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Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]

October 28, 2022

Company name: TOENEC CORPORATION

Stock exchange listing: Tokyo, Nagoya

Code number: 1946

URL: <https://www.toenec.co.jp/>

Representative: Yuzo Fujita

President And Director Chief Executive Officer

Contact: Akihito Hirano

Executive Officer General Manager Finance & Accounting Division

Phone: 052-219-1916

Scheduled date of filing quarterly securities report: November 09, 2022

Scheduled date of commencing dividend payments: November 30, 2022

Availability of supplementary briefing material on quarterly financial results: No

Schedule of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 01, 2022 to September 30, 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 | % |
| Six months ended September 30, 2022 | 107,608 | 7.0 | 4,768 | (6.3) | 4,120 | (10.2) | (7,133) | - |
| September 30, 2021 | 100,526 | (2.0) | 5,087 | (22.8) | 4,589 | (26.2) | 3,026 | (26.5) |

(Note) Comprehensive income: Six months ended September 30, 2022: ¥ (6,691) million [- %]
Six months ended September 30, 2021: ¥ 4,234 million [(13.3) %]

| | Basic earnings per share | | Diluted earnings per share | |
|-------------------------------------|--------------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Six months ended September 30, 2022 | (381.66) | | - | |
| September 30, 2021 | 161.91 | | - | |

(2) Consolidated Financial Position

| | Total assets | | Net assets | | Capital adequacy ratio | | Net assets per share | |
|--------------------------|--------------|--|-------------|--|------------------------|--|----------------------|--|
| | Million yen | | Million yen | | % | | Yen | |
| As of September 30, 2022 | 289,595 | | 118,243 | | 40.8 | | 6,323.30 | |
| March 31, 2022 | 301,599 | | 126,596 | | 42.0 | | 6,772.38 | |

(Reference) Equity: As of September 30, 2022: ¥ 118,211 million
As of March 31, 2022: ¥ 126,570 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, 2022 | - | 45.00 | - | 90.00 | 135.00 |
| Fiscal year ending March 31, 2023 | - | 45.00 | | | |
| Fiscal year ending March 31, 2023 (Forecast) | | | - | 95.00 | 140.00 |

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023(April 01, 2022 to 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 |
|-----------|-------------|------|------------------|-----|-----------------|-------|---|---|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 247,000 | 12.5 | 14,100 | 0.2 | 13,000 | (2.9) | (1,000) | - | (53.50) |

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2022

(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: Yes

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

1) Changes in accounting policies due to the revision of accounting standards: No

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, 2022: 19,329,990 shares

March 31, 2022: 19,329,990 shares

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

September 30, 2022: 635,334 shares

March 31, 2022: 640,758 shares

3) Average number of shares during the period:

Six months ended September 30, 2022: 18,691,035 shares

Six months ended September 30, 2021: 18,689,749 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ substantially due to various factors.

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Million yen)

| | As of March 31,2022 | As of September 30,2022 |
|---|---------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 29,015 | 34,391 |
| Deposits paid | 1,500 | 1,500 |
| Notes receivable, accounts receivable from completed construction contracts and other | 69,521 | 62,628 |
| Costs on construction contracts in progress | 6,577 | 7,400 |
| Raw materials and supplies | 3,177 | 3,314 |
| Merchandise | 111 | 94 |
| Other | 3,458 | 6,687 |
| Allowance for doubtful accounts | (90) | (1,652) |
| Total current assets | 113,270 | 114,365 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 58,341 | 58,179 |
| Machinery, vehicles, tools, furniture and fixtures | 113,655 | 114,585 |
| Land | 31,633 | 31,807 |
| Construction in progress | 9,634 | 334 |
| Accumulated depreciation | (67,373) | (70,889) |
| Total property, plant and equipment | 145,891 | 134,017 |
| Intangible assets | | |
| Goodwill | 1,253 | 1,096 |
| Other | 2,793 | 3,078 |
| Total intangible assets | 4,047 | 4,175 |
| Investments and other assets | | |
| Investment securities | 28,877 | 28,371 |
| Deferred tax assets | 4,868 | 5,613 |
| Other | 6,511 | 3,346 |
| Allowance for doubtful accounts | (1,869) | (293) |
| Total investments and other assets | 38,389 | 37,037 |
| Total non-current assets | 188,328 | 175,229 |
| Total assets | 301,599 | 289,595 |

(Million yen)

| | As of March 31,2022 | As of September 30,2022 |
|--|---------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes payable, accounts payable for construction contracts and other | 39,531 | 32,195 |
| Short-term borrowings | 4,182 | 9,082 |
| Accrued expenses | 7,351 | 7,345 |
| Income taxes payable | 1,852 | 650 |
| Advances received on construction contracts in progress | 2,533 | 3,525 |
| Provision for loss on construction contracts | 247 | 508 |
| Provision for loss on cancellation of leases | - | 1,485 |
| Other | 9,006 | 9,954 |
| Total current liabilities | 64,704 | 64,747 |
| Non-current liabilities | | |
| Bonds payable | 8,400 | 8,400 |
| Long-term borrowings | 23,463 | 22,922 |
| Lease liabilities | 55,463 | 52,174 |
| Retirement benefit liability | 18,662 | 17,917 |
| Asset retirement obligations | 3,801 | 4,679 |
| Other | 506 | 512 |
| Total non-current liabilities | 110,298 | 106,605 |
| Total liabilities | 175,002 | 171,352 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 7,680 | 7,680 |
| Capital surplus | 6,840 | 6,848 |
| Retained earnings | 105,381 | 96,566 |
| Treasury shares | (1,548) | (1,535) |
| Total shareholders' equity | 118,354 | 109,559 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 7,689 | 7,423 |
| Foreign currency translation adjustment | 206 | 770 |
| Remeasurements of defined benefit plans | 320 | 458 |
| Total accumulated other comprehensive income | 8,216 | 8,652 |
| Non-controlling interests | 26 | 31 |
| Total net assets | 126,596 | 118,243 |
| Total liabilities and net assets | 301,599 | 289,595 |

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

(Million yen)

| | For the six months ended September 30,2021 | For the six months ended September 30,2022 |
|---|---|---|
| Net sales | 100,526 | 107,608 |
| Cost of sales | 85,073 | 91,860 |
| Gross profit | 15,453 | 15,748 |
| Selling, general and administrative expenses | 10,365 | 10,979 |
| Operating profit | 5,087 | 4,768 |
| Non-operating income | | |
| Interest income | 72 | 9 |
| Dividend income | 191 | 258 |
| Rental income from land and buildings | 86 | 96 |
| Share of profit of entities accounted for using equity method | 200 | - |
| Other | 57 | 123 |
| Total non-operating income | 608 | 488 |
| Non-operating expenses | | |
| Interest expenses | 1,059 | 1,085 |
| Commission for syndicated loans | 20 | - |
| Share of loss of entities accounted for using equity method | - | 40 |
| Other | 26 | 10 |
| Total non-operating expenses | 1,106 | 1,136 |
| Ordinary profit | 4,589 | 4,120 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 9 | 12 |
| Reversal of allowance for doubtful accounts | 1 | 0 |
| Gain on sale of investment securities | - | 11 |
| Total extraordinary income | 10 | 23 |
| Extraordinary losses | | |
| Loss on sale and retirement of non-current assets | 32 | 119 |
| Impairment losses | - | 10,004 |
| Loss on valuation of investment securities | 5 | 0 |
| Provision for loss on cancellation of leases | - | 1,485 |
| Total extraordinary losses | 37 | 11,609 |
| Profit (loss) before income taxes | 4,562 | (7,465) |
| Income taxes | 1,532 | (334) |
| Profit (loss) | 3,030 | (7,131) |
| Profit attributable to non-controlling interests | 4 | 2 |
| Profit (loss) attributable to owners of parent | 3,026 | (7,133) |

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

(Million yen)

| | For the six months ended September 30,2021 | For the six months ended September 30,2022 |
|--|---|---|
| Profit (loss) | 3,030 | (7,131) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 835 | (265) |
| Foreign currency translation adjustment | 149 | 313 |
| Remeasurements of defined benefit plans, net of tax | 223 | 143 |
| Share of other comprehensive income of entities accounted for using equity method | (4) | 248 |
| Total other comprehensive income | 1,203 | 440 |
| Comprehensive income | 4,234 | (6,691) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 4,228 | (6,697) |
| Comprehensive income attributable to non-controlling interests | 5 | 6 |

Quarterly Consolidated Statements of Cash Flows

(Million yen)

| | For the six months ended September 30,2021 | For the six months ended September 30,2022 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit (loss) before income taxes | 4,562 | (7,465) |
| Depreciation | 4,425 | 4,896 |
| Impairment losses | - | 10,004 |
| Amortization of goodwill | 156 | 156 |
| Increase (decrease) in allowance for doubtful accounts | (7) | (15) |
| Increase(decrease) in provision for loss on cancellation of leases | - | 1,485 |
| Increase (decrease) in other provisions | 13 | 261 |
| Increase (decrease) in retirement benefit liability | (551) | (542) |
| Interest and dividend income | (263) | (268) |
| Interest expenses | 1,059 | 1,085 |
| Foreign exchange losses (gains) | (16) | (70) |
| Loss (gain) on valuation of investment securities | 5 | 0 |
| Loss (gain) on sale of investment securities | - | (11) |
| Share of loss (profit) of entities accounted for using equity method | (200) | 40 |
| Loss (gain) on sale and retirement of property, plant and equipment and intangible assets | 22 | 107 |
| Decrease (increase) in trade receivables | 7,237 | 7,037 |
| Decrease (increase) in costs on construction contracts in progress | (1,513) | (801) |
| Decrease (increase) in inventories | (61) | (120) |
| Increase (decrease) in trade payables | (5,718) | (6,514) |
| Increase (decrease) in advances received on construction contracts in progress | 1,832 | 907 |
| Increase (decrease) in accrued consumption taxes | (5,003) | 978 |
| Other, net | 110 | (17) |
| Subtotal | 6,089 | 11,135 |
| Income taxes paid | (2,716) | (1,683) |
| Net cash provided by (used in) operating activities | 3,372 | 9,452 |
| Cash flows from investing activities | | |
| Payments into time deposits | (10) | (152) |
| Proceeds from withdrawal of time deposits | - | 10 |
| Net decrease (increase) in deposits paid | - | 500 |
| Purchase of investment securities | (11) | (13) |
| Proceeds from sale of investment securities | - | 11 |
| Purchase of shares of subsidiaries and associates | - | (176) |
| Proceeds from collection of loans receivable | 8 | 8 |
| Purchase of property, plant and equipment | (2,938) | (1,634) |
| Proceeds from sale of property, plant and equipment | 54 | 47 |
| Proceeds from key deposits and other | 2,500 | - |
| Interest and dividends received | 499 | 663 |
| Other, net | (715) | (716) |
| Net cash provided by (used in) investing activities | (612) | (1,452) |

(Million yen)

| | For the six months ended September 30,2021 | For the six months ended September 30,2022 |
|---|---|---|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | (6,900) | 4,900 |
| Proceeds from long-term borrowings | 1,979 | - |
| Repayments of long-term borrowings | (541) | (541) |
| Purchase of treasury shares | (0) | (0) |
| Proceeds from sale of treasury shares | 0 | 0 |
| Repayments of lease liabilities | (3,430) | (3,733) |
| Proceeds from sale and leaseback transactions | 14 | - |
| Interest paid | (1,058) | (1,085) |
| Dividends paid | (1,586) | (1,678) |
| Dividends paid to non-controlling interests | - | (1) |
| Other, net | (2) | (2) |
| Net cash provided by (used in) financing activities | (11,524) | (2,141) |
| Effect of exchange rate change on cash and cash equivalents | 82 | 168 |
| Net increase (decrease) in cash and cash equivalents | (8,682) | 6,025 |
| Cash and cash equivalents at beginning of period | 46,857 | 28,424 |
| Cash and cash equivalents at end of period | 38,175 | 34,450 |