

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

November 1, 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*): November 11, 2022

Scheduled date of dividend payment: December 2, 2022

Supplementary documents for financial results: Yes

Yes (for institutional investors and analysts)

(Rounded to the nearest million yen)

1. Consolidated Business Results for the Six months ended September 30, 2022

(April 1, 2022 – September 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	%
Six months ended 9/22	254,443	9.0	17,300	(11.7)	17,507	(14.8)	12,131	(14.4)	11,957	(14.9)	15,866	(10.1)
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

	Basic earnings per share attributable to CTC's shareholders		Diluted earnings per share attributable to CTC's shareholders	
	Yen		Yen	
Six months ended 9/22	51.74		51.74	
Six months ended 9/21	60.82		60.82	

(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, 2022	505,549	292,677	284,469	56.3
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
Year ended 3/22	Yen —	Yen 35.00	Yen —	Yen 50.00	Yen 85.00
Year ending 3/23	—	40.50			
Year ending 3/23 (forecast)			—	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

[1] Changes in accounting principles required by IFRS:	Not applicable
[2] Changes in accounting principles other than [1]:	Not applicable
[3] Changes in accounting estimates:	Not applicable

(3) Number of outstanding shares (common shares)

[1] Number of shares outstanding at the end of period (including treasury shares):			
Six months ended 9/22:	240,000,000 shares	Year ended 3/22:	240,000,000 shares
[2] Number of treasury shares at the end of period:			
Six months ended 9/22:	8,917,638 shares	Year ended 3/22:	8,925,738 shares
[3] Average number of shares during the period (cumulative figure for consolidated quarterly accounting period):			
Six months ended 9/22:	231,077,272 shares	Six months ended 9/21:	231,059,437 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.

* Regarding Financial Results Briefing

- ITOCHU Techno-Solutions Corporation will hold its web-based financial results briefing for institutional investors and analysts on November 1, 2022. (Japanese only)

This consolidated financial results will be disclosed on TDnet, and this document, the financial results presentation materials and the consolidated financial summary will be posted on our website on the same day.

○Accompanying Materials – Contents

1. Qualitative Information Regarding the Results for the First Half	P.2
(1) Qualitative information on consolidated operating results	P.2
(2) Qualitative information on consolidated financial position	P.4
(3) Qualitative information on consolidated earnings forecasts	P.4
2. Summary of Quarterly Consolidated Financial Statements and Notes	P.5
(1) Summary of quarterly consolidated statement of financial position	P.5
(2) Summary of quarterly consolidated income statement and summary of quarterly consolidated comprehensive income statement	P.7
(3) Summary of quarterly consolidated statement of changes in equity	P.9
(4) Notes to the summary of quarterly consolidated financial statement	P.10
(Notes on going concern assumptions)	P.10

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 31, 2023, the Japanese economy showed signs of picking up, despite the surge in COVID-19 cases due to the new variant, partly thanks to the transition to a new phase of living with COVID-19, where containing an increase in new cases and having pre-pandemic level social & economic activities are well balanced, and the effects of various government policies in the pursuit of the balance.

In the information service industry, there was an increase in investment in DX-related sectors, mainly in response to growth areas, although uncertainty remained on the supply side due to the shortage of semiconductors.

In this environment, CTC and its consolidated subsidiaries (collectively, the “CTC Group”) have 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 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 half are as follows.

- CTC has concluded the first distributorship agreement for Tetra Data Platform, an experimental data integration platform, in Japan with TetraScience, Inc., a U.S. based company, and has begun sales of the platform. Tetra Data Platform consolidates data output in different formats for each experimental device in the life science field, converts them into a general-purpose format, and integrates them. The platform supports the use of data in drug discovery research in such situations as discovery, analysis, and reporting, and realizes improvement of the reliability of experimental data and shortening of the time required for new drug development. We will contribute to our customers’ DX with a view to expanding our services using AI, such as machine learning and natural language processing, and utilizing the platform in the development of chemicals and materials.

《Accelerate》

- In order to contribute to the social and economic transformation toward carbon neutrality (Green Transformation, GX), CTC has systematized its related services, including visualization and reduction of corporate greenhouse gas emissions, support for the introduction and utilization of renewable energy, and construction of data utilization infrastructures. The services are provided in two menus: the “GX Solution Frame,” which provides technical support and assistance in formulating GX strategies, and the “GX Data Platform,” which enables data collection, management, visualization, and AI-based analysis.

In addition, a digital globe “SPHERE,” which makes dynamic and real time displays of phenomena occurring on the earth such as weather phenomenon, ocean currents, ocean temperatures, and continental drift, based on scientific knowledge and statistical data, has been on display in the shared floor area of the Kamiyacho office of the CTC Group. We will make further contribution to our society through IT by fostering awareness of the global environment and promoting the development of new solutions in the GX field.

《Accelerate》

- CTC has been working on various applications of virtual space (metaverse) to promote our customers’ DX leveraging the space. As one of such efforts, CTC conducted a demonstration experiment of a business expo on our virtual space “CTC Digital Base” by holding “VIRTUAL EXPO in TODA” in collaboration with Toda City, Saitama Prefecture, for the purpose of confirming issues and effectiveness in the utilization of the metaverse in business scenes. Toda City and CTC have been mutually cooperating to solve its region-specific issues.

In addition, CTC started offering “Omniverse Starter Package”, a simplified package to implement a metaverse development environment, to optimize the business processes of customers in the manufacturing and construction industries. The package menu includes the necessary licenses, utilization planning services, and hardware, enabling companies to build and use a metaverse in a short period of time. CTC plans to offer a menu that includes remote user environments in the future, contributing to further advancement of our customers’ DX.

《Accelerate》

- ITOCHU Corporation (hereinafter “ITOCHU”) and CTC have concluded a joint venture agreement with AKQA, which is one of the world’s highest rated in customer experiences (CX), to establish a JV company in Japan for AKQA. AKQA is a digital agency that transforms customer experiences through digital and design for leading companies in the aviation, telecommunications, automotive, and other industries. Through this JV company, we will make a full-scale launch of a consulting business specializing in CX for domestic companies by combining AKQA’s CX design expertise, ITOCHU’s domestic and overseas networks, and CTC’s system development and operation capabilities, thereby supporting digitization of the entire customer companies and enhancing their competitiveness in the global market.

《Accelerate》

- Based on the expertise accumulated through the provision of contact center solutions, CTC started offering the “CC x DX Concierge Service,” a consulting service to support DX of contact center operations. This service provides comprehensive support starting from identification of issues in contact center operations, determination of system functionality requirements, and selection of products and solutions to implementation of them. In addition, following the implementation, the service visualizes and analyzes behaviors of customers and consumers using the contact centers from their initial contacts to purchases as journey analysis services that lead to continuous improvement of the operations and systems of those centers. CTC will continue to contribute to advancement of DX of contact center operations, including provision of services using data analysis and AI.

《Expand》

- CTC commenced offering of “Threat Intelligence Monitoring Service”, which monitors cyber threats relevant to customers. The service uses “Recorded Future Intelligence Cloud” platform, a SaaS-based platform provided by Recorded Future, Inc., to monitor cyber space including the dark web, where illegal information is traded and information on cyber-attack attempts is exchanged, for early detection of new threats to take response measures promptly. Our new service is offered as a part of “CTC Managed Security Service (CTC-MSS)”, CTC’s cyber security operation service. We will continue to expand our services as a means of enhancing secure operations and security response capabilities of our customers who are transitioning to multi-cloud and hybrid cloud computing.

《Expand》

- Based on our experience in agile developments and remote system developments, where close communication between developers is important, CTC has developed “Team on Air”, a desktop application to improve efficiency of development work by sharing information via voice, and released it in beta version free of charge. The application provides information on project progress, schedules, and other information by voice, enabling users to efficiently grasp their project status without halting their development work. Going forward, we will proceed with commercialization of the application after beta testing.

《Expand》

- The CTC Group has been making various efforts, as explained below, toward “Cultivate Human Capital to Support the Future”, which is one of the Group’s materiality (material issues) themes.

CTC participated in the “Scholarship Partner” program to provide free tuition for “Kamiyama Marugoto College of Design, Engineering and Entrepreneurship”, a private technical college scheduled to open in Tokushima Prefecture’s town of Kamiyama in April 2023, and contributed 1 billion yen to the scholarship fund. In the program, each contributor company will award a scholarship bearing their company name to four students in each grade, and will support the students through collaborations with them in joint researches and new business creation initiatives.

CTC TECHNOLOGY CORPORATION (hereinafter “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. Participants 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.

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 the Kamiyacho office of the Group, the company provides other services including administrative services and data preparation 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.

《Upgrade》

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

- CTC has utilized the corporate version of the hometown tax payment program to make donations including those in the form of donating human resources to Niigata Prefecture since June 2021, and has received the Medal with Dark Blue Ribbon. This is the first case in Japan for a prefectural government to accept human resources as donation, and one of our engineers is working as an advisor (special part-time employee) for the Niigata Prefectural Government to promote regional DX, digital reform, and smart city project together with the government. We will continue to work with local governments and companies in their regions to address issues faced by local communities, such as the declining birthrate, aging population, and depopulation.

《Upgrade》

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

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

Revenue increased to 254,443 million yen (up 9.0% YoY) with increases in all business categories of Services, SI/Development, and Products. Operating income was 17,300 million yen (down 11.7% 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 17,507 million yen (down 14.8% YoY), net profit of 12,131 million yen (down 14.4% YoY), and net profit attributable to CTC's shareholders 11,957 million yen (down 14.9% YoY).

(2) Qualitative information on consolidated financial position

Total assets amounted to 505,549 million yen as of September 30, 2022, a decrease of 2,172 million yen from the end of the previous consolidated fiscal year. This was largely attributable to decreases of 21,547 million yen in trade and other receivables and 5,233 million yen in cash and cash equivalents, which nearly offset increases of 13,353 million yen in other current assets and 11,981 million yen in inventories.

Total liabilities stood at 212,872 million yen, a decrease of 6,365 million yen from the end of the previous consolidated fiscal year. The principal contributing factors included decreases of 7,752 million yen in income taxes payable, 5,315 million yen in trade and other payables and 5,247 million yen in liabilities for employee benefits (current liabilities), which closely offset an increase of 12,823 million yen in other current liabilities.

Total equity was 292,677 million yen, an increase of 4,193 million yen from the end of the previous consolidated fiscal year. This was mainly attributable to increases of 12,131 million yen in net profit and 3,735 million yen in other comprehensive income, net of tax effect, which almost offset a decrease of 11,624 million yen due to payment of dividends.

(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 September 30, 2022)
Items	Amount (Millions of yen)	Amount (Millions of yen)
(Assets)		
Current assets		
Cash and cash equivalents	94,078	88,845
Trade and other receivables	150,892	129,345
Inventories	43,437	55,418
Current tax assets	197	1,740
Other current financial assets	22,425	22,772
Other current assets	70,071	83,424
Total current assets	381,100	381,544
Non-current assets		
Property, plant and equipment	51,992	49,939
Goodwill	7,810	8,614
Intangible assets	5,702	5,362
Investments accounted for using the equity method	7,940	8,238
Other non-current financial assets	39,797	40,886
Deferred tax assets	10,170	7,813
Other non-current assets	3,210	3,153
Total non-current assets	126,621	124,005
Total assets	507,721	505,549

	Previous consolidated fiscal year (As of March 31, 2022)	Consolidated fiscal year under review (As of September 30, 2022)
Items	Amount (Millions of yen)	Amount (Millions of yen)
(Liabilities and Equity)		
Current liabilities		
Trade and other payables	57,972	52,658
Other current financial liabilities	14,097	15,332
Income taxes payable	10,878	3,126
Liabilities for employee benefits	26,653	21,407
Provisions	962	845
Other current liabilities	63,115	75,938
Total current liabilities	173,677	169,306
Non-current liabilities		
Non-current financial liabilities	38,866	36,747
Liabilities for employee benefits	3,755	3,877
Provisions	2,547	2,520
Deferred tax liabilities	392	421
Total non-current liabilities	45,560	43,566
Total liabilities	219,237	212,872
Equity		
Common stock	21,764	21,764
Capital surplus	32,701	32,637
Treasury stock	(9,535)	(9,519)
Retained earnings	225,273	225,671
Other components of equity	10,939	13,916
Total shareholders' equity	281,142	284,469
Non-controlling interests	7,342	8,209
Total equity	288,484	292,677
Total liabilities and equity	507,721	505,549

(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 September 30, 2021)	Consolidated fiscal year under review (From April 1, 2022 to September 30, 2022)
Items	Amount (Millions of yen)	Amount (Millions of yen)
Revenue	233,463	254,443
Cost of sales	(174,347)	(193,901)
Gross profit	59,116	60,542
Other income and expenses		
Selling, general and administrative expenses	(39,731)	(44,448)
Other income	290	1,371
Other expenses	(87)	(165)
Total other income and expenses	(39,528)	(43,242)
Operating income	19,588	17,300
Financial income	935	497
Financial costs	(263)	(660)
Share of profit of associates accounted for using the equity method	280	371
Profit before tax	20,541	17,507
Income tax expense	(6,369)	(5,376)
Net profit	14,172	12,131
Net profit attributable to:		
CTC's shareholders	14,054	11,957
Non-controlling interests	118	174
Earnings per share (Attribution to CTC's shareholders):	(Yen)	(Yen)
Basic earnings per share	60.82	51.74
Diluted earnings per share	60.82	51.74

Summary quarterly consolidated comprehensive income statement

	Previous consolidated fiscal year (From April 1, 2021 to September 30, 2021)	Consolidated fiscal year under review (From April 1, 2022 to September 30, 2022)
Items	Amount (Millions of yen)	Amount (Millions of yen)
Net profit	14,172	12,131
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	3,460	785
Share of other comprehensive income of associates accounted for using the equity method	(1)	22
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	70	2,532
Cash flow hedges	(108)	143
Share of other comprehensive income of associates accounted for using the equity method	59	254
Total other comprehensive income, net of tax effect	3,481	3,735
Total comprehensive income	17,653	15,866
Total comprehensive income attributable to:		
CTC's shareholders	17,514	14,936
Non-controlling interests	139	930

(3) Summary quarterly consolidated statement of changes in equity

Previous consolidated fiscal year (From April 1, 2021 to September 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	—	—	—	14,054	—	—	—
Other comprehensive income, net of tax effect	—	—	—	—	108	3,460	(108)
Total comprehensive income	—	—	—	14,054	108	3,460	(108)
Payment of dividends	—	—	—	(7,515)	—	—	—
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	254,800	7,810	262,609
Net profit	14,054	118	14,172
Other comprehensive income, net of tax effect	3,460	21	3,481
Total comprehensive income	17,514	139	17,653
Payment of dividends	(7,515)	(116)	(7,631)
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

(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, 2022	21,764	32,701	(9,535)	225,273	1,462	9,006	472
Net profit	—	—	—	11,957	—	—	—
Other comprehensive income, net of tax effect	—	—	—	—	2,029	807	143
Total comprehensive income	—	—	—	11,957	2,029	807	143
Payment of dividends	—	—	—	(11,561)	—	—	—
Disposal of treasury stock	—	—	16	—	—	—	—
Share-based payment transactions	—	14	—	—	—	—	—
Put options held by non-controlling shareholders	—	(78)	—	—	—	—	—
Transfer to retained earnings from other components of equity	—	—	—	2	—	△2	—
Total transactions with owners	—	(64)	16	(11,559)	—	(2)	—
September 30, 2022	21,764	32,637	(9,519)	225,671	3,491	9,810	615

Items	Shareholders' equity	Non-controlling interests	Total equity
	Total shareholders' equity		
April 1, 2022	281,142	7,342	288,484
Net profit	11,957	174	12,131
Other comprehensive income, net of tax effect	2,979	756	3,735
Total comprehensive income	14,936	930	15,866
Payment of dividends	(11,561)	(63)	(11,624)
Disposal of treasury stock	16	—	16
Share-based payment transactions	14	—	14
Put options held by non-controlling shareholders	(78)	—	(78)
Transfer to retained earnings from other components of equity	—	—	—
Total transactions with owners	(11,610)	(63)	(11,673)
September 30, 2022	284,469	8,209	292,677

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

(Notes on going concern assumptions)

None