

# Consolidated Financial Results

## for the First Half of the Fiscal Year ending March 31, 2022

### (IFRS)

November 1, 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*): November 12, 2021

Scheduled date of dividend payment: December 3, 2021

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 six months ended September 30, 2021

(April 1, 2021 – September 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	%
Six months ended 9/21	233,463	8.6	19,588	47.2	20,541	53.7	14,172	52.4	14,054	52.3	17,653	53.1
Six months ended 9/20	215,050	2.2	13,310	(9.3)	13,360	(8.8)	9,301	(7.2)	9,229	(6.7)	11,531	17.8

	Basic earnings per share attributable to CTC's shareholders	Diluted earnings per share attributable to CTC's shareholders
	Yen	Yen
Six months ended 9/21	60.82	60.82
Six months ended 9/20	39.94	39.94

### (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, 2021	460,622	272,586	264,753	57.5
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	—	35.00			
Year ending 3/22 (forecast)			—	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
Full year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	Yen
	520,000	8.4	48,500	11.2	49,000	11.5	33,500	8.6	33,000	142.82

(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 9/21:   | 240,000,000 shares | Year ended 3/21:       | 240,000,000 shares |
| (ii) Number of treasury shares at the end of period:   |                    |                        |                    |
| Six months ended 9/21:   | 8,925,702 shares   | Year ended 3/21:       | 8,950,202 shares   |
| (iii) Average number of shares during the period (cumulative figure for consolidated quarterly accounting period): |                    |                        |                    |
| Six months ended 9/21:   | 231,059,437 shares | Six months ended 9/20: | 231,039,712 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.

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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 2022, the Japanese economy continued to show signs of picking up partly due to the effects of a variety of government policies, despite lingering weakness in some non-manufacturing industries due to the impact of COVID-19.

In the information service industry, semiconductor shortages caused a growing sense of uncertainty. However, investment in DX-related technology increased in both manufacturing and non-manufacturing industries to meet the needs in growing markets, and continued investment related to 5G commercial services was also seen among mobile carriers.

In this environment, ITOCHU Techno-Solutions Corporation ("CTC") and its consolidated subsidiaries (collectively, the "CTC Group") lay out its 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 will steadily implement the basic policies under the plan: "Accelerate: Create future wealth, " "Expand: Expand current wealth" and "Upgrade: Increase feasibility, " aiming to achieve the targets for the fiscal year ending March 31, 2024 and also contributing to the resolution of social issues.

- CTC began providing the Materials Development Platform, which combines material analysis simulation and AI (artificial intelligence). The platform efficiently supports the development of materials with a low environmental impact and materials with high reliability and safety. It combines AI technology, chiefly machine learning and neural networks, with materials analysis simulations, which have been tried and tested over many years, to create predictive models of material physical properties and realize efficient materials development. CTC will focus its efforts to market the platform mainly on the manufacturing industry, including for the development of battery materials and semiconductor materials, the healthcare market, universities, and national research institutes, and aims to contribute to the resolution of social issues through materials development based on materials informatics\*1.

**【Accelerate】**

\*1 Materials informatics: Materials research which uses data to predict properties based on combinations of different elements or structure, in order to create materials with outstanding performance and durability. The properties of materials, for example, their weight, elasticity, durability, electrical conductivity, thermal resistance and thermal conductivity, differ considerably depending on the crystal structure and the combinations of elements that are bonded together to make the material, and this is a field which has attracted much attention in recent years.

- CTC began providing the DX Human Resources Creation Program (the "program") for the development of the DX human resources which businesses need to pursue DX. This is a program integrated with training services provided by Group company CTC Technology Corporation and covers a wide range of aspects for the promotion of DX including task setting, planning, system design, application development, and service operation. CTC intends to market the program mainly to businesses in the manufacturing and service industries which are seeking to develop new services or re-engineer business processes using IT, providing clients with total support for their DX initiatives, including business process re-engineering and business creation. Going forward, CTC will further expand and enhance the service menu and also offer DX human resources training services, to support service creation and business development and otherwise contribute to clients' DX initiatives.

**【Accelerate】**

- CTC launched 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, URLLC and eMTC 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 and AR (augmented reality) and it facilitates the reduction of necessary labor through automation and the use of AGVs (automatic guided vehicles). Technological verification began in October 2021 with an eye toward providing the service from 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.

【Expand】

- CTC added new digital qualification certificate issuance and identity verification support functions to SELMID\*<sup>1</sup>, the BtoC ID platform cloud service launched in November 2018. SELMID has already built up a track record as IDaaS (Identity as a Service) solution for educational institutions and private-sector businesses offering student and member account management and authentication functions and the newly added digital certification issuance function\*<sup>2</sup> will enable online issuance of certificates utilizing technology such as blockchain and other types of distributed ledger and public-key cryptography. Meanwhile, the identity verification support function\*<sup>3</sup> will support identity verification via an app, saving users the trouble of uploading ID documents and inputting personal information.

【Expand】

\*1 SELMID: Platform created through CTC's expansion of the capabilities of Microsoft's Microsoft Azure Active Directory B2C to enable use of social media in existing businesses and the easy and flexible integration of social media that is crucial for new services and new businesses. Users can log into SELMID using their ID for social media platforms such as LINE and Facebook.

\*2 Developed based on distributed ledger service of Microsoft's Azure Active Directory Verifiable Credentials.

\*3 Can also be integrated with xID API, the digital ID solution developed by xID, Inc., the Identify Verification Assist API solution developed by NTT DOCOMO, INC., and the Identity Verification Support Service provided by KDDI CORPORATION.

- CTC began providing New Relic One developed by New Relic, Inc. New Relic One is a SaaS (Software as a Service)-based observability\*<sup>1</sup> platform. It can be integrated with leading cloud platforms as well as open source software commonly used as operating systems and is capable of managing more than 370 services in an integrated manner. Observability has become a focus of attention as a means of improving efficiency amid the complexity that arises in hybrid cloud environments combining public cloud services and on-premises infrastructure. New Relic One visualizes the infrastructure and application information necessary to analyze the factors behind a system error or poor performance and drills deeper into the data to quickly identify the root cause. It will help clients optimize system operation costs and improve business efficiency.

【Expand】

\*1 Observability: The ability to understand the internal state of a system from data such as audit information and logs, which is then helpful in identifying the root cause of any detected anomalies.

- 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 completed transfer of the head office functions of CTCT, CTCS, CTCSP, CTCBS, CTCBE and CTC HINARI Corporation to the new office and will endeavor to further increase collaboration within the Group in the future. 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.

【Upgrade】

- As part of "management infrastructure reform to adapt to changes in the environment," effective October 1, 2021, CTC established Business Transformation Division as an organization which reports directly to the President & CEO. The office will formulate policies for the re-engineering of business processes across the CTC Group, cooperate with each Group organization and coordinate group-wide action to eliminate waste, stress and wastefulness from business processes and improve productivity. At the same time, it will also promote DX as the starting point for the transformation of existing business models. The office will also look to build a corporate culture or ethos, creating opportunities for the Group to take on even more challenges for the creation of new businesses.

【Upgrade】

- CTC and CTC Hinari Corporation\*<sup>1</sup> began providing the Data Preparation (DP) service for the preparation of data for AI analysis. Data preparation tasks to fix any spelling errors and typos is critical for accurate predictions and decisions. Data preparation is said to account for 80% of the work on an AI project and there are also issues such as a shortage of data engineers. CTC HINARI Corporation put together a team comprised mainly of employees with intellectual disabilities and, after a trial period of approximately one year, this team has now developed a level of data standardization skills comparable to that of engineers. The CTC Group aims to help clients utilize AI by working on data preparations for them as specialists, which removes one of the obstacles to AI use and also intends to develop a new profession for persons with disabilities in the IT sector including AI.\*<sup>2</sup>

【Upgrade/Accelerate】

\*1 A special subsidiary to promote employment of people with disabilities

\*2 Programming is also compatible with teleworking and offers a homeworking opportunity for human resources who have difficulty working in an office.

In its sales activities, the CTC Group focused on 5G related projects for the communication sector, social infrastructure, manufacturing and pharmaceutical infrastructure projects, and products and maintenance and operation projects for banks.

During the first half of the fiscal year under review, revenue amounted to 233,463 million yen (up 8.6% year on year) thanks to higher sales across-the-board in the Services business, SI Development business and the Products business. Operating income came to 19,588 million yen (up 47.2% year on year) due to an increase in the gross profit ratio despite higher selling, general and administrative expenses. Profit before tax came to 20,541 million yen (up 53.7% year on year) due to higher operating income. Net profit was 14,172 million yen (up 52.4% year on year), and net profit attributable to CTC's shareholders totaled 14,054 million yen (up 52.3% year on year).

## (2) Qualitative information on consolidated financial position

Total assets amounted to 460,622 million yen as of September 30, 2021, a decrease of 2,126 million yen from the end of the previous consolidated fiscal year. This was attributable largely to decreases of 13,751 million yen in cash and cash equivalents and 20,565 million yen in trade and other receivables, which offset increases of 12,449 million yen in inventories and 12,496 million yen in other current assets.

Total liabilities stood at 188,037 million yen, a decrease of 12,103 million yen from the end of the previous consolidated fiscal year. The principal contributing factors included decreases of 12,847 million yen in trade and other payables, and 7,668 million yen in income taxes payable, which offset an increase of 13,849 million yen in other current financial liabilities.

Total equity was 272,586 million yen, a rise of 9,976 million yen from the end of the previous consolidated fiscal year. This was mainly attributable to increases of 14,172 million yen in net profit and 3,481 million yen in other comprehensive income, which offset a decrease of 7,631 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 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 September 30, 2021)
Items	Amount (millions of yen)	Amount (millions of yen)
(Assets)		
Current assets		
Cash and cash equivalents	80,945	67,194
Trade and other receivables	140,171	119,606
Inventories	41,198	53,647
Current tax assets	250	2,188
Other current financial assets	24,822	24,260
Other current assets	66,292	78,788
Total current assets	353,678	345,684
Non-current assets		
Property, plant and equipment	45,009	50,187
Goodwill	11,702	11,808
Intangible assets	7,319	6,309
Investments accounted for using the equity method	6,378	6,508
Other non-current financial assets	21,379	27,227
Deferred tax assets	13,777	9,666
Other non-current assets	3,507	3,233
Total non-current assets	109,071	114,938
Total assets	462,749	460,622

	Previous consolidated fiscal year (As of March 31, 2021)	Consolidated fiscal year under review (As of September 30, 2021)
Items	Amount (millions of yen)	Amount (millions of yen)
(Liabilities and Equity)		
Current liabilities		
Trade and other payables	55,983	43,137
Other current financial liabilities	12,859	13,856
Income taxes payable	11,296	3,628
Liabilities for employee benefits	22,305	18,944
Provisions	4,837	2,436
Other current liabilities	65,524	79,372
Total current liabilities	172,805	161,373
Non-current liabilities		
Non-current financial liabilities	22,169	19,996
Liabilities for employee benefits	3,794	3,816
Provisions	993	2,567
Deferred tax liabilities	378	286
Total non-current liabilities	27,335	26,664
Total liabilities	200,139	188,037
Equity		
Common stock	21,764	21,764
Capital surplus	32,048	31,955
Treasury stock	(9,582)	(9,534)
Retained earnings	205,403	211,942
Other components of equity	5,167	8,627
Total shareholders' equity	254,800	264,753
Non-controlling interests	7,810	7,833
Total equity	262,609	272,586
Total liabilities and equity	462,749	460,622



(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 September 30, 2020)	Consolidated fiscal year under review (From April 1, 2021 to September 30, 2021)
Items	Amount (millions of yen)	Amount (millions of yen)
Revenue	215,050	233,463
Cost of sales	(163,676)	(174,347)
Gross profit	51,373	59,116
Other income and expenses		
Selling, general and administrative expenses	(38,373)	(39,731)
Other income	481	290
Other expenses	(172)	(87)
Total other income and expenses	(38,064)	(39,528)
Operating income	13,310	19,588
Financial income	176	935
Financial costs	(325)	(263)
Share of profit of associates accounted for using the equity method	158	280
Gains on disposal and remeasurement of investments in subsidiaries and associates	42	—
Profit before tax	13,360	20,541
Income tax expense	(4,059)	(6,369)
Net profit	9,301	14,172
Profit attributable to:		
CTC's shareholders	9,229	14,054
Non-controlling interests	72	118

  

Earnings per share (Attribution to CTC's shareholders):	(Yen)	(Yen)
Basic earnings per share	39.94	60.82
Diluted earnings per share	39.94	60.82

Summary quarterly consolidated comprehensive income statement

	Previous consolidated fiscal year (From April 1, 2020 to September 30, 2020)	Consolidated fiscal year under review (From April 1, 2021 to September 30, 2021)
Items	Amount (millions of yen)	Amount (millions of yen)
Profit	9,301	14,172
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	1,596	3,460
Share of other comprehensive income of associates accounted for using the equity method	(2)	(1)
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	632	70
Cash flow hedges	19	(108)
Share of other comprehensive income of associates accounted for using the equity method	(14)	59
Total other comprehensive income, net of tax effect	2,230	3,481
Total comprehensive income	11,531	17,653
Total comprehensive income attributable to:		
Owners of the Company	11,258	17,514
Non-controlling interests	273	139

(3) Summary quarterly consolidated statement of changes in equity  
Previous consolidated fiscal year (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	21,764	30,526	(9,614)	188,150	(1,655)	2,533	(31)
Profit	—	—	—	9,229	—	—	—
Other comprehensive income	—	—	—	—	417	1,593	19
Total comprehensive income	—	—	—	9,229	417	1,593	19
Payment of dividends	—	—	—	(7,052)	—	—	—
Purchase of treasury stock	—	—	(0)	—	—	—	—
Disposal of treasury stock	—	0	32	—	—	—	—
Share-based payment transactions	—	22	—	—	—	—	—
Put options held by non-controlling shareholders	—	(398)	—	—	—	—	—
Transfer to retained earnings from other components of equity	—	—	—	121	—	(121)	—
Total transactions with owners	—	(376)	32	(6,931)	—	(121)	—
September 30, 2020	21,764	30,150	(9,582)	190,447	(1,239)	4,005	(12)

Items	Shareholders' equity	Non-controlling interests	Total equity
	Total shareholders' equity		
April 1, 2020	231,672	6,892	238,565
Profit	9,229	72	9,301
Other comprehensive income	2,029	200	2,230
Total comprehensive income	11,258	273	11,531
Payment of dividends	(7,052)	(116)	(7,168)
Purchase of treasury stock	(0)	—	(0)
Disposal of treasury stock	32	—	32
Share-based payment transactions	22	—	22
Put options held by non-controlling shareholders	(398)	—	(398)
Transfer to retained earnings from other components of equity	—	—	—
Total transactions with owners	(7,397)	(116)	(7,513)
September 30, 2020	235,533	7,050	242,583

Consolidated fiscal year under review (From April 1, 2021 to September 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	—	—	—	14,054	—	—	—
Other comprehensive income	—	—	—	—	108	3,460	(108)
Total comprehensive income	—	—	—	14,054	108	3,460	(108)
Payment of dividends	—	—	—	(7,515)	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	48	—	—	—	—
Share-based payment transactions	—	(16)	—	—	—	—	—
Put options held by non-controlling shareholders	—	(77)	—	—	—	—	—
Transfer to retained earnings from other components of equity	—	—	—	—	—	—	—
Total transactions with owners	—	(94)	48	(7,515)	—	—	—
September 30, 2021	21,764	31,955	(9,534)	211,942	11	8,555	62

Items	Shareholders' equity	Non-controlling interests	Total equity
	Total shareholders' equity		
April 1, 2021 (as previously reported)	254,800	7,810	262,609
Profit	14,054	118	14,172
Other comprehensive income	3,460	21	3,481
Total comprehensive income	17,514	139	17,653
Payment of dividends	(7,515)	(116)	(7,631)
Purchase of treasury stock	—	—	—
Disposal of treasury stock	48	—	48
Share-based payment transactions	(16)	—	(16)
Put options held by non-controlling shareholders	(77)	—	(77)
Transfer to retained earnings from other components of equity	—	—	—
Total transactions with owners	(7,561)	(116)	(7,676)
September 30, 2021	264,753	7,833	272,586

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