

# Consolidated Financial Results

## for the Nine Months Ended December 31, 2021 [Under Japanese GAAP]

January 31, 2022

Company name: HONDA TSUSHIN KOGYO CO.,LTD.  
 Listing: Tokyo Stock Exchange  
 Securities code: 6826  
 URL: <https://www.htk-jp.com/>  
 Representative: Kinji Kashio, Representative Director and President  
 Inquiries: Osamu Mizuno, Director, Chief Financial Officer  
 Telephone: +81-3-6853-5800  
 Scheduled date to commence dividend payments: None  
 Scheduled date to submit the Quarterly Securities Report: February 14, 2022  
 Preparation of supplementary material on financial results: Yes  
 Holding of financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

### 1. Consolidated financial results for the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

#### (1) Consolidated Results of Operations (cumulative)

(Percentages indicate year-on-year changes.)

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2021	13,362	26.3	586	—	624	—	459	—
December 31, 2020	10,577	—	(232)	—	(75)	—	(46)	—

(Note) Comprehensive income: Nine months ended December 31, 2021: ¥508 million [-%]

Nine months ended December 31, 2020: ¥(32) million [-%]

	Profit per share	Fully diluted profit per share
Nine months ended	Yen	Yen
December 31, 2021	19.92	—
December 31, 2020	(2.01)	—

(Note) Since “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc. have been applied from the first quarter of the fiscal year ending March 31, 2022, the above amounts of consolidated financial results reflect the application of the accounting standard, etc. Therefore, the rate of change in “Net sales” compared to the first nine months of the previous fiscal year is not stated.

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2021	15,858	11,369	71.7	492.52
March 31, 2021	14,505	11,004	75.9	477.44

(Reference) Equity: As of December 31, 2021: ¥11,369 million

As of March 31, 2021: ¥11,004 million

## 2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	—	0.00	—	7.00	7.00
Fiscal year ending March 31, 2022	—	0.00			
Fiscal year ending March 31, 2022 (Forecast)			—	12.00	12.00

(Note) Revisions of dividend forecast from recently announced figures: Yes

## 3. Earnings Forecast of Consolidated Financial Results for Fiscal Year Ending March 31, 2022 (From April 1, 2021 to March 31, 2022)

(% indicates changes from the previous corresponding term)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	18,000	20.5	850	—	850	475.1	650	756.4	28.16

(Note) Revisions of forecast of financial results from recently announced figures: Yes

### \* Notes

- (1) Changes in significant subsidiaries during the period  
(changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of specific accounting treatments to the preparation of quarterly consolidated financial statements:  
Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
  - 1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
  - 2) Changes in accounting policies due to other reasons: None
  - 3) Changes in accounting estimates: None
  - 4) Restatement: None

### (4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):	As of December 31, 2021	25,006,200 shares	As of March 31, 2021	25,006,200 shares
2) Number of treasury shares at the end of the period:	As of December 31, 2021	1,922,244 shares	As of March 31, 2021	1,956,444 shares
3) Average number of shares outstanding during the period:	Nine months ended December 31, 2021	23,070,276 shares	Nine months ended December 31, 2020	23,042,985 shares

\* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

## Table of Contents of Appendix

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of operating results	2
(2) Explanation of financial position	2
(3) Explanation of forward-looking statements, including forecasts of consolidated business performance	2
2. Quarterly Consolidated Financial Statements and Principal Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
(3) Notes to quarterly consolidated financial statements	7
(Notes on the going concern assumption)	7
(Notes on significant changes in the amount of shareholders' equity)	7
(Notes on accounting methods specific to preparation of quarterly financial statements)	7
(Changes in accounting policies)	8

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of operating results

During the third quarter under review (October to December 2021), net sales increased steadily, to 4,695 million yen (up 5.2% from the previous quarter), due to the expansion of production in response to the significant growth in demand in the telecommunications and factory automation sectors and the trend of recovery in the automobile connector sector. Operating profit increased significantly, to 358 million yen (up 153.9% from the previous quarter), mainly reflecting higher sales, the expansion of production, and streamlining in the connector business.

As a result, during the nine months under review (April to December 2021), the Company saw a dramatic upturn in its consolidated business performance, posting net sales of 13,362 million yen (up 26.3% year on year), operating profit of 586 million yen (compared to an operating loss of 232 million yen in the first nine months of the previous fiscal year), ordinary profit of 624 million yen (compared to an ordinary loss of 75 million yen in the first nine months of the previous fiscal year) and profit attributable to owners of parent of 459 million yen (compared to a loss attributable to owners of parent of 46 million yen in the first nine months of the previous fiscal year).

The consolidated business performance is expected to remain steady toward the fiscal year ending March 31, 2023, with demand remaining at a high level for the time being, given a record order backlog. In addition, reflecting the fact that profits for the nine months under review exceeded the values in the initial full-year earnings forecasts, the Company has decided to revise up the full-year earnings forecasts and dividend forecast and increase the dividend, as described in "(3) Explanation of forward-looking statements, including forecasts of consolidated business performance."

See the Supplementary Material to Financial Results for details.

### (2) Explanation of financial position

#### (Assets)

Total assets were 15,858 million yen, an increase of 1,352 million yen from the end of the previous fiscal year. This mainly reflects an increase in inventories.

#### (Liabilities)

Liabilities increased 988 million yen from the end of the previous fiscal year, to 4,489 million yen. This is attributable mainly to an increase in trade payables.

#### (Net assets)

Net assets increased 364 million yen from the end of the previous fiscal year, to 11,369 million yen. This result was primarily attributable to an increase in retained earnings.

### (3) Explanation of forward-looking statements, including forecasts of consolidated business performance

The Company revises its full-year earnings forecast and dividend forecast, reflecting the fact that its business performance has continued to recover and grow and profits for the nine months under review have exceeded the values in the initial full-year earnings forecasts.

■ Full-year earnings forecast

	Net sales (Million yen)	Operating profit (Million yen)	Ordinary profit (Million yen)	Profit attributable to owners of parent (Million yen)	Earnings per share (Yen)
Previous forecasts (A)	16,500	500	450	320	13.88
Revised forecasts (B)	18,000	850	850	650	28.16
Change (B-A)	1,500	350	400	330	
Change (%)	9.09	70.00	88.89	103.13	
(Reference) Results for the previous fiscal year (FY2020)	14,932	(74)	147	75	3.29

■ Dividend forecast

Previous forecast: Year-end dividend of 8 yen (up 1 yen from the previous fiscal year) --> Revised forecast:  
Year-end dividend of 12 yen (up 5 yen from the previous fiscal year)

## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	5,977	4,832
Notes and accounts receivable - trade	3,093	3,649
Electronically recorded monetary claims-operating	672	848
Merchandise and finished goods	508	1,062
Work in process	352	581
Raw materials and supplies	569	1,137
Other	163	282
Allowance for doubtful accounts	(2)	(2)
Total current assets	11,333	12,392
Non-current assets		
Property, plant and equipment	2,140	2,563
Intangible assets	334	280
Investments and other assets		
Deferred tax assets	345	368
Other	355	257
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	697	622
Total non-current assets	3,172	3,466
Total assets	14,505	15,858

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,013	1,266
Electronically recorded obligations - operating	638	989
Current portion of long-term borrowings	115	123
Lease obligations	75	61
Accounts payable-other	337	822
Income taxes payable	39	133
Provision for bonuses	325	205
Provision for directors' bonuses	33	28
Electronically recorded obligations - non-operating	47	57
Other	258	300
Total current liabilities	2,884	3,988
Non-current liabilities		
Long-term borrowings	142	50
Lease obligations	82	39
Retirement benefit liability	375	393
Other	17	17
Total non-current liabilities	616	500
Total liabilities	3,501	4,489
Net assets		
Shareholders' equity		
Share capital	1,501	1,501
Capital surplus	1,540	1,544
Retained earnings	8,696	8,994
Treasury shares	(736)	(724)
Total shareholders' equity	11,001	11,316
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	(0)
Foreign currency translation adjustment	1	53
Total accumulated other comprehensive income	3	52
Total net assets	11,004	11,369
Total liabilities and net assets	14,505	15,858

(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
(Quarterly Consolidated Statements of Income)

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	10,577	13,362
Cost of sales	9,031	10,910
Gross profit	1,545	2,451
Selling, general and administrative expenses	1,778	1,864
Operating profit (loss)	(232)	586
Non-operating income		
Interest income	0	0
Dividend income	2	3
Foreign exchange gains	35	-
Subsidy income	143	54
Other	10	19
Total non-operating income	192	78
Non-operating expenses		
Interest expenses	8	6
Foreign exchange losses	-	11
Amortization of restricted stock remuneration	10	-
Company funeral-related expenses	-	14
Other	16	8
Total non-operating expenses	35	41
Ordinary profit (loss)	(75)	624
Extraordinary income		
Gain on sale of non-current assets	6	1
Gain on sale of investment securities	10	1
Total extraordinary income	17	3
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	2	11
Total extraordinary losses	2	11
Profit (loss) before income taxes	(61)	615
Income taxes	(15)	156
Profit (loss)	(46)	459
Profit (loss) attributable to		
Profit (loss) attributable to owners of parent	(46)	459
Other comprehensive income		
Valuation difference on available-for-sale securities	20	(2)
Foreign currency translation adjustment	(6)	51
Total other comprehensive income	14	49
Comprehensive income	(32)	508
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(32)	508



(3) Notes to quarterly consolidated financial statements  
(Notes on the going concern assumption)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Notes on accounting methods specific to preparation of quarterly financial statements)

(Calculation of tax expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate after the application of deferred tax accounting on profit before income taxes in the consolidated fiscal year including the first nine months under review, and multiplying profit before income taxes by said estimated effective tax rate.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued March 31, 2020; hereinafter, the "Revenue Recognition Accounting Standard") and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, issued March 26, 2021) from the beginning of the first quarter of the fiscal year under review. Under the Revenue Recognition Accounting Standard, revenue is recognized when control over promised goods or services is transferred to customers, at an amount that the Company is expected to receive in exchange for the said goods or services. As a result, part of the rebates that used to be posted as selling, general and administrative expenses have been subtracted from net sales. The subtracted amount for the nine months under review is 102 million yen. This change in accounting policy is applied retrospectively, in principle, and quarterly consolidated financial statements for the first nine months period of the previous year are after retrospective application. However, the following method stipulated in Paragraph 85 of the Revenue Recognition Accounting Standard is applied.

- (1) For contracts in which the amounts of almost all revenues were recognized in accordance with the previous accounting treatment prior to the beginning of the previous fiscal year, comparative information shall not be adjusted retroactively.
- (2) For the amount of variable consideration included in contracts in which the amounts of almost all revenues were recognized in accordance with the previous accounting treatment prior to the beginning of the previous fiscal year, comparative information shall be adjusted retroactively by using an amount obtained when uncertainty about the amount of variable consideration is eliminated.

Because of the change in accounting policy, net sales and selling, general and administrative expenses in the first nine months of the previous fiscal year decreased 57 million yen and 57 million yen, respectively, compared with before the accounting standard is applied retroactively. However, operating loss, ordinary loss, and loss before income taxes remain unchanged.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, issued July 4, 2019; hereinafter, the "Fair Value Measurement Accounting Standard"), etc. from the beginning of the first quarter of the fiscal year under review. Accordingly, the new accounting policies specified in the Fair Value Accounting Standard, etc. are applied into the future according to the transitional measures prescribed in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, issued July 4, 2019). The application has no effect on quarterly consolidated financial statements.