

Consolidated Financial Results for the Third Quarter of the Fiscal Year ending March 31, 2016 (IFRS)

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Scheduled date to submit the quarterly report (*Shihanki Hokokusho*): February 12, 2016

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, 2015 (April 1, 2015 – December 31, 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	%
Nine months ended 12/15	251,751	(1.6)	9,911	(35.6)	10,075	(34.6)	6,312	(35.1)	6,257	(34.7)	5,409	(50.8)
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

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended 12/15	54.12		–	
Nine months ended 12/14	81.65		–	

(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		%	
December 31, 2015	280,219		170,875		167,182		59.7	
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
	Yen	Yen	Yen	Yen	Yen
Year ended 3/15	–	57.50	–	62.50	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): | | | |
| Nine months ended 12/15: | 120,000,000 shares | Year ended 3/15: | 120,000,000 shares |
| (ii) Number of treasury shares at the end of period: | | | |
| Nine months ended 12/15: | 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): | | | |
| Nine months ended 12/15: | 115,614,342 shares | Nine months ended 12/14: | 117,438,730 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 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 due to improvement in corporate earnings and the employment situation in the context of economic policies implemented by the government and monetary easing undertaken by the Bank of Japan, in spite of concern over the impact of slowdown in China and other Asian economies.

The information services industry has seen a gradual improvement in the overall business environment, driven by the system update and system installment in the financial and public sectors, 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., sales prediction big data analysis services for restaurants by utilizing cloud-based 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 food safety standards 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, including investing in U.S.-based Solinea, which is involved in the design, development and deployment of many large-scale computing solutions using OpenStack, which will become the foundation for a next-generation cloud, and developing the relevant human resources.

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 infrastructure projects for megabanks, services projects for transportation, and the construction of a common platform for precision equipment manufacturers, as well as the Products business for the financial sector in overseas business, mainly Malaysia and Singapore.

As a result, the Services business showed growth in the first nine months of the consolidated fiscal year under review, but results in the SI Development and Products businesses declined, resulting in revenue of 251,751 million yen (down 1.6% 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 9,911 million yen (down 35.6% year on year); profit before tax was 10,075 million yen (down 34.6% year on year); profit was 6,312 million yen (down 35.1% year on year); and profit attributable to owners of the company was 6,257 million yen (down 34.7% year on year).

(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 280,219 million yen, down 22,514 million yen from the end of the previous consolidated fiscal year. This was mainly due to decreases of 8,259 million yen in cash and cash equivalents and 32,953 million yen in trade and other receivables, in spite of an increase of 11,625 million yen in inventories and 5,368 million yen in other current assets.

Liabilities declined to 109,344 million yen, down 20,482 million yen from the end of the previous consolidated fiscal year. This was due primarily to decreases of 16,099 million yen in trade and other payables and 7,873 million yen in income taxes payable, in spite of an increase of 9,351 million yen in other current liabilities.

Equity amounted to 170,875 million yen, down 2,031 million yen from the end of the previous consolidated fiscal year. This mostly reflected decreases of 903 million yen in other comprehensive income and 7,435 million yen in dividends of surplus, in spite of an increase of 6,312 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 December 31, 2015)
Items	Amount (millions of yen)	Amount (millions of yen)
(Assets)		
Current assets		
Cash and cash equivalents	50,146	41,886
Trade and other receivables	109,568	76,615
Inventories	20,973	32,599
Current tax assets	27	829
Other current financial assets	15,200	14,334
Other current assets	31,327	36,696
Total current assets	227,245	202,961
Non-current assets		
Property, plant and equipment	34,780	35,740
Goodwill	4,660	4,245
Intangible assets	10,534	10,384
Investments accounted for using the equity method	621	647
Other non-current financial assets	10,749	14,625
Deferred tax assets	12,298	10,114
Other non-current assets	1,844	1,501
Total non-current assets	75,489	77,258
Total assets	302,734	280,219

	Previous consolidated fiscal year (As of March 31, 2015)	Consolidated fiscal year under review (As of December 31, 2015)
Items	Amount (millions of yen)	Amount (millions of yen)
(Liabilities and Equity)		
Current liabilities		
Trade and other payables	49,691	33,592
Other current financial liabilities	6,869	7,372
Income taxes payable	8,604	731
Liabilities for employee benefits	14,786	10,529
Provisions	1,100	686
Other current liabilities	29,896	39,247
Total current liabilities	110,949	92,159
Non-current liabilities		
Non-current financial liabilities	12,236	10,904
Liabilities for employee benefits	4,259	4,028
Provisions	1,646	1,662
Deferred tax liabilities	724	584
Other non-current liabilities	11	4
Total non-current liabilities	18,878	17,185
Total liabilities	129,827	109,344
Equity		
Common stock	21,763	21,763
Capital surplus	33,076	33,076
Treasury stock	(9,225)	(9,231)
Retained earnings	121,530	120,392
Other components of equity	1,732	1,181
Total equity attributable to owners of the Company	168,876	167,182
Non-controlling interests	4,030	3,692
Total equity	172,907	170,875
Total liabilities and equity	302,734	280,219

(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 December 31, 2014)	Consolidated fiscal year under review (From April 1, 2015 to December 31, 2015)
Items	Amount (millions of yen)	Amount (millions of yen)
Revenue	255,832	251,751
Cost of sales	(195,526)	(194,207)
Gross profit	60,305	57,544
Other income and expenses		
Selling, general and administrative expenses	(46,034)	(47,887)
Other income	1,156	394
Other expenses	(46)	(140)
Total other income and expenses	(44,924)	(47,632)
Operating income	15,381	9,911
Financial income	115	218
Financial costs	(166)	(116)
Share of profit of associates accounted for using the equity method	43	62
Gain on sales of shares of subsidiaries and associates	23	—
Profit before tax	15,397	10,075
Income tax expense	(5,670)	(3,763)
Profit	9,727	6,312
Profit attributable to :		
Owners of the Company	9,588	6,257
Non-controlling interests	139	55
Earnings per share	(Yen)	(Yen)
(Attribution to the owners of the Company):		
Basic earnings per share	81.65	54.12
Diluted earnings per share	—	—

Summary quarterly consolidated comprehensive income statement

	Previous consolidated fiscal year (From April 1, 2014 to December 31, 2014)	Consolidated fiscal year under review (From April 1, 2015 to December 31, 2015)
Items	Amount (millions of yen)	Amount (millions of yen)
Profit	9,727	6,312
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	56	250
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	1,190	(1,090)
Cash flow hedges	10	(42)
Share of other comprehensive income of associates accounted for using the equity method	18	(21)
Total other comprehensive income, net of tax effect	1,276	(903)
Total comprehensive income	11,003	5,409
Total comprehensive income attributable to:		
Owners of the Company	10,537	5,681
Non-controlling interests	465	(272)

(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	–	–	–	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)	–	–	–	–
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)
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

(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	–	–	–	6,257	–	–	–
Other comprehensive income	–	–	–	–	(783)	250	(42)
Total comprehensive income	–	–	–	6,257	(783)	250	(42)
Payment of dividends	–	–	–	(7,370)	–	–	–
Purchase of treasury stock	–	–	(5)	–	–	–	–
Transfer to retained earnings from other components of equity	–	–	–	(24)	–	24	–
Total transactions with owners	–	–	(5)	(7,394)	–	24	–
December 31, 2015	21,763	33,076	(9,231)	120,392	123	1,086	(28)

(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	6,257	55	6,312
Other comprehensive income	(575)	(327)	(903)
Total comprehensive income	5,681	(272)	5,409
Payment of dividends	(7,370)	(64)	(7,435)
Purchase of treasury stock	(5)	–	(5)
Transfer to retained earnings from other components of equity	–	–	–
Total transactions with owners	(7,376)	(64)	(7,441)
December 31, 2015	167,182	3,692	170,875

(4) Notes on going concern assumptions

None