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Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]

August 9, 2024

Company name: Totech Corporation
Stock exchange listing: Tokyo Stock Exchange
Securities code: 9960
URL: https://www.totech.co.jp/
Representative: Kiyotaka Kaneko, Representative Director and President
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Scheduled date of commencing dividend payments: –
Availability of supplementary explanatory materials on financial results: Available
Schedule of 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, 2024 (April 1, 2024 - June 30, 2024)

(1) Consolidated Operating Results (Cumulative) (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2024	31,729	14.4	2,228	572.8	2,615	397.0	2,002	681.2
June 30, 2023	27,732	17.0	331	155.2	526	75.8	256	78.4

(Note) Comprehensive income: Three months ended June 30, 2024: ¥2,826 million [40.6%]
Three months ended June 30, 2023: ¥2,010 million [2,719.0%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	48.69	–
June 30, 2023	6.24	–

(Note) The Company conducted a 3-for-1 stock split on April 1, 2024. “Basic earnings per share” was calculated assuming that the stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2024	96,091	54,299	56.5
As of March 31, 2024	100,479	53,437	53.2

(Reference) Equity: As of June 30, 2024: ¥54,297 million
As of March 31, 2024: ¥53,434 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, 2024	–	61.00	–	144.00	205.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		24.00	–	49.00	73.00

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

The Company conducted a 3-for-1 stock split on April 1, 2024. Figures for the fiscal years ended March 31, 2024 are actual dividends before the stock split. Figures for the fiscal year ending March 31, 2025 (forecast) are based on figures after the stock split. The annual dividend for the fiscal year ending March 31, 2025 (forecast) without taking into account the stock split would be 219 yen.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 - March 31, 2025)

(% 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	146,000	3.7	10,500	6.0	11,000	3.9	7,500	7.1	182.32

(Note) Revision to the financial results forecast announced most recently: None

*** Notes:**

(1) Significant changes in the scope of consolidation during the period: None
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: Yes
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, 2024:	41,964,000 shares
As of March 31, 2024:	41,964,000 shares

2) Total number of treasury shares at the end of the period:

As of June 30, 2024:	823,674 shares
As of March 31, 2024:	837,039 shares

3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year):

Three months ended June 30, 2024:	41,130,302 shares
Three months ended June 30, 2023:	41,084,952 shares

(Notes) 1. The Company conducted a 3-for-1 stock split on April 1, 2024. The number of issued shares (common shares) was calculated assuming that the stock split was conducted at the beginning of the previous fiscal year.
2. The total number of treasury shares at the end of the period includes the shares of the Company (163,335 shares as of June 30, 2024) held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets of Board Benefit Trust (J-ESOP). The shares of the Company (173,359 shares as of June 30, 2024) 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.

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* 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 Friday, August 9, 2024.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The Japanese economy during the three months ended June 30, 2024 was partially influenced by the weakening yen and increasing signs of interest rate rise with the backdrop of a difference in interest rates between U.S. and Japan and deficit trade balance, etc., as well as a decrease in consumer confidence resulting from continuously soaring commodity prices. However, with an expansion in demand from inbound tourists and improvements in the employment and wages conditions, the domestic economy has been on a recovery trend in general.

Turning to the construction industry in which the Totech Group operates, despite a strong order intake owing to continuously brisk domestic construction demand and 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's operating results for the period under review were as follows.

Against the backdrop of steady construction demand, such as new construction projects for redevelopment mainly in major cities, renewal projects with a view toward carbon neutrality, and data center demand, sales steadily grew in each business segment. As a result, net sales were ¥31,729 million (up 14.4% year on year). On the profit front, thanks to gross profit steadily increasing in proportion to a rise in net sales, operating profit was ¥2,228 million (up 572.8% year on year). Accordingly, ordinary profit and profit attributable to owners of parent amounted to ¥2,615 million (up 397.0% year on year) and ¥2,002 million (up 681.2% 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. Owing to strong order intake including redevelopment projects especially in urban areas, net sales and gross profit amounted to ¥18,276 million (up 2.1% year on year) and ¥4,015 million (up 15.4% 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. With brisk demand nationwide and growing sales of regular and spot maintenance, net sales and gross profit amounted to ¥14,065 million (up 36.0% year on year) and ¥4,626 million (up 60.6% year on year), respectively.

(2) Explanation of Financial Position

(Assets)

Total assets as of June 30, 2024 amounted to ¥96,091 million, a decrease of ¥4,387 million from the end of the previous fiscal year. This was primarily attributable to a decrease of ¥5,230 million in current assets due in part to a net decrease in trade receivable and inventories, as well as a decrease in accounts receivable – other, despite an increase of ¥875 million in investment securities due to factors such as a rise in the market value of held securities.

(Liabilities)

Total liabilities as of June 30, 2024 amounted to ¥41,791 million, a decrease of ¥5,250 million from the end of the previous fiscal year. This was primarily attributable to a decrease of ¥3,921 million in notes and accounts payable - trade and electronically recorded obligations - operating, a decrease of ¥2,099 million in income taxes payable, and a decrease of ¥1,919 million in provision for bonuses due to bonus payments, despite an increase of ¥1,454 million in other current liabilities, and an increase of ¥933 million in deferred tax liabilities.

(Net assets)

Total net assets as of June 30, 2024 amounted to ¥54,299 million, an increase of ¥862 million from the end of the previous fiscal year. This was primarily attributable to the recording of ¥2,002 million in profit attributable to owners of parent, an increase of ¥636 million in valuation difference on available-for-sale securities resulting from a rise in the market value of held securities, and an increase of ¥229 million in foreign currency translation adjustment due to the fluctuation in foreign exchange rates, despite dividends paid of ¥1,982 million.

As a result, equity ratio as of June 30, 2024 stood at 56.5%, a 3.3% 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, 2025, there have been no changes to the full-year consolidated financial results forecast announced on May 15, 2024.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	8,688	9,446
Notes and accounts receivable - trade, and contract assets	31,894	24,357
Electronically recorded monetary claims - operating	8,849	11,489
Inventories	4,248	3,920
Accounts receivable - other	1,811	855
Other	579	687
Allowance for doubtful accounts	(93)	(8)
Total current assets	55,978	50,748
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,922	13,946
Land	8,175	8,175
Leased assets	1,217	1,268
Construction in progress	16	143
Other	1,168	1,189
Accumulated depreciation	(4,230)	(4,418)
Total property, plant and equipment	20,269	20,304
Intangible assets		
Goodwill	1,171	1,171
Software	1,048	910
Software in progress	38	85
Other	1,051	1,065
Total intangible assets	3,310	3,233
Investments and other assets		
Investment securities	15,519	16,395
Deferred tax assets	447	325
Retirement benefit asset	1,091	1,166
Other	3,939	3,994
Allowance for doubtful accounts	(76)	(75)
Total investments and other assets	20,921	21,805
Total non-current assets	44,501	45,343
Total assets	100,479	96,091

(Million yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	14,388	9,922
Electronically recorded obligations - operating	9,501	10,045
Short-term borrowings	5,313	6,334
Income taxes payable	2,295	196
Provision for bonuses	2,919	1,000
Provision for bonuses for directors (and other officers)	14	-
Other	4,750	6,205
Total current liabilities	39,184	33,704
Non-current liabilities		
Long-term borrowings	3,688	2,819
Deferred tax liabilities	2,406	3,340
Provision for retirement benefits for directors (and other officers)	149	154
Retirement benefit liability	108	221
Other	1,504	1,550
Total non-current liabilities	7,857	8,087
Total liabilities	47,041	41,791
Net assets		
Shareholders' equity		
Share capital	1,857	1,857
Capital surplus	2,286	2,293
Retained earnings	40,439	40,459
Treasury shares	(222)	(211)
Total shareholders' equity	44,360	44,398
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,459	8,096
Foreign currency translation adjustment	846	1,076
Remeasurements of defined benefit plans	767	726
Total accumulated other comprehensive income	9,074	9,899
Non-controlling interests	3	1
Total net assets	53,437	54,299
Total liabilities and net assets	100,479	96,091

(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, 2023	For the three months ended June 30, 2024
Net sales	27,732	31,729
Cost of sales	21,397	23,075
Gross profit	6,334	8,653
Selling, general and administrative expenses	6,002	6,425
Operating profit	331	2,228
Non-operating income		
Interest income	6	13
Dividend income	112	169
Purchase discounts	95	96
Miscellaneous income	41	152
Total non-operating income	255	431
Non-operating expenses		
Interest expenses	28	16
Guarantee commission	19	20
Miscellaneous losses	11	7
Total non-operating expenses	60	44
Ordinary profit	526	2,615
Extraordinary income		
Gain on sale of investment securities	-	262
Total extraordinary income	-	262
Profit before income taxes	526	2,878
Income taxes - current	56	86
Income taxes - deferred	213	790
Total income taxes	270	877
Profit	256	2,001
Loss attributable to non-controlling interests	-	(1)
Profit attributable to owners of parent	256	2,002

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	256	2,001
Other comprehensive income		
Valuation difference on available-for-sale securities	1,666	636
Foreign currency translation adjustment	91	229
Remeasurements of defined benefit plans, net of tax	(3)	(41)
Total other comprehensive income	1,754	825
Comprehensive income	2,010	2,826
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,010	2,827
Comprehensive income attributable to non-controlling interests	-	(1)

(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.

(Changes in accounting policies)

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter "Accounting Standard Revised in 2022") and other standards from the beginning of the first quarter of the fiscal year under review.

With regard to the revision to classification to record income taxes (taxation on other comprehensive income), the Company has conformed to the transitional treatment provided for in the proviso to Paragraph 20-3 of the Accounting Standard Revised in 2022 and the transitional treatment provided for in the proviso to Paragraph 65-2 (2) of "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; hereinafter "Guidance Revised in 2022." The changes in accounting policies have no impact on Quarterly Consolidated Financial Statements.

With regard to the revision associated with the review of treatment in Consolidated Financial Statements in case that gain or loss on sale of shares in a subsidiary, etc. among consolidated companies is deferred for tax purpose, the Guidance Revised in 2022 has been applied from the beginning of the first quarter of the fiscal year under review. The changes in accounting policies have been retrospectively applied, and Quarterly Consolidated Financial Statements for the previous corresponding period and Consolidated Financial Statements for the previous fiscal year reflect the retrospective application. The changes in accounting policies have no impact on Quarterly Consolidated Financial Statements for the previous corresponding period and Consolidated Financial Statements for the previous fiscal year.

(Notes to segment information, etc.)

[Segment Information]

For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

1. Information on net sales and profit or loss by reportable segment

(Million yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Product Sales Business	Construction Business	Total				
Net sales							
Net sales to outside customers	17,378	10,341	27,719	12	27,732	-	27,732
Inter-segment net sales or transfers	521	1	523	-	523	(523)	-
Total	17,900	10,343	28,243	12	28,255	(523)	27,732
Segment profit	3,479	2,879	6,359	6	6,366	(32)	6,334

(Notes) 1. The category of "Others" represents an operating segment not included in reportable segments, which operates a solar power business.

2. The adjustment of segment profit of ¥(32) million mainly represents elimination related to inter-segment transactions.

3. Segment profit is adjusted against gross profit in quarterly consolidated statements of income.

2. Information on impairment loss on non-current assets or goodwill, etc. by reportable segment

Not applicable.

For the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

1. Information on net sales and profit or loss by reportable segment

(Million yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Product Sales Business	Construction Business	Total				
Net sales							
Net sales to outside customers	17,670	14,048	31,719	9	31,729	-	31,729
Inter-segment net sales or transfers	606	16	622	-	622	(622)	-
Total	18,276	14,065	32,342	9	32,351	(622)	31,729
Segment profit	4,015	4,626	8,642	4	8,646	7	8,653

(Notes) 1. The category of "Others" represents an operating segment not included in reportable segments, which operates a solar power business.

2. The adjustment of segment profit of ¥7 million mainly represents elimination related to inter-segment transactions.

3. Segment profit is adjusted against gross profit in quarterly consolidated statements of income.

2. Information on impairment loss on non-current assets or goodwill, etc. by reportable segment

Not applicable.

(Notes to statements of cash flows)

Quarterly Consolidated Statements of Cash Flows for the three months ended June 30, 2024 were not prepared. Depreciation (including amortization of intangible assets excluding goodwill) and amortization of goodwill for the three months ended June 30 are as follows.

(Million yen)

	For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)	For the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)
Depreciation	375	414
Amortization of goodwill	139	50