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Consolidated Financial Results for the Six Months Ended September 30, 2021 [Japanese GAAP]

October 29, 2021

Company name: TECNOS JAPAN INCORPORATED

Stock exchange listing: Tokyo

Code number: 3666

URL: <http://www.tecnos.co.jp/>

Representative: Takashi Yoshioka

Representative Director

Contact: Kiyoshi Kobayashi

Director

Phone: 03-3374-1212

Scheduled date of filing quarterly securities report: November 12, 2021

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: No

Schedule of quarterly financial results briefing session: Yes

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Six Months Ended September 30, 2021 (April 01, 2021 to September 30, 2021)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|-------------------------------------|-------------|------|------------------|------|-----------------|------|---|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Six months ended September 30, 2021 | 4,589 | 15.0 | 666 | 38.7 | 690 | 38.7 | 448 | 26.5 |
| September 30, 2020 | 3,991 | 10.2 | 480 | - | 497 | - | 354 | - |

(Note) Comprehensive income: Six months ended September 30, 2021: ¥ 382 million [(54.7)%]
Six months ended September 30, 2020: ¥ 844 million [-%]

| | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| Six months ended | Yen | Yen |
| September 30, 2021 | 22.75 | 22.75 |
| September 30, 2020 | 17.99 | 17.98 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Capital adequacy ratio |
|--------------------|--------------|-------------|------------------------|
| As of | Million yen | Million yen | % |
| September 30, 2021 | 6,545 | 5,122 | 77.8 |
| March 31, 2021 | 6,550 | 4,974 | 75.6 |

(Reference) Equity: As of September 30, 2021: ¥ 5,089 million
As of March 31, 2021: ¥ 4,950 million

2. Dividends

| | Annual dividends | | | | |
|--|------------------|-----------------|-----------------|----------|-------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2021 | - | 0.00 | - | 12.00 | 12.00 |
| Fiscal year ending March 31, 2022 | - | 0.00 | | | |
| Fiscal year ending March 31, 2022 (Forecast) | | | - | 13.00 | 13.00 |

(Note) Revision to the forecast for dividends announced most recently: No

(Note) Breakdown of the 2nd quarter dividend for the fiscal year ending March 31, 2022 :

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022(April 01, 2021 to March 31, 2022)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|-----------|-------------|-----|------------------|------|-----------------|------|---|-----|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 8,750 | 6.7 | 1,020 | 10.4 | 1,055 | 10.0 | 710 | 7.4 | 36.00 |

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2021

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2021: 20,400,000 shares

March 31, 2021: 20,400,000 shares

2) Total number of treasury shares at the end of the period:

September 30, 2021: 675,728 shares

March 31, 2021: 675,728 shares

3) Average number of shares during the period:

Six months ended September 30, 2021: 19,724,272 shares

Six months ended September 30, 2020: 19,719,800 shares

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Thousand yen)

| | As of March 31,2021 | As of September 30,2021 |
|---------------------------------------|---------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,412,436 | 2,310,508 |
| Accounts receivable - trade | 1,565,832 | - |
| Trade receivables and contract asset | - | 1,829,386 |
| Work in process | 17,871 | 4,449 |
| Prepaid expenses | 102,026 | 94,520 |
| Other | 82,914 | 115,202 |
| Allowance for doubtful accounts | (9,492) | (7,789) |
| Total current assets | 4,171,589 | 4,346,278 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Facilities attached to buildings | 224,195 | 224,311 |
| Accumulated depreciation | (72,458) | (80,289) |
| Facilities attached to buildings, net | 151,736 | 144,021 |
| Tools, furniture and fixtures | 80,412 | 85,061 |
| Accumulated depreciation | (59,652) | (64,817) |
| Tools, furniture and fixtures, net | 20,759 | 20,243 |
| Total property, plant and equipment | 172,496 | 164,265 |
| Intangible assets | | |
| Software | 7,445 | 6,788 |
| Customer relationship | 198,625 | 193,841 |
| Goodwill | 210,207 | 193,172 |
| Other | 36 | 36 |
| Total intangible assets | 416,316 | 393,839 |
| Investments and other assets | | |
| Investment securities | 1,410,009 | 1,256,669 |
| Long-term prepaid expenses | 49,440 | 49,841 |
| Deferred tax assets | 11,929 | 9,511 |
| Leasehold and guarantee deposits | 213,473 | 213,614 |
| Insurance funds | 86,938 | 92,096 |
| Other | 18,767 | 19,314 |
| Total investments and other assets | 1,790,558 | 1,641,048 |
| Total non-current assets | 2,379,370 | 2,199,153 |
| Total assets | 6,550,960 | 6,545,431 |

(Thousand yen)

| | As of March 31,2021 | As of September 30,2021 |
|--|---------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 332,589 | 358,125 |
| Current portion of long-term borrowings | 9,867 | 20,608 |
| Accounts payable - other | 81,287 | 91,425 |
| Accrued expenses | 121,560 | 121,203 |
| Income taxes payable | 326,073 | 185,164 |
| Accrued consumption taxes | 34,281 | 59,865 |
| Reserve for guarantee for after-care of products | 18,109 | 14,306 |
| Provision for loss on order received | 5,636 | 40,000 |
| Provision for bonuses | 175,079 | 5,417 |
| Provision for bonuses for directors (and other officers) | 6,982 | 492 |
| Other | 113,137 | 209,881 |
| Total current liabilities | 1,224,605 | 1,106,490 |
| Non-current liabilities | | |
| Long-term borrowings | 9,422 | - |
| Deferred tax liabilities | 238,455 | 214,465 |
| Asset retirement obligations | 78,046 | 78,019 |
| Other | 25,462 | 24,414 |
| Total non-current liabilities | 351,386 | 316,899 |
| Total liabilities | 1,575,991 | 1,423,389 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 562,520 | 562,520 |
| Capital surplus | 205,461 | 205,461 |
| Retained earnings | 4,100,876 | 4,313,801 |
| Treasury shares | (576,027) | (576,027) |
| Total shareholders' equity | 4,292,830 | 4,505,756 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 691,484 | 585,066 |
| Foreign currency translation adjustment | (34,196) | (1,483) |
| Total accumulated other comprehensive income | 657,287 | 583,582 |
| Share acquisition rights | 6,946 | 6,946 |
| Non-controlling interests | 17,903 | 25,756 |
| Total net assets | 4,974,968 | 5,122,041 |
| Total liabilities and net assets | 6,550,960 | 6,545,431 |

Quarterly Consolidated Statements of Income and Comprehensive Income
 Quarterly Consolidated Statements of Income (For the six months)

(Thousand yen)

| | For the six months ended September 30,2020 | For the six months ended September 30,2021 |
|--|---|---|
| Net sales | 3,991,882 | 4,589,938 |
| Cost of sales | 2,778,559 | 3,101,034 |
| Gross profit | 1,213,322 | 1,488,903 |
| Selling, general and administrative expenses | 733,241 | 822,861 |
| Operating profit | 480,081 | 666,041 |
| Non-operating income | | |
| Interest income | 14 | 10 |
| Interest on securities | 311 | - |
| Dividend income | 8,480 | 16,240 |
| Subsidy income | 2,255 | 4,220 |
| Foreign exchange gains | 3,216 | 1,354 |
| Other | 3,228 | 2,256 |
| Total non-operating income | 17,505 | 24,082 |
| Non-operating expenses | | |
| Interest expenses | 172 | - |
| Total non-operating expenses | 172 | - |
| Ordinary profit | 497,414 | 690,124 |
| Extraordinary income | | |
| Surrender value of insurance policies | 7,882 | 911 |
| Total extraordinary income | 7,882 | 911 |
| Extraordinary losses | | |
| Loss on cancellation of insurance policies | 385 | - |
| Total extraordinary losses | 385 | - |
| Profit before income taxes | 504,911 | 691,035 |
| Income taxes - current | 134,153 | 212,800 |
| Income taxes - deferred | 13,444 | 22,946 |
| Total income taxes | 147,598 | 235,746 |
| Profit | 357,313 | 455,288 |
| Profit attributable to non-controlling interests | 2,558 | 6,482 |
| Profit attributable to owners of parent | 354,755 | 448,805 |

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Thousand yen)

| | For the six months ended September 30,2020 | For the six months ended September 30,2021 |
|--|---|---|
| Profit | 357,313 | 455,288 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 500,138 | (106,417) |
| Foreign currency translation adjustment | (12,793) | 34,082 |
| Total other comprehensive income | 487,344 | (72,335) |
| Comprehensive income | 844,657 | 382,952 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 842,571 | 375,100 |
| Comprehensive income attributable to non-controlling interests | 2,086 | 7,852 |

Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

| | For the six months ended September 30,2020 | For the six months ended September 30,2021 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 504,911 | 691,035 |
| Depreciation | 36,797 | 29,462 |
| Loss on insurance cancellation | 385 | - |
| Amortization of goodwill | 23,143 | 23,086 |
| Increase (decrease) in allowance for doubtful accounts | 4,549 | (2,288) |
| Increase (decrease) in reserve for guarantee for after-care of products | (5,018) | (3,803) |
| Increase (decrease) in provision for loss on order received | 19 | 34,363 |
| Increase (decrease) in provision for bonuses | (89,653) | (169,661) |
| Increase (decrease) in provision for bonuses for directors (and other officers) | (8,317) | (6,785) |
| Interest and dividend income | (8,805) | (16,250) |
| Interest expenses | 172 | - |
| Other loss (gain) | (748) | 62 |
| Decrease (increase) in trade receivables | (239,403) | (243,190) |
| Decrease (increase) in inventories | (11,231) | 11,505 |
| Increase (decrease) in trade payables | (53,402) | 21,599 |
| Increase (decrease) in accrued consumption taxes | (184,611) | 25,583 |
| Increase (decrease) in accounts payable - other | (48,448) | 6,204 |
| Increase (decrease) in advances received | 12,660 | 96,226 |
| Decrease (increase) in other assets | (18,698) | (20,420) |
| Increase (decrease) in other liabilities | 29,440 | (12,440) |
| Subtotal | (56,259) | 464,286 |
| Interest and dividends received | 8,037 | 13,762 |
| Interest paid | (172) | - |
| Income taxes paid | (90,198) | (348,160) |
| Net cash provided by (used in) operating activities | (138,593) | 129,888 |
| Cash flows from investing activities | | |
| Payments into time deposits | (2,800) | - |
| Proceeds from withdrawal of time deposits | 73,325 | - |
| Purchase of property, plant and equipment | (2,974) | (2,968) |
| Purchase of intangible assets | - | (1,575) |
| Payments of leasehold and guarantee deposits | (22,481) | (35) |
| Proceeds from refund of leasehold and guarantee deposits | 755 | 157 |
| Purchase of insurance funds | (6,392) | (5,158) |
| Proceeds from cancellation of insurance funds | 3,427 | - |
| Net cash provided by (used in) investing activities | 42,860 | (9,579) |

(Thousand yen)

| | For the six months ended September 30,2020 | For the six months ended September 30,2021 |
|---|---|---|
| Cash flows from financing activities | | |
| Proceeds from long-term borrowings | 20,178 | - |
| Repayments of long-term borrowings | (70,589) | - |
| Dividends paid | (236,633) | (236,691) |
| Net cash provided by (used in) financing activities | (287,044) | (236,691) |
| Effect of exchange rate change on cash and cash equivalents | (4,620) | 14,454 |
| Net increase (decrease) in cash and cash equivalents | (387,397) | (101,927) |
| Cash and cash equivalents at beginning of period | 2,066,375 | 2,412,436 |
| Cash and cash equivalents at end of period | 1,678,978 | 2,310,508 |