

# Consolidated Financial Results for the First Quarter of the Fiscal Year ending March 31, 2018 (IFRS)

August 3, 2017

Listed Company Name: ITOCHU Techno-Solutions Corporation  
Securities Code: 4739  
Representative: Satoshi Kikuchi, President & CEO  
Contact: Masami Suzuki, General Manager, General Accounting & Financial Control Department  
Phone: +81-3-6203-5000

Listing Exchanges: Tokyo Stock Exchange  
URL: <http://www.ctc-g.co.jp/en/index.html>

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

August 10, 2017

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, 2017 (April 1, 2017 – June 30, 2017)

### (1) Consolidated operating results

(Percentages represent year-on-year changes)

	Revenue		Operating income		Profit before tax		Net Profit		Net profit attributable to CTC's shareholders		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended 6/17	86,054	4.4	2,741	38.2	3,124	57.0	2,076	66.2	2,067	65.9	2,412	—
Three months ended 6/16	82,399	7.1	1,983	17.0	1,990	5.8	1,249	9.5	1,246	4.5	△290	—

	Basic earnings per share attributable to CTC's shareholders	Diluted earnings per share attributable to CTC's shareholders
	Yen	Yen
Three months ended 6/17	17.89	—
Three months ended 6/16	10.78	—

### (2) Consolidated financial position

	Total assets	Total equity	Total shareholders' equity	Ratio of shareholders' equity to total assets
	Millions of yen	Millions of yen	Millions of yen	%
June 30, 2017	320,771	193,148	189,601	59.1
March 31, 2017	333,123	195,701	192,175	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 3/17	—	37.50	—	42.50	80.00
Year ending 3/18	—	—	—	—	—
Year ending 3/18 (forecast)	—	42.50	—	42.50	85.00

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

### 3. Forecast for Consolidated Business Results for the Fiscal Year ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(Percentages represent changes from the same period of previous fiscal year)

	Revenue		Operating income		Profit before tax		Net Profit		Net profit attributable to CTC's shareholders		Basic earnings per share attributable to CTC's shareholders
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	425,000	4.2	32,500	4.4	32,600	4.2	22,500	2.3	22,500	2.9	194.61

(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 6/17:   | 120,000,000 shares | Year ended 3/17:         | 120,000,000 shares |
| (ii) Number of treasury shares at the end of period:   |                    |                          |                    |
| Three months ended 6/17:   | 4,385,878 shares   | Year ended 3/17:         | 4,385,798 shares   |
| (iii) Average number of shares during the period (cumulative figure for consolidated quarterly accounting period): |                    |                          |                    |
| Three months ended 6/17:   | 115,614,199 shares | Three months ended 6/16: | 115,614,246 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

- 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.

\* "CTC" is the abbreviation for ITOCHU Techno-Solutions Corporation.

1. Qualitative Information Regarding Results for the First Quarter .....	4
(1) Qualitative information on consolidated operating results .....	4
(2) Qualitative information on consolidated financial position .....	6
(3) Qualitative information on consolidated earnings forecasts .....	6
2. Summary of Quarterly Consolidated Financial Statements and Significant Notes .....	7
(1) Summary of quarterly consolidated statement of financial position .....	7
(2) Summary of quarterly consolidated income statement and summary of quarterly consolidated comprehensive income statement .....	9
(3) Summary of quarterly consolidated statement of changes in equity .....	11
(4) Notes to summary of quarterly consolidated financial statements .....	12
(Notes on going concern assumptions) .....	12
(Changes in accounting policies and changes of accounting estimates) .....	12

## 1. Qualitative Information Regarding the Results for the First Quarter

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

In the first three months of the fiscal year ending March 2018, the Japanese economy maintained its overall moderate recovery, chiefly supported by improvement in corporate earnings and the employment situation despite concerns over the impact of uncertainties in other countries' policies on the business situation, in particular.

In the information service industry, the overall business environment remained steady, given the recovery trend of IT investment mainly in the manufacturing, financial service, distribution, and communication industries.

In this environment, the ITOCHU Techno-Solutions Corporation ("CTC") Group has established a Medium-Term Management Plan for the three years from the fiscal year ended March 2016 to the fiscal year ending March 2018 by specifying its vision, "Take responsibility for the evolution of the IT industry as the industry's leading company." In an effort to achieve the targets in the plan, the Group has been pursuing initiatives such as expanding its service business, strengthening the customer base by exerting its comprehensive capabilities, and making aggressive growth investments. In addition to continuing these activities, the Group has been focusing on developing new businesses and futuristic technologies in view of the next Medium-Term Management Plan during the fiscal year under review, which is the final year of the current Medium-Term Management Plan.

Activities aimed at the expansion of the service business include Software Defined Network (SDN), a service for the integrated management and control of networks using software, and Network Function Virtualization (NFV) that helps create network functions on a general-purpose server rather than dedicated hardware using virtualization technologies. The Group launched Enterprise Simple Provisioning Architecture, a service that builds customers' networks and supports operations based on these technologies. Additionally, CTC decided to make CTC First Contact Corporation, which was originally a wholly owned subsidiary of CTC and which provides outsourcing services for service desk, contact center, and other customer service operations, a joint company with Bellsystem24 Holdings Inc. ("Bellsystem24") as of July 3, 2017 in order to further expand its Business Process Outsourcing (BPO) business. With Bellsystem24, CTC has also jointly developed BellCloud AI for IVR, an AI-based automated voice response service for contact centers.

As part of its initiatives for exerting its comprehensive capabilities, the Group reorganized itself, including segment restructuring, in April 2016, followed in April 2017 by another reorganization to increase the inter-segment mobility of employees and further exploit its comprehensive capabilities.

For investment in growth, the Group founded Future Technology Laboratories Inc. under the Advanced IT Strategy Group to create and develop advanced technologies for the future and to develop and implement strategies to commercialize such technologies. It also launched CTC Future Factory, an open innovation platform that provides comprehensive support for business development from the ideas for new businesses built with customers to commercialization. CTC Future Factory is a platform that supports companies, local governments, and other groups in their efforts for open innovation to develop ideas and create businesses in cooperation with venture companies, and provides services such as finding venues and opportunities for Ideathon and hackathon, support for the examination of the

commercialization of joint research, consultations at each level, and prototype development.

The Medium-Term Management Plan emphasizes the strengthening of the Group's business foundations as one of its focal strategies. The Group has been actively promoting work style innovation since 2014, and has carried out a range of activities in this area. Additionally, the backbone systems were reformed to increase telework and work efficiency as an additional strategy. The use of new digital technologies such as these, the supply of IT services with potential as well as expandability to customers and their internal use, and the use of IT for work style reforms have earned recognition, and CTC has been selected as a "Competitive IT Strategy Company 2017," a title assigned by the Ministry of Economy, Trade, and Industry and the Tokyo Stock Exchange to companies working to increase their corporate value through the active use of IT.

In its sales activities, the Group focused primarily on distribution infrastructure projects, communication network development projects, and public works operation projects.

During the first three months of the fiscal year under review, sales in all segments, including Services, SI Development, and Products, increased, resulting in revenue of 86,054 million yen (up 4.4% year on year). Operating income rose 38.2% year on year, to 2,741 million yen, thanks to higher revenue and gross margin. An increase in operating income and financial income contributed to profit before tax of 3,124 million yen (up 57.0%), profit of 2,076 million yen (up 66.2% year on year), and profit attributable to owners of the Company of 2,067 million yen (up 65.9%).

(2) Qualitative information on consolidated financial position

Total assets amounted to 320,771 million yen as of June 30, 2017, a decrease of 12,352 million yen from March 31, 2017. This was attributable largely to decreases of 5,666 million yen in cash and cash equivalents, 20,450 million yen in trade and other receivables, and 1,860 million yen in other current financial assets, which offset increases of 5,962 million yen in inventories and 10,989 million yen in other current assets.

Total liabilities stood at 127,622 million yen, a decrease of 9,799 million yen from March 31, 2017. The principal contributing factors included decreases of 13,975 million yen in trade and other payables and 8,618 million yen in income taxes payable, which offset an increase of 15,499 million yen in other current liabilities.

Total equity was 193,148 million yen, a decline of 2,552 million yen from March 31, 2017. This was primarily attributable to a fall of 4,964 million yen in the payment of dividends, which offset increases of 2,076 million yen in net profit and 336 million yen in other comprehensive income.

(3) Qualitative information on consolidated earnings forecasts

As for the future outlook, while it is necessary to continue to pay close attention to the uncertainties in overseas economies and the impact of fluctuations in the financial and capital markets, the domestic economy is expected to continue to stage a gradual recovery.

In light of this situation, at present, the Company has not revised its financial forecasts announced on May 1, 2017.

## 2. Summary Quarterly Consolidated Financial Statements

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

	Previous consolidated fiscal year (As of March 31, 2017)	Consolidated fiscal year under review (As of June 30, 2017)
Items	Amount (millions of yen)	Amount (millions of yen)
(Assets)		
Current assets		
Cash and cash equivalents	48,213	42,546
Trade and other receivables	115,473	95,022
Inventories	24,045	30,008
Current tax assets	22	457
Other current financial assets	25,017	23,157
Other current assets	37,421	48,411
Subtotal	250,194	239,602
Assets held for sale	-	366
Total current assets	250,194	239,969
Non-current assets		
Property, plant and equipment	36,365	35,498
Goodwill	3,899	3,982
Intangible assets	12,560	11,895
Investments accounted for using the equity method	664	662
Other non-current financial assets	13,989	14,435
Deferred tax assets	12,679	11,655
Other non-current assets	2,769	2,671
Total non-current assets	82,929	80,801
Total assets	333,123	320,771

	Previous consolidated fiscal year (As of March 31, 2017)	Consolidated fiscal year under review (As of June 30, 2017)
Items	Amount (millions of yen)	Amount (millions of yen)
(Liabilities and Equity)		
Current liabilities		
Trade and other payables	48,222	34,247
Other current financial liabilities	5,658	8,586
Income taxes payable	9,064	446
Liabilities for employee benefits	17,079	10,170
Provisions	689	847
Other current liabilities	40,909	56,408
Subtotal	121,624	110,707
Liabilities directly related to assets held for sale	—	377
Total current liabilities	121,624	111,084
Non-current liabilities		
Non-current financial liabilities	10,016	10,894
Liabilities for employee benefits	3,720	3,619
Provisions	1,732	1,706
Deferred tax liabilities	327	316
Total non-current liabilities	15,797	16,538
Total liabilities	137,422	127,622
Equity		
Common stock	21,763	21,763
Capital surplus	33,076	33,076
Treasury stock	(9,231)	(9,231)
Retained earnings	146,537	143,691
Other components of equity	29	301
Total shareholders' equity	192,175	189,601
Non-controlling interests	3,525	3,547
Total equity	195,701	193,148
Total liabilities and equity	333,123	320,771



(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, 2016 to June 30, 2016)	Consolidated fiscal year under review (From April 1, 2017 to June 30, 2017)
Items	Amount (millions of yen)	Amount (millions of yen)
Revenue	82,399	86,054
Cost of sales	(64,317)	(66,545)
Gross profit	18,082	19,508
Other income and expenses		
Selling, general and administrative expenses	(15,793)	(16,795)
Other income	69	81
Other expenses	(374)	(52)
Total other income and expenses	(16,098)	(16,766)
Operating income	1,983	2,741
Financial income	80	395
Financial costs	(89)	(22)
Share of profit of associates accounted for using the equity method	15	10
Profit before tax	1,990	3,124
Income tax expense	(741)	(1,048)
Net profit	1,249	2,076
Profit attributable to :		
CTC's shareholders	1,246	2,067
Non-controlling interests	3	8
Earnings per share	(Yen)	(Yen)
(Attribution to CTC's shareholders):		
Basic earnings per share	10.78	17.89
Diluted earnings per share	—	—

# Summary quarterly consolidated comprehensive income statement

	Previous consolidated fiscal year (From April 1, 2016 to June 30, 2016)	Consolidated fiscal year under review (From April 1, 2017 to June 30, 2017)
Items	Amount (millions of yen)	Amount (millions of yen)
Profit	1,249	2,076
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	(363)	97
Share of other comprehensive income of associates accounted for using the equity method	(0)	3
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	(1,140)	211
Cash flow hedges	(21)	22
Share of other comprehensive income of associates accounted for using the equity method	(13)	0
Total other comprehensive income, net of tax effect	(1,539)	336
Total comprehensive income	(290)	2,412
Total comprehensive income attributable to:		
Owners of the Company	25	2,339
Non-controlling interests	(316)	72

### (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, 2016	21,763	33,076	(9,231)	132,677	64	950	(16)
Profit	—	—	—	1,246	—	—	—
Other comprehensive income	—	—	—	—	(834)	(364)	(21)
Total comprehensive income	—	—	—	1,246	(834)	(364)	(21)
Payment of dividends	—	—	—	(4,335)	—	—	—
Purchase of treasury stock	—	—	(0)	—	—	—	—
Transfer to retained earnings from other components of equity	—	—	—	(2)	—	2	—
Total transactions with owners	—	—	(0)	(4,338)	—	2	—
June 30, 2016	21,763	33,076	(9,231)	129,585	(769)	589	(38)

(Millions of yen)

Items	Shareholders' equity	Non-controlling interests	Total equity
	Total shareholders' equity		
April 1, 2016	179,285	3,758	183,043
Profit	1,246	3	1,249
Other comprehensive income	(1,220)	(319)	(1,539)
Total comprehensive income	25	(316)	(290)
Payment of dividends	(4,335)	(40)	(4,376)
Purchase of treasury stock	(0)	—	(0)
Transfer to retained earnings from other components of equity	—	—	—
Total transactions with owners	(4,335)	(40)	(4,376)
June 30, 2016	174,975	3,401	178,376

(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, 2017	21,763	33,076	(9,231)	146,537	(582)	621	(9)
Profit	—	—	—	2,067	—	—	—
Other comprehensive income	—	—	—	—	147	101	22
Total comprehensive income	—	—	—	2,067	147	101	22
Payment of dividends	—	—	—	(4,913)	—	—	—
Purchase of treasury stock	—	—	(0)	—	—	—	—
Transfer to retained earnings from other components of equity	—	—	—	—	—	—	—
Total transactions with owners	—	—	(0)	(4,913)	—	—	—
June 30, 2017	21,763	33,076	(9,231)	143,691	(434)	723	13

(Millions of yen)

Items	Shareholders' equity	Non-controlling interests	Total equity
	Total shareholders' equity		
April 1, 2017	192,175	3,525	195,701
Profit	2,067	8	2,076
Other comprehensive income	271	64	336
Total comprehensive income	2,339	72	2,412
Payment of dividends	(4,913)	(50)	(4,964)
Purchase of treasury stock	(0)	—	(0)
Transfer to retained earnings from other components of equity	—	—	—
Total transactions with owners	(4,913)	(50)	(4,964)
June 30, 2017	189,601	3,547	193,148

## (4) Notes to the summary of consolidated Financial Statement

(Notes on going concern assumptions)

None

(Change in the accounting policies / Change of estimation in accounting)

None