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## Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]

October 31, 2023

Company name: TECNOS JAPAN INCORPORATED

Stock exchange listing: Tokyo

Code number: 3666

URL: <http://www.tecnos.co.jp/>

Representative: Takashi Yoshioka

Representative Director

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Director

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Scheduled date of filing quarterly securities report: November 14, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

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

### 1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)

#### (1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2023	6,403	25.0	806	21.7	865	22.6	863	82.6
September 30, 2022	5,124	11.6	662	(0.5)	705	2.3	473	5.4

(Note) Comprehensive income: Six months ended September 30, 2023: ¥ 541 million [ (21.0)%]  
Six months ended September 30, 2022: ¥ 685 million [ 79.1%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	45.00	44.93
September 30, 2022	24.45	24.44

#### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	9,560	6,824	70.2
March 31, 2023	9,867	6,564	65.7

(Reference) Equity: As of September 30, 2023: ¥ 6,715 million  
As of March 31, 2023: ¥ 6,485 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, 2023	-	0.00	-	15.50	15.50
Fiscal year ending March 31, 2024	-	0.00			
Fiscal year ending March 31, 2024 (Forecast)			-	16.00	16.00

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

(Note) Breakdown of the 2nd quarter dividend for the fiscal year ending March 31, 2024 :

Commemorative dividend	- yen
Special dividend	- yen

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024(April 1, 2023 to 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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	12,700	15.2	1,440	11.0	1,475	8.7	1,260	39.7	65.63

(Note) Revision to the financial results forecast announced most recently: No

\* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2023

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New	-	(Company name:	)
Exclusion:	-	(Company name:	)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(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: Yes
- 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, 2023:	20,400,000 shares
March 31, 2023:	20,400,000 shares

2) Number of treasury shares at the end of the period:

September 30, 2023:	1,205,740 shares
March 31, 2023:	1,203,656 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2023:	19,197,400 shares
Six months ended September 30, 2022:	19,349,457 shares

Quarterly Consolidated Financial Statements  
Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	3,138,635	2,490,162
Trade receivables and contract asset	2,325,234	2,860,671
Electronically recorded monetary claims - operating	406,732	381,065
Merchandise	130	130
Work in process	209	5,557
Prepaid expenses	113,537	96,967
Other	133,497	688,804
Allowance for doubtful accounts	(6,201)	(2,748)
<b>Total current assets</b>	<b>6,111,775</b>	<b>6,520,610</b>
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	248,451	248,054
Accumulated depreciation	(120,114)	(127,357)
Facilities attached to buildings, net	128,336	120,696
Tools, furniture and fixtures	114,281	120,429
Accumulated depreciation	(94,640)	(102,940)
Tools, furniture and fixtures, net	19,641	17,489
Other, net	3,623	-
<b>Total property, plant and equipment</b>	<b>151,601</b>	<b>138,185</b>
Intangible assets		
Software	2,562	1,904
Software in progress	-	600
Customer relationship	490,945	475,775
Goodwill	257,128	236,872
Other	64	64
<b>Total intangible assets</b>	<b>750,701</b>	<b>715,217</b>
Investments and other assets		
Investment securities	2,269,729	1,578,083
Shares of subsidiaries and associates	22,182	21,015
Long-term loans receivable from subsidiaries and associates	15,000	32,330
Long-term prepaid expenses	53,727	57,171
Deferred tax assets	87,353	86,541
Leasehold and guarantee deposits	228,526	228,613
Insurance funds	90,682	94,995
Other	86,096	87,477
<b>Total investments and other assets</b>	<b>2,853,299</b>	<b>2,186,228</b>
<b>Total non-current assets</b>	<b>3,755,601</b>	<b>3,039,632</b>
<b>Total assets</b>	<b>9,867,377</b>	<b>9,560,242</b>

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	669,609	539,378
Short-term borrowings	450,000	450,000
Accounts payable - other	281,236	236,733
Accrued expenses	180,092	107,245
Income taxes payable	378,091	315,795
Accrued consumption taxes	119,224	76,460
Reserve for guarantee for after-care of products	27,024	36,183
Provision for bonuses	301,215	79,874
Provision for bonuses for directors (and other officers)	36,178	-
Provision for shareholder benefit program	15,139	1,582
Other	235,624	417,705
Total current liabilities	2,693,437	2,260,960
Non-current liabilities		
Deferred tax liabilities	466,933	307,397
Provision for retirement benefits for directors (and other officers)	24,870	25,910
Retirement benefit liability	30,089	53,993
Asset retirement obligations	87,672	86,997
Total non-current liabilities	609,565	474,297
Total liabilities	3,303,003	2,735,258
Net assets		
Shareholders' equity		
Share capital	562,520	562,520
Capital surplus	202,747	202,747
Retained earnings	5,125,198	5,691,850
Treasury shares	(819,050)	(815,957)
Total shareholders' equity	5,071,414	5,641,160
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,288,129	835,491
Foreign currency translation adjustment	127,373	248,594
Remeasurements of defined benefit plans	(1,898)	(9,354)
Total accumulated other comprehensive income	1,413,605	1,074,731
Share award rights	21,585	35,948
Share acquisition rights	6,946	5,849
Non-controlling interests	50,821	67,293
Total net assets	6,564,373	6,824,984
Total liabilities and net assets	9,867,377	9,560,242

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the six months)

(Thousands of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Net sales	5,124,359	6,403,131
Cost of sales	3,573,988	4,384,886
Gross profit	1,550,371	2,018,245
Selling, general and administrative expenses	887,755	1,212,106
Operating profit	662,615	806,138
Non-operating income		
Interest income	10	160
Dividend income	13,420	19,680
Commission income	400	17,125
Gain on forgiveness of debts	22,090	-
Share of profit of entities accounted for using equity method	-	1,085
Subsidy income	3,372	9,534
Foreign exchange gains	5,060	9,271
Gain on investments in investment partnerships	-	1,880
Other	2,159	2,723
Total non-operating income	46,513	61,461
Non-operating expenses		
Interest expenses	-	1,784
Commission expenses	2,999	533
Other	316	-
Total non-operating expenses	3,315	2,318
Ordinary profit	705,812	865,281
Extraordinary income		
Surrender value of insurance policies	3,673	949
Gain on sale of investment securities	-	393,671
Total extraordinary income	3,673	394,620
Extraordinary losses		
Loss on cancellation of insurance policies	89	-
Total extraordinary losses	89	-
Profit before income taxes	709,396	1,259,902
Income taxes - current	235,689	343,447
Income taxes - deferred	(8,803)	41,578
Total income taxes	226,885	385,025
Profit	482,510	874,876
Profit attributable to non-controlling interests	9,406	10,933
Profit attributable to owners of parent	473,103	863,943

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

(Thousands of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit	482,510	874,876
Other comprehensive income		
Valuation difference on available-for-sale securities	48,843	(452,638)
Foreign currency translation adjustment	154,552	127,152
Remeasurements of defined benefit plans, net of tax	-	(7,848)
Total other comprehensive income	203,396	(333,334)
Comprehensive income	685,906	541,541
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	669,766	525,069
Comprehensive income attributable to non-controlling interests	16,140	16,472

Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	709,396	1,259,902
Depreciation	23,390	42,095
Amortization of goodwill	12,224	25,359
Loss (gain) on cancellation of insurance policies	89	-
Retirement benefit expenses	-	(10,193)
Share-based payment expenses	15,199	16,611
Loss (gain) on investments in investment partnerships	316	(1,880)
Gain on forgiveness of debts	(22,090)	-
Increase (decrease) in allowance for doubtful accounts	(5,265)	(3,745)
Increase (decrease) in reserve for guarantee for after-care of products	(2,104)	9,158
Increase (decrease) in provision for bonuses	4,804	(223,181)
Increase (decrease) in provision for bonuses for directors (and other officers)	7,617	(34,476)
Increase (decrease) in provision for shareholder benefit program	-	(13,556)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	-	1,040
Increase (decrease) in retirement benefit liability	-	19,213
Loss (gain) on sale of investment securities	-	(393,671)
Interest and dividend income	(13,430)	(19,840)
Interest expenses	-	1,784
Commission expenses	2,999	533
Share of loss (profit) of entities accounted for using equity method	-	(1,085)
Other loss (gain)	(519)	(373)
Decrease (increase) in trade receivables	(590,274)	(451,956)
Decrease (increase) in inventories	3,024	(4,717)
Increase (decrease) in trade payables	(15,307)	(142,014)
Increase (decrease) in accrued consumption taxes	1,925	(42,709)
Increase (decrease) in accounts payable - other	(8,612)	97,049
Increase (decrease) in advances received	18,439	174,688
Decrease (increase) in other assets	(48,278)	(44,375)
Increase (decrease) in other liabilities	(87,946)	(76,241)
Subtotal	5,598	183,418
Interest and dividends received	13,430	19,808
Interest paid	-	(1,832)
Income taxes paid	(202,072)	(379,383)
Payments of retirement benefits for directors (and other officers)	-	(150,000)
Net cash provided by (used in) operating activities	(183,043)	(327,988)
<b>Cash flows from investing activities</b>		
Purchase of investment securities	-	(100,798)
Purchase of property, plant and equipment	(4,806)	(2,908)
Proceeds from sale of property, plant and equipment	53	-
Purchase of intangible assets	-	(600)
Payments for asset retirement obligations	-	(660)
Proceeds from sale of membership	-	1,000
Payments for investments in capital	(25,000)	-
Long-term loan advances	-	(25,000)
Proceeds from collection of long-term loans receivable	-	23,800

(Thousands of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Payments of leasehold and guarantee deposits	-	(653)
Proceeds from refund of leasehold and guarantee deposits	3,802	1,315
Purchase of insurance funds	(4,978)	(4,313)
Proceeds from cancellation of insurance funds	2,120	-
Net cash provided by (used in) investing activities	(28,808)	(108,818)



(Thousands of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	(302,968)	-
Dividends paid	(275,531)	(296,678)
Proceeds from disposal of treasury shares	-	1
Net cash provided by (used in) financing activities	(578,500)	(296,677)
Effect of exchange rate change on cash and cash equivalents	78,090	85,010
Net increase (decrease) in cash and cash equivalents	(712,262)	(648,473)
Cash and cash equivalents at beginning of period	2,873,508	3,138,635
Cash and cash equivalents at end of period	2,161,246	2,490,162