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Consolidated Financial Results for the Six Months Ended September 30, 2020 [Japanese GAAP]

October 30, 2020

Company name: TECNOS JAPAN INCORPORATED

Stock exchange listing: Tokyo

Code number: 3666

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

Representative: Takashi Yoshioka

Representative Director

Contact: Kiyoshi Kobayashi

Director

Phone: 03-3374-1212

Scheduled date of filing quarterly securities report: November 13, 2020

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: No

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, 2020 (April 01, 2020 to September 30, 2020)

(1) Consolidated Operating Results

(% 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, 2020	3,991	10.2	480	-	497	-	354	-
September 30, 2019	3,620	17.2	(233)	-	(222)	-	(233)	-

(Note) Comprehensive income: Six months ended September 30, 2020: ¥ 844 million [-%]
Six months ended September 30, 2019: ¥ (606) million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2020	17.99	17.98
September 30, 2019	(11.86)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of September 30, 2020	6,459	4,977	76.7
March 31, 2020	5,990	4,369	72.6

(Reference) Equity: As of September 30, 2020: ¥ 4,954 million
As of March 31, 2020: ¥ 4,348 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2020	Yen -	Yen 0.00	Yen -	Yen 12.00	Yen 12.00
Fiscal year ending March 31, 2021	-	0.00			
Fiscal year ending March 31, 2021 (Forecast)			-	-	-

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

(Note) Dividend per share for the fiscal year ending March 31, 2021 has not been decided yet.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 01, 2020 to March 31, 2021)

(% 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	7,900	2.9	800	183.2	820	166.4	554	324.9	28.09

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

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2020
(changes in specified subsidiaries resulting in changes in scope of consolidation): No

(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: No
- 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, 2020: 20,400,000 shares
March 31, 2020: 20,400,000 shares

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

September 30, 2020: 680,200 shares
March 31, 2020: 680,200 shares

3) Average number of shares during the period:

Six months ended September 30, 2020: 19,719,800 shares
Six months ended September 30, 2019: 19,719,800 shares

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31,2020	As of September 30,2020
Assets		
Current assets		
Cash and deposits	2,136,901	1,678,978
Accounts receivable - trade	1,391,196	1,624,701
Securities	100,698	100,165
Work in process	26,420	37,574
Prepaid expenses	73,958	66,144
Other	77,061	92,938
Allowance for doubtful accounts	(126)	(4,653)
Total current assets	3,806,111	3,595,850
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	209,825	211,913
Accumulated depreciation	(69,557)	(78,631)
Facilities attached to buildings, net	140,267	133,281
Tools, furniture and fixtures	85,346	87,207
Accumulated depreciation	(61,796)	(65,645)
Tools, furniture and fixtures, net	23,550	21,562
Construction in progress	2,431	-
Total property, plant and equipment	166,250	154,843
Intangible assets		
Software	12,040	9,573
Customer relationship	245,424	222,255
Goodwill	262,176	237,094
Other	36	36
Total intangible assets	519,677	468,959
Investments and other assets		
Investment securities	1,123,069	1,843,729
Long-term prepaid expenses	40,492	46,327
Deferred tax assets	15,165	6,500
Leasehold and guarantee deposits	218,471	239,572
Insurance funds	82,979	85,558
Other	18,173	18,317
Total investments and other assets	1,498,352	2,240,005
Total non-current assets	2,184,280	2,863,809
Total assets	5,990,391	6,459,659

(Thousand yen)

	As of March 31,2020	As of September 30,2020
Liabilities		
Current liabilities		
Accounts payable - trade	416,302	361,522
Short-term borrowings	-	20,079
Current portion of long-term borrowings	27,396	-
Accounts payable - other	86,967	46,105
Accrued expenses	95,568	106,003
Income taxes payable	89,048	143,792
Accrued consumption taxes	230,177	46,262
Reserve for guarantee for after-care of products	21,009	15,990
Provision for loss on order received	5,636	5,656
Provision for bonuses	125,515	35,742
Provision for bonuses for directors (and other officers)	8,885	479
Other	136,876	147,323
Total current liabilities	1,243,385	928,958
Non-current liabilities		
Long-term borrowings	43,193	-
Deferred tax liabilities	239,140	463,614
Asset retirement obligations	76,274	68,254
Other	19,287	21,701
Total non-current liabilities	377,895	553,570
Total liabilities	1,621,281	1,482,529
Net assets		
Shareholders' equity		
Share capital	562,520	562,520
Capital surplus	206,412	206,412
Retained earnings	3,676,265	3,794,383
Treasury shares	(579,839)	(579,839)
Total shareholders' equity	3,865,359	3,983,476
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	492,347	992,485
Foreign currency translation adjustment	(9,215)	(21,537)
Total accumulated other comprehensive income	483,132	970,948
Share acquisition rights	6,946	6,946
Non-controlling interests	13,672	15,758
Total net assets	4,369,110	4,977,130
Total liabilities and net assets	5,990,391	6,459,659

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

(Thousand yen)

	For the six months ended September 30,2019	For the six months ended September 30,2020
Net sales	3,620,871	3,991,882
Cost of sales	3,229,260	2,778,559
Gross profit	391,610	1,213,322
Selling, general and administrative expenses	625,090	733,241
Operating profit (loss)	(233,479)	480,081
Non-operating income		
Interest income	7	14
Interest on securities	311	311
Dividend income	9,200	8,480
Subsidy income	-	2,255
Foreign exchange gains	-	3,216
Other	2,719	3,228
Total non-operating income	12,238	17,505
Non-operating expenses		
Interest expenses	569	172
Foreign exchange losses	377	-
Total non-operating expenses	946	172
Ordinary profit (loss)	(222,187)	497,414
Extraordinary income		
Surrender value of insurance policies	-	7,882
Total extraordinary income	-	7,882
Extraordinary losses		
Loss on cancellation of insurance policies	127	385
Total extraordinary losses	127	385
Profit (loss) before income taxes	(222,315)	504,911
Income taxes - current	24,792	134,153
Income taxes - deferred	(13,642)	13,444
Total income taxes	11,150	147,598
Profit (loss)	(233,465)	357,313
Profit attributable to non-controlling interests	483	2,558
Profit (loss) attributable to owners of parent	(233,949)	354,755

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

(Thousand yen)

	For the six months ended September 30,2019	For the six months ended September 30,2020
Profit (loss)	(233,465)	357,313
Other comprehensive income		
Valuation difference on available-for-sale securities	(360,394)	500,138
Foreign currency translation adjustment	(13,082)	(12,793)
Total other comprehensive income	(373,476)	487,344
Comprehensive income	(606,942)	844,657
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(607,073)	842,571
Comprehensive income attributable to non-controlling interests	130	2,086

Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended September 30,2019	For the six months ended September 30,2020
Cash flows from operating activities		
Profit (loss) before income taxes	(222,315)	504,911
Depreciation	34,297	36,797
Loss on insurance cancellation	127	385
Amortization of goodwill	11,472	23,143
Increase (decrease) in allowance for doubtful accounts	-	4,549
Increase (decrease) in reserve for guarantee for after-care of products	25,543	(5,018)
Increase (decrease) in provision for loss on order received	6,516	19
Increase (decrease) in provision for bonuses	(78,291)	(89,653)
Increase (decrease) in provision for bonuses for directors (and other officers)	(18,937)	(8,317)
Interest and dividend income	(9,518)	(8,805)
Interest expenses	569	172
Other loss (gain)	-	(748)
Decrease (increase) in trade receivables	72,500	(239,403)
Decrease (increase) in inventories	2,391	(11,231)
Increase (decrease) in trade payables	(97,488)	(53,402)
Increase (decrease) in accrued consumption taxes	31,662	(184,611)
Increase (decrease) in accounts payable - other	(52,996)	(48,448)
Increase (decrease) in advances received	613,929	12,660
Decrease (increase) in other assets	(8,653)	(18,698)
Increase (decrease) in other liabilities	28,440	29,440
Subtotal	339,248	(56,259)
Interest and dividends received	8,641	8,037
Interest paid	(569)	(172)
Income taxes paid	(509,656)	(90,198)
Net cash provided by (used in) operating activities	(162,335)	(138,593)
Cash flows from investing activities		
Payments into time deposits	-	(2,800)
Proceeds from withdrawal of time deposits	-	73,325
Purchase of investment securities	(49,998)	-
Purchase of property, plant and equipment	(66,166)	(2,974)
Payments for asset retirement obligations	(7,000)	-
Purchase of intangible assets	(1,507)	-
Payments of leasehold and guarantee deposits	(6,365)	(22,481)
Proceeds from refund of leasehold and guarantee deposits	8,786	755
Purchase of insurance funds	(5,906)	(6,392)
Proceeds from cancellation of insurance funds	3,062	3,427
Net cash provided by (used in) investing activities	(125,095)	42,860

(Thousand yen)

	For the six months ended September 30,2019	For the six months ended September 30,2020
Cash flows from financing activities		
Proceeds from short-term borrowings	-	20,178
Repayments of long-term borrowings	-	(70,589)
Dividends paid	(315,003)	(236,633)
Net cash provided by (used in) financing activities	(315,003)	(287,044)
Effect of exchange rate change on cash and cash equivalents	(3,809)	(4,620)
Net increase (decrease) in cash and cash equivalents	(606,244)	(387,397)
Cash and cash equivalents at beginning of period	1,765,167	2,066,375
Cash and cash equivalents at end of period	1,158,923	1,678,978