

Consolidated Financial Results for the First Quarter of the Fiscal Year ending March 31, 2024 (IFRS)

August 2, 2023

Listed Company Name: ITOCHU Techno-Solutions Corporation

Listing Exchanges: Tokyo Stock Exchange

Securities Code: 4739

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

Representative: Ichiro Tsuge, President & CEO

Contact: Atsushi Mori, General Manager, General Accounting & Financial Control Department

Phone: +81-3-6403-6000

Scheduled date to submit the quarterly securities report (*Shihanki Hokokusho*): August 10, 2023

Scheduled date of dividend payment: —

Supplementary documents for financial results: Yes

Financial results briefing: None

(Rounded to the nearest million yen)

1. Consolidated Business Results for the three months ended June 30, 2023

(April 1, 2023 – June 30, 2023)

(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 6/23	132,445	13.4	8,780	44.1	9,317	48.5	6,435	48.7	6,373	48.1	8,501	3.4
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
	Basic earnings per share attributable to CTC's shareholders		Diluted earnings per share attributable to CTC's shareholders									
	Yen		Yen									
Three months ended 6/23	27.58		27.58									
Three months ended 6/22	18.62		18.62									

(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, 2023	520,467	304,631	297,321	57.1
March 31, 2023	528,045	305,600	298,651	56.6

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 3/23	—	40.50	—	40.50	81.00
Year ending 3/24	—				
Year ending 3/24 (forecast)		0.00	—	0.00	0.00

(Note) Revision of the dividend forecast in the latest announcement: Yes

3. Forecast for Consolidated Business Results for the Fiscal Year ending March 31, 2024

(April 1, 2023 – March 31, 2024)

(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	625,000	9.5	58,000	24.8	58,500	24.7	40,500	19.9	40,000	16.9	173.10

(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 6/23: | 240,000,000 shares | Year ended 3/23: | 240,000,000 shares |
| (ii) Number of treasury shares at the end of period: | | | |
| Three months ended 6/23: | 8,917,734 shares | Year ended 3/23: | 8,917,686 shares |
| (iii) Average number of shares during the period (cumulative figure for consolidated quarterly accounting period): | | | |
| Three months ended 6/23: | 231,082,289 shares | Three months ended 6/22: | 231,074,262 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 Presentation Material

- The financial results presentation material will be disclosed on TDnet. This material and the consolidated financial summary will be posted on our website on the same day.

○Accompanying Materials – Contents

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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, 2024, the Japanese economy recovered moderately due to improvement in the employment and income environments and the effects of various policies, despite being exposed to the risk of economic downturn due to global monetary tightening and a decline in overseas economies.

In the information service industry, customers remained highly motivated to invest in IT, as in the previous fiscal year, and there was an increase in demand for DX-related investments including investments for renewal of legacy mission-critical systems and use of Cloud computing.

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 quarter were as follows.

- CTC started offering “Generative AI Advisory Service”, a consulting service for the use of generative AI. This service supports customers in a wide range of situations, from considering the use of generative AI, linking it with existing systems, building systems that include generative AI, and making the use of AI take root within customer companies after its introduction. In addition, we established the AX Task Force (AX: AI Transformation) within our company as a framework to study strategies and service development related to the utilization of AI, including generative AI. We are committed to ensuring the appropriate use of AI in our customers' businesses and society by promoting true understanding of AI technology, research on effective utilization methods and consideration of ethical aspects.

《Accelerate》

- CTC launched “CUVIC for Quantum”, a service for the use of quantum computing. In addition to quantum computing services, CUVIC for Quantum will provide comprehensive services, such as quantum computing services, applications for quantum computers, Cloud-based platforms that bundle multiple quantum computers and managed services, and human resource development services.

《Accelerate》

- CTC has signed a business alliance agreement with astamuse company, Ltd. (hereinafter “astamuse”), which provides corporate non-financial information and ESG data, to begin development of a data utilization service to support investment and finance business operations of financial institutions. The service to be developed will deliver corporate non-financial information and ESG data owned by astamuse in a file format that is highly compatible with one used in each individual financial institution. We will support their ESG investment and finance with the service, while expanding its service functions.

《Accelerate》

- CTC and ITOCHU Metals Corporation (hereinafter “ITOCHU Metals”) jointly launched a demonstration experiment for efficient collection of wasted furniture and optimization of collection routes by utilizing “StateEco”, a visualization platform for waste treatment developed in-house by CTC. StateEco is a platform that allows its users to check the status of waste treatment process in real time from collection to final disposal, and to calculate the optimal transportation route in terms of both time and cost by leveraging AI. In addition, we conduct data linkage to “Smart.i∞”, an electronic manifest registration service provided by ITOCHU Metals, in this experiment to verify the efficiency improvement of administrative work in waste disposal. Going forward, we will provide an environmentally friendly logistics platform by utilizing the insight gained from the experiment results and the data that will lead to environmental improvements. Through this effort, we will strive to achieve the realization of socioeconomic transformation toward carbon-neutrality.

《Accelerate》

- CTC has added “SAP S/4HANA Cloud, public edition”, a public Cloud version of ERP solution provided by SAP Japan Co., Ltd., to the menu of “Figures”, CTC’s mission-critical system optimization solution, and started offering the solution. Figures is a set of solutions that optimize environments for users’ business operations without modifying their mission-critical systems. The newly added solution will reduce the impact of ERP version upgrades and enable the use of the latest functionality without customization. We will continue to contribute to improvement of our customer’ business efficiency and promotion of their DX through provision of Figures, which enables reduction of burdens in their duties ranging from implementation of mission-critical systems to operations.

《Expand》

- CTC Global Pte. Ltd., one of our overseas consolidated subsidiaries in Singapore, was ranked 54th*¹ out of more than 1,700 companies in “Singapore’s Best Employers 2023,” a ranking of the best companies to work for in Singapore. The Straits Times, a Singaporean newspaper, and Statista GmbH, a global data platform, conducted a comprehensive survey and ranked the companies based on assessment in six categories, including employee development, corporate image, working environment, and diversity. The CTC Group is actively investing in its human resources with initiatives including practicing “Well-being Management” aiming for health and well-being of its employees. We will continue to develop human resources from a global perspective, respect diversity and promote work-life balance, both in Japan and overseas.

《Upgrade》

*1 CTC Global Pte. Ltd. was ranked 90th last year.

With regard to sales activities, we mainly focused on infrastructure, development, maintenance and operation projects for various field industries such as manufacturing, transportation, and information service as well as overseas business projects.

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

Revenue increased to 132,445 million yen (up 13.4% YoY) with increases in all business categories of Services, SI/Development, and Products. Operating income was 8,780 million yen (up 44.1% YoY) due to the revenue growth and improvement in gross profit margin. The increase in operating income resulted in profit before tax of 9,317 million yen (up 48.5% YoY), net profit of 6,435 million yen (up 48.7% YoY), and net profit attributable to CTC’s shareholders 6,373 million yen (up 48.1% YoY).

(2) Qualitative information on consolidated financial position

Total assets amounted to 520,467 million yen as of June 30, 2023, a decrease of 7,578 million yen from the end of the previous consolidated fiscal year. This was largely attributable to a decrease of 35,702 million yen in trade and other receivables, despite increases of 19,937 million yen in other current assets and 9,190 million yen in inventories.

Total liabilities stood at 215,836 million yen, a decrease of 6,609 million yen from the end of the previous consolidated fiscal year. The principal contributing factors included decreases of 18,237 million yen in trade and other payables, 9,919 million yen in liabilities for employee benefits (current liabilities) and 7,287 million yen in income taxes payable, despite increases of 20,675 million yen in other current liabilities and 8,800 million yen in other current financial liabilities.

Total equity was 304,631 million yen, a decrease of 969 million yen from the end of the previous consolidated fiscal year. This was mainly attributable to a decrease of 9,431 million yen due to payment of dividends, which almost offset increases of 6,435 million yen in net profit and 2,066 million yen in other comprehensive income, net of tax effect.

(3) Note on consolidated performance forecast and other forward-looking statements

The Company resolved at the meeting of its board of directors held today (August 2, 2023) to revise its dividend forecasts, released on April 28, 2023, for the fiscal year ending March 31, 2024, and not to pay an interim dividend and a year-end dividend for that fiscal year on the condition that the tender offer for the common shares of the Company by a subsidiary of ITOCHU Corporation, the parent company of the Company, is successfully completed.

For details, please refer to the “Notice Regarding Revision of Dividend Forecast (No Dividend) for the Fiscal Year Ending March 31, 2024” released today (August 2, 2023). The performance forecast released on April 28, 2023 has not been changed at present.

2. Summary of Quarterly Consolidated Financial Statements and Notes

(1) Summary of quarterly consolidated statement of financial position

	Previous consolidated fiscal year (As of March 31, 2023)	Consolidated fiscal year under review (As of June 30, 2023)
Items	Amount (Millions of yen)	Amount (Millions of yen)
(Assets)		
Current assets		
Cash and cash equivalents	92,530	91,532
Trade and other receivables	158,195	122,492
Inventories	55,683	64,873
Current tax assets	146	2,633
Other current financial assets	21,848	22,804
Other current assets	76,658	96,595
Total current assets	405,060	400,930
Non-current assets		
Property, plant and equipment	47,255	47,003
Goodwill	4,956	5,203
Intangible assets	5,498	5,447
Investments accounted for using the equity method	8,413	8,314
Other non-current financial assets	45,029	44,507
Deferred tax assets	9,079	6,167
Other non-current assets	2,756	2,896
Total non-current assets	122,985	119,537
Total assets	528,045	520,467

	Previous consolidated fiscal year (As of March 31, 2023)	Consolidated fiscal year under review (As of June 30, 2023)
Items	Amount (Millions of yen)	Amount (Millions of yen)
(Liabilities and Equity)		
Current liabilities		
Trade and other payables	66,688	48,452
Other current financial liabilities	14,990	23,790
Income taxes payable	7,845	559
Liabilities for employee benefits	25,965	16,046
Provisions	1,364	1,537
Other current liabilities	66,162	86,837
Total current liabilities	183,015	177,221
Non-current liabilities		
Non-current financial liabilities	32,573	31,761
Liabilities for employee benefits	3,717	3,688
Provisions	2,706	2,726
Deferred tax liabilities	435	441
Total non-current liabilities	39,431	38,615
Total liabilities	222,446	215,836
Equity		
Common stock	21,764	21,764
Capital surplus	32,812	32,773
Treasury stock	(9,519)	(9,519)
Retained earnings	238,326	235,335
Other components of equity	15,269	16,969
Total shareholders' equity	298,651	297,321
Non-controlling interests	6,949	7,310
Total equity	305,600	304,631
Total liabilities and equity	528,045	520,467

(2) Summary of quarterly consolidated income statement and summary of quarterly consolidated comprehensive income statement

Summary of quarterly consolidated income statement

	Previous consolidated fiscal year (From April 1, 2022 to June 30, 2022)	Consolidated fiscal year under review (From April 1, 2023 to June 30, 2023)
Items	Amount (Millions of yen)	Amount (Millions of yen)
Revenue	116,779	132,445
Cost of sales	(89,026)	(99,660)
Gross profit	27,753	32,784
Other income and expenses		
Selling, general and administrative expenses	(22,477)	(24,550)
Other income	833	572
Other expenses	(16)	(26)
Total other income and expenses	(21,661)	(24,004)
Operating income	6,092	8,780
Financial income	319	513
Financial costs	(311)	(182)
Share of profit of associates accounted for using the equity method	174	206
Profit before tax	6,275	9,317
Income tax expense	(1,946)	(2,882)
Net profit	4,329	6,435
Net profit attributable to:		
CTC's shareholders	4,303	6,373
Non-controlling interests	26	62
Earnings per share attributable to CTC's shareholders	(Yen)	(Yen)
Basic earnings per share	18.62	27.58
Diluted earnings per share	18.62	27.58

Summary of quarterly consolidated comprehensive income statement

	Previous consolidated fiscal year (From April 1, 2022 to June 30, 2022)	Consolidated fiscal year under review (From April 1, 2023 to June 30, 2023)
Items	Amount (Millions of yen)	Amount (Millions of yen)
Net profit	4,329	6,435
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	1,645	(105)
Share of other comprehensive income of associates accounted for using the equity method	6	11
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	1,903	1,260
Cash flow hedges	202	828
Share of other comprehensive income of associates accounted for using the equity method	137	73
Total other comprehensive income, net of tax effect	3,892	2,066
Total comprehensive income	8,221	8,501
Total comprehensive income attributable to:		
CTC's shareholders	7,638	8,074
Non-controlling interests	582	427

(3) Summary of quarterly consolidated statement of changes in equity
 Previous consolidated fiscal year (From April 1, 2022 to June 30, 2022)

(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	—	—	—	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)	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	—
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)
Purchase of treasury stock	—	—	—
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

Consolidated fiscal year under review (From April 1, 2023 to June 30, 2023)

(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, 2023	21,764	32,812	(9,519)	238,326	2,745	12,738	(215)
Net profit	—	—	—	6,373	—	—	—
Other comprehensive income, net of tax effect	—	—	—	—	968	(95)	828
Total comprehensive income	—	—	—	6,373	968	(95)	828
Payment of dividends	—	—	—	(9,365)	—	—	—
Purchase of treasury stock	—	—	(0)	—	—	—	—
Share-based payment transactions	—	20	—	—	—	—	—
Put options held by non-controlling shareholders	—	(59)	—	—	—	—	—
Total transactions with owners	—	(39)	(0)	(9,365)	—	—	—
June 30, 2023	21,764	32,773	(9,519)	235,335	3,713	12,644	613

Items	Shareholders' equity	Non-controlling interests	Total equity
	Total shareholders' equity		
April 1, 2023	298,651	6,949	305,600
Net profit	6,373	62	6,435
Other comprehensive income, net of tax effect	1,701	366	2,066
Total comprehensive income	8,074	427	8,501
Payment of dividends	(9,365)	(67)	(9,431)
Purchase of treasury stock	(0)	—	(0)
Share-based payment transactions	20	—	20
Put options held by non-controlling shareholders	(59)	—	(59)
Total transactions with owners	(9,404)	(67)	(9,470)
June 30, 2023	297,321	7,310	304,631

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

(Notes on going concern assumptions)

None

(Additional Information)

Tender offer for the Company Shares by a subsidiary of ITOCHU Corporation

The Company resolved at the meeting of its board of directors held today (August 2, 2023) to express an opinion in support of the tender offer (the “Tender Offer”) for the common shares of the Company by a subsidiary of ITOCHU Corporation, which is the parent company of the Company, and to recommend that the Company’s shareholders tender their shares in the Tender Offer.

The resolution of the board of directors of the Company has been adopted based on the assumption that the Tender Offeror intends to privatize the Company and that the Company Shares will be delisted through the Tender Offer and the series of subsequent procedures.