive income of associates accounted for using the equity method	20	18
Total other comprehensive income, net of tax effect	487	1,276
Total comprehensive income	6,255	11,003
Total comprehensive income attributable to:		
Owners of the Company	5,909	10,537
Non-controlling interests	345	465

## (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	–	–	–	5,579	–	–	–
Other comprehensive income	–	–	–	–	550	(246)	27
Total comprehensive income	–	–	–	5,579	550	(246)	27
Payment of dividends	–	–	–	(6,545)	–	–	–
Purchase of treasury stock	–	–	(2,501)	–	–	–	–
Cancellation of treasury stock	–	(0)	8,650	(8,649)	–	–	–
Other movement in non-controlling interests	–	–	–	–	–	–	–
Transfer to retained earnings from other components of equity	–	–	–	207	–	(207)	–
Total transactions with owners	–	(0)	6,148	(14,987)	–	(207)	–
December 31, 2013	21,763	33,076	(4,222)	102,117	550	946	24

(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	5,579	188	5,767
Other comprehensive income	330	157	487
Total comprehensive income	5,909	345	6,255
Payment of dividends	(6,545)	(80)	(6,626)
Purchase of treasury stock	(2,501)	–	(2,501)
Cancellation of treasury stock	–	–	–
Other movement in non-controlling interests	–	46	46
Transfer to retained earnings from other components of equity	–	–	–
Total transactions with owners	(9,046)	(34)	(9,080)
December 31, 2013	154,256	3,748	158,004

(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	–	–	–	9,588	–	–	–
Other comprehensive income	–	–	–	–	883	56	10
Total comprehensive income	–	–	–	9,588	883	56	10
Payment of dividends	–	–	–	(6,622)	–	–	–
Purchase of treasury stock	–	–	(5,001)	–	–	–	–
Cancellation of treasury stock	–	–	–	–	–	–	–
Other movement in non-controlling interests	–	–	–	–	–	–	–
Transfer to retained earnings from other components of equity	–	–	–	(22)	–	22	–
Total transactions with owners	–	–	(5,001)	(6,645)	–	22	–
December 31, 2014	21,763	33,076	(9,225)	114,075	1,325	850	14

(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	9,588	139	9,727
Other comprehensive income	949	326	1,276
Total comprehensive income	10,537	465	11,003
Payment of dividends	(6,622)	(85)	(6,708)
Purchase of treasury stock	(5,001)	–	(5,001)
Cancellation of treasury stock	–	–	–
Other movement in non-controlling interests	–	–	–
Transfer to retained earnings from other components of equity	–	–	–
Total transactions with owners	(11,624)	(85)	(11,709)
December 31, 2014	161,881	4,112	165,993

## (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 “Third Quarter Consolidated Financial Summary For the fiscal year ending March 31, 2015 (April 1, 2014 – December 31, 2014)” published on the Company’s website today for details on business results by reportable.