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Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 [Japanese GAAP]



May 13, 2022

Company name: Totech Corporation
 Stock exchange listing: Tokyo Stock Exchange
 Securities code: 9960
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 Scheduled date of general shareholders' meeting: June 24, 2022
 Scheduled date of commencing dividend payments: June 27, 2022
 Scheduled date of filing securities report: June 24, 2022
 Availability of supplementary explanatory materials on annual financial results: None
 Schedule of annual financial results briefing session: None

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 - March 31, 2022)

(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	%
Fiscal year ended March 31, 2022	110,120	0.4	6,297	2.0	7,120	4.6	4,724	(1.5)
March 31, 2021	109,650	(6.4)	6,176	(4.5)	6,806	1.4	4,795	0.7

(Note) Comprehensive income: Fiscal year ended March 31, 2022: ¥4,227 million [(42.6)%]

Fiscal year ended March 31, 2021: ¥7,369 million [66.0%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2022	345.82	—	11.8	8.6	5.7
March 31, 2021	351.29	—	13.5	8.4	5.6

(Reference) Share of loss (profit) of entities accounted for using equity method:

Fiscal year ended March 31, 2022: ¥ – million

Fiscal year ended March 31, 2021: ¥ – million

Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, issued on March 31, 2020) and other related standards from the beginning of the fiscal year under review, and therefore the figures for the fiscal year ended March 31, 2022 shows the amounts after the application of these accounting standards.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	84,611	41,669	49.2	3,049.57
As of March 31, 2021	81,484	38,591	47.4	2,826.87

(Reference) Equity: As of March 31, 2022: ¥ 41,669 million

As of March 31, 2021: ¥ 38,591 million

Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, issued on March 31, 2020) and other related standards from the beginning of the fiscal year under review, and therefore the figures for the fiscal year ended March 31, 2022 shows the amounts after the application of these accounting standards.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2022	11,010	(5,127)	(3,296)	(7,660)
March 31, 2021	5,242	(2,265)	(3,795)	(4,880)

2. Dividends

	Annual dividends per share					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2021	–	17.00	–	67.00	84.00	1,148	23.9	3.2
Fiscal year ended March 31, 2022	–	17.00	–	122.00	139.00	1,900	40.2	4.7
Fiscal year ending March 31, 2023 (Forecast)	–	49.00	–	98.00	147.00		40.2	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	122,000	10.8	7,000	11.2	7,500	5.3	5,000	5.8	365.92

* Notes:

- (1) Changes in significant subsidiaries during the fiscal year under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation):
Newly included: – (), Excluded: – ()
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards and other regulations: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (3) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
 - As of March 31, 2022: 13,988,000 shares
 - As of March 31, 2021: 13,988,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - As of March 31, 2022: 323,986 shares
 - As of March 31, 2021: 336,374 shares
 - 3) Average number of shares outstanding during the period:

Year ended March 31, 2022: 13,662,155 shares

Year ended March 31, 2021: 13,649,842 shares

(Note) The total number of treasury shares at the end of the period includes the shares of the Company (11,800 shares as of March 31, 2022) held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets of Board Benefit Trust (J-ESOP). The shares of the Company (13,731 shares as of March 31, 2022) held by Custody Bank of Japan, Ltd. (Trust Account E) are included in the treasury shares that are deducted in the calculation of the average number of shares outstanding during the period.

* These financial results are outside the scope of audit by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

The forward-looking statements such as financial results forecast included in this document are based on the information currently available to the Company and certain assumptions deemed reasonable, and the Company does not in any way guarantee the achievement of these projections. Actual results may differ significantly due to various factors. For the assumptions underlying the financial forecasts and notes on the use of the financial forecasts, please refer to “1. Overview of Operating Results, (4) Future Outlook” on page 4 of the attached document.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

With regard to the Japanese economy in the fiscal year under review, prospects have been extremely uncertain. Although there have been visible signs of improvement in the performance of the private sector and the manufacturing industry in particular, faced with the prolonged impact of the spread COVID-19 infections, continued restricted economic activities and an increase in worldwide geopolitical risks have caused delays in the recovery of consumer spending and a surge in raw material prices.

Turning to the construction industry in which the Totech Group operates, while public investments have remained steady and there have been visible signs of a rally in private capital investment, the impact of the surge in construction material prices, delays in delivery times, and other issues resulted in the operating environment remaining severe in terms of supply.

Under these circumstances, the Totech Group's operating results for the fiscal year under review were as follows.

Despite strong orders, net sales were ¥110,120 million (up 0.4% year on year) mainly due to delays in the start and progress of a portion of construction work resulting from the impact of the semiconductor supply shortage across Japan. On the profit front, net sales decreased for the product sales business, which sees relatively high sales but a low-profit margin, but thanks to the construction business performing well, operating profit was ¥6,297 million (up 2.0% year on year) even though there was an increase in selling, general and administrative expenses such as personnel expenses. Ordinary profit was ¥7,120 million (up 4.6% year on year) due to factors such as recording foreign exchange gains, but profit attributable to owners of parent was ¥4,724 million (down 1.5% year on year) due to recording gain on sale of investment securities in extraordinary income in the previous fiscal year. Due to the application of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 31, 2020; hereinafter referred to as the "Revenue Recognition Accounting Standard") and other related standards, net sales decreased by ¥1,407 million, and operating profit and ordinary profit decreased by ¥42 million each.

<Product sales business>

The product sales business primarily purchases and sells facilities equipment with a focus on air conditioners, controllers, and energy efficient equipment, and provides related installation and after-sales services, etc. Despite strong orders in the fiscal year under review particularly due to redevelopment projects beginning to take off in urban areas, net sales were ¥72,875 million (down 1.2% year on year) due to factors such as difficulties in securing some air conditioner products offered for sale caused by the deterioration of the semiconductor supply environment. On the profit front, gross profit was ¥14,822 million (down 0.7% year on year) thanks to the expansion of air conditioner maintenance projects with relatively high profit margins partially making up for the impact of decreased net sales. Note that due to the application of the Revenue Recognition Accounting Standard and other related standards, net sales decreased by ¥1,407 million, and operating profit decreased by ¥42 million.

<Construction business>

The construction business engages in instrumentation work, design and execution of a variety of construction, and maintenance. Against a backdrop of worldwide efforts to achieve carbon neutrality moving forward and an increase in energy prices, net sales came to ¥38,755 million in the fiscal year under review (up 4.5% year on year) thanks to further growth in demand for instrumentation systems supplied by the Totech Group in an environment where even higher energy efficiency is sought. Furthermore, gross profit was ¥12,542 million (up 10.9% year on year), impacted by the expansion of maintenance projects for instrumentation systems, which has a relatively high profit margin, and a decrease in costs thanks to smooth progress in developing highly skilled employees. Note that the business's financial results were not affected by the application of the Revenue Recognition Accounting Standard and other related standards.

(2) Overview of Financial Position for the Fiscal Year under Review

(Assets)

Total assets for the fiscal year under review amounted to ¥84,611 million, an increase of ¥3,127 million from the end of the previous fiscal year. This was primarily attributable to an increase of ¥1,510 million in goodwill due to factors such as an increase of ¥2,790 million in cash and deposits and newly consolidating an overseas subsidiary, despite a net decrease of ¥1,335 million in trade receivables and inventories.

(Liabilities)

Total liabilities for the fiscal year under review amounted to ¥42,942 million, an increase of ¥49 million from the end of the previous fiscal year. This was primarily attributable to an increase of ¥747 million in other current liabilities due to an increase in items such as contract liabilities and an increase of ¥1,051 million in notes and accounts payable - trade and electronically recorded obligations - operating, despite a decrease of ¥1,796 million in interest-bearing liabilities.

(Net assets)

Total net assets for the fiscal year under review amounted to ¥41,669 million, an increase of ¥3,078 million from the end of the previous fiscal year. This was primarily attributable to a net increase of ¥3,549 million in retained earnings in which dividends paid were deducted from the recording of profit attributable to owners of parent, despite recording a loss of ¥240 million in foreign currency translation adjustment due to a decrease of ¥326 million in valuation difference on available-for-sale securities resulting from a drop in the market value of held securities and the new consolidation of an overseas subsidiary.

As a result, equity ratio for the fiscal year under review stood at 49.2%, a 1.9% increase from the end of the previous fiscal year.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents (hereinafter “Funds”) at the end of the fiscal year under review amounted to ¥7,660 million, an increase of ¥2,779 million from the end of the previous fiscal year.

The cash flows at the end of the fiscal year under review and their contributing factors are as follows.

(Cash flows from operating activities)

Funds provided from operating activities at the end of the fiscal year under review amounted to ¥11,010 million (the previous fiscal year saw income of ¥5,242 million). This was primarily attributable to an increase in Funds due to recording ¥7,120 million in profit before income taxes, a decrease of ¥4,739 million in trade receivables, and a depreciation of ¥1,311 million, and a decrease of ¥1,153 million in accounts receivable - other, although there was a decrease in Funds due to an increase of ¥1,884 million in inventories in addition to ¥2,675 million in income taxes paid.

(Cash flows from investing activities)

Funds used in investing activities at the end of the fiscal year under review amounted to ¥5,127 million (the previous fiscal year saw expenditures of ¥2,265 million). This was primarily due to ¥3,128 million in purchase of shares of subsidiaries resulting in change in scope of consolidation and ¥1,599 million in purchase of property, plant and equipment.

(Cash flows from financing activities)

Funds used in financing activities at the end of the fiscal year under review amounted to ¥3,296 million (the previous fiscal year saw expenditures of ¥3,795 million). This was primarily due to payments of ¥1,147 million in dividends paid and a net decrease of ¥1,796 million in borrowings and bonds payable.

(4) Future Outlook

With respect to the outlook of the next fiscal year, large-scale redevelopment projects mainly in urban areas are expected to continue, but faced with current geopolitical risks such as the situation between Russia and Ukraine, concern of another surge in COVID-19 infections occurring, and recognized supply chain risks, the business environment in which the Totech Group operates is expected to be uncertain and difficult.

In line with this outlook, the Totech Group views continuing to focus on its core businesses of product sales and construction as its basic strategy, and will actively work to strengthen existing businesses through contributing to the development of a carbon neutral society, building a stable revenue structure by expanding the maintenance business, and expanding business overseas with a focus on Southeast Asia.

Regarding the full-year consolidated financial results forecast, the Company expects net sales of ¥122,000 million (up 10.8% compared to the fiscal year under review), operating profit of ¥7,000 million (up 11.2%), ordinary profit of ¥7,500 million (up 5.3%), and profit attributable to owners of parent of ¥5,000 million (up 5.8%).

2. Basic Policy on Selection of Accounting Standards

The stakeholders of the Totech Group consist mainly of shareholders, creditors, and business partners in Japan. Because the group has little need for financing from outside Japan, it applies Japanese GAAP for accounting standards.

In regard to the application of IFRS, the Company's policy is to apply the standards upon consideration of circumstances within and outside Japan.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	5,045	7,836
Notes and accounts receivable - trade	27,138	–
Notes and accounts receivable - trade, and contract assets	–	23,863
Electronically recorded monetary claims - operating	7,957	7,897
Inventories	1,733	3,733
Accounts receivable - other	3,262	2,189
Other	126	771
Allowance for doubtful accounts	(52)	(59)
Total current assets	45,212	46,231
Non-current assets		
Property, plant and equipment		
Buildings and structures	10,127	10,878
Land	8,111	8,721
Leased assets	1,013	1,076
Construction in progress	15	208
Other	843	801
Accumulated depreciation	(3,683)	(4,157)
Total property, plant and equipment	16,428	17,528
Intangible assets		
Goodwill	1,131	2,641
Software	2,077	1,930
Software in progress	68	93
Other	318	185
Total intangible assets	3,596	4,850
Investments and other assets		
Investment securities	12,233	11,761
Deferred tax assets	299	395
Retirement benefit asset	–	421
Other	3,978	3,500
Allowance for doubtful accounts	(263)	(78)
Total investments and other assets	16,247	16,000
Total non-current assets	36,272	38,380
Total assets	81,484	84,611

(Million yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,293	12,607
Electronically recorded obligations - operating	6,242	6,979
Short-term borrowings	6,108	5,490
Current portion of bonds payable	28	32
Income taxes payable	1,504	1,281
Provision for bonuses	2,305	2,646
Provision for bonuses for directors (and other officers)	43	37
Other	3,485	4,232
Total current liabilities	32,012	33,307
Non-current liabilities		
Bonds	32	–
Long-term borrowings	7,913	6,763
Deferred tax liabilities	993	963
Provision for retirement benefits for directors (and other officers)	959	966
Retirement benefit liability	319	455
Other	661	486
Total non-current liabilities	10,880	9,634
Total liabilities	42,893	42,942
Net assets		
Shareholders' equity		
Share capital	1,857	1,857
Capital surplus	2,081	2,081
Retained earnings	29,397	32,946
Treasury shares	(160)	(134)
Total shareholders' equity	33,175	36,750
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,251	4,924
Foreign currency translation adjustment	–	(240)
Remeasurements of defined benefit plans	164	234
Total accumulated other comprehensive income	5,416	4,919
Total net assets	38,591	41,669
Total liabilities and net assets	81,484	84,611

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Net sales	109,650	110,120
Cost of sales	83,392	82,735
Gross profit	26,257	27,384
Selling, general and administrative expenses	20,081	21,087
Operating profit	6,176	6,297
Non-operating income		
Interest income	7	2
Dividend income	204	214
Purchase discounts	349	353
Foreign exchange gain	–	193
Gain on sales of investment securities	–	119
Compensation income	211	33
Miscellaneous income	90	94
Total non-operating income	864	1,012
Non-operating expenses		
Interest expenses	97	80
Provision of allowance for doubtful accounts	17	–
Guarantee commission	61	73
Miscellaneous losses	57	36
Total non-operating expenses	234	189
Ordinary profit	6,806	7,120
Extraordinary income		
Gain on sale of investment securities	406	–
Total extraordinary income	406	–
Extraordinary losses		
Loss on valuation of investment securities	15	–
Impairment losses	20	–
Total extraordinary losses	35	–
Profit before income taxes	7,177	7,120
Income taxes - current	2,336	2,358
Income taxes - deferred	45	37
Total income taxes	2,382	2,395
Profit	4,795	4,724
Profit attributable to owners of parent	4,795	4,724

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Profit	4,795	4,724
Other comprehensive income		
Valuation difference on available-for-sale securities	2,202	(326)
Foreign currency translation adjustment	–	(240)
Remeasurements of defined benefit plans, net of tax	371	70
Total other comprehensive income	2,574	(496)
Comprehensive income	7,369	4,227
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,369	4,227

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,857	2,081	25,696	(184)	29,449
Cumulative effect of accounting change					
Restated balance	1,857	2,081	25,696	(184)	29,449
Changes of items during period					
Dividends of surplus			(1,094)		(1,094)
Profit attributable to owners of parent			4,795		4,795
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				24	24
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	3,700	24	3,725
Balance at end of current period	1,857	2,081	29,397	(160)	33,175

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	3,048	-	(206)	2,841	32,291
Cumulative effect of accounting change					
Restated balance	3,048	-	(206)	2,841	32,291
Changes of items during period					
Dividends of surplus					(1,094)
Profit attributable to owners of parent					4,795
Purchase of treasury shares					(0)
Disposal of treasury shares					24
Net changes of items other than shareholders' equity	2,202		371	2,574	2,574
Total changes of items during period	2,202	-	371	2,574	6,300
Balance at end of current period	5,251	-	164	5,416	38,591

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,857	2,081	29,397	(160)	33,175
Cumulative effect of accounting change			(26)		(26)
Restated balance	1,857	2,081	29,370	(160)	33,148
Changes of items during period					
Dividends of surplus			(1,148)		(1,148)
Profit attributable to owners of parent			4,724		4,724
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				26	26
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	3,575	25	3,601
Balance at end of current period	1,857	2,081	32,946	(134)	36,750

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	5,251	-	164	5,416	38,591
Cumulative effect of accounting change					(26)
Restated balance	5,251	-	164	5,416	38,564
Changes of items during period					
Dividends of surplus					(1,148)
Profit attributable to owners of parent					4,724
Purchase of treasury shares					(0)
Disposal of treasury shares					26
Net changes of items other than shareholders' equity	(326)	(240)	70	(496)	(496)
Total changes of items during period	(326)	(240)	70	(496)	3,104
Balance at end of current period	4,924	(240)	234	4,919	41,669

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	7,177	7,120
Depreciation	954	1,311
Impairment losses	20	-
Amortization of goodwill	391	377
Loss (gain) on sale of short-term and long-term investment securities	(406)	(119)
Loss (gain) on valuation of short-term and long-term investment securities	15	-
Interest and dividend income	(212)	(217)
Interest expenses	68	51
Foreign exchange losses (gains)	-	(193)
Increase (decrease) in allowance for doubtful accounts	16	6
Increase (decrease) in provision for bonuses	(140)	168
Increase (decrease) in provision for retirement benefits for directors (and other officers)	81	6
Increase (decrease) in retirement benefit liability	(5)	236
Decrease (increase) in trade receivables	1,518	4,739
Decrease (increase) in inventories	429	(1,884)
Decrease (increase) in accounts receivable - other	(69)	1,153
Increase (decrease) in trade payables	(1,645)	541
Increase (decrease) in accrued consumption taxes	(67)	325
Other, net	(803)	(99)
Subtotal	7,324	13,523
Interest and dividend income received	212	216
Interest expenses paid	(64)	(53)
Income taxes paid	(2,229)	(2,675)
Net cash provided by (used in) operating activities	5,242	11,010
Cash flows from investing activities		
Payments into time deposits	(140)	(84)
Proceeds from withdrawal of time deposits	140	82
Purchase of property, plant and equipment	(833)	(1,599)
Proceeds from sales of property, plant and equipment	12	37
Purchase of intangible assets	(1,598)	(633)
Purchase of investment securities	(745)	(91)
Proceeds from sale and redemption of investment securities	558	187
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(3,128)
Other, net	339	102
Net cash provided by (used in) investing activities	(2,265)	(5,127)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,200)	(570)
Proceeds from long-term borrowings	4,450	3,900
Repayments of long-term borrowings	(5,388)	(5,098)
Redemption of bonds	(178)	(28)
Dividends paid	(1,094)	(1,147)
Other, net	(384)	(352)
Net cash provided by (used in) financing activities	(3,795)	(3,296)
Effect of exchange rate change on cash and cash equivalents	-	193
Net increase (decrease) in cash and cash equivalents	(818)	2,779
Cash and cash equivalents at beginning of period	5,699	4,880
Cash and cash equivalents at end of period	4,880	7,660

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

(Application of accounting standards for revenue recognition)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, issued on March 31, 2020; hereinafter referred to as the “Revenue Recognition Accounting Standard”) and other related standards from the beginning of the fiscal year under review. Accordingly, the Company has decided to recognize the amount expected to be received in exchange for promised goods or services as revenue when the control of such goods or services is transferred to customers.

In line with this change, although the gross amount had previously been recognized as revenue with regard to a portion of transactions concerning the product sales business, the Company has changed to a method of recognizing the net amount as revenue as a result of having determined its role in the provision of goods or services to customers. In addition, regarding a portion of transactions in which revenue had previously been recognized at the time of shipment, the Company also has shifted to a method by which it recognizes revenue when products or services are delivered to customers.

The Revenue Recognition Accounting Standard and other related standards have been applied in accordance with the transitional treatment stipulated in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of retrospectively applying the new accounting policy to the periods prior to the beginning of the fiscal year under review was added to or subtracted from the balance of retained earnings at the beginning of the fiscal year under review, and thus the new accounting policy has been applied from said beginning balance. However, by applying the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, the new accounting policy has not been applied retrospectively to contracts for which almost all revenues had been recognized in accordance with the previous treatment before the beginning of the fiscal year under review. In addition, by applying the method stipulated in proviso (1) to Paragraph 86 of the Revenue Recognition Accounting Standard, the Company has accounted for the contract modifications made prior to the beginning of the fiscal year under review based on the contract terms and conditions after reflecting all the contract modifications, and the resulting cumulative effect has been added to or subtracted from the beginning balance of retained earnings of the fiscal year under review.

In addition, “notes and accounts receivable - trade,” which was presented under “current assets” in the consolidated balance sheets for the previous fiscal year, has been included in “notes and accounts receivable - trade, and contract assets” from the fiscal year under review. “Advances received on construction contracts in progress,” which was presented under “current liabilities,” has been included in “other” as “contract liabilities” from the fiscal year under review. However, in accordance with the transitional treatment stipulated in Paragraph 89-2 of the Revenue Recognition Accounting Standard, the Company has made no reclassifications for the previous fiscal year by using the new presentation method.

As a result, in consolidated balance sheets of the fiscal year under review, notes and accounts receivable - trade, and contract assets decreased by ¥2,006 million, inventories increased by ¥1,917 million, and deferred tax liabilities decreased by ¥24 million compared to before applying the Revenue Recognition Accounting Standard and other related standards. In the consolidated statements of income for the fiscal year under review, net sales decreased by ¥1,407 million, cost of sales decreased by ¥1,365 million, and operating profit, ordinary profit, and profit before income taxes each decreased by ¥42 million.

In the consolidated statements of cash flows for the fiscal year under review, profit before income taxes decreased by ¥42 million, decrease (increase) in inventories decreased by ¥1,917 million, other, net under cash flows from operating activities decreased by ¥24 million, and increase (decrease) in trade payables increased by ¥2,006 million.

The cumulative effect of this change has been reflected on net assets at the beginning of the fiscal year under review. As a result, the beginning balance of retained earnings decreased by ¥26 million in the consolidated statement of changes in equity.

(Application of accounting standard for fair value measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued on July 4, 2019; hereinafter referred to as the “Fair Value Measurement Accounting Standard”), etc. from the beginning of the fiscal year under review, and decided to adopt new accounting policies prescribed in the Fair Value Measurement Accounting Standard, etc. prospectively, pursuant to the transitional treatment specified in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, issued on July 4, 2019). This application has no impact on the consolidated financial statements.

(Changes in presentation method)

(Consolidated balance sheets)

“Advances received on construction contracts in progress,” which were presented separately under “current liabilities” in the previous fiscal year, have been included in “other” from the fiscal year under review due to their reduced financial significance. The consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in presentation.

As a result, ¥422 million of “advances received on construction contracts in progress” and ¥3,063 million of “other,” which were presented under “current liabilities” in the consolidated balance sheets for the previous fiscal year, have been reclassified as ¥3,485 million of “other.”

(Consolidated statements of income)

“Loss on sale of notes receivable - trade,” which was presented separately under “non-operating expenses” in the previous fiscal year, has been included in “miscellaneous losses” from the fiscal year under review because it is 10% or less of the total amount of non-operating expenses. The consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in presentation.

As a result, the ¥6 million of “loss on sale of notes receivable - trade” and ¥51 million of “miscellaneous losses” which were presented in “non-operating expenses” in the consolidated financial statements for the previous fiscal year have been reclassified as ¥57 million of “miscellaneous losses.”

(Consolidated statements of cash flows)

“Increase (decrease) in advances received on construction contracts in progress,” which was presented separately under “cash flows from operating activities” in the previous fiscal year, has been included in “other” from the fiscal year under review, due to its reduced significance. The consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in presentation.

As a result, the ¥(256) million of “increase (decrease) in advances received on construction contracts in progress” and ¥(546) million of “other” which was presented under “cash flows from operating activities” in the consolidated statements of cash flows for the previous fiscal year have been reclassified as ¥(803) million of “other.”

(Segment information, etc.)

(Segment information)

1. Overview of reportable segments

The Totech Group's reportable segments are the units of the group for which financial information is separately available, and are regularly reviewed by the Board of Directors to make decisions on the allocation of managerial resources and assess financial results.

The Totech Group determines its operating segments taking into overall consideration mainly the market and the characteristics of the products and services. The group has two reportable segments: Product Sales Business and Construction Business. The main products and services included in each reportable segment are as follows.

(1) Product Sales Business: air conditioners, controllers, energy efficient equipment, and after-sales service

(2) Construction Business: instrumentation work, plumbing, electrical equipment work, and equipment installation work

2. Method for calculating net sales, profit or loss, assets, liabilities and other items by reportable segment

The profit of reportable segments are based on gross profit.

Inter-segment income and transfers are based on prevailing market prices.

As disclosed in "Changes in accounting policies," the Company applied the Revenue Recognition Standard and other related standards from the consolidated financial statements for the fiscal year under review, and changed the accounting method for revenue recognition. Accordingly, the Company also changed the method for calculating segment profit or loss for operating segments.

As a result of this change, compared with the previous method, net sales decreased by ¥1,407 million and segment profit decreased by ¥42 million for the Product Sales Business in the fiscal year under review.

3. Information on net sales, profit or loss, assets, liabilities and other items by reportable segment

For the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Million yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Consolidated Statements of Income
	Product Sales Business	Construction Business	Total				
Net sales							
Net sales to outside customers	72,653	36,952	109,606	43	109,650	-	109,650
Inter-segment net sales or transfers	1,124	116	1,240	-	1,240	(1,240)	-
Total	73,777	37,069	110,846	43	110,890	(1,240)	109,650
Segment profit (Note 3)	14,931	11,308	26,239	17	26,257	0	26,257
Segment assets	53,730	26,403	80,134	217	80,351	1,132	81,484
Other items							
Depreciation	-	1	1	19	20	(1)	19
Impairment losses	13	6	20	0	20	-	20
Changes in property, plant and equipment and intangible assets	2,411	1,299	3,710	1	3,712	-	3,712

- (Notes) 1. The category of “Other” represents an operating segment not included in reportable segments, which operates a solar power business.
2. (1) The adjustment of segment profit of ¥0 million mainly represents elimination related to inter-segment transactions.
 (2) The adjustment of segment assets of ¥1,132 million includes ¥1,230 million of corporate assets not allocated to reportable segments and ¥(98) million of elimination of receivables and payables between reportable segments. Corporate assets mainly represent surplus operating funds and long-term investment funds.
3. Segment profit is adjusted against gross profit in consolidated statements of income.

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Consolidated Statements of Income
	Product Sales Business	Construction Business	Total				
Net sales							
Net sales to outside customers	71,408	38,668	110,077	43	110,120	-	110,120
Inter-segment net sales or transfers	1,467	86	1,553	-	1,553	(1,553)	-
Total	72,875	38,755	111,630	43	111,673	(1,553)	110,120
Segment profit (Note 3)	14,822	12,542	27,365	19	27,384	0	27,384
Segment assets	52,987	30,523	83,511	199	83,710	901	84,611
Other items							
Depreciation	-	1	1	17	19	(1)	17
Impairment losses	-	-	-	-	-	-	-
Changes in property, plant and equipment and intangible assets	1,363	743	2,107	0	2,107	0	2,108

- (Notes) 1. The category of “Other” represents an operating segment not included in reportable segments, which operates a solar power business.
2. (1) The adjustment of segment profit of ¥0 million mainly represents elimination related to inter-segment transactions.
 (2) The adjustment of segment assets of ¥901 million includes ¥1,175 million of corporate assets not allocated to reportable segments and ¥ (273) million of elimination of receivables and payables between reportable segments. Corporate assets mainly represent surplus operating funds and long-term investment funds.
3. Segment profit is adjusted against gross profit in consolidated statements of income.

(Per share information)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Net assets per share	¥2,826.87	¥3,049.57
Basic earnings per share	¥351.29	¥345.82

- (Notes) 1. Diluted earnings per share are not presented because the Company has no dilutive shares.
 2. The basis for calculating basic earnings per share is as follows:

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Basic earnings per share		
Profit attributable to owners of parent (Million yen)	4,795	4,724
Amount not attributable to common shareholders (Million yen)	-	-
Profit attributable to owners of parent relating to common shares (Million yen)	4,795	4,724
Average number of common shares outstanding during the period (Shares)	13,649,842	13,662,155

(Significant subsequent events)

Not applicable.