

Consolidated Financial Results

for the First Half of the Fiscal Year ending March 31, 2016 (IFRS)

October 29, 2015

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

November 11, 2015

Scheduled date of dividend payment:

December 04, 2015

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, 2015 (April 1, 2015 – September 30, 2015)

(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 9/15	165,230	2.5	5,852	(26.7)	5,955	(25.1)	3,742	(25.9)	3,788	(24.0)	2,340	(58.3)
Six months ended 9/14	161,127	5.9	7,981	35.7	7,954	34.2	5,052	41.4	4,986	45.3	5,614	69.1

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended 9/15	32.77		—	
Six months ended 9/14	42.36		—	

(Note) The Company conducted a two-for-one stock split for its common stock on April 1, 2015. The amount of “Basic earnings per share” is calculated on the assumption that the stock split had been carried out at the beginning of the previous consolidated fiscal year.

(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, 2015	276,326	171,564	168,066	60.8
March 31, 2015	302,734	172,907	168,876	55.8

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year end	Annual
Year ended 3/15	Yen —	Yen 57.50	Yen —	Yen 62.50	Yen 120.00
Year ending 3/16	—	32.50			
Year ending 3/16 (forecast)			—	32.50	65.00

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

2. The Company conducted a two-for-one stock split for its common stock on April 1, 2015. For the fiscal years ended March 2015, the amounts of dividends before the stock split are recorded.

3. Forecast for Consolidated Business Results for the Fiscal Year ending March 31, 2016 (April 1, 2015 – March 31, 2016)

(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	390,000	2.1	29,500	0.5	29,400	(0.3)	18,300	3.7	18,000	3.4	155.69

(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 9/15: | 120,000,000 shares | Year ended 3/15: | 120,000,000 shares |
| (ii) Number of treasury shares at the end of period: | | | |
| Six months ended 9/15: | 4,385,750 shares | Year ended 3/15: | 4,383,546 shares |
| (iii) Average number of shares during the period (cumulative figure for consolidated quarterly accounting period): | | | |
| Six months ended 9/15: | 115,614,388 shares | Six months ended 9/14: | 117,736,581 shares |

* The Company conducted a two-for-one stock split for its common stock on April 1, 2015. The amount of "Earnings per share" is calculated on the assumption that the stock split had been carried out at the beginning of the previous fiscal year.

* 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.

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1. Qualitative Information

(1) Qualitative information about consolidated operating results

In the first six months of the fiscal year under review, the Japanese economy remained on a modest recovery path in the context of economic policies implemented by the government and monetary easing undertaken by the Bank of Japan.

The information services industry has seen a gradual improvement in the overall business environment, driven by the system update in the financial sector and system installment toward the launch of the “My Number system” in the public sector, as well as recovering IT corporate investment chiefly in the manufacturing industries.

Under these circumstances, the CTC Group developed a new three-year medium term management plan covering the fiscal year ending March 31, 2016 through the fiscal year ending March 31, 2018. Under this management plan, the Group aims to “take responsibility for the evolution of the IT industry as the industry’s leading company,” making efforts mainly to expand the service-oriented business, strengthen the customer base by exerting its comprehensive strength, and make active investments in growing areas.

More specifically, the Group entered into a business alliance agreement with ITOCHU Corporation and BELLSYSTEM24 Holdings, Inc. in order to develop new services and create new customers in the Business Process Outsourcing (BPO) areas, such as a contact center business. In addition, it also developed a cloud service called “CUVICmc2,” which specializes in mission-critical systems with a focus on software produced by SAP and utilizes the technologies of Virtustream in the U.S.

Furthermore, the Group also focused on the development of new services to support companies’ business strategies. As one of these initiatives, it began to offer, in collaboration with Asahi Breweries, Ltd., big data analysis services for restaurants by utilizing cloud-based predictive analytics software of Applied Predictive Technologies, Inc. in the U.S.

Meanwhile, the Group is looking ahead to the next society in 2020 or later, when people’s lifestyles and working styles are expected to change with the spread of IT and the change in the population structure. With the aim of realizing an affluent society through IT, it is committed to the creation of business innovation, with the themes being artificial intelligence, network robots, and the Internet of Things (IoT), among others. As part of its efforts, the Group worked on the development of a system that enables automatic compliance assessment with foreign import regulations by utilizing artificial intelligence in order to contribute to the market expansion of domestic agricultural crops. In addition, it also focused on the development of cutting-edge technologies, such as OpenStack, which will become the foundation for a next-generation cloud.

As for the strengthening of the management foundation, which the Group considers as one of its priority measures under the medium term management plan, it reformed its personnel management system for the purpose of improving employee job satisfaction and creating an attractive company.

In sales activities, the Group concentrated primarily on projects to augment network facilities for mobile carriers in the Telecommunications Business, and services projects for transportation and the construction of a common platform for precision equipment manufacturers in the Enterprise Business, as well as the Products business for the financial sector in overseas business, mainly Malaysia and Singapore.

As a result, the Services and Products businesses showed growth in the first six months of the consolidated fiscal year under review, resulting in revenue of 165,230 million yen (up 2.5% year on year). In terms of profit, due to a decline in the gross profit margin and an increase in selling, general and administrative expenses, operating income amounted to 5,852 million yen (down 26.7% year on year); profit before tax of 5,955 million yen (down 25.1% year on year); profit of 3,742 million yen (down 25.9% year on year); and profit attributable to owners of the company of 3,788 million yen (down 24.0% year on year).

(2) Qualitative information about consolidated financial position

Assets at the end of the first six months of the consolidated fiscal year under review amounted to 276,326 million yen, down 26,408 million yen from the end of the previous consolidated fiscal year. This was mainly due to decreases of 13,232 million yen in cash and cash equivalents and 25,520 million yen in trade and other receivables, in spite of an increase of 6,883 million yen in inventories and 7,793 million yen in other current assets.

Liabilities declined to 104,762 million yen, down 25,065 million yen from the end of the previous consolidated fiscal year. This was due primarily to decreases of 18,191 million yen in trade and other payables and 7,403 million yen in income taxes payable, in spite of an increase of 6,895 million yen in other current liabilities.

Equity amounted to 171,564 million yen, down 1,342 million yen from the end of the previous consolidated fiscal year. This mostly reflected decreases of 1,401 million yen in other comprehensive income and 3,677 million yen in dividends of surplus, in spite of an increase of 3,742 million yen in profit.

(3) Qualitative information about consolidated earnings forecasts

Despite concerns raised by the possibility that the economic slowdown in emerging Asian countries, including China, will have a negative impact on the global economy, the Japanese economy is expected to continue recovering moderately.

In light of this situation, the Group has not changed the financial forecast announced on May 1, 2015 as of now.

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

	Previous consolidated fiscal year (As of March 31, 2015)	Consolidated fiscal year under review (As of September 30, 2015)
Items	Amount (millions of yen)	Amount (millions of yen)
(Assets)		
Current assets		
Cash and cash equivalents	50,146	36,913
Trade and other receivables	109,568	84,047
Inventories	20,973	27,856
Current tax assets	27	792
Other current financial assets	15,200	14,421
Other current assets	31,327	39,121
Subtotal	227,245	203,154
Non-current assets held for sale	—	107
Total current assets	227,245	203,261
Non-current assets		
Property, plant and equipment	34,780	34,940
Goodwill	4,660	4,118
Intangible assets	10,534	9,735
Investments accounted for using the equity method	621	641
Other non-current financial assets	10,749	11,075
Deferred tax assets	12,298	10,994
Other non-current assets	1,844	1,557
Total non-current assets	75,489	73,065
Total assets	302,734	276,326

	Previous consolidated fiscal year (As of March 31, 2015)	Consolidated fiscal year under review (As of September 30, 2015)
Items	Amount (millions of yen)	Amount (millions of yen)
(Liabilities and Equity)		
Current liabilities		
Trade and other payables	49,691	31,500
Other current financial liabilities	6,869	5,882
Income taxes payable	8,604	1,201
Liabilities for employee benefits	14,786	11,274
Provisions	1,100	822
Other current liabilities	29,896	36,791
Total current liabilities	110,949	87,473
Non-current liabilities		
Non-current financial liabilities	12,236	10,915
Liabilities for employee benefits	4,259	4,095
Provisions	1,646	1,669
Deferred tax liabilities	724	601
Other non-current liabilities	11	6
Total non-current liabilities	18,878	17,288
Total liabilities	129,827	104,762
Equity		
Common stock	21,763	21,763
Capital surplus	33,076	33,076
Treasury stock	(9,225)	(9,231)
Retained earnings	121,530	121,681
Other components of equity	1,732	776
Total equity attributable to owners of the Company	168,876	168,066
Non-controlling interests	4,030	3,497
Total equity	172,907	171,564
Total liabilities and equity	302,734	276,326

(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, 2014 to September 30, 2014)	Consolidated fiscal year under review (From April 1, 2015 to September 30, 2015)
Items	Amount (millions of yen)	Amount (millions of yen)
Revenue	161,127	165,230
Cost of sales	(123,009)	(127,864)
Gross profit	38,118	37,365
Other income and expenses		
Selling, general and administrative expenses	(30,516)	(31,648)
Other income	403	178
Other expenses	(23)	(42)
Total other income and expenses	(30,136)	(31,512)
Operating income	7,981	5,852
Financial income	71	138
Financial costs	(149)	(72)
Share of profit of associates accounted for using the equity method	26	36
Gain on sales of shares of subsidiaries and associates	23	—
Profit before tax	7,954	5,955
Income tax expense	(2,902)	(2,213)
Profit	5,052	3,742
Profit attributable to :		
Owners of the Company	4,986	3,788
Non-controlling interests	65	(46)
Earnings per share	(Yen)	(Yen)
(Attribution to the owners of the Company):		
Basic earnings per share	42.36	32.77
Diluted earnings per share	—	—

Summary quarterly consolidated comprehensive income statement

	Previous consolidated fiscal year (From April 1, 2014 to September 30, 2014)	Consolidated fiscal year under review (From April 1, 2015 to September 30, 2015)
Items	Amount (millions of yen)	Amount (millions of yen)
Profit	5,052	3,742
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	(80)	24
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	638	(1,403)
Cash flow hedges	7	(21)
Share of other comprehensive income of associates accounted for using the equity method	(2)	(0)
Total other comprehensive income, net of tax effect	562	(1,401)
Total comprehensive income	5,614	2,340
Total comprehensive income attributable to:		
Owners of the Company	5,368	2,808
Non-controlling interests	245	(467)

(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, 2014	21,763	33,076	(4,223)	111,132	442	771	4
Profit	—	—	—	4,986	—	—	—
Other comprehensive income	—	—	—	—	455	(80)	7
Total comprehensive income	—	—	—	4,986	455	(80)	7
Payment of dividends	—	—	—	(3,237)	—	—	—
Purchase of treasury stock	—	—	(0)	—	—	—	—
Transfer to retained earnings from other components of equity	—	—	—	(22)	—	22	—
Total transactions with owners	—	—	(0)	(3,260)	—	22	—
September 30, 2014	21,763	33,076	(4,224)	112,858	898	714	11

(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	4,986	65	5,052
Other comprehensive income	381	180	562
Total comprehensive income	5,368	245	5,614
Payment of dividends	(3,237)	(85)	(3,323)
Purchase of treasury stock	(0)	—	(0)
Transfer to retained earnings from other components of equity	—	—	—
Total transactions with owners	(3,238)	(85)	(3,324)
September 30, 2014	165,097	3,892	168,990

(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)	—	24	—
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

(4) Notes on going concern assumptions

None