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



November 2, 2022

Company name: Totech Corporation
 Stock exchange listing: Tokyo Stock Exchange
 Securities code: 9960
 URL: <https://www.totech.co.jp/>
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 Phone: +81-3-6632-7000
 Scheduled date of filing quarterly securities report: November 14, 2022
 Scheduled date of commencing dividend payments: December 2, 2022
 Availability of supplementary explanatory materials on quarterly financial results: None
 Schedule of quarterly financial results briefing session: None

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 1, 2022 - September 30, 2022)

(1) Consolidated Operating Results (Cumulative) (% 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	55,095	13.0	2,639	15.6	2,969	17.0	1,917	17.7
September 30, 2021	48,753	(2.6)	2,282	(3.5)	2,537	(9.3)	1,628	(7.7)

(Note) Comprehensive income: Six months ended September 30, 2022: ¥2,400 million [6.7%]

Six months ended September 30, 2021: ¥2,249 million [(27.7)%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended				
September 30, 2022	140.17		—	
September 30, 2021	119.24		—	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2022	83,961	42,460	50.6	3,102.11
As of March 31, 2022	84,611	41,669	49.2	3,049.57

(Reference) Equity: As of September 30, 2022: ¥42,460 million

As of March 31, 2022: ¥41,669 million

2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	17.00	—	122.00	139.00
Fiscal year ending March 31, 2023	—	49.00			
Fiscal year ending March 31, 2023 (Forecast)			—	98.00	147.00

(Note) Revision to the forecast for dividends announced most recently: None

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	365.44

(Note) Revision to the financial results forecast announced most recently: None

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation):
Newly included: – (), Excluded: – ()
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None
- (3) 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: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Total number of issued shares (common shares)
- 1) Total number of issued shares at the end of the period (including treasury shares):
 - As of September 30, 2022: 13,988,000 shares
 - As of March 31, 2022: 13,988,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - As of September 30, 2022: 300,466 shares
 - As of March 31, 2022: 323,986 shares
 - 3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year):
 - Six months ended September 30, 2022: 13,677,494 shares
 - Six months ended September 30, 2021: 13,660,534 shares

(Note) The total number of treasury shares at the end of the period includes the shares of the Company (73,800 shares as of September 30, 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 (56,400 shares as of September 30, 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 quarterly financial results are outside the scope of quarterly review 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 “Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the attached document.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

With regard to the Japanese economy during the six months ended September 30, 2022, the severe conditions arising from COVID-19 were alleviated, and social and economic activities gradually normalized. On the other hand, the outlook remained uncertain due to the impacts of fluctuating exchange rates caused by rapid yen depreciation, a surge in resource prices originating from the invasion of Ukraine by Russia, and activity restrictions associated with China's zero-COVID policy.

Turning to the construction industry in which the Totech Group operates, despite a steady level of both public and private investment as well as strong order intake, the lingering 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 period under review were as follows.

Against the backdrop of strong orders, sales steadily grew, especially in the construction business segment. As a result, net sales were ¥55,095 million (up 13.0% year on year). On the profit front, thanks to gross profit steadily increasing in proportion to a rise in net sales, operating profit was ¥2,639 million (up 15.6% year on year). Accordingly, ordinary profit and profit attributable to owners of parent amounted to ¥2,969 million (up 17.0% year on year) and ¥1,917 million (up 17.7% year on year), respectively.

Note that the Totech Group's net sales tend to be concentrated in the fourth quarter of the fiscal year and financial results fluctuate seasonally.

<Product sales business>

The product sales business primarily sells equipment with a focus on air conditioners, controllers, and facilities equipment, and provides regular and spot maintenance for the equipment it has sold. Net sales and gross profit amounted to ¥36,188 million (up 9.0% year on year) and ¥7,676 million (up 8.5% year on year), respectively.

<Construction business>

The construction business engages in instrumentation and plumbing work, design and execution of a variety of construction, and the provision of regular and spot maintenance for the construction work it has done. Net sales and gross profit amounted to ¥19,863 million (up 22.5% year on year) and ¥5,968 million (up 16.9% year on year), respectively.

(2) Explanation of Financial Position

(Assets)

Total assets as of September 30, 2022 amounted to ¥83,961 million, a decrease of ¥650 million from the end of the previous fiscal year. This was primarily attributable to a decrease of ¥2,549 million in current assets due to decreases in cash and deposits and electronically recorded monetary claims – operating, and a decrease of ¥339 million in intangible assets, despite an increase of ¥2,130 million in property, plant and equipment due to factors such as an increase in construction in progress.

(Liabilities)

Total liabilities as of September 30, 2022 amounted to ¥41,501 million, a decrease of ¥1,441 million from the end of the previous fiscal year. This was primarily attributable to a decrease of ¥3,320 million in notes and accounts payable - trade, electronically recorded obligations - operating, and other current liabilities, a decrease of ¥781 million in provision for bonuses due to bonus payments, and a decrease of 396 million in income taxes payable, despite an increase of ¥2,909 million in interest-bearing liabilities.

(Net assets)

Total net assets as of September 30, 2022 amounted to ¥42,460 million, an increase of ¥790 million from the end of the previous fiscal year. This was primarily attributable to a net increase of ¥248 million in retained earnings in which dividends paid and other items were deducted from the recording of profit attributable to owners of parent, and an increase of ¥611 million in foreign currency translation adjustment resulting from fluctuations in exchange rates.

As a result, equity ratio as of September 30, 2022 stood at 50.6%, a 1.4% increase from the end of the previous fiscal year.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

Regarding the consolidated financial results forecast for the fiscal year ending March 31, 2023, there have been no changes to the full-year consolidated financial results forecast announced on May 13, 2022.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	7,836	6,358
Notes and accounts receivable - trade, and contract assets	23,863	23,900
Electronically recorded monetary claims - operating	7,897	6,893
Inventories	3,733	4,882
Accounts receivable - other	2,189	1,335
Other	771	368
Allowance for doubtful accounts	(59)	(56)
Total current assets	46,231	43,681
Non-current assets		
Property, plant and equipment		
Buildings and structures	10,878	11,714
Land	8,721	8,824
Leased assets	1,076	1,185
Construction in progress	208	1,551
Other	801	897
Accumulated depreciation	(4,157)	(4,514)
Total property, plant and equipment	17,528	19,658
Intangible assets		
Goodwill	2,641	2,604
Software	1,930	1,709
Software in progress	93	58
Other	185	138
Total intangible assets	4,850	4,511
Investments and other assets		
Investment securities	11,761	11,809
Deferred tax assets	395	334
Retirement benefit asset	421	465
Other	3,500	3,579
Allowance for doubtful accounts	(78)	(79)
Total investments and other assets	16,000	16,109
Total non-current assets	38,380	40,279
Total assets	84,611	83,961

(Million yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,607	11,722
Electronically recorded obligations - operating	6,979	5,418
Short-term borrowings	5,490	8,980
Current portion of bonds payable	32	18
Income taxes payable	1,281	884
Provision for bonuses	2,646	1,864
Provision for bonuses for directors (and other officers)	37	13
Other	4,232	3,357
Total current liabilities	33,307	32,259
Non-current liabilities		
Long-term borrowings	6,763	6,197
Deferred tax liabilities	963	1,099
Provision for retirement benefits for directors (and other officers)	966	150
Retirement benefit liability	455	465
Other	486	1,327
Total non-current liabilities	9,634	9,241
Total liabilities	42,942	41,501
Net assets		
Shareholders' equity		
Share capital	1,857	1,857
Capital surplus	2,081	2,267
Retained earnings	32,946	33,194
Treasury shares	(134)	(261)
Total shareholders' equity	36,750	37,057
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,924	4,817
Foreign currency translation adjustment	(240)	370
Remeasurements of defined benefit plans	234	214
Total accumulated other comprehensive income	4,919	5,402
Total net assets	41,669	42,460
Total liabilities and net assets	84,611	83,961

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Net sales	48,753	55,095
Cost of sales	36,558	41,448
Gross profit	12,194	13,646
Selling, general and administrative expenses	9,911	11,006
Operating profit	2,282	2,639
Non-operating income		
Interest income	2	6
Dividend income	112	128
Purchase discounts	166	189
Compensation income	18	–
Miscellaneous income	48	93
Total non-operating income	347	417
Non-operating expenses		
Interest expenses	37	34
Provision of allowance for doubtful accounts	–	1
Guarantee commission	35	32
Miscellaneous losses	20	18
Total non-operating expenses	93	87
Ordinary profit	2,537	2,969
Profit before income taxes	2,537	2,969
Income taxes - current	531	786
Income taxes - deferred	376	265
Total income taxes	908	1,052
Profit	1,628	1,917
Profit attributable to owners of parent	1,628	1,917

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Profit	1,628	1,917
Other comprehensive income		
Valuation difference on available-for-sale securities	639	(107)
Foreign currency translation adjustment	–	611
Remeasurements of defined benefit plans, net of tax	(19)	(20)
Total other comprehensive income	620	483
Comprehensive income	2,249	2,400
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,249	2,400

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.