

Consolidated Financial Results for the First Quarter of the Fiscal Year ending March 31, 2023 (IFRS)

August 3, 2022

Listed Company Name: ITOCHU Techno-Solutions Corporation

Listing Exchanges: Tokyo Stock Exchange

Securities Code: 4739

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

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Scheduled date to submit the quarterly securities report (*Shihanki Hokokusho*): August 10, 2022

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, 2022

(April 1, 2022 – June 30, 2022)

(1) Consolidated operating results

(Percentages represent year-on-year changes)

	Revenue		Operating income		Profit before tax		Net Profit		Net profit attributable to CTC's shareholders		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended 6/22	116,779	7.6	6,092	(20.5)	6,275	(19.8)	4,329	(19.8)	4,303	(20.2)	8,221	12.3
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
	Basic earnings per share attributable to CTC's shareholders				Diluted earnings per share attributable to CTC's shareholders							
	Yen				Yen							
Three months ended 6/22	18.62				18.62							
Three months ended 6/21	23.35				23.35							

(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, 2022	497,675	285,035	277,174	55.7
March 31, 2022	507,721	288,484	281,142	55.4

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 3/22	—	35.00	—	50.00	85.00
Year ending 3/23	—				
Year ending 3/23 (forecast)		40.50	—	40.50	81.00

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

2. Detail of dividends per share in year ended 3/22: Ordinary dividend: 75.00 yen Commemorative dividend: 10.00 yen

3. Forecast for Consolidated Business Results for the Fiscal Year ending March 31, 2023

(April 1, 2022 – March 31, 2023)

(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	553,000	5.9	55,500	9.9	56,000	8.0	38,500	11.7	38,000	7.4	164.45

(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 6/22: | 240,000,000 shares | Year ended 3/22: | 240,000,000 shares |
| (ii) Number of treasury shares at the end of period: | | | |
| Three months ended 6/22: | 8,925,738 shares | Year ended 3/22: | 8,925,738 shares |
| (iii) Average number of shares during the period (cumulative figure for consolidated quarterly accounting period): | | | |
| Three months ended 6/22: | 231,074,262 shares | Three months ended 6/21: | 231,049,798 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 promised 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 Quarter

(1) Qualitative information on consolidated operating results

In the first three months of the fiscal year ending March 31, 2023, the Japanese economy showed signs of picking up, partly due to effects of various government policies taken with efforts to balance containing resurgence of COVID-19 cases and resuming pre-pandemic level social & economic activities.

The information service industry suffered the uncertainty on the supply side due to shortage of semiconductors but saw an increase in DX-related investment in response to growth areas and other factors, and continued investment by telecommunications carriers for 5G commercial services.

Although CTC and its consolidated subsidiaries (collectively, the “CTC Group”) experienced delivery delays for some customers and products due to the semiconductor shortage, its negative impact on our business performance was negligible thanks to the booming DX-related business.

In this environment, the CTC Group has been working to achieve its Medium-Term Management Plan (for three years from April 2021 to March 2024) entitled "Beyond the Horizons - To the Future Ahead - ", which is aimed at realizing our corporate philosophy, Mission: "Leveraging IT's potential to change the future for the Global Good". We will steadily implement the following three basic policies, aiming to achieve the Medium-Term Plan goals by the end of fiscal year ending March 31, 2024, while contributing to solving social issues:

“Accelerate: Create future wealth”

“Expand: Expand current wealth”

“Upgrade: Increase feasibility”.

Our specific initiatives during the first quarter are as follows.

- CTC entered into a distributor agreement with Intertrust Technologies Corporation, a U.S.-based company, to become the first distributor in Japan for providing its “Intertrust Platform”, a data virtualization platform. For companies promoting DX, the need for integrating internal and external databases has been growing, which creates the challenge of dealing with risks such as information leakage and data corruption due to unintended access for the integration. The introduction of this platform will enable virtually consolidating databases dispersed both inside and outside of a company to enhance convenience and strengthening data governance through detailed security settings. We will make a total contribution to our customers' DX through data utilization by constructing and maintaining related system infrastructures and supporting their operations in addition to providing the product.

《Accelerate》

- CTC launched offering “D-Native”, a support service for building a data utilization platform that analyzes data to be used for business decision. The new offering is a package of cloud-native services for each of the following phases necessary for data utilization: "collection and maintenance," "processing, analysis, and AI development," "storage and processing," and "operation and monitoring". In addition, the service includes templated best practices of machine learning and data analysis useful for organizing business issues, which can shorten the implementation period. We also plan to expand our training services related to data utilization going forward.

《Accelerate》

- Aiming to confirm issues and effectiveness in business use of the virtual space (metaverse) that exists on the Internet, CTC conducted an experimental investigation of a business expo on our virtual space "CTC Digital Base" by holding "VIRTUAL EXPO in TODA" in collaboration with Toda City, Saitama Prefecture. Participants can attend the exhibition through avatars representing them on the Internet, visit the booths of exhibiting companies in a 3D space, and engage in voice conversations using microphones just as they would at a real exhibition with a sense of “you-are-there” feeling. Toda City and CTC will mutually cooperate in the promotion of DX that leads to solutions for its region-specific issues, and we will continue to improve the user experience (UX), functions of the virtual space, and how to manage such events based on feedbacks from the expo participants, seeking practical application of the virtual space.

《Accelerate》

- CTC began selling “Deep Instinct”, a preventive endpoint security product by Deep Instinct K.K., the Japanese subsidiary of U.S.-based Deep Instinct Ltd. The product uses deep learning to predict malwares and other threats that may occur in the future and detects intrusions into servers and devices such as PCs in real time to prevent potential attacks. In addition to offering the cybersecurity solution product to address new malwares emerging on a daily basis, we provide system construction and consulting services for its implementation.

《Expand》

- CTC started offering three new functions added to C-Native, a technical support service for cloud nativization: automatic construction of container environments, secret management for multi-cloud environments, and AI-based observability. This addition will help prevent human errors in authentication settings that occur during infrastructure construction and system linkage, thereby ensuring secure system linkage and operation. In addition, it will enable visualization of a vast amount of system resource information and log/trace information, as well as analysis of failure causes using AI. By providing "OneCUVIC" including C-Native, we will support application, system assessment, system environment design and construction, linkage with existing systems, design for operation, and subsequent continuous development (CI/CD) in cloud-native environments.

《Expand》

- CTC GLOBAL PTE. LTD., a CTC Group subsidiary in Singapore, was ranked 90th out of more than 1,700 employers in “Singapore's Best Employers 2022”, which ranks the best companies to work for in the country. The Straits Times, a Singaporean newspaper, and Statista GmbH, a global data platform headquartered in Germany, surveyed companies with at least 200 employees and assessed them in six categories, including employee development, corporate image, work environment, and diversity. CTC GLOBAL will continue to work together with CTC and other CTC Group companies to contribute to the region through its business, and advance various initiatives to make the company more attractive to its stakeholders, including employees.

《Upgrade》

- CTC decided to participate in the "Scholarship Partners" program to provide free tuition for "Kamiyama Marugoto Kosen (College of Technology) (tentative name, approval process underway)", a private technical college scheduled to open in Kamiyama-cho, Tokushima Prefecture in April 2023, and to contribute 1 billion yen to the scholarship fund. The Scholarship Partners will award a scholarship bearing our company name to four students in each grade, and we will support the students through collaborations with them in joint researches and new business creation initiatives.

As another support initiative, CTC TECHNOLOGY CORPORATION (“CTCT”) launched the "*Mirai wo Tsukuru* Project (Project for the Future Creation)", a free engineer training program focusing on IT infrastructure. The project is aimed at providing training to those who wish to work in the IT industry, and CTCT employees, who are in charge of training programs for our customers or the CTC Group company employees, serve as instructors. Trainees of the program can receive high quality education that will enable them to acquire a full range of knowledge and skills required for IT infrastructure engineers upon completion of the program.

Furthermore, CTC HINARI Corporation^{*1} acquired the "*MONISU* Certification" from the Ministry of Health, Labor and Welfare as an employer with excellent efforts to promote and secure employment of people with disabilities. In addition to operating the "HINARI CAFE" in our Kamiyacho office, the company started providing administrative services and data preparation (DP) services for AI analysis for the CTC Group companies, and is working on expanding job opportunities for employees with disabilities and fostering a workplace with their sense of job satisfaction and self-fulfillment.

Through those initiatives, we will continue to make further efforts toward "Cultivate Human Capital to Support the Future", one of the CTC Group’s materiality (material issues) themes.

《Upgrade》

^{*1} CTC Group special subsidiary to promote employment of persons with disabilities.

With regard to sales activities, we focused on various fields such as manufacturing, public sector, and financial services as well as overseas business projects.

Our performance in the first quarter of the current fiscal year is as follows:

Revenue increased to 116,779 million yen (up 7.6% YoY) with increases in all business categories of Services, SI/Development, and Products. Operating income was 6,092 million yen (down 20.5% YoY) due to a decline in gross profit margin and an increase in SG&A expenses. The decrease in operating income resulted in profit before tax of 6,275 million yen (down 19.8% YoY), net profit of 4,329 million yen (down 19.8% YoY), and net profit attributable to CTC's shareholders 4,303 million yen (down 20.2% YoY).

(2) Qualitative information on consolidated financial position

Total assets amounted to 497,675 million yen as of June 30, 2022, a decrease of 10,046 million yen from the end of the previous consolidated fiscal year. This was largely attributable to a decrease of 40,095 million yen in trade and other receivables, which nearly offset increases of 17,807 million yen in other current assets and 10,356 million yen in inventories.

Total liabilities stood at 212,640 million yen, a decrease of 6,597 million yen from the end of the previous consolidated fiscal year. The principal contributing factors included decreases of 13,839 million yen in trade and other payables, 10,901 million yen in liabilities for employee benefits (current liabilities) and 10,407 million yen in income taxes payable, which closely offset increases of 20,034 million yen in other current liabilities and 9,530 million yen in other current financial liabilities.

Total equity was 285,035 million yen, a decrease of 3,449 million yen from the end of the previous consolidated fiscal year. This was mainly attributable to a decrease of 11,624 million yen due to payment of dividends, which almost offset increases of 4,329 million yen in net profit and 3,892 million yen in other comprehensive income, net of tax effect.

(3) Qualitative information on consolidated earnings forecasts

The CTC Group has made no changes to its earnings forecasts announced on April 28, 2022.

2. Summary Quarterly Consolidated Financial Statements

(1) Summary quarterly consolidated statement of financial position

	Previous consolidated fiscal year (As of March 31, 2022)	Consolidated fiscal year under review (As of June 30, 2022)
Items	Amount (Millions of yen)	Amount (Millions of yen)
(Assets)		
Current assets		
Cash and cash equivalents	94,078	93,345
Trade and other receivables	150,892	110,797
Inventories	43,437	53,792
Current tax assets	197	2,792
Other current financial assets	22,425	23,409
Other current assets	70,071	87,879
Total current assets	381,100	372,014
Non-current assets		
Property, plant and equipment	51,992	51,047
Goodwill	7,810	8,412
Intangible assets	5,702	5,609
Investments accounted for using the equity method	7,940	7,922
Other non-current financial assets	39,797	41,688
Deferred tax assets	10,170	7,625
Other non-current assets	3,210	3,358
Total non-current assets	126,621	125,661
Total assets	507,721	497,675

	Previous consolidated fiscal year (As of March 31, 2022)	Consolidated fiscal year under review (As of June 30, 2022)
Items	Amount (Millions of yen)	Amount (Millions of yen)
(Liabilities and Equity)		
Current liabilities		
Trade and other payables	57,972	44,133
Other current financial liabilities	14,097	23,627
Income taxes payable	10,878	471
Liabilities for employee benefits	26,653	15,752
Provisions	962	706
Other current liabilities	63,115	83,148
Total current liabilities	173,677	167,838
Non-current liabilities		
Non-current financial liabilities	38,866	38,122
Liabilities for employee benefits	3,755	3,727
Provisions	2,547	2,495
Deferred tax liabilities	392	458
Total non-current liabilities	45,560	44,802
Total liabilities	219,237	212,640
Equity		
Common stock	21,764	21,764
Capital surplus	32,701	32,655
Treasury stock	(9,535)	(9,535)
Retained earnings	225,273	218,015
Other components of equity	10,939	14,275
Total shareholders' equity	281,142	277,174
Non-controlling interests	7,342	7,861
Total equity	288,484	285,035
Total liabilities and equity	507,721	497,675

(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, 2021 to June 30, 2021)	Consolidated fiscal year under review (From April 1, 2022 to June 30, 2022)
Items	Amount (Millions of yen)	Amount (Millions of yen)
Revenue	108,564	116,779
Cost of sales	(81,063)	(89,026)
Gross profit	27,500	27,753
Other income and expenses		
Selling, general and administrative expenses	(19,883)	(22,477)
Other income	100	833
Other expenses	(58)	(16)
Total other income and expenses	(19,841)	(21,661)
Operating income	7,660	6,092
Financial income	173	319
Financial costs	(146)	(311)
Share of profit of associates accounted for using the equity method	139	174
Profit before tax	7,826	6,275
Income tax expense	(2,429)	(1,946)
Net profit	5,397	4,329
Net profit attributable to:		
CTC's shareholders	5,395	4,303
Non-controlling interests	2	26
Earnings per share (Attribution to CTC's shareholders):	(Yen)	(Yen)
Basic earnings per share	23.35	18.62
Diluted earnings per share	23.35	18.62

Summary quarterly consolidated comprehensive income statement

	Previous consolidated fiscal year (From April 1, 2021 to June 30, 2021)	Consolidated fiscal year under review (From April 1, 2022 to June 30, 2022)
Items	Amount (Millions of yen)	Amount (Millions of yen)
Net profit	5,397	4,329
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	2,203	1,645
Share of other comprehensive income of associates accounted for using the equity method	(2)	6
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	(210)	1,903
Cash flow hedges	(126)	202
Share of other comprehensive income of associates accounted for using the equity method	55	137
Total other comprehensive income, net of tax effect	1,920	3,892
Total comprehensive income	7,317	8,221
Total comprehensive income attributable to:		
CTC's shareholders	7,397	7,638
Non-controlling interests	(80)	582

(3) Summary quarterly consolidated statement of changes in equity

Previous consolidated fiscal year (From April 1, 2021 to June 30, 2021)

(Millions of yen)

Items	Shareholders' equity						
	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	21,764	32,048	(9,582)	205,403	(98)	5,095	170
Net profit	—	—	—	5,395	—	—	—
Other comprehensive income, net of tax effect	—	—	—	—	(73)	2,201	(126)
Total comprehensive income	—	—	—	5,395	(73)	2,201	(126)
Payment of dividends	—	—	—	(7,515)	—	—	—
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	254,800	7,810	262,609
Net profit	5,395	2	5,397
Other comprehensive income, net of tax effect	2,002	(82)	1,920
Total comprehensive income	7,397	(80)	7,317
Payment of dividends	(7,515)	(56)	(7,571)
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

Items	Shareholders' equity						
	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, 2022	21,764	32,701	(9,535)	225,273	1,462	9,006	472
Net profit	—	—	—	4,303	—	—	—
Other comprehensive income, net of tax effect	—	—	—	—	1,483	1,651	202
Total comprehensive income	—	—	—	4,303	1,483	1,651	202
Payment of dividends	—	—	—	(11,561)	—	—	—
Share-based payment transactions	—	15	—	—	—	—	—
Put options held by non-controlling shareholders	—	(60)	—	—	—	—	—
Total transactions with owners	—	(46)	—	(11,561)	—	—	—
June 30, 2022	21,764	32,655	(9,535)	218,015	2,945	10,656	674

Items	Shareholders' equity	Non-controlling interests	Total equity
	Total shareholders' equity		
April 1, 2022	281,142	7,342	288,484
Net profit	4,303	26	4,329
Other comprehensive income, net of tax effect	3,335	557	3,892
Total comprehensive income	7,638	582	8,221
Payment of dividends	(11,561)	(63)	(11,624)
Share-based payment transactions	15	—	15
Put options held by non-controlling shareholders	(60)	—	(60)
Total transactions with owners	(11,607)	(63)	(11,670)
June 30, 2022	277,174	7,861	285,035

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

(Notes on going concern assumptions)

None