

Disclaimer: This document is an English translation of the original document in Japanese and has been prepared solely for reference purposes. In the event of any discrepancy between this English translation and the original in Japanese, the original shall prevail in all respects.

**Consolidated Financial Results
for the Nine Months Ended December 31, 2022
[Japanese GAAP]**



January 31, 2023

Company name: Totech Corporation
 Stock exchange listing: Tokyo Stock Exchange
 Securities code: 9960
 URL: <https://www.totech.co.jp/>
 Representative: Katsumi Nagao, Representative Director and President
 Contact: Toshikazu Kanai, Executive Officer and General Manager of Finance and Accounting Division
 Phone: +81-3-6632-7000
 Scheduled date of filing quarterly securities report: February 14, 2023
 Scheduled date of commencing dividend payments: –
 Availability of supplementary explanatory materials on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: None

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2022 (April 1, 2022 - December 31, 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	%
Nine months ended December 31, 2022	87,666	14.2	4,398	24.5	4,911	24.2	3,161	24.5
December 31, 2021	76,766	(2.0)	3,533	(6.8)	3,953	(9.8)	2,539	(9.4)

(Note) Comprehensive income: Nine months ended December 31, 2022: ¥3,507 million [10.4%]

Nine months ended December 31, 2021: ¥3,177 million [(37.8)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	231.08	–
December 31, 2021	185.91	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2022	90,375	42,892	47.5	3,133.69
As of March 31, 2022	84,693	41,669	49.2	3,049.57

(Reference) Equity: As of December 31, 2022: ¥42,892 million

As of March 31, 2022: ¥41,669 million

(Note) The Company finalized a provisional accounting treatment concerning business combination in the three months ended December 31, 2022. The figures for the fiscal year ended March 31, 2022 reflect the finalization of the provisional accounting treatment.

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

Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	3
2. Quarterly Consolidated Financial Statements and Principal Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
(3) Notes to Quarterly Consolidated Financial Statements	8
(Notes on going concern assumption)	8
(Notes in case of significant changes in shareholders' equity)	8

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

With regard to the Japanese economy during the nine months ended December 31, 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 sharp foreign exchange rate fluctuations, a surge in resource prices originating from the Ukrainian situation, and supply chain disruptions caused by lockdowns in China earlier in the year and subsequent rapid spread of infection.

Turning to the construction industry in which the Totech Group operates, despite a strong order intake owing to steady level of investment by both public and private sectors looking ahead to the end of the pandemic, 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 ¥87,666 million (up 14.2% year on year). On the profit front, thanks to gross profit steadily increasing in proportion to a rise in net sales, operating profit was ¥4,398 million (up 24.5% year on year). Accordingly, ordinary profit and profit attributable to owners of parent amounted to ¥4,911 million (up 24.2% year on year) and ¥3,161 million (up 24.5% 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 ¥57,520 million (up 11.5% year on year) and ¥11,621 million (up 10.5% 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 ¥31,820 million (up 21.4% year on year) and ¥9,467 million (up 17.0% year on year), respectively.

(2) Explanation of Financial Position

(Assets)

Total assets as of December 31, 2022 amounted to ¥90,375 million, an increase of ¥5,682 million from the end of the previous fiscal year. This was primarily attributable to an increase of ¥3,408 million in current assets due to such factors as a net increase in trade receivables and inventories and an increase of ¥3,099 million in property, plant and equipment due to factors such as an increase in construction in progress, despite a decrease of ¥559 million in intangible assets.

(Liabilities)

Total liabilities as of December 31, 2022 amounted to ¥47,483 million, an increase of ¥4,459 million from the end of the previous fiscal year. This was primarily attributable to an increase of ¥4,525 million in interest-bearing liabilities and an increase of ¥1,445 million in other current liabilities, despite a decrease of ¥1,691 million in provision for bonuses.

(Net assets)

Total net assets as of December 31, 2022 amounted to ¥42,892 million, an increase of ¥1,223 million from the end of the previous fiscal year. This was primarily attributable to a net increase of ¥818 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 ¥759 million in foreign currency translation adjustment resulting from fluctuations in exchange rates, despite a decrease of ¥382 million in valuation difference on available-for-sale securities resulting from a drop in the market value of held securities.

As a result, equity ratio as of December 31, 2022 stood at 47.5%, a 1.7% decrease 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 December 31, 2022
Assets		
Current assets		
Cash and deposits	7,836	7,097
Notes and accounts receivable - trade, and contract assets	23,863	25,970
Electronically recorded monetary claims - operating	7,897	7,666
Inventories	3,733	6,610
Accounts receivable - other	2,189	2,032
Other	771	317
Allowance for doubtful accounts	(59)	(56)
Total current assets	46,231	49,639
Non-current assets		
Property, plant and equipment		
Buildings and structures	10,878	12,252
Land	8,721	8,806
Leased assets	1,076	1,146
Construction in progress	208	2,116
Other	801	914
Accumulated depreciation	(4,157)	(4,607)
Total property, plant and equipment	17,528	20,628
Intangible assets		
Goodwill	1,992	1,802
Software	1,930	1,593
Software in progress	93	67
Other	967	959
Total intangible assets	4,983	4,423
Investments and other assets		
Investment securities	11,761	11,438
Deferred tax assets	344	171
Retirement benefit asset	421	486
Other	3,500	3,666
Allowance for doubtful accounts	(78)	(79)
Total investments and other assets	15,949	15,683
Total non-current assets	38,462	40,736
Total assets	84,693	90,375

(Million yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,607	12,753
Electronically recorded obligations - operating	6,979	7,860
Short-term borrowings	5,490	11,631
Current portion of bonds payable	32	–
Income taxes payable	1,281	149
Provision for bonuses	2,646	954
Provision for bonuses for directors (and other officers)	37	–
Other	4,232	5,678
Total current liabilities	33,307	39,027
Non-current liabilities		
Long-term borrowings	6,763	5,179
Deferred tax liabilities	1,044	1,383
Provision for retirement benefits for directors (and other officers)	966	157
Retirement benefit liability	455	466
Other	486	1,267
Total non-current liabilities	9,716	8,455
Total liabilities	43,023	47,483
Net assets		
Shareholders' equity		
Share capital	1,857	1,857
Capital surplus	2,081	2,267
Retained earnings	32,946	33,764
Treasury shares	(134)	(261)
Total shareholders' equity	36,750	37,627
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,924	4,542
Foreign currency translation adjustment	(240)	518
Remeasurements of defined benefit plans	234	204
Total accumulated other comprehensive income	4,919	5,265
Total net assets	41,669	42,892
Total liabilities and net assets	84,693	90,375

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Net sales	76,766	87,666
Cost of sales	58,141	66,584
Gross profit	18,624	21,081
Selling, general and administrative expenses	15,091	16,682
Operating profit	3,533	4,398
Non-operating income		
Interest income	2	7
Dividend income	193	213
Purchase discounts	263	296
Compensation income	27	–
Miscellaneous income	69	203
Total non-operating income	557	720
Non-operating expenses		
Interest expenses	58	56
Provision of allowance for doubtful accounts	–	1
Guarantee commission	54	53
Miscellaneous losses	24	97
Total non-operating expenses	137	208
Ordinary profit	3,953	4,911
Extraordinary income		
Gain on sale of non-current assets	–	15
Total extraordinary income	–	15
Profit before income taxes	3,953	4,926
Income taxes - current	685	1,078
Income taxes - deferred	728	686
Total income taxes	1,414	1,765
Profit	2,539	3,161
Profit attributable to owners of parent	2,539	3,161

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Profit	2,539	3,161
Other comprehensive income		
Valuation difference on available-for-sale securities	667	(382)
Foreign currency translation adjustment	–	759
Remeasurements of defined benefit plans, net of tax	(29)	(30)
Total other comprehensive income	637	345
Comprehensive income	3,177	3,507
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,177	3,507

(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.