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**Consolidated Financial Results
for the Three Months Ended June 30, 2023
[Japanese GAAP]**



July 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
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 Scheduled date of filing quarterly securities report: August 10, 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 Three Months Ended June 30, 2023 (April 1, 2023 - June 30, 2023)

(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 | % |
| Three months ended June 30, 2023 | 27,732 | 17.0 | 331 | 155.2 | 526 | 75.8 | 256 | 78.4 |
| June 30, 2022 | 23,698 | 12.4 | 129 | 18.3 | 299 | 25.1 | 143 | 29.7 |

(Note) Comprehensive income: Three months ended June 30, 2023: ¥2,010 million [2,719.0%]

Three months ended June 30, 2022: ¥71 million [–%]

| | Basic earnings per share | Diluted earnings per share |
|----------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Three months ended June 30, 2023 | 18.72 | – |
| June 30, 2022 | 10.51 | – |

(Note) The Company finalized a provisional accounting treatment concerning business combination in the three months ended December 31, 2022. The figures for the three months ended June 30, 2022 reflect the finalization of the provisional accounting treatment.

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|----------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of June 30, 2023 | 87,183 | 45,992 | 52.8 | 3,356.55 |
| As of March 31, 2023 | 92,058 | 45,492 | 49.4 | 3,323.65 |

(Reference) Equity: As of June 30, 2023: ¥45,992 million

As of March 31, 2023: ¥45,492 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, 2023 | — | 49.00 | — | 113.00 | 162.00 |
| Fiscal year ending March 31, 2024 | — | | | | |
| Fiscal year ending March 31, 2024 (Forecast) | | 61.00 | — | 121.00 | 182.00 |

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(% 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 |
| | 135,000 | 6.6 | 8,800 | 13.8 | 9,300 | 13.8 | 6,200 | 18.5 | 452.55 |

(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 June 30, 2023: 13,988,000 shares
As of March 31, 2023: 13,988,000 shares

2) Total number of treasury shares at the end of the period:
As of June 30, 2023: 285,566 shares
As of March 31, 2023: 300,466 shares

3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year):
Three months ended June 30, 2023: 13,694,984 shares
Three months ended June 30, 2022: 13,669,964 shares

(Note) The total number of treasury shares at the end of the period includes the shares of the Company (58,900 shares as of June 30, 2023) held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets of Board Benefit Trust (J-ESOP). The shares of the Company (66,350 shares as of June 30, 2023) 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.

(Access to supplementary explanatory materials on quarterly financial results)

Supplementary explanatory materials on financial results will be posted on the Company’s website on Monday, July 31, 2023.

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 three months ended June 30, 2023, economic activities were returning to normalcy as the legal status of COVID-19 was downgraded to Class 5, and there were gradual and continuous improvements in corporate earnings, capital investment, production, consumer spending, and others. On the other hand, the outlook still remains uncertain due to the yen depreciation resulting from a difference in interest rates between Japan and the U.S. and a trade deficit as well as rising domestic prices caused primarily by the sustained high raw materials and energy costs owing to the continuing situation surrounding Ukraine.

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 on the back of robust demand for construction in Japan, the operating environment remains severe due to many supply issues such as the sustained high construction material prices and a chronic shortage of engineers.

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

Against the backdrop of strong demand for construction, sales steadily grew in each segment. As a result, net sales were ¥27,732 million (up 17.0% year on year). On the profit front, thanks to gross profit steadily increasing in proportion to a rise in net sales, operating profit was ¥331 million (up 155.2% year on year). Accordingly, ordinary profit and profit attributable to owners of parent amounted to ¥526 million (up 75.8% year on year) and ¥256 million (up 78.4% 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. Against the backdrop of strong orders particularly associated with redevelopment projects in urban areas, net sales and gross profit amounted to ¥17,900 million (up 16.8% year on year) and ¥3,479 million (up 6.8% 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. On the back of robust demand for instrumentation systems installed particularly in private plants and office buildings, net sales and gross profit amounted to ¥10,343 million (up 16.0% year on year) and ¥2,879 million (up 19.8% year on year), respectively.

(2) Explanation of Financial Position

(Assets)

Total assets as of June 30, 2023 amounted to ¥87,183 million, a decrease of ¥4,874 million from the end of the previous fiscal year. This was primarily attributable to a net decrease of ¥7,326 million in trade receivables and inventories, despite an increase of ¥2,416 million in investment securities due to factors such as a raise in the market value of held securities.

(Liabilities)

Total liabilities as of June 30, 2023 amounted to ¥41,190 million, a decrease of ¥5,375 million from the end of the previous fiscal year. This was primarily attributable to a decrease of ¥3,858 million in notes and accounts payable - trade and electronically recorded obligations - operating, a decrease of ¥2,007 million in provision for

bonuses due to bonus payments, and a decrease of 1,638 million in income taxes payable, despite an increase of ¥1,937 million in other current liabilities.

(Net assets)

Total net assets as of June 30, 2023 amounted to ¥45,992 million, an increase of ¥500 million from the end of the previous fiscal year. This was primarily attributable to an increase of ¥1,666 million in valuation difference on available-for-sale securities resulting from a raise in the market value of held securities and an increase of ¥91 million in foreign currency translation adjustment due to the fluctuation in foreign exchange rates, despite a net decrease of ¥1,298 million in retained earnings in which dividends paid and other items were deducted from the recording of profit attributable to owners of parent.

As a result, equity ratio as of June 30, 2023 stood at 52.8%, a 3.4% 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, 2024, there have been no changes to the full-year consolidated financial results forecast announced on June 30, 2023.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

| | As of March 31, 2023 | As of June 30, 2023 |
|--|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 6,052 | 6,518 |
| Notes and accounts receivable - trade, and contract assets | 29,412 | 20,593 |
| Electronically recorded monetary claims - operating | 7,976 | 9,411 |
| Inventories | 4,424 | 4,481 |
| Accounts receivable - other | 1,917 | 1,607 |
| Other | 371 | 477 |
| Allowance for doubtful accounts | (51) | (50) |
| Total current assets | 50,103 | 43,040 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 12,489 | 12,607 |
| Land | 8,755 | 8,851 |
| Leased assets | 1,125 | 1,158 |
| Construction in progress | 1,948 | 1,900 |
| Other | 1,058 | 1,076 |
| Accumulated depreciation | (4,738) | (4,895) |
| Total property, plant and equipment | 20,639 | 20,698 |
| Intangible assets | | |
| Goodwill | 1,633 | 1,516 |
| Software | 1,462 | 1,331 |
| Software in progress | 69 | 127 |
| Other | 1,153 | 1,119 |
| Total intangible assets | 4,318 | 4,096 |
| Investments and other assets | | |
| Investment securities | 12,655 | 15,072 |
| Deferred tax assets | 449 | 308 |
| Retirement benefit asset | 277 | 292 |
| Other | 3,690 | 3,752 |
| Allowance for doubtful accounts | (76) | (76) |
| Total investments and other assets | 16,996 | 19,347 |
| Total non-current assets | 41,955 | 44,142 |
| Total assets | 92,058 | 87,183 |

(Million yen)

| | As of March 31, 2023 | As of June 30, 2023 |
|--|----------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 13,480 | 9,915 |
| Electronically recorded obligations - operating | 9,030 | 8,737 |
| Short-term borrowings | 6,790 | 7,246 |
| Income taxes payable | 1,973 | 334 |
| Provision for bonuses | 2,956 | 948 |
| Provision for bonuses for directors (and other officers) | 13 | – |
| Other | 3,535 | 5,472 |
| Total current liabilities | 37,779 | 32,655 |
| Non-current liabilities | | |
| Long-term borrowings | 5,537 | 4,457 |
| Deferred tax liabilities | 1,113 | 1,932 |
| Provision for retirement benefits for directors (and other officers) | 162 | 167 |
| Retirement benefit liability | 534 | 543 |
| Other | 1,436 | 1,434 |
| Total non-current liabilities | 8,785 | 8,535 |
| Total liabilities | 46,565 | 41,190 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 1,857 | 1,857 |
| Capital surplus | 2,259 | 2,267 |
| Retained earnings | 35,833 | 34,535 |
| Treasury shares | (261) | (224) |
| Total shareholders' equity | 39,688 | 38,434 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 5,376 | 7,043 |
| Foreign currency translation adjustment | 412 | 504 |
| Remeasurements of defined benefit plans | 14 | 10 |
| Total accumulated other comprehensive income | 5,803 | 7,558 |
| Total net assets | 45,492 | 45,992 |
| Total liabilities and net assets | 92,058 | 87,183 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended June 30

(Million yen)

| | For the three months ended June 30, 2022 | For the three months ended June 30, 2023 |
|--|---|---|
| Net sales | 23,698 | 27,732 |
| Cost of sales | 18,035 | 21,397 |
| Gross profit | 5,662 | 6,334 |
| Selling, general and administrative expenses | 5,532 | 6,002 |
| Operating profit | 129 | 331 |
| Non-operating income | | |
| Interest income | 2 | 6 |
| Dividend income | 73 | 112 |
| Purchase discounts | 95 | 95 |
| Miscellaneous income | 44 | 41 |
| Total non-operating income | 216 | 255 |
| Non-operating expenses | | |
| Interest expenses | 15 | 28 |
| Provision of allowance for doubtful accounts | 1 | – |
| Guarantee commission | 16 | 19 |
| Miscellaneous losses | 13 | 11 |
| Total non-operating expenses | 46 | 60 |
| Ordinary profit | 299 | 526 |
| Profit before income taxes | 299 | 526 |
| Income taxes - current | 8 | 56 |
| Income taxes - deferred | 147 | 213 |
| Total income taxes | 155 | 270 |
| Profit | 143 | 256 |
| Profit attributable to owners of parent | 143 | 256 |

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

| | For the three months ended June 30, 2022 | For the three months ended June 30, 2023 |
|--|---|---|
| Profit | 143 | 256 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (301) | 1,666 |
| Foreign currency translation adjustment | 239 | 91 |
| Remeasurements of defined benefit plans, net of tax | (10) | (3) |
| Total other comprehensive income | (72) | 1,754 |
| Comprehensive income | 71 | 2,010 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 71 | 2,010 |
| Comprehensive income attributable to non-controlling interests | — | — |

(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.