



Consolidated Financial Statements for the Second Quarter of Fiscal Year Ending March 31, 2021

〔under Japanese GAAP〕

November 10, 2020

Registered Company Name: **V-Technology Co., Ltd.**

Code Number: 7717, First Section of the Tokyo Stock Exchange

URL: <https://www.vtec.co.jp>

Representative: Shigeto Sugimoto (President & CEO)

Contact: Shogo Yoshimura (Leader of IR Group, Office of the President) TEL: 045-338-1980

Planned Date for Submission of the Quarterly Report: November 11, 2020

Planned Date for Start of Dividend Payment: December 7, 2020

Supplementary materials for the quarterly financial statements: Yes

Briefing session on quarterly financial results: Yes (for institutional investors)

(Amounts less than one million yen have been omitted.)

1. Business Performance of the Second Quarter of the Fiscal Year Ending March 31, 2021

1) Consolidated Results of Operations (April 1, 2020 through September 30, 2020) (%: Changes from previous fiscal year)

	Net sales (Millions of Yen)	% Change	Operating profit (Millions of Yen)	% Change	Ordinary profit (Millions of Yen)	% Change
Six months ended September 30, 2020	28,220	△19.5	2,941	△53.0	2,877	△54.0
Six months ended September 30, 2019	35,046	△8.0	6,255	△25.2	6,261	△27.1

*Notes: Comprehensive Income

Six months ended September 30, 2020: 2,057 Million Yen (△51.7%)

Six months ended September 30, 2019: 4,256 Million Yen (△34.6%)

	Net profit attributable to owners of the parent (Millions of Yen)	% Change	Net profit per share (Yen)	Diluted net profit per share (Yen)
Six months ended September 30, 2020	1,477	△61.9	152.82	—
Six months ended September 30, 2019	3,882	△32.6	401.55	—

*Note: In the second quarter of the fiscal year ending March 31, 2021, the provisional accounting treatment for the business combination has been finalized. Therefore, the figures for the second quarter of the fiscal year ending March 31, 2020 reflect the finalized figures.

2) Consolidated Financial Position

	Total assets (Millions of Yen)	Net assets (Millions of Yen)	Equity ratio (%)	Net assets per share (Yen)
As of September 30, 2020	88,333	30,851	33.3	3,042.38
As of March 31, 2020	75,119	29,335	37.7	2,926.03

*Reference: Shareholders' equity: As of September 30, 2020: 29,418 Million Yen

As of March 31, 2020: 28,293 Million Yen

* Note: In the second quarter of the fiscal year ending March 31, 2021, the provisional accounting treatment for the business combination has been finalized. Therefore, the figures for the fiscal year ending March 31, 2020 reflect the finalized figures.

2. Dividends

	Dividends per share				
	End of first quarter (Yen)	End of second quarter (Yen)	End of third quarter (Yen)	Year-end (Yen)	For the year (Yen)
Year ended March 31, 2020	—	80.00	—	40.00	120.00
Year ended March 31, 2021	—	60.00			
Year ended March 31, 2021 (Forecast)			—	60.00	120.00

*Note:

-Revisions to the latest announcement regarding dividend projection: None

3. Forecast for the Fiscal Year ending March 31, 2021 (April 1, 2020 through March 31, 2021)

(%: Changes from corresponding period of previous fiscal year)

	Net sales (Millions of Yen)	% Change	Operating profit (Millions of Yen)	% Change	Ordinary profit (Millions of Yen)	% Change	Net profit attributable to owners of the parent (Millions of Yen)	% Change	Net profit per share (Yen)
Year ending March 31, 2021	54,000	△0.6	6,000	6.1	5,800	△5.8	3,000	△7.7	310.25

*Notes:

- Revisions to the latest announcement regarding result projection: None

*Notes: In the second quarter of the fiscal year ending March 31, 2021, the provisional accounting treatment for the business combination was finalized. Therefore, the percentages of change in "Operating income," "Ordinary income" and "Net income attributable to shareholders of the parent company" compared to the previous fiscal year are shown in comparison to the figures for the previous fiscal year, which reflect the finalized details.

<NOTES>

1) Changes in significant subsidiaries during the three months ended September 30, 2020
(Changes in certain subsidiaries resulting in change in the scope of consolidation): None

2) Application of special accounting methods for Quarterly Consolidated Financial Statements: None

3) Changes in accounting policies, Changes in accounting estimates, or Restatement

a. Changes in accounting policies due to changes in accounting standards: None

b. Changes other than "a." above: None

c. Changes in accounting estimates: None

d. Restatements: None

4) Number of Shares Outstanding (Common stock)

	Numbers of shares outstanding (Common Stock)		
	1. Number of shares outstanding at end of year (Including treasury stock)	2. Number of treasury shares at end of year	3. Average number of shares
Six months ended September 30, 2020	10,057,600	388,111	9,669,489
12 months ended March 31, 2020	10,057,600	388,111	—
Six months ended September 30, 2019	—	—	9,669,529

Note

The Company has introduced a stock issuance trust that includes the Company's shares held by the trust in its treasury stock (132,000 shares for the second quarter of the fiscal year ending March 31, 2021).

In addition, the Company's shares held by the Trust are included in the treasury stock to be deducted in the calculation of the average number of shares for the period (132,000 shares for the second quarter of the year ending March 31, 2021).

※This document "Consolidated Financial Statements for the Second Quarter of Fiscal Year ending March 31, 2021" is not subject to quarterly financial review by a certified public accountants or an audit firm.

※Explanation regarding proper use of the projected financial results and other notes

Above forecasts were prepared based on information available at this time and therefore actual results may be affected by a number of important factors and materially different from those discussed in forward-looking statements.

For further information on the above forecasts, please refer to page 2 of the attached document; "1. Explanation of Operating Performance and Financial Position for the Quarter; 3) Explanation of Consolidated Forecast and Other Forecasts".

Index

1. Explanation of Operating Performance and Financial Position for the Quarter.....	2
1) Explanation of Operating Performance	2
2) Explanation of Financial Position	2~3
3) Explanation of Consolidated Forecast and Other Forecasts	3
2. Quarterly Consolidated Financial Statements and Major Notes	4~5
1) Quarterly Consolidated Balance Sheets	4
2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	5
<Quarterly Consolidated Statements of Income>	5
<Quarterly Consolidated Statements of Comprehensive Income>	5
3) Consolidated Statements of Cash Flows	6~7
4) Notes on Quarterly Consolidated Financial Statements	7
<Notes on Going Concern Assumptions>	7
<Note Regarding the Occurrence of Significant Changes in Amount of Shareholder's Equity>	7
<Subsequent Events>	7

1. Explanation of Operating Performance and Financial Position

1) Explanation of Operating Performance

We used provisional accounting treatment in the previous fiscal year for our business combination with Nano System Solutions, Inc. on August 22, 2019, which was finalized in the second quarter of the current fiscal year.

As a result of this provisional accounting treatment's finalization, we have performed a comparative analysis using the retrospectively adjusted figures..

During the first half of the period under review, the global economy showed a significant decline in the first half of the period due to the global pandemic of a new coronavirus type. However, the global economy showed a moderate recovery trend from the middle of the period, supported by various countries' fiscal and monetary measures.

In the U.S., the housing market remained firm against the backdrop of a strong stock market and various economic measures. Besides, consumer spending and capital investment were picked up. As a result, the economy began to recover after bottoming out in April, but the outlook remains uncertain.

In China, exports were confirmed to be picking up. Also, investment in fixed assets remained steady, especially in the telecommunications sector. As a result, the economic recovery appears to have accelerated.

In Japan, despite signs of recovery in consumer spending and exports after bottoming out in the first quarter, the economy recovered only moderately due to various economic measures.

In the flat panel display (FPD) equipment market, although the start-up of new plants in China resumed in the first quarter and the work has mostly been steady, there were a few cases of slight delays relative to the plan in May. For new capital investment, amid the lull in LCD(Liquid Crystal Display)-related business discussions, multiple inquiries were confirmed related to small- and medium-sized OLED(Organic Light Emmiting Diode)s and next-generation FPDs.

However, in the semiconductor equipment market, progress has been confirmed regarding inquiries related to memory and silicon wafers against the backdrop of a strong capital investment in China and other factors.

The amount of orders received by V-Technology Group in the second quarter of current consolidated fiscal year was 19,870 million yen (the same period last year: 18,014 million yen). As a result, the balance of orders received at the end of the second quarter of the current consolidated fiscal year was 50,795 million yen (the same period last year: 73,903 million yen).

V-Technology Group posted net sales of 28,220 million yen (the same period last year: 35,046 million yen), operating income is 2,941 million yen (the same period last year: 6,255 million yen), ordinary profit is 2,877 million yen (the same period last year: 6,261 million yen) and profit attributable to owners of parent was ¥ 1,477 million (the same period last year: 3,882 million yen).

2) Explanation of Financial Position

① : Outlook of Assets, Liabilities and Net Assets

1. Assets

As of September 30, 2020, total net assets amounted to 88,333 million yen, up 13,213 million yen from the previous consolidated fiscal year ended March 31, 2020. This is mainly attributed to a 18,474 million yen increase in "Cash and deposits" and a 2,183 million yen increase in "Notes and accounts receivable - trade".

2. Liabilities

As of September 30, 2020, total current liabilities amounted to 57,482 million yen, up 11,698 million yen from the previous consolidated fiscal year ended March 31, 2020. This is mainly attributed to a 4,979 million yen increase in "long-term borrowing", a 4,805 million yen increase in "Advances received".

3. Net Assets

As of September 30, 2020, total net assets amounted to 30,851 million yen, up 1,515 million yen from the previous consolidated fiscal year ended March 31, 2020. This is mainly attributed to a 1,093 million yen increase in “retained earnings”.

②: Outlook of Cash Flows

Cash and cash equivalents (collectively, “Cash”) at the end of the second quarter of the current fiscal year increased by 18,474 million yen compared to the end of the previous fiscal year, to 30,455 million yen. The following is a summary of each cash flow situation.

1. Net cash provided by operating activities

Net cash provided by operating activities amounted to 14,593 million yen (the same period last year: used 8,311 million). The major positive factors were a 4,809 million yen decrease in “Inventories”, a 4,786 million yen increase in “Advances received” and an 3,147 million yen in “Profit before income taxes”.

The major negative factors were a 2,062 million yen increase in “Trade receivables”

2. Net cash used in investing activities

Net cash used in investing activities amounted to 447 million yen (the same period last year: used 1,659 million yen). These were mainly due to a payment of 725 million yen for the purchase of property, plant and equipment.

3. Net cash provided by financing activities

Net cash provided by financing activities amounted to 4,302 million yen (the same period last year provided 6,090 million yen). The major positive factor was a 5,008 million yen increase in “Long-term borrowings”. The major negative factors were a payment of 386 million yen for dividends paid and a payment of 292 million yen for dividends paid to non-controlling interests.

3) Explanation of Consolidated Forecast and Other Forecasts

Considering the results of the Second Quarter of the current consolidated cumulative period and future trends, there are no changes to the earnings forecast for the fiscal year ending March 2021 from the earnings forecast stated in the “Financial Results for the Fiscal Year Ending March 31, 2020” which we published on May 12, 2020.

3. Quarterly Consolidated Financial Statements and Major Notes

1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	12,101	30,576
Notes and accounts receivable - trade	24,132	26,315
Electronically recorded monetary claims - operating	368	253
Merchandise and finished goods	123	235
Work in process	23,126	18,020
Raw materials and supplies	1,605	1,809
Other	5,317	2,342
Allowance for doubtful accounts	△279	△450
Total current assets	66,494	79,102
Non-current assets		
Property, plant and equipment	4,539	4,991
Intangible assets		
Goodwill	1,034	903
Other	558	408
Total intangible assets	1,592	1,311
Investments and other assets	2,493	2,927
Total non-current assets	8,625	9,231
Total assets	75,119	88,333
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,095	7,978
Electronically recorded obligations - operating	5,051	5,288
Short-term borrowings	200	50
Current portion of long-term borrowings	2,545	2,575
Income taxes payable	115	1,709
Advances received	18,202	23,008
Provisions	1,208	1,269
Other	1,119	1,375
Total current liabilities	36,539	43,256
Non-current liabilities		
Long-term borrowings	8,861	13,840
Retirement benefit liability	184	198
Asset retirement obligations	93	134
Provisions	-	35
Other	104	17
Total non-current liabilities	9,244	14,226
Total liabilities	45,784	57,482
Net assets		
Shareholders' equity		
Share capital	2,847	2,847
Capital surplus	2,974	2,764
Retained earnings	24,932	26,025
Treasury shares	△2,126	△1,916
Total shareholders' equity	28,628	29,721
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△0	1
Foreign currency translation adjustment	△335	△305
Total accumulated other comprehensive income	△335	△303
Share acquisition rights	7	5
Non-controlling interests	1,034	1,427
Total net assets	29,335	30,851
Total liabilities and net assets	75,119	88,333

2) Quarterly Consolidated Statements of Income

<Quarterly Consolidated Statements of Income>

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	35,046	28,220
Cost of sales	23,844	20,885
Gross profit	11,202	7,334
Selling, general and administrative expenses	4,946	4,393
Operating profit	6,255	2,941
Non-operating income		
Interest and dividend income	9	12
Subsidy income	–	67
Share of profit of entities accounted for using equity method	14	–
Other	18	16
Total non-operating income	42	97
Non-operating expenses		
Interest expenses	11	30
Foreign exchange losses	12	54
Share of loss of entities accounted for using equity method	11	69
Other	0	5
Total non-operating expenses	35	160
Ordinary profit	6,261	2,877
Extraordinary income		
Gain on sales of non-current assets	1	270
Insurance claim income	40	–
Other	0	2
Total extraordinary income	42	273
Extraordinary losses		
Loss on sales of non-current assets	–	0
Loss on retirement of non-current assets	0	3
Total extraordinary losses	0	3
Profit before income taxes	6,304	3,147
Income taxes - current	1,703	1,694
Income taxes - deferred	75	△573
Total income taxes	1,778	1,121
Profit	4,526	2,025
Profit attributable to non-controlling interests	643	548
Profit attributable to owners of parent	3,882	1,477

<Quarterly Consolidated Statements of Comprehensive Income>

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit	4,526	2,025
Other comprehensive income		
Valuation difference on available-for-sale securities	1	2
Foreign currency translation adjustment	△270	29
Total other comprehensive income	△269	31
Comprehensive income	4,256	2,057
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,676	1,496
Comprehensive income attributable to non-controlling interests	580	560

3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	6,304	3,147
Depreciation	214	877
Amortization of goodwill	37	118
Increase (decrease) in allowance for doubtful accounts	△63	167
Increase (decrease) in provision for bonuses	4	81
Increase (decrease) in provision for product warranties	31	25
Gain on reversal of share acquisition rights	–	△2
Increase (decrease) in retirement benefit liability	△20	13
Increase (decrease) in provision for loss on order received	△17	△49
Increase (decrease) in provision for share-based remuneration	–	35
Interest and dividend income	△9	△12
Interest expenses	11	30
Share of loss (profit) of entities accounted for using equity method	△2	69
Foreign exchange losses (gains)	44	37
Loss (gain) on sales of property, plant and equipment	–	△0
Loss on retirement of property, plant and equipment	0	3
Loss (gain) on sales of intangible assets	–	△270
Loss on retirement of intangible assets	0	0
Loss (gain) on sales of investment securities	△0	△0
Decrease (increase) in trade receivables	△4,995	△2,062
Decrease (increase) in inventories	1,722	4,809
Decrease (increase) in advance payments - trade	267	393
Decrease (increase) in other current assets	1,720	2,041
Decrease (increase) in other non-current assets	24	△21
Increase (decrease) in trade payables	△2,064	△281
Increase (decrease) in advances received	△8,259	4,786
Increase (decrease) in other current liabilities	△134	243
Subtotal	△5,187	14,182
Interest and dividends received	9	12
Interest paid	△11	△31
Income taxes paid	△3,125	△145
Income taxes refund	4	576
Net cash provided by (used in) operating activities	△8,311	14,593

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from investing activities		
Purchase of property, plant and equipment	△629	△725
Proceeds from sales of property, plant and equipment	–	0
Purchase of intangible assets	△7	△1
Proceeds from sales of intangible assets	–	320
Purchase of investment securities	△0	△39
Proceeds from sales of investment securities	28	1
Purchase of shares of subsidiaries and associates	△218	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△982	–
Other, net	150	△2
Net cash provided by (used in) investing activities	△1,659	△447
Cash flows from financing activities		
Proceeds from short-term borrowings	13,291	7,100
Repayments of short-term borrowings	△15,721	△7,250
Proceeds from long-term borrowings	10,000	6,799
Repayments of long-term borrowings	△164	△1,790
Proceeds from issuance of shares	–	122
Dividends paid	△773	△386
Dividends paid to non-controlling interests	△540	△292
Purchase of treasury shares	△0	△512
Proceeds from disposal of treasury shares	–	512
Net cash provided by (used in) financing activities	6,090	4,302
Effect of exchange rate change on cash and cash equivalents	△173	26
Net increase (decrease) in cash and cash equivalents	△4,053	18,474
Cash and cash equivalents at beginning of period	19,716	11,981
Cash and cash equivalents at end of period	15,663	30,455

4) Notes on Consolidated Financial Statements

<Notes on Going Concern Assumptions>

Not applicable

<Note Regarding the Occurrence of Significant Changes in Amount of Shareholder's Equity>

Not applicable

<Subsequent Events>

Not applicable