Consolidated Financial Results
for the Third Quarter of the Fiscal Year ending March 31, 2019
(IFRS)

February 1, 2019

Listed Company Name:	ITOCHU Techno-Solutions Corporation	Listing Exchanges:	Tokyo Stock Exchange
Securities Code:	4739	URL:	http://www.ctc-g.co.jp/en/index.html
Representative:	Satoshi Kikuchi, President & CEO		
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Scheduled date to submit the quarterly report *(Shihanki Hokokusho)*:	February 13, 2019
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, 2018 (April 1, 2018 – December 31, 2018)

(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	%
Nine months ended 12/18	300,009	1.8	17,866	7.6	18,252	(0.5)	12,450	0.4	12,333	0.0	12,787	(5.8)
Nine months ended 12/17	294,707	8.4	16,612	12.6	18,347	22.9	12,398	22.8	12,327	23.9	13,576	55.1

	Basic earnings per share attributable to CTC's shareholders	Diluted earnings per share attributable to CTC's shareholders
	Yen	Yen
Nine months ended 12/18	53.38	—
Nine months ended 12/17	53.33	—

(Note) The company conducted a two-for-one stock split for its common stock on April 1, 2018. The amount of "Basic earnings per share attributable to CTC's shareholders" 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 shareholders' equity	Ratio of shareholders' equity to total assets
	Millions of yen	Millions of yen	Millions of yen	%
December 31, 2018	347,351	212,521	208,323	60.0
March 31, 2018	353,882	210,850	206,569	58.4

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 3/18	—	42.50	—	47.50	90.00
Year ending 3/19	—	24.00	—		
Year ending 3/19 (forecast)				24.00	48.00

(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, 2018. For the fiscal years ended March 2018, the amounts of dividends before the stock split are recorded.

3. Forecast for Consolidated Business Results for the Fiscal Year ending March 31, 2019 (April 1, 2018 –

March 31, 2019)

(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	450,000	4.7	35,000	7.3	35,000	3.8	24,200	1.8	24,000	1.8	103.88

(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: Applicable

(ii) Changes in accounting principles other than (i): Not applicable

(iii) Changes in accounting estimates: Not applicable

(Note) For further details, please refer to the section “Notes to the summary of consolidated Financial Statement” of this Consolidated Financial Results in the Accompanying Materials section on page 13.

(3) Number of outstanding shares (common shares)

(i) Number of shares outstanding at the end of period (including treasury shares):
Nine months ended 12/18: 240,000,000 shares Year ended 3/18: 240,000,000 shares

(ii) Number of treasury shares at the end of period:
Nine months ended 12/18: 8,970,749 shares Year ended 3/18: 8,970,504 shares

(iii) Average number of shares during the period (cumulative figure for consolidated quarterly accounting period):
Nine months ended 12/18: 231,029,278 shares Nine months ended 12/17: 231,138,729 shares

(Note) The Company conducted a two-for-one stock split for its common stock on April 1, 2018. “Number of shares outstanding at the end of period (including treasury shares),” “Number of treasury shares at the end of period” and “Average number of shares during the period” are calculated on the assumption that the stock split had been carried out at the beginning of the previous consolidated 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.

* “CTC” is the abbreviation for ITOCHU Techno-Solutions Corporation.

○Accompanying Materials – Contents

1. Qualitative Information Regarding Results for the Third Quarter

(1) Qualitative information on consolidated operating results

In the first nine months of the fiscal year ending March 2019, the Japanese economy continued recovering moderately overall against the background of improvement in corporate earnings and employment conditions, even though the future of the global economy became less certain due to causes such as rising global trade tensions.

In the information service industry, business conditions remained firm with IT investments showing a trend toward recovery in fields such as manufacturing and distribution.

In this environment, ITOCHU Techno-Solutions Corporation ("CTC") and its consolidated subsidiaries (collectively the "CTC Group") formulated a Medium-Term Management Plan subtitled "Opening New Horizons" for a period of three years from the fiscal year ending March 31, 2019 to the fiscal year ending March 31, 2021. In this Management Plan, aimed at "Take responsibility for the evolution of the IT industry, as the industry's leading company," the CTC Group stipulated fields for new activities as "Horizons." In the four Horizons stipulated in this way, the CTC Group is focusing on "Go upward: Challenge business transformation," "Go forward: Sharpening our advantages," "Go out: New coverage, new region in globe" and "Consolidate foothold: Stabilize management infrastructure." Specific initiatives are as follows.

・As the first step toward reforming ITOCHU Corporation's mission-critical systems, the CTC Group built a next-generation integrated Group-wide data platform that supports faster, more flexible business data analysis based on taking a hard look at the age of digital transformation. The CTC Group will continue expanding new functions that support operations in the period through fiscal 2020, such as the streamlining and sophistication of management decisions based on the real-time processing of sales and settlement data and business efficiency improvement through the application of artificial intelligence (AI).

・With the rapid development of the digital society, systems are becoming increasingly diverse, and more and more firms are combining on-premises and cloud systems. The CTC Group began offering "CUVIC" Managed Multi-Cloud Platform, an integrated managed service to meet needs for the construction of such hybrid environments and other requirements such as system migration, monitoring and backup. By strengthening its multi-cloud services, including adding further options to the "CUVIC" Managed Multi-Cloud Platform, the CTC Group will build optimal hybrid environments for customers and support digital business initiatives.

・The CTC Group added and enhanced the functions of its "E-PLSM" cloud service for renewable energy management, launched in 2011. The CTC Group added a function for detecting signs of anomalies in power generation equipment and enhanced the energy output estimation function for wind and solar powers to improve accuracy. To make renewable energy more widely use, the energy output estimates used to maintain the balance between energy supply and demand need to be more accurate. The CTC Group will continue helping customers to raise productivity through enhancement of its E-PLSM service and will continue contributing to achievement of the sustainable development goals (SDGs) through the development of clean energy technologies.

・To expand IT service operations in Europe and North America, CTC formed a business alliance with Newton Information Technology Ltd. in Britain and a capital alliance with SYSCOM (USA) INC. in the United States through ITOCHU Techno-Solutions America, Inc., its subsidiary in the United States. (CTC acquired 33.7% of the outstanding shares of SYSCOM (USA) INC. through the subsidiary). The CTC Group will cooperate with the two companies from now on to achieve a global customer support network that covers Europe, North America, the ASEAN region and Japan.

・The Group has opened “agile offices” at its offices in Tokyo and Toyota City Aichi. An agile office is a dedicated space for agile development that will make it possible to commence new business quickly with a small start while responding flexibly to changes in customer requirements or specifications. The Group will strive to co-create digital businesses in the environment that facilitates close cooperation with customers while also focusing its efforts on the development of engineers to be involved in the co-creation.

・The CTC Group invested in Cinnamon Inc., a company with leading technologies in the field of handwritten character recognition using deep learning (AI-OCR), as an investment project undertaken by CTC Innovation Partners, a venture capital established to provide support to start-ups and expand business domains through joint ventures with customers. In addition, the CTC Group invested in CoCooking Co., Ltd., a company offering a platform for reducing food waste by linking unsold products with buyers, and Active SONAR Inc., a provider of a resale platform that supports activities in the field of the sharing economy, in a bid to contribute to the realization of a recycling-oriented society and the achievement of SDGs.

・CTC concluded an academic exchange agreement with Waseda University for training individuals in the data science field where there are shortages as a result of the recent advancement of big data, IoT and AI. In cooperation with Waseda University, the CTC Group will commit to training personnel in the field of data science, in addition to advancing data analysis and AI development at companies. The Group also established AI_LAB, an environment for verifying use of AI at scale and learning, and we began offering a free program for the university at the lab. In addition, to further strengthen the framework for promoting AI business, the CTC Group delivered an AI education program to around 3,000 employees.

・Aiming to be an “attractive company,” the CTC is enhancing personnel programs that will help increase employees’ motivation, and implementing workstyle reforms to support diverse ways of working. As part of this, the Group introduced a special program for cancer that provides support for cancer prevention, early detection, health checkups and subsidies for high-cost medical care, thus helping employees balance cancer treatment with work.

In its sales activities, the Group focused primarily on manufacturing and communication, and infrastructure development projects for internet service providers.

Revenue for the nine months under review amounted to 300,009 million yen (up 1.8% year on year), reflecting an increase in the Services business and the Development business. Operating income rose 7.6% year on year, to 17,866 million yen, thanks to higher sales and an improved gross margin. Despite higher operating income, profit before tax came to 18,252 million yen (down 0.5% year on year) due to factors including lower gains on sales of shares of subsidiaries and associates. Net profit was 12,450 million yen (up 0.4% year on year). Net profit attributable to CTC’s shareholders totaled 12,333 million yen (up 0.0% year on year).

(2) Qualitative information on consolidated financial position

Total assets amounted to 347,351 million yen as of December 31, 2018, a decrease of 6,531 million yen from March 31, 2018. The asset decline was mainly attributable to decreases of 46,120 million yen in trade and other receivables and 2,223 million yen in other current financial assets, which offset increases of 10,235 million yen in cash and cash equivalents, 14,191 million yen in inventories and 20,520 million yen in other current assets.

Total liabilities stood at 134,830 million yen as of December 31, 2018, a decrease of 8,202 million yen from March 31, 2018. Primary factors for the decrease included falls of 9,601 million yen in trade and other payables, 6,678 million yen in income taxes payable and 4,856 million yen in liabilities for employee benefits (current liabilities), which offset a rise of 11,969 million yen in other current liabilities.

Total equity was 212,521 million yen as of December 31, 2018, an increase of 1,671 million yen from March 31, 2018. The equity growth was mainly attributable to increases of 12,450 million yen in net profit and 336 million yen in other comprehensive income, which offset a decrease of 11,199 million yen in the payment of dividends.

(3) Qualitative information on consolidated earnings forecasts

As of the announcement date of these financial results, CTC has made no change to its financial forecasts announced on May 1, 2018.

2. Summary of Quarterly Consolidated Financial Statements

(1) Summary of quarterly consolidated statement of financial position

	Previous consolidated fiscal year (As of March 31, 2018)	Consolidated fiscal year under review (As of December 31, 2018)
Items	Amount (millions of yen)	Amount (millions of yen)
(Assets)		
Current assets		
Cash and cash equivalents	51,003	61,238
Trade and other receivables	130,370	84,249
Inventories	25,577	39,769
Current tax assets	79	60
Other current financial assets	23,333	21,109
Other current assets	42,427	62,947
Total current assets	272,792	269,375
Non-current assets		
Property, plant and equipment	34,857	34,080
Goodwill	4,470	4,397
Intangible assets	10,538	9,348
Investments accounted for using the equity method	724	1,554
Other non-current financial assets	14,888	16,239
Deferred tax assets	12,817	9,973
Other non-current assets	2,793	2,381
Total non-current assets	81,090	77,975
Total assets	353,882	347,351

Items	Previous consolidated fiscal year (As of March 31, 2018) Amount (millions of yen)	Consolidated fiscal year under review (As of December 31, 2018) Amount (millions of yen)
(Liabilities and Equity)		
Current liabilities		
Trade and other payables	48,572	38,970
Other current financial liabilities	5,992	6,797
Income taxes payable	8,089	1,410
Liabilities for employee benefits	17,633	12,776
Provisions	707	673
Other current liabilities	44,934	56,904
Total current liabilities	125,929	117,533
Non-current liabilities		
Non-current financial liabilities	10,912	11,153
Liabilities for employee benefits	4,149	4,086
Provisions	1,716	1,787
Deferred tax liabilities	324	268
Total non-current liabilities	17,103	17,296
Total liabilities	143,032	134,830
Equity		
Common stock	21,763	21,763
Capital surplus	33,152	33,189
Treasury stock	(9,621)	(9,622)
Retained earnings	160,544	161,882
Other components of equity	730	1,111
Total shareholders' equity	206,569	208,323
Non-controlling interests	4,281	4,197
Total equity	210,850	212,521
Total liabilities and equity	353,882	347,351

(2) Summary of quarterly consolidated income statement and summary quarterly consolidated comprehensive income statement

Summary of quarterly consolidated income statement

	Previous consolidated fiscal year (From April 1, 2017 to December 31, 2017)	Consolidated fiscal year under review (From April 1, 2018 to December 31, 2018)
Items	Amount (millions of yen)	Amount (millions of yen)
Revenue	294,707	300,009
Cost of sales	(226,972)	(228,933)
Gross profit	67,734	71,076
Other income and expenses		
Selling, general and administrative expenses	(51,272)	(53,350)
Other income	298	262
Other expenses	(149)	(120)
Total other income and expenses	(51,122)	(53,209)
Operating income	16,612	17,866
Financial income	522	240
Financial costs	(70)	(194)
Share of profit of associates accounted for using the equity method	(29)	339
Gains on disposal and remeasurement of investments in subsidiaries and associates	1,312	—
Profit before tax	18,347	18,252
Income tax expense	(5,948)	(5,801)
Net profit	12,398	12,450
Profit attributable to:		
CTC’s shareholders	12,327	12,333
Non-controlling interests	70	117

Earnings per share (Attribution to CTC’s shareholders):	(Yen)	(Yen)
Basic earnings per share	53.33	53.38
Diluted earnings per share	—	—

Summary of quarterly consolidated comprehensive income statement

	Previous consolidated fiscal year (From April 1, 2017 to December 31, 2017)	Consolidated fiscal year under review (From April 1, 2018 to December 31, 2018)
Items	Amount (millions of yen)	Amount (millions of yen)
Profit	12,398	12,450
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	317	434
Share of other comprehensive income of associates accounted for using the equity method	3	19
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	859	(126)
Cash flow hedges	37	7
Share of other comprehensive income of associates accounted for using the equity method	(39)	1
Total other comprehensive income, net of tax effect	1,177	336
Total comprehensive income	13,576	12,787
Total comprehensive income attributable to:		
Owners of the Company	13,265	12,712
Non-controlling interests	311	75

(3) Summary of quarterly consolidated statement of changes in equity

(Millions of yen)

Items	Attributable to the owners of the Company						
					Other components of equity		
	Common stock	Capital surplus	Treasury stock	Retained earnings	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	—	—	—	12,327	—	—	—
Other comprehensive income	—	—	—	—	579	320	37
Total comprehensive income	—	—	—	12,327	579	320	37
Payment of dividends	—	—	—	(9,827)	—	—	—
Purchase of treasury stock	—	—	(390)	—	—	—	—
Sale of treasury stock	—	—	—	—	—	—	—
Share-based payment transactions	—	24	—	—	—	—	—
Changes in interests in subsidiaries	—	40	—	—	—	—	—
Transfer to retained earnings from other components of equity	—	—	—	—	—	—	—
Total transactions with owners	—	65	(390)	(9,827)	—	—	—
December 31, 2017	21,763	33,141	(9,621)	149,037	(3)	942	27

Items	Shareholders' equity	Non-controlling interests	Total equity
	Total shareholders' equity		
April 1, 2017	192,175	3,525	195,701
Profit	12,327	70	12,398
Other comprehensive income	937	240	1,177
Total comprehensive income	13,265	311	13,576
Payment of dividends	(9,827)	(87)	(9,914)
Purchase of treasury stock	(390)	—	(390)
Sale of treasury stock	—	—	—
Share-based payment transactions	24	—	24
Changes in interests in subsidiaries	40	521	562
Transfer to retained earnings from other components of equity	—	—	—
Total transactions with owners	(10,152)	434	(9,717)
December 31, 2017	195,288	4,271	199,559

(Millions of yen)

Items	Attributable to the owners of the Company						
					Other components of equity		
	Common stock	Capital surplus	Treasury stock	Retained earnings	Exchange differences on translating foreign operations	Changes in net fair value of financial assets measured through other comprehensive income	Cash flow hedges
April 1, 2018 (as previously reported)	21,763	33,152	(9,621)	160,544	(270)	1,053	(52)
Effect of accounting change	—	—	—	46	—	—	—
April 1, 2018 (as restated)	21,763	33,152	(9,621)	160,591	(270)	1,053	(52)
Profit	—	—	—	12,333	—	—	—
Other comprehensive income	—	—	—	—	(82)	454	7
Total comprehensive income	—	—	—	12,333	(82)	454	7
Payment of dividends	—	—	—	(11,041)	—	—	—
Purchase of treasury stock	—	—	(0)	—	—	—	—
Sale of treasury stock	—	0	0	—	—	—	—
Share-based payment transactions	—	36	—	—	—	—	—
Changes in interests in subsidiaries	—	—	—	—	—	—	—
Transfer to retained earnings from other components of equity	—	—	—	(1)	—	1	—
Total transactions with owners	—	36	(0)	(11,042)	—	1	—
December 31, 2018	21,763	33,189	(9,622)	161,882	(353)	1,509	(44)

区分	Shareholders' equity	Non-controlling interests	Total equity
	Total shareholders' equity		
April 1, 2018 (as previously reported)	206,569	4,281	210,850
Effect of accounting change	46	—	46
April 1, 2018 (as restated)	206,616	4,281	210,897
Profit	12,333	117	12,450
Other comprehensive income	379	(42)	336
Total comprehensive income	12,712	75	12,787
Payment of dividends	(11,041)	(158)	(11,199)
Purchase of treasury stock	(0)	—	(0)
Sale of treasury stock	0	—	0
Share-based payment transactions	36	—	36
Changes in interests in subsidiaries	—	—	—
Transfer to retained earnings from other components of equity	—	—	—
Total transactions with owners	(11,004)	(158)	(11,162)
December 31, 2018	208,323	4,197	212,521

(4) Notes to the summary of consolidated Financial Statement

(Notes on going concern assumptions)

None

(Change in the accounting policies)

Application of IFRS 9 Financial Instruments

Starting from the first quarter of the consolidated fiscal year ending March 2019, the Group applies IFRS 9 Financial Instruments (revised in July 2014). In applying IFRS 9, the Group adopted a method with which the accumulated impact of the application of IFRS 9 is recognized on the day when it began to be applied, which is permitted as a transitional measure.

Concerning impairment losses of financial assets, IFRS 9 replaces “incurred loss model” in IAS 39 “Financial Instruments: Recognition and Measurement” with “expected credit loss model.”

On the last day of every consolidated accounting period, the CTC Group assesses whether or not credit risk related to financial assets has increased significantly from the level at the time of initial recognition. Where the credit risk has not increased significantly from the level at the time of initial recognition, the Group recognizes the amount equivalent to the 12-month expected credit losses as the allowance for doubtful accounts. On the other hand, where the credit risk has increased significantly from the level at the time of initial recognition, the Group recognizes the amount equivalent to the full lifetime expected credit losses as the allowance for doubtful accounts. However, the Group applies the simplified approach stipulated in IFRS 9 for expected credit losses related to trade receivables, contract assets and lease receivables, recognizing the allowance for doubtful accounts to be equivalent in amount to the full lifetime expected credit losses. Expected credit losses are estimated by reflecting changes in credit information, information about overdue accounts receivable and other information.

The application of this standard does not have any material impact on the profit or loss of the Group.

Application of IFRS 15 Revenue from Contracts with Customers

Starting from the first quarter of the consolidated fiscal year ending March 2019, the CTC Group applies IFRS 15 Revenue from Contracts with Customers (published in May 2014) and Clarifications to IFRS 15 (published in April 2016) (hereinafter collectively referred to as “IFRS 15”). In applying IFRS 15, the Group adopted a method with which the accumulated impact of the application of IFRS 15 is recognized on the day when it began to be applied, which is permitted as a transitional measure.

Reflecting the application of IFRS 15, the Group recognizes its revenue in the following five steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the Group satisfies a performance obligation.

Revenue is measured based on the compensation indicated in the contract with the customer by excluding the amount of money collected for third parties. The CTC Group recognizes revenue when the control of goods or a service is passed to the customer.

The application of this standard does not have any material impact on the profit or loss of the Group.