

Consolidated Financial Results for the First Quarter of the Fiscal Year ending March 31, 2022 (IFRS)

August 3, 2021

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*): August 12, 2021

Scheduled date of dividend payment: -

Supplementary documents for financial results: Yes

Financial results briefing: Yes (for institutional investors and analysts)

(Rounded to the nearest million yen)

1. Consolidated Business Results for the three months ended June 30, 2021 (April 1, 2021 – June 30, 2021)

(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	%
Three months ended 6/21	108,564	4.3	7,660	31.0	7,826	32.7	5,397	32.7	5,395	31.8	7,317	29.8
Three months ended 6/20	104,075	7.3	5,847	21.1	5,896	21.1	4,067	22.7	4,093	26.1	5,635	133.8

	Basic earnings per share attributable to CTC's shareholders	Diluted earnings per share attributable to CTC's shareholders
	Yen	Yen
Three months ended 6/21	23.35	23.35
Three months ended 6/20	17.71	17.71

(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, 2021	456,322	262,342	254,667	55.8
March 31, 2021	462,749	262,609	254,800	55.1

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 3/21	—	31.50	—	32.50	64.00
Year ending 3/22	—	—	—	—	—
Year ending 3/22 (forecast)	—	35.00	—	35.00	70.00

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

3. Forecast for Consolidated Business Results for the Fiscal Year ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(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	520,000	8.4	48,500	11.2	49,000	11.5	33,500	8.6	33,000	8.2	142.83

(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 6/21: | 240,000,000 shares | Year ended 3/21: | 240,000,000 shares |
| (ii) Number of treasury shares at the end of period: | | | |
| Three months ended 6/21: | 8,950,202 shares | Year ended 3/21: | 8,950,202 shares |
| (iii) Average number of shares during the period (cumulative figure for consolidated quarterly accounting period): | | | |
| Three months ended 6/21: | 231,049,798 shares | Three months ended 6/20: | 231,033,702 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.

* Rounding change

- Amounts are rounded to the nearest million yen from "Consolidated Financial Results for the First Quarter of the Fiscal Year ending March 31, 2022 (IFRS)". They were rounded down to the nearest million yen previously. The comparison information is also rounded off due to this change.

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

○Accompanying Materials – Contents

1. Qualitative Information Regarding the Results for the First Quarter	P.4
(1) Qualitative information on consolidated operating results	P.4
(2) Qualitative information on consolidated financial position	P.5
(3) Qualitative information on consolidated earnings forecasts	P.5
2. Summary of Quarterly Consolidated Financial Statements and Notes	P.6
(1) Summary of quarterly consolidated statement of financial position	P.6
(2) Summary of quarterly consolidated income statement and summary of quarterly consolidated comprehensive income statement	P.8
(3) Summary of quarterly consolidated statement of changes in equity	P.10
(4) Notes to the summary of quarterly consolidated financial statement	P.11
(Notes on going concern assumptions)	P.11

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 under review, the environment surrounding the Japanese economy continued to be severe, with downward pressure being placed on it by the COVID-19 pandemic. Even so, signs of recovery could be seen in corporate earnings and capital investment, partly due to the effects of a variety of government policies and the improvement of overseas economies. In the information service industry, some corporate customers whose business performance has been seriously affected by the COVID-19 pandemic have acted to curb or postpone capital investment. On the other hand, there was an increase in corporate interest in investments for DX efforts of which had been delayed, and in investment in anticipation of the launch of commercial 5G services by telecom carriers.

In this environment, ITOCHU Techno-Solutions Corporation ("CTC") and its consolidated subsidiaries (collectively, the "CTC Group") formulated its new Medium-Term Management Plan: "Beyond the Horizons ~To the Future Ahead~," which addresses the three year-period from April 2021 to March 2024 with an eye toward the achievement of CTC Group Philosophy Mission of "Leveraging IT's potential to change future for the Global Good." CTC Group aims to achieve its quantitative targets for the fiscal year ending March 31, 2024 by steadily implementing three basic policies under the following slogans: "Accelerate: Create future wealth, " "Expand: Expand current wealth" and "Upgrade: Increase feasibility". Specific initiatives under these slogans are as follows.

< Initiatives related to "Accelerate: Create future wealth" >

- CTC began providing Snowflake, a cloud-based data platform developed by U.S.-based Snowflake Inc. This service, which is categorized as a DWaaS (Data Warehousing as a Service)^{*1}, enables companies to centrally collect a large amount of data stored separately in each department of a company, and process and accumulate this data according to analyses and purposes of use. CTC has been accumulating experience and expertise through system construction in the data warehouse and business intelligence areas. Building on this record, it will seek to provide professional services such as the provision of support and training regarding the utilization of data, the establishment of system linkage and replacement and Snowflake-related services, thereby contributing to the DX initiatives being undertaken by customers.

^{*1}: A platform that provides cloud-based data warehousing services in which information is stored chronologically in a way that is classified and integrated, so that it can be used appropriately for analyses, operational improvement, and other purposes.

- CTC started handling an AI chatbot service for local governments provided by DENSAN CO.,LTD., a Nagano-based company that provides general information processing services. The AI chatbot automatically responds to questions asked by local residents about making vaccination reservations, vaccination sites, procedures on the day of vaccination, and other matters. The cloud service is expected to improve the quality of services for local residents because it enables the fast establishment of an environment to respond to inquiries around the clock just by entering information about the vaccination sites and setting other chatbot factors such as screen colors, fonts and avatars. CTC will provide comprehensive support including the sale, set up and operation of services.
- CTC opened the CTC Digital Base, a virtual facility utilizing Virbela, a 3D virtual space service, developed by U.S.-based eXp World Technologies, LLC. The cloud service establishes online virtual facilities, such as offices, spaces for commercial negotiations and schools, enabling users to create avatars and use them to hold meetings and events. It is expected that the CTC Digital Base will enable users to energize their communications, including casual conversations, providing the opportunity for them to communicate with customers and engage in marketing activities in realistic 3D environments. Going forward, CTC seeks to increase its expertise through the utilization of the service for internal communications, including meetings, training and seminars with several thousand participants. Through these efforts CTC will promote virtual space services for customers.

< Initiatives related to "Expand: Build on current affluence">

- CTC will launch 5G-based local network services in collaboration with KATCHNETWORK INC. KATCHNETWORK INC. is a community-oriented cable operator engaged in the telecommunications and broadcasting businesses, including the provision of Internet access and cable television services mainly in the Mikawa area of Aichi. Their new service provides a communication environment for eMBB (enhanced Mobile BroadBand), URLLC (Ultra-Reliable and Low Latency Communications) and mMTC (massive Machine Type Communications) in specified areas. Because it is capable of processing large

amounts of data at high speed in real time, the service enables people to work remotely while leveraging AI (artificial intelligence) and AR (augmented reality) and it facilitates the reduction of necessary labor through automation and the use of AGVs (automatic guided vehicles). Technological verification will begin in October 2021 with an eye toward providing the service in spring 2022 mainly to clients engaging in manufacturing in the company's service area. CTC will undertake system design and construction leveraging the expertise it has accumulated through its provision of large-scale network systems over many years.

< Initiatives related to "Upgrade: Improve potential to realize projects">

- CTC Group relocated its head office in June 2021 to facilitate the adoption of new workstyles and to advance workplace reforms with a view toward operating in the new normal created by the COVID-19 pandemic. It will gradually transfer the head office functions of CTCT, CTCS, CTCSP, CTCBS, CTCBE and CTC HINARI Corporation to the new office, to increase collaboration within the Group. By making the office more compatible with the new normal and promoting new workstyles, the Group will improve operational efficiency and the capabilities and job satisfaction of its employees.
- CTC Group formulated its second action plan to support the Act on Promotion of Women's Participation and Advancement. Initiatives under the three-year action plan began on April 1, 2021. CTC believes that one of the key issues it faces is increasing the percentage of the people in managerial positions that are women. With this in mind, CTC's goal is to increase the number of female managers to 90 by April 2024 and achieve 100% telework utilization by female employees, further enhancing remote working initiatives. In addition, to further promote women's participation and advancement, it will strengthen the development of the next generation of women leaders and support female employees' efforts to advance their careers through the Human Resources Pipeline initiative, while also enhancing networking through the introduction of the career sponsorship program^{*1}. Based on CTC's basic policies on diversity, the Group will promote the creation of working environments in which all employees are respected and employees with diverse identities work together in diverse ways while taking on new challenges.

^{*1}: Career Sponsorship Program: Initiative for the establishment of networks of contacts and relationships for employees to be able to easily seek advice from role models presented by career sponsors and to participate in discussions and one-on-one meetings with sponsors (female managers or female manager candidates).

In its sales activities, CTC focused on 5G related projects for the communication sector and on infrastructure projects through its overseas operating companies.

During the first half of the fiscal year under review, revenue amounted to 108,564 million yen (up 4.3% year on year) due to higher sales in the Services business and the Development business. Operating income came to 7,660 million yen (up 31.0% year on year) due to higher sales and an increase in the gross profit ratio. Profit before tax came to 7,826 million yen (up 32.7% year on year) due to higher operating income. Net profit was 5,397 million yen (up 32.7% year on year), and net profit attributable to CTC's shareholders totaled 5,395 million yen (up 31.8% year on year).

(2) Qualitative information on consolidated financial position

Total assets amounted to 456,322 million yen as of June 30, 2021, a decrease of 6,426 million yen from the end of the previous consolidated fiscal year. This was attributable largely to a decrease of 22,772 million yen in trade and other receivables, which offset an increase of 15,119 million yen in other current assets.

Total liabilities stood at 193,981 million yen, a decrease of 6,159 million yen from the end of the previous consolidated fiscal year. The principal contributing factors included decreases of 15,512 million yen in trade and other payables, and 10,483 million yen in income taxes payable, which offset an increase of 19,538 million yen in other current financial liabilities.

Total equity was 262,342 million yen, a decline of 268 million yen from the end of the previous consolidated fiscal year. This mainly reflected a decrease of 7,571 million yen due to the payment of dividends of surplus, which offset increases of 5,397 million yen in net profit and 1,920 million yen in other comprehensive income.

(3) Qualitative information on consolidated earnings forecasts

At present, the CTC Group will not revise its financial forecasts announced on April 28, 2021.

2. Summary Quarterly Consolidated Financial Statements

(1) Summary quarterly consolidated statement of financial position

	Previous consolidated fiscal year (As of March 31, 2021)	Consolidated fiscal year under review (As of June 30, 2021)
Items	Amount (millions of yen)	Amount (millions of yen)
(Assets)		
Current assets		
Cash and cash equivalents	80,945	66,409
Trade and other receivables	140,171	117,399
Inventories	41,198	51,361
Current tax assets	250	2,759
Other current financial assets	24,822	24,373
Other current assets	66,292	81,411
Total current assets	353,678	343,712
Non-current assets		
Property, plant and equipment	45,009	48,477
Goodwill	11,702	11,584
Intangible assets	7,319	6,863
Investments accounted for using the equity method	6,378	6,370
Other non-current financial assets	21,379	24,677
Deferred tax assets	13,777	11,213
Other non-current assets	3,507	3,426
Total non-current assets	109,071	112,611
Total assets	462,749	456,322

	Previous consolidated fiscal year (As of March 31, 2021)	Consolidated fiscal year under review (As of June 30, 2021)
Items	Amount (millions of yen)	Amount (millions of yen)
(Liabilities and Equity)		
Current liabilities		
Trade and other payables	55,983	40,471
Other current financial liabilities	12,859	21,338
Income taxes payable	11,296	812
Liabilities for employee benefits	22,305	14,230
Provisions	4,837	4,491
Other current liabilities	65,524	85,062
Total current liabilities	172,805	166,405
Non-current liabilities		
Non-current financial liabilities	22,169	20,912
Liabilities for employee benefits	3,794	3,760
Provisions	993	2,560
Deferred tax liabilities	378	344
Total non-current liabilities	27,335	27,576
Total liabilities	200,139	193,981
Equity		
Common stock	21,764	21,764
Capital surplus	32,048	32,034
Treasury stock	(9,582)	(9,582)
Retained earnings	205,403	203,283
Other components of equity	5,167	7,170
Total shareholders' equity	254,800	254,667
Non-controlling interests	7,810	7,674
Total equity	262,609	262,342
Total liabilities and equity	462,749	456,322

(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, 2020 to June 30, 2020)	Consolidated fiscal year under review (From April 1, 2021 to June 30, 2021)
Items	Amount (millions of yen)	Amount (millions of yen)
Revenue	104,075	108,564
Cost of sales	(79,094)	(81,063)
Gross profit	24,981	27,500
Other income and expenses		
Selling, general and administrative expenses	(19,194)	(19,883)
Other income	100	100
Other expenses	(40)	(58)
Total other income and expenses	(19,134)	(19,841)
Operating income	5,847	7,660
Financial income	111	173
Financial costs	(154)	(146)
Share of profit of associates accounted for using the equity method	92	139
Profit before tax	5,896	7,826
Income tax expense	(1,828)	(2,429)
Net profit	4,067	5,397
Profit attributable to:		
CTC's shareholders	4,093	5,395
Non-controlling interests	(25)	2

Earnings per share (Attribution to CTC's shareholders):	(Yen)	(Yen)
Basic earnings per share	17.71	23.35
Diluted earnings per share	17.71	23.35

Summary quarterly consolidated comprehensive income statement

	Previous consolidated fiscal year (From April 1, 2020 to June 30, 2020)	Consolidated fiscal year under review (From April 1, 2021 to June 30, 2021)
Items	Amount (millions of yen)	Amount (millions of yen)
Profit	4,067	5,397
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	224	2,203
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	1,336	(210)
Cash flow hedges	14	(126)
Share of other comprehensive income of associates accounted for using the equity method	(5)	55
Total other comprehensive income, net of tax effect	1,568	1,920
Total comprehensive income	5,635	7,317
Total comprehensive income attributable to:		
Owners of the Company	5,269	7,397
Non-controlling interests	367	(80)

(3) Summary quarterly consolidated statement of changes in equity

Previous consolidated fiscal year (From April 1, 2020 to June 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	21,764	30,526	(9,614)	188,150	(1,655)	2,533	(31)
Profit	—	—	—	4,093	—	—	—
Other comprehensive income	—	—	—	—	939	223	14
Total comprehensive income	—	—	—	4,093	939	223	14
Payment of dividends	—	—	—	(7,052)	—	—	—
Purchase of treasury stock	—	—	(0)	—	—	—	—
Share-based payment transactions	—	29	—	—	—	—	—
Put options held by non-controlling shareholders	—	(455)	—	—	—	—	—
Total transactions with owners	—	(426)	(0)	(7,052)	—	—	—
June 30, 2020	21,764	30,100	(9,614)	185,190	(716)	2,756	(18)

Items	Shareholders' equity	Non-controlling interests	Total equity
	Total shareholders' equity		
April 1, 2020	231,672	6,892	238,565
Profit	4,093	(25)	4,067
Other comprehensive income	1,176	392	1,568
Total comprehensive income	5,269	367	5,635
Payment of dividends	(7,052)	(57)	(7,109)
Purchase of treasury stock	(0)	—	(0)
Share-based payment transactions	29	—	29
Put options held by non-controlling shareholders	(455)	—	(455)
Total transactions with owners	(7,479)	(57)	(7,535)
June 30, 2020	229,462	7,202	236,664

Consolidated fiscal year under review (From April 1, 2021 to June 30, 2021)

(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, 2021 (as previously reported)	21,764	32,048	(9,582)	205,403	(98)	5,095	170
Profit	—	—	—	5,395	—	—	—
Other comprehensive income	—	—	—	—	(73)	2,201	(126)
Total comprehensive income	—	—	—	5,395	(73)	2,201	(126)
Payment of dividends	—	—	—	(7,515)	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	—
Share-based payment transactions	—	8	—	—	—	—	—
Put options held by non-controlling shareholders	—	(22)	—	—	—	—	—
Total transactions with owners	—	(14)	—	(7,515)	—	—	—
June 30, 2021	21,764	32,034	(9,582)	203,283	(170)	7,296	44

Items	Shareholders' equity	Non-controlling interests	Total equity
	Total shareholders' equity		
April 1, 2021 (as previously reported)	254,800	7,810	262,609
Profit	5,395	2	5,397
Other comprehensive income	2,002	(82)	1,920
Total comprehensive income	7,397	(80)	7,317
Payment of dividends	(7,515)	(56)	(7,571)
Purchase of treasury stock	—	—	—
Share-based payment transactions	8	—	8
Put options held by non-controlling shareholders	(22)	—	(22)
Total transactions with owners	(7,529)	(56)	(7,585)
June 30, 2021	254,667	7,674	262,342

(4) Notes to the summary of quarterly consolidated financial statement

(Notes on going concern assumptions)

None