

Consolidated Financial Results for the First Half of the Fiscal Year ending March 31, 2021 (IFRS)

November 2, 2020

Listed Company Name: ITOCHU Techno-Solutions Corporation

Listing Exchanges: Tokyo Stock Exchange

Securities Code: 4739

URL: <https://www.ctc-g.co.jp/en/index.html>

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Scheduled date to submit the annual securities report (*Shihanki Hokokusho*): November 12, 2020

Scheduled date of dividend payment: December 4, 2020

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, 2020

(April 1, 2020 – September 30, 2020)

(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 attributable to CTC's shareholders	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended 9/20	215,049	2.2	13,309	(9.3)	13,360	(8.8)	9,301	(7.2)	9,228	(6.7)	11,530	17.8
Six months ended 9/19	210,385	9.5	14,668	38.7	14,649	35.4	10,023	35.9	9,893	34.8	9,792	24.7
	Basic earnings per share attributable to CTC's shareholders		Diluted earnings per share attributable to CTC's shareholders									
	Yen		Yen									
Six months ended 9/20	39.94		39.94									
Six months ended 9/19	42.83		42.83									

(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	%
September 30, 2020	428,062	242,582	235,532	55.0
March 31, 2020	438,816	238,564	231,672	52.8

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 3/20	—	27.50	—	30.50	58.00
Year ending 3/21	—	31.50			
Year ending 3/21 (forecast)			—	31.50	63.00

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

3. Forecast for Consolidated Business Results for the Fiscal Year ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(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	500,000	2.7	44,600	7.0	44,600	7.4	30,600	7.5	30,000	5.4	129.84

(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 9/20: | 240,000,000 shares | Year ended 3/20: | 240,000,000 shares |
| (ii) Number of treasury shares at the end of period: | | | |
| Six months ended 9/20: | 8,950,102 shares | Year ended 3/20: | 8,966,282 shares |
| (iii) Average number of shares during the period (cumulative figure for consolidated quarterly accounting period): | | | |
| Six months ended 9/20: | 231,039,712 shares | Six months ended 9/19: | 231,030,918 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.

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1. Qualitative Information Regarding the Results for the First Half

(1) Qualitative information on consolidated operating results

In the first half of the fiscal year ending March 2021, Japanese economy still faced a severe situation, with the impact of COVID-19 putting downward pressure on the economy, but signs of recovery could also be seen, partly owing to the effects of various government policies and improvement of overseas economies.

In the information service industry, while demand was created for IT investment in areas such as teleworking due to the impact of COVID-19, there were moves to limit certain business activities, or curb or postpone such investments, especially among customer companies whose business performance was seriously affected.

In this environment, ITOCHU Techno-Solutions Corporation (“CTC”) and its consolidated subsidiaries (collectively, the “CTC Group”), with a motto of playing a leading role to contribute to the evolution of the IT industry, continued to focus on the following four “Horizons”: “Go upwards: Challenge business transformation,” “Go forwards: Sharpening our advantages,” “Go outwards: New coverage, new region in globe” and “Consolidate footholds: Stabilize management infrastructure” to achieve the Medium-Term Management Plan subtitled “Opening New Horizons” that covers the period of three years from the fiscal year ended March 31, 2019 to the fiscal year ending March 31, 2021. In addition, amid changes in workstyles and lifestyles prompted by the spread of COVID-19, the CTC Group has been pursuing new initiatives in line with the Medium-Term Management Plan to help employees adapt to such changes. Details of such initiatives are as follows.

<Initiatives related to “Go upwards: Challenge business transformation”>

- CTC started to promote the Celonis Intelligent Business Cloud, a process mining solution that Germany-based Celonis SE is offering. The solution enables a user to analyze data and logs produced in daily corporate operations through AI and identify bottlenecks and matters that should be improved in operation processes. The user can execute the OODA loop*1, which is necessary for improving processes, within the framework of a tool in real time. CTC not only provides the solution but also offers services such as data design, consulting, setting, collaboration with existing systems, operation and training as a total package, thereby helping customers implement digital transformation (DX). In addition, CTC participated in Association of Process Mining Japan (APMJ) established in June as a special member. CTC will also focus on raising awareness about process mining technology and developing human resources in this field.

*1: A problem-solving method through the iteration of an observe-orient-decide-act cycle.

- CTC started to offer SpreadJS for OutSystems software developed by GrapeCity inc. to provide table calculation functions on the OutSystems low-code development platform. SpreadJS for OutSystems is a software module which incorporates the same appearance and operability as other generally available table calculation software and provides a software development tool which integrates seamlessly with Outsystems. CTC started promoting OutSystems in 2015 and is actively focusing on agile development and DevOps. Moving forward, CTC will continue working to enhance agile development services and options, helping customers improve the efficiency of their business operations and implement digital transformation (DX).
- CTC concluded a sole agency agreement covering Japan and the ASEAN region with Ayonix Corporation, a specialist in the field of high-speed facial recognition, and began offering the Ayonix FaceID multi-device compatible facial recognition solution and system integration services such as application development and maintenance linked to this product. In addition to facial recognition access control systems, which CTC also currently uses in its offices, CTC will seek to expand functionality in the future in areas such as facial recognition login, facial recognition that works with face masks, detection of body temperature with thermography, and integration of facial recognition with network camera management systems, to support advances such as improvement in office-based and telework business efficiency and utilization of facial recognition in retail marketing.

<Initiatives related to “Go forwards: Sharpening our advantages”>

- CTC provided Government Pension Investment Fund (“GPIF”) with a cloud platform that gathers and analyzes index information, which is a benchmark for asset management. GPIF launched the Index Posting System, an initiative for gathering a variety of index information including ESG indices and Smart Beta indices

proposed by companies that provide indices. CTC's provision of the cloud platform made it possible for GPIF to accept proposals made by companies that provide indices at any time, free of previous time constraints. As a result, GPIF can now collect and accumulate a wide range of index information more efficiently. Thanks to the high-level data analysis function embedded in the cloud platform, GPIF can analyze not only corporate financial information reflected in indices but non-financial information including ESG information, resulting in the implementation of more advanced management.

- CTC started to provide a quantitative assessment service to commercial, transport and public facilities, respectively, in response to social distancing requests. The service is created based on knowledge that CTC has accumulated through digital simulations for more than 60 years. It makes forecasts on the formation of queues and a rise in the level of group density in conjunction with the securing of social distance aimed at preventing the spread of COVID-19. Then, by identifying issues and evaluating the effectiveness of countermeasures, it supports the operation of facilities. Going forward, CTC will work to enhance the simulation technology and expand related services, thereby ensuring that people can use varieties of facilities in secure and safe conditions.
- To help customers use cloud computing, CTC formed a capital alliance and business alliance with Megazone Corporation, the U.S. subsidiary of Megazone Corporation Group, a leading Korean IT company, and began offering solutions for more efficient use of multiple clouds. CTC plans to continue collaborating with Megazone Corporation Group over the use of new technologies and development of new services and to help customers all over the world, especially in Japan and Asia, use cloud computing to optimize costs and reduce operation load, among other benefits.
- CTC began collaborating with Hitachi Systems, Ltd. to enhance its service lineup and expand business in the security field. By sharing a SOC (Security Operation Center), sharing each other's technologies, knowhow and services, and developing human resources through this, and by providing services combining both their strengths, the two companies will help customers solve security-related issues.

<Initiatives related to “Go outwards: New coverage, new region in globe” >

- CTC, NEC Corporation, OBAYASHI CORPORATION, Japan Industrial Partners, Inc., Japan Investment Adviser Co., Ltd. and IPC Fund 1, operated by UTokyo Innovation Platform Co., Ltd., established BIRD INITIATIVE, Inc. (BIRD), a new company that will create new businesses. BIRD aims to promote a new research and development framework called "Co-creative R&D" in which issues and technologies are brought together from industry, government and academia, and will focus on creating new businesses through research and development, contract research, consulting, and investment in startups.
- CTC and TAKADA Transport Service Co., Ltd. established TriValue Co., Ltd., a logistics JV engaged in the delivery of large interior goods. TriValue will provide logistics services such as delivery and warehousing services to furniture manufacturers and customers in the retail industry as a prime contractor for the delivery of large furniture. Using an integrated logistics platform for shippers, consumers and delivery firms, TriValue will visualize available delivery dates and delivery status in real time and optimize delivery routes and loads to improve the efficiency of customer operations and improve consumer convenience. CTC has been providing the Mobile Asset Management Service, a cloud service for optimizing transportation and delivery, since 2011. TriValue will use this service to realize efficient common delivery as part of digital transformation (DX).

<Initiatives related to “Consolidate footholds: Stabilize management infrastructure”>

- To create an environment and corporate culture that encourage active participation of diverse human resources, CTC has been working on a range of initiatives such as employees' work-style reforms, health and productivity management, aid for active participation of women, seniors, and people with disabilities, and support for balancing work with childcare/nursing care. In addition, it has developed the Basic Policy on

Diversity to further promote diversity by including LGBT*1 and SOGI*2 issues. Based on this policy, CTC has established a desk for consultation on LGBT and SOGI issues and implemented internal training programs to facilitate employees' understanding.

*1: LGBT stands for lesbian, gay, bisexual and transgender. It is a collective term for sexual minorities.

*2: SOGI stands for sexual orientation and gender identity.

- Given the spread of the COVID-19, the CTC Group has been reviewing the work system flexibly in light of infection rates while also maintaining the basic policy of working from home. During the state of emergency declared by the Japanese government, the Group adopted a teleworking system for all managers and staff members, in principle. After the state of emergency was lifted, with the number of cases trending down, the Group encouraged the entire workforce to balance teleworking with office-based work. However, cases have once again started to rise since the summer and, taking the upsurge in cases and productivity of business activities into consideration, the Group decided, through consultation, to adopt a mix of teleworking and office-based work according to the situation of each organization. Whilst the Group's basic policy is that officers and employees should work from home and implement thorough measures to prevent transmission if they have to go into the office, it also takes into consideration the importance of office-based work as an opportunity for communication which gives rise to innovative ideas, creation of a sense of unity and proper governance, and each organization is autonomously pursuing the best ways of working during the COVID-19 crisis.

In its sales activities, the CTC Group focused on 5G related projects for the telecommunication sector, and infrastructure and development for government and municipal offices and railways.

During the first half of the fiscal year under review, revenue amounted to 215,049 million yen (up 2.2% year on year) thanks to higher sales in the Services business and the Products business. Operating income came to 13,309 million yen (down 9.3% year on year) due to an increase in other income and expenses. Profit before tax came to 13,360 million yen (down 8.8% year on year) due to lower operating income. Net profit was 9,301 million yen (down 7.2% year on year), and net profit attributable to CTC's shareholders totaled 9,228 million yen (down 6.7% year on year).

(2) Qualitative information on consolidated financial position

Total assets amounted to 428,062 million yen as of September 30, 2020, a decrease of 10,753 million yen from the end of the previous consolidated fiscal year. This was attributable largely to a decrease of 31,139 million yen in trade and other receivables, which offset increases of 11,570 million yen in inventories and 12,317 million yen in other current assets.

Total liabilities stood at 185,480 million yen, a decrease of 14,772 million yen from the end of the previous consolidated fiscal year. The principal contributing factors included decreases of 17,835 million yen in trade and other payables, and 8,628 million yen in income taxes payable, which offset an increase of 14,918 million yen in other current liabilities.

Total equity was 242,582 million yen, a rise of 4,018 million yen from the end of the previous consolidated fiscal year. This was mainly attributable to increases of 9,301 million yen in net profit and 2,229 million yen in other comprehensive income, which offset a decrease of 7,167 million yen due to the payment of dividends of surplus.

(3) Qualitative information on consolidated earnings forecasts

At present, the CTC Group will not revise its financial forecasts announced on April 30, 2020.

2. Summary Quarterly Consolidated Financial Statements

(1) Summary quarterly consolidated statement of financial position

	Previous consolidated fiscal year (As of March 31, 2020)	Consolidated fiscal year under review (As of September 30, 2020)
Items	Amount (millions of yen)	Amount (millions of yen)
(Assets)		
Current assets		
Cash and cash equivalents	74,615	70,323
Trade and other receivables	137,736	106,597
Inventories	29,044	40,614
Current tax assets	76	1,354
Other current financial assets	20,301	20,218
Other current assets	62,963	75,280
Total current assets	324,736	314,387
Non-current assets		
Property, plant and equipment	55,382	54,233
Goodwill	10,406	10,881
Intangible assets	8,477	7,958
Investments accounted for using the equity method	5,035	6,099
Other non-current financial assets	18,721	20,388
Deferred tax assets	13,910	12,044
Other non-current assets	2,145	2,069
Total non-current assets	114,080	113,675
Total assets	438,816	428,062

	Previous consolidated fiscal year (As of March 31, 2020)	Consolidated fiscal year under review (As of September 30, 2020)
Items	Amount (millions of yen)	Amount (millions of yen)
(Liabilities and Equity)		
Current liabilities		
Trade and other payables	56,788	38,952
Other current financial liabilities	14,818	14,645
Income taxes payable	11,696	3,067
Liabilities for employee benefits	21,761	17,696
Provisions	995	2,044
Other current liabilities	56,545	71,463
Total current liabilities	162,604	147,871
Non-current liabilities		
Non-current financial liabilities	31,222	31,358
Liabilities for employee benefits	3,839	3,865
Provisions	2,198	2,005
Deferred tax liabilities	387	379
Total non-current liabilities	37,647	37,608
Total liabilities	200,252	185,480
Equity		
Common stock	21,763	21,763
Capital surplus	30,526	30,149
Treasury stock	(9,613)	(9,582)
Retained earnings	188,149	190,447
Other components of equity	846	2,754
Total shareholders' equity	231,672	235,532
Non-controlling interests	6,892	7,049
Total equity	238,564	242,582
Total liabilities and equity	438,816	428,062

(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, 2019 to September 30, 2019)	Consolidated fiscal year under review (From April 1, 2020 to September 30, 2020)
Items	Amount (millions of yen)	Amount (millions of yen)
Revenue	210,385	215,049
Cost of sales	(160,185)	(163,676)
Gross profit	50,199	51,373
Other income and expenses		
Selling, general and administrative expenses	(35,841)	(38,373)
Other income	350	481
Other expenses	(39)	(171)
Total other income and expenses	(35,530)	(38,063)
Operating income	14,668	13,309
Financial income	158	175
Financial costs	(272)	(324)
Share of profit of associates accounted for using the equity method	95	157
Gains on disposal and remeasurement of investments in subsidiaries and associates	—	41
Profit before tax	14,649	13,360
Income tax expense	(4,626)	(4,059)
Net profit	10,023	9,301
Profit attributable to:		
CTC's shareholders	9,893	9,228
Non-controlling interests	129	72

Earnings per share (Attribution to CTC's shareholders):	(Yen)	(Yen)
Basic earnings per share	42.83	39.94
Diluted earnings per share	42.83	39.94

Summary quarterly consolidated comprehensive income statement

	Previous consolidated fiscal year (From April 1, 2019 to September 30, 2019)	Consolidated fiscal year under review (From April 1, 2020 to September 30, 2020)
Items	Amount (millions of yen)	Amount (millions of yen)
Profit	10,023	9,301
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	214	1,595
Share of other comprehensive income of associates accounted for using the equity method	(0)	(2)
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	(432)	631
Cash flow hedges	1	19
Share of other comprehensive income of associates accounted for using the equity method	(14)	(14)
Total other comprehensive income, net of tax effect	(230)	2,229
Total comprehensive income	9,792	11,530
Total comprehensive income attributable to:		
Owners of the Company	9,806	11,258
Non-controlling interests	(14)	272

(3) Summary quarterly consolidated statement of changes in equity
Previous consolidated fiscal year (From April 1, 2019 to September 30, 2019)

(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, 2019 (as previously reported)	21,763	33,193	(9,622)	174,460	(256)	1,160	1
Effect of accounting change	—	—	—	(2,151)	—	—	—
April 1, 2019 (as restated)	21,763	33,193	(9,622)	172,309	(256)	1,160	1
Profit	—	—	—	9,893	—	—	—
Other comprehensive income	—	—	—	—	(303)	214	1
Total comprehensive income	—	—	—	9,893	(303)	214	1
Payment of dividends	—	—	—	(6,011)	—	—	—
Purchase of treasury stock	—	—	(0)	—	—	—	—
Disposal of treasury stock	—	—	17	—	—	—	—
Share-based payment transactions	—	21	—	—	—	—	—
Changes in purchase of shares of subsidiaries	—	—	—	—	—	—	—
Put options held by non-controlling shareholders	—	—	—	—	—	—	—
Transfer to retained earnings from other components of equity	—	—	—	—	—	—	—
Total transactions with owners	—	21	16	(6,011)	—	—	—
September 30, 2019	21,763	33,215	(9,605)	176,191	(559)	1,375	3

Items	Shareholders' equity	Non-controlling interests	Total equity
	Total shareholders' equity		
April 1, 2019 (as previously reported)	220,701	4,404	225,105
Effect of accounting change	(2,151)	(4)	(2,155)
April 1, 2019 (as restated)	218,550	4,399	222,949
Profit	9,893	129	10,023
Other comprehensive income	(87)	(143)	(230)
Total comprehensive income	9,806	(14)	9,792
Payment of dividends	(6,011)	(82)	(6,094)
Purchase of treasury stock	(0)	—	(0)
Disposal of treasury stock	17	—	17
Share-based payment transactions	21	—	21
Changes in purchase of shares of subsidiaries	—	3,154	3,154
Put options held by non-controlling shareholders	—	—	—
Transfer to retained earnings from other components of equity	—	—	—
Total transactions with owners	(5,973)	3,071	(2,901)
September 30, 2019	222,383	7,456	229,840

Consolidated fiscal year under review (From April 1, 2020 to September 30, 2020)

(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, 2020	21,763	30,526	(9,613)	188,149	(1,655)	2,532	(31)
Profit	—	—	—	9,228	—	—	—
Other comprehensive income	—	—	—	—	416	1,593	19
Total comprehensive income	—	—	—	9,228	416	1,593	19
Payment of dividends	—	—	—	(7,052)	—	—	—
Purchase of treasury stock	—	—	(0)	—	—	—	—
Disposal of treasury stock	—	0	31	—	—	—	—
Share-based payment transactions	—	21	—	—	—	—	—
Changes in purchase of shares of subsidiaries	—	—	—	—	—	—	—
Put options held by non-controlling shareholders	—	(398)	—	—	—	—	—
Transfer to retained earnings from other components of equity	—	—	—	121	—	(121)	—
Total transactions with owners	—	(376)	31	(6,931)	—	(121)	—
September 30, 2020	21,763	30,149	(9,582)	190,447	(1,238)	4,005	(12)

Items	Shareholders' equity	Non-controlling interests	Total equity
	Total shareholders' equity		
April 1, 2020	231,672	6,892	238,564
Profit	9,228	72	9,301
Other comprehensive income	2,029	200	2,229
Total comprehensive income	11,258	272	11,530
Payment of dividends	(7,052)	(115)	(7,167)
Purchase of treasury stock	(0)	—	(0)
Disposal of treasury stock	31	—	31
Share-based payment transactions	21	—	21
Changes in purchase of shares of subsidiaries	—	—	—
Put options held by non-controlling shareholders	(398)	—	(398)
Transfer to retained earnings from other components of equity	—	—	—
Total transactions with owners	(7,397)	(115)	(7,512)
September 30, 2020	235,532	7,049	242,582

- (4) Notes to the summary of quarterly consolidated financial statement
(Notes on going concern assumptions)
None