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**Consolidated Financial Results
for the Nine Months Ended December 31, 2023
[Japanese GAAP]**



January 31, 2024

Company name: Totech Corporation
 Stock exchange listing: Tokyo Stock Exchange
 Securities code: 9960
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 Scheduled date of filing quarterly securities report: February 14, 2024
 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, 2023 (April 1, 2023 - December 31, 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	%
Nine months ended								
December 31, 2023	101,116	15.3	6,699	52.3	7,360	49.9	4,917	55.6
December 31, 2022	87,666	14.2	4,398	24.5	4,911	24.2	3,161	24.5

(Note) Comprehensive income: Nine months ended December 31, 2023: ¥6,879 million [96.1%]

Nine months ended December 31, 2022: ¥3,507 million [10.4%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
December 31, 2023	358.84	–
December 31, 2022	231.08	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2023	101,616	50,032	49.2	3,649.57
As of March 31, 2023	92,058	45,492	49.4	3,323.65

(Reference) Equity: As of December 31, 2023: ¥50,032 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)				135.00	196.00

(Note) Revision to the forecast for dividends announced most recently: Yes

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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	140,000	10.5	10,000	29.4	10,500	28.5	6,700	28.1	488.88

(Note) Revision to the financial results forecast announced most recently: Yes

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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, 2023, as the employment and wages conditions were improving, there were an indication of recovery in consumer spending and gradual and continuous improvements in corporate earnings, capital investment, production, and others. On the other hand, the outlook still remains uncertain primarily due to concern about slowdown in the world economy against the backdrop of the continuation of monetary tightening policies pursued by countries and increasing geopolitical risks.

Turning to the construction industry in which the Totech Group operates, despite a strong order intake owing to steady investment by both public and private sectors, 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 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 ¥101,116 million (up 15.3% year on year). On the profit front, thanks to gross profit steadily increasing in proportion to a rise in net sales, operating profit was ¥6,699 million (up 52.3% year on year) after salary level increases (base-pay increases). Accordingly, ordinary profit and profit attributable to owners of parent amounted to ¥7,360 million (up 49.9% year on year) and ¥4,917 million (up 55.6% 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 ¥62,952 million (up 9.4% year on year) and ¥12,858 million (up 10.6% 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 ¥40,206 million (up 26.4% year on year) and ¥11,544 million (up 21.9% year on year), respectively.

(2) Explanation of Financial Position

(Assets)

Total assets as of December 31, 2023 amounted to ¥101,616 million, an increase of ¥9,557 million from the end of the previous fiscal year. This was primarily attributable to an increase of ¥7,696 million in current assets due to increases in cash and deposits and electronically recorded monetary claims - operating and an increase of ¥2,098 million in investments and other assets due to factors such as a rise in the market value of held securities.

(Liabilities)

Total liabilities as of December 31, 2023 amounted to ¥51,584 million, an increase of ¥5,018 million from the end of the previous fiscal year. This was primarily attributable to an increase of ¥4,082 million in interest-bearing liabilities, an increase of ¥1,766 million in other current liabilities, an increase of ¥1,466 million in notes and accounts payable - trade and electronically recorded obligations - operating, and an increase of ¥1,242 million in deferred tax liabilities, despite a decrease of ¥1,944 million in provision for bonuses due to bonus payments and a decrease of ¥1,612 million in income taxes payable.

(Net assets)

Total net assets as of December 31, 2023 amounted to ¥50,032 million, an increase of ¥4,539 million from the end of the previous fiscal year. This was primarily attributable to a net increase of ¥2,518 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 ¥1,440 million in valuation difference on available-for-sale securities resulting from a rise in the market value of held securities, and an increase of ¥532 million in foreign currency translation adjustment due to the fluctuation in foreign exchange rates.

As a result, equity ratio as of December 31, 2023 stood at 49.2%, a 0.2% decrease from the end of the previous fiscal year.

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

Based on its recent performance trends, the Company has revised the full-year consolidated financial results forecast for the fiscal year ending March 31, 2024. Please refer to the “Notice of Revisions to Full-year Consolidated Financial Results Forecast and Dividend Forecast” announced today, January 31, 2024, for details.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	6,052	8,217
Notes and accounts receivable - trade, and contract assets	29,412	30,505
Electronically recorded monetary claims - operating	7,976	11,580
Inventories	4,424	5,449
Accounts receivable - other	1,917	1,444
Other	371	602
Allowance for doubtful accounts	(51)	(1)
Total current assets	50,103	57,799
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,489	14,919
Land	8,755	8,758
Leased assets	1,125	1,175
Construction in progress	1,948	30
Other	1,058	1,126
Accumulated depreciation	(4,738)	(4,975)
Total property, plant and equipment	20,639	21,033
Intangible assets		
Goodwill	1,633	1,337
Software	1,462	1,183
Software in progress	69	52
Other	1,153	1,113
Total intangible assets	4,318	3,687
Investments and other assets		
Investment securities	12,655	14,768
Deferred tax assets	449	185
Retirement benefit asset	277	343
Other	3,690	3,873
Allowance for doubtful accounts	(76)	(76)
Total investments and other assets	16,996	19,095
Total non-current assets	41,955	43,816
Total assets	92,058	101,616

(Million yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,480	12,796
Electronically recorded obligations - operating	9,030	11,180
Short-term borrowings	6,790	11,750
Income taxes payable	1,973	360
Provision for bonuses	2,956	1,011
Provision for bonuses for directors (and other officers)	13	-
Other	3,535	5,301
Total current liabilities	37,779	42,401
Non-current liabilities		
Long-term borrowings	5,537	4,660
Deferred tax liabilities	1,113	2,356
Provision for retirement benefits for directors (and other officers)	162	144
Retirement benefit liability	534	541
Other	1,436	1,480
Total non-current liabilities	8,785	9,182
Total liabilities	46,565	51,584
Net assets		
Shareholders' equity		
Share capital	1,857	1,857
Capital surplus	2,259	2,279
Retained earnings	35,833	38,352
Treasury shares	(261)	(222)
Total shareholders' equity	39,688	42,266
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,376	6,817
Foreign currency translation adjustment	412	945
Remeasurements of defined benefit plans	14	3
Total accumulated other comprehensive income	5,803	7,765
Total net assets	45,492	50,032
Total liabilities and net assets	92,058	101,616

(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, 2022	For the nine months ended December 31, 2023
Net sales	87,666	101,116
Cost of sales	66,584	76,729
Gross profit	21,081	24,386
Selling, general and administrative expenses	16,682	17,686
Operating profit	4,398	6,699
Non-operating income		
Interest income	7	29
Dividend income	213	258
Purchase discounts	296	313
Miscellaneous income	203	252
Total non-operating income	720	855
Non-operating expenses		
Interest expenses	56	74
Provision of allowance for doubtful accounts	1	–
Guarantee commission	53	62
Compensation expenses	72	–
Foreign exchange losses	–	4
Miscellaneous losses	25	52
Total non-operating expenses	208	194
Ordinary profit	4,911	7,360
Extraordinary income		
Gain on sale of non-current assets	15	63
Total extraordinary income	15	63
Profit before income taxes	4,926	7,423
Income taxes - current	1,078	1,640
Income taxes - deferred	686	865
Total income taxes	1,765	2,506
Profit	3,161	4,917
Profit attributable to owners of parent	3,161	4,917

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Profit	3,161	4,917
Other comprehensive income		
Valuation difference on available-for-sale securities	(382)	1,440
Foreign currency translation adjustment	759	532
Remeasurements of defined benefit plans, net of tax	(30)	(11)
Total other comprehensive income	345	1,961
Comprehensive income	3,507	6,879
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,507	6,879

(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.

(Significant subsequent events)

(Stock split and partial amendment to Articles of Incorporation)

The Company resolved, at a meeting of the Board of Directors held on January 31, 2024, to undertake a stock split and a partial amendment to its Articles of Incorporation following the stock split.

1. Purpose of the stock split

The purpose of the stock split is to lower the stock price per investment unit, thereby making it easier for investors to invest, increasing the liquidity of the Company's stock, and expanding its investor base.

2. Overview of the stock split

(1) Method of the stock split

Each share of Totech Corporation common shares owned by shareholders listed or recorded in the closing register of shareholders on the record date of Sunday, March 31, 2024, will be split into three shares. Since this day falls on a non-business day of the shareholder registry administrator, the substantial record date will be Friday, March 29, 2024.

(2) Number of shares to be increased by the stock split

1) Total number of issued shares prior to the stock split	13,988,000 shares
2) Number of shares to be increased by the stock split	27,976,000 shares
3) Total number of issued shares following the stock split	41,964,000 shares
4) Total number of shares authorized to be issued following the stock split	138,924,000 shares

(3) Schedule for the stock split

1) Public notice of record date (scheduled)	Friday, March 15, 2024
2) Record date	Sunday, March 31, 2024
3) Effective date	Monday, April 1, 2024

3. Partial amendment to Articles of Incorporation

(1) Reason for the amendment

In conjunction with the above stock split, pursuant to the provisions of Article 184, paragraph (2) of the Companies Act, the total number of authorized shares described in Article 5 of the Company's Articles of Incorporation will be amended effective April 1, 2024.

(2) Description of change

The description of change is as follows.

(Underlined part denotes a change.)

Current Articles of Incorporation	Proposed amendment
(Total number of shares authorized to be issued) Article 5. The total number of shares authorized to be issued by the Company shall be <u>46,308,000 shares.</u>	(Total number of shares authorized to be issued) Article 5. The total number of shares authorized to be issued by the Company shall be <u>138,924,000 shares.</u>

(3) Schedule of the amendment

Effective date of the partial amendment to the Articles of Incorporation Monday, April 1, 2024

4. Impact on per share information

Per share information based on the assumption that the stock split had been implemented at the beginning of the consolidated fiscal year ended March 31, 2023 is as follows.

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Basic earnings per share	77.03 yen	119.61 yen

5. Others

(1) Change in the amount of stated capital

The stock split will not result in a change in the amount of stated capital.

(2) Dividends

As the stock split is scheduled to take effect on April 1, 2024, the year-end dividend for the fiscal year ending March 31, 2024 with a record date of March 31, 2024 will be paid based on the number of shares before the stock split.