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



November 1, 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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 Phone: +81-3-6632-7000
 Scheduled date of filing quarterly securities report: November 14, 2023
 Scheduled date of commencing dividend payments: December 1, 2023
 Availability of supplementary explanatory materials on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Scheduled (for institutional investors and analysts)

(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 - September 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	%
Six months ended								
September 30, 2023	63,721	15.7	3,616	37.5	4,078	37.7	2,662	38.9
September 30, 2022	55,095	13.0	2,630	15.2	2,961	16.7	1,917	17.7

(Note) Comprehensive income: Six months ended September 30, 2023: ¥3,945 million [64.3%]

Six months ended September 30, 2022: ¥2,400 million [6.7%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
September 30, 2023	194.34	—
September 30, 2022	140.17	—

(Note) The Company finalized a provisional accounting treatment concerning business combination in the three months ended December 31, 2022. The figures for the six months ended September 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 September 30, 2023	95,072	47,934	50.4	3,496.58
As of March 31, 2023	92,058	45,492	49.4	3,323.65

(Reference) Equity: As of September 30, 2023: ¥47,934 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	—	61.00			
Fiscal year ending March 31, 2024 (Forecast)			—	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	452.40

(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, 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 September 30, 2023: 278,966 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):
Six months ended September 30, 2023: 13,701,005 shares
Six months ended September 30, 2022: 13,677,494 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 September 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 (63,157 shares as of September 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 Wednesday, November 1, 2023.

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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, 2023, 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 concern about rising costs resulting from the ongoing yen depreciation and inflation and the sustained high energy costs.

Turning to the construction industry in which the Totech Group operates, despite robust demand for investment by private sectors in addition to a steady level of investment by public sectors, the operating environment remains severe, chiefly on the impact of soaring labor costs due to a chronic shortage of construction engineers and sustained high construction material prices.

Under these circumstances, the Totech Group is taking various measures to create social value and economic value by means of investment in human resources, ESG-focused management, strengthening of our core businesses, and expansion of our overseas businesses towards the realization of a corporate group that is *Good for people* as set out in the Medium-term Management Plan. We will continue to engage in strategic management so as to achieve the numerical targets (net sales of ¥ 150,000 million, ordinary profit of ¥ 10,000 million, etc. in the fiscal year ending March 31, 2026) set out in the Medium-term Management Plan.

The Totech Group's operating results for the period under review, the first fiscal year of the Medium-term Management Plan for the three-year period, were as follows.

Against the backdrop of strong orders, sales steadily grew, especially in the construction business segment. As a result, net sales were ¥63,721 million (up 15.7% year on year). On the profit front, thanks to gross profit steadily increasing in proportion to a rise in net sales, operating profit was ¥3,616 million (up 37.5% year on year) after salary level increases (base-pay increases). Accordingly, ordinary profit and profit attributable to owners of parent amounted to ¥4,078 million (up 37.7% year on year) and ¥2,662 million (up 38.9% 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 ¥39,711 million (up 9.7% year on year) and ¥8,231 million (up 7.2% 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 ¥25,021 million (up 26.0% year on year) and ¥7,165 million (up 20.1% year on year), respectively.

(2) Explanation of Financial Position

(Assets)

Total assets as of September 30, 2023 amounted to ¥95,072 million, an increase of ¥3,014 million from the end of the previous fiscal year. This was primarily attributable to an increase of ¥1,315 million in current assets due to increases in cash and deposits and electronically recorded monetary claims - operating, an increase of ¥1,199 million in investments and other assets due to factors such as a raise in the market value of held securities, and an increase of ¥829 million in construction in progress.

(Liabilities)

Total liabilities as of September 30, 2023 amounted to ¥47,138 million, an increase of ¥572 million from the end of the previous fiscal year. This was primarily attributable to an increase of ¥2,733 million in interest-bearing liabilities, an increase of ¥909 million in other current liabilities, and an increase of ¥578 million in deferred tax liabilities, despite a decrease of ¥1,905 million in notes and accounts payable - trade and electronically recorded obligations - operating, a decrease of ¥1,027 million in provision for bonuses due to bonus payments, and a decrease of ¥748 million in income taxes payable.

(Net assets)

Total net assets as of September 30, 2023 amounted to ¥47,934 million, an increase of ¥2,442 million from the end of the previous fiscal year. This was primarily attributable to a net increase of ¥1,107 million in retained earnings in which dividends paid and other items were deducted from the recording of profit attributable to owners of parent, an increase of ¥884 million in valuation difference on available-for-sale securities resulting from a raise in the market value of held securities, and an increase of ¥405 million in foreign currency translation adjustment due to the fluctuation in foreign exchange rates.

As a result, equity ratio as of September 30, 2023 stood at 50.4%, a 1.0% 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 September 30, 2023
Assets		
Current assets		
Cash and deposits	6,052	7,421
Notes and accounts receivable - trade, and contract assets	29,412	28,297
Electronically recorded monetary claims - operating	7,976	8,954
Inventories	4,424	4,764
Accounts receivable - other	1,917	1,557
Other	371	436
Allowance for doubtful accounts	(51)	(12)
Total current assets	50,103	51,418
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,489	12,657
Land	8,755	8,842
Leased assets	1,125	1,163
Construction in progress	1,948	2,778
Other	1,058	1,115
Accumulated depreciation	(4,738)	(5,034)
Total property, plant and equipment	20,639	21,521
Intangible assets		
Goodwill	1,633	1,451
Software	1,462	1,199
Software in progress	69	151
Other	1,153	1,133
Total intangible assets	4,318	3,936
Investments and other assets		
Investment securities	12,655	13,945
Deferred tax assets	449	246
Retirement benefit asset	277	308
Other	3,690	3,771
Allowance for doubtful accounts	(76)	(76)
Total investments and other assets	16,996	18,195
Total non-current assets	41,955	43,653
Total assets	92,058	95,072

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,480	13,626
Electronically recorded obligations - operating	9,030	6,978
Short-term borrowings	6,790	9,117
Income taxes payable	1,973	1,224
Provision for bonuses	2,956	1,929
Provision for bonuses for directors (and other officers)	13	14
Other	3,535	4,445
Total current liabilities	37,779	37,336
Non-current liabilities		
Long-term borrowings	5,537	5,943
Deferred tax liabilities	1,113	1,692
Provision for retirement benefits for directors (and other officers)	162	138
Retirement benefit liability	534	539
Other	1,436	1,486
Total non-current liabilities	8,785	9,801
Total liabilities	46,565	47,138
Net assets		
Shareholders' equity		
Share capital	1,857	1,857
Capital surplus	2,259	2,272
Retained earnings	35,833	36,941
Treasury shares	(261)	(222)
Total shareholders' equity	39,688	40,848
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,376	6,261
Foreign currency translation adjustment	412	818
Remeasurements of defined benefit plans	14	6
Total accumulated other comprehensive income	5,803	7,086
Total net assets	45,492	47,934
Total liabilities and net assets	92,058	95,072

(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, 2022	For the six months ended September 30, 2023
Net sales	55,095	63,721
Cost of sales	41,448	48,333
Gross profit	13,646	15,387
Selling, general and administrative expenses	11,015	11,770
Operating profit	2,630	3,616
Non-operating income		
Interest income	6	19
Dividend income	128	149
Purchase discounts	189	194
Miscellaneous income	93	205
Total non-operating income	417	568
Non-operating expenses		
Interest expenses	34	48
Provision of allowance for doubtful accounts	1	-
Guarantee commission	32	39
Foreign exchange losses	-	4
Miscellaneous losses	18	13
Total non-operating expenses	87	106
Ordinary profit	2,961	4,078
Extraordinary losses		
Loss on sale of non-current assets	-	15
Total extraordinary losses	-	15
Profit before income taxes	2,961	4,063
Income taxes - current	786	1,010
Income taxes - deferred	257	390
Total income taxes	1,043	1,401
Profit	1,917	2,662
Profit attributable to owners of parent	1,917	2,662

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit	1,917	2,662
Other comprehensive income		
Valuation difference on available-for-sale securities	(107)	884
Foreign currency translation adjustment	611	405
Remeasurements of defined benefit plans, net of tax	(20)	(7)
Total other comprehensive income	483	1,282
Comprehensive income	2,400	3,945
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,400	3,945

(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.