

Translation

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Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending September 2023 (Based on IFRS)

May 15, 2023

Company name:	Hybrid Technologies Co., Ltd.	Listing exchange:	Tokyo Stock Exchange
Securities code:	4260	URL:	https://hybrid-technologies.co.jp/
Representative:	Tran Van Minh, CEO	Phone:	+81-3-6222-9506
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Scheduled date for filing quarterly securities report:	May 15, 2023		
Scheduled date for commencing dividend payments:	-		
Preparation of supplementary materials on quarterly financial results:	Yes		
Holding of quarterly financial results briefing session:	Yes		

(Yen amounts are rounded to the nearest million, unless otherwise noted.)

1. Consolidated financial results for the six months ended March 31, 2023 (from October 1, 2022 to March 31, 2023)

(1) Consolidated Operating Results (Cumulative)

(Percentage figures indicate year-on-year changes)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended												
March 31, 2023	1,320	25.6	99	(18.5)	73	(44.6)	61	(41.9)	61	(41.9)	73	(31.0)
March 31, 2022	1,051	41.5	122	326.3	132	339.0	106	436.2	106	436.2	106	-

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
March 31, 2023	5.56	5.09
March 31, 2022	10.98	10.46

(Note) The rate of Year-on-year change in operating profit for the six months ended March 31, 2022, is indicated as “-” because it exceeds 1,000%.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
As of	Millions of yen	Millions of yen	Millions of yen	%
March 31, 2023	3,075	2,219	2,219	72.2
September 30, 2022	2,965	2,125	2,125	71.7

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2022	-	0.00	-	0.00	0.00
Fiscal year ending September 30, 2023	-	0.00			
Fiscal year ending September 30, 2023 (forecast)			-	0.00	0.00

(Note) Revisions to the forecast of dividends most recently announced: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending September 30, 2023
(from October 1, 2022, to September 30, 2023)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full fiscal year	3,219	33.7	400	39.0	389	25.4	339	36.0	339	36.0	30.91

(Note) Revisions to the forecast of earnings most recently announced: None

*Notes

(1) Changes in significant subsidiaries during the six months ended March 31, 2023 (changes in specified subsidiaries resulting in change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: None

(ii) Changes in accounting policies other than (i) above: None

(iii) Changes in accounting estimates: None

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)	As of March 31, 2023	11,163,348 Shares	As of September 30, 2022	10,979,648 Shares
(ii) Number of treasury shares at the end of the period	As of March 31, 2023	76 Shares	As of September 30, 2022	- Shares
(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)	As of March 31, 2023	11,027,650 Shares	The six months ended March 31, 2022	9,617,716 Shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions that are thought to be reasonable by the Company. Accordingly, such statements should not be construed as a guarantee of achieving the results by the Company. Actual financial results and the like may differ materially due to various factors.

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1. Qualitative Information on the Quarterly Financial Results

(1) Explanation of Operating Results

During the second quarter of the fiscal year ending March 31, 2023, the Japanese economy showed signs of gradual recovery as restrictions on economic activity due to the spread of the novel coronavirus were eased. On the other hand, economic risks continue to rise, such as rising prices due to rising geopolitical risks, the impact of rising U.S. interest rates, and global monetary tightening, and the economic outlook remains uncertain.

Amid this environment, as for the information service industry, in which the group is engaged, the digital transformation market for Japanese companies is expected to grow to 3 trillion yen by 2030, offering expectations for ongoing market expansion, according to the forecast for FY2030 in the 2022 Outlook for Digital Transformation Market by Fuji Chimera Research Institute.

The Group provides services to clients in two categories: stock services (quasi-mandate contract) and flow services (service contract), according to the market and client needs. Under these circumstances, the Group's main service, stock services, generated revenue of 1,511 million yen in the fiscal year ended September 2021 and 2,263 million yen in the fiscal year ended September 2022, and is estimated to generate revenue of 2,861 million yen in the fiscal year ending September 2023, higher year-on-year as a whole group.

Furthermore, during the six months of the fiscal year, we have decided the 12th investee for the Hybrid Technologies Capital startup support program, responsible for digital transformation support and business expansion. By expanding investment and development into various industries and business areas, we are promoting growth and expansion of existing businesses while supporting a wide range of partners that offer business growth synergies.

As a result, the Group's revenue for the six months ended March 31, 2023, was 1,320,231 thousand yen (up 25.6% year-on-year), operating profit was 99,419 thousand yen (down 18.5% year-on-year), profit before tax was 73,302 thousand yen (down 44.6% year-on-year) and profit attributable to owners of parent was 61,363 thousand yen (down 41.9% year-on-year).

Descriptions by segment are omitted as the Group has a single operating segment of hybrid-type services.

(2) Explanation of Financial Position

(i) Assets, Liabilities, and Net Assets

(Assets)

Total assets as of March 31, 2023, increased by 110,122 thousand yen from the end of the previous fiscal year to 3,075,187 thousand yen. This was mainly attributable to right-of-use assets increasing by 83,136 thousand yen, and investment securities increasing by 93,613 thousand yen, while cash and cash equivalents decreased by 66,966 thousand yen.

(Liabilities)

Total liabilities as of March 31, 2023, increased by 16,457 thousand yen from the end of the previous fiscal year to 856,049 thousand yen. This was mainly attributable to lease liabilities increasing by 80,501 thousand yen, while Trade and other receivables decreasing by 33,394 thousand yen.

(Net Assets)

Net assets as of March 31, 2023, increased by 93,665 thousand yen from the end of the previous fiscal year to 2,219,138 thousand yen. This was mainly attributable to retained earnings increasing by 61,363 thousand yen.

(ii) Cash Flows

The balance of cash and cash equivalents ("net cash") as of March 31, 2023, decreased by 66,966 thousand yen from the end of the previous fiscal year to 1,741,996 thousand yen. The status of cash flows and their contributing factors are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities during the six months ended March 31, 2023, was 56,247 thousand yen (98,585 thousand yen was provided for the same period of the previous year). This was mainly attributable to the recording of quarterly profit before tax of 73,302 thousand yen, depreciation and amortization of 64,413 thousand yen, and trade and other payables decreasing by 25,884 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities during the six months ended March 31, 2023, was 88,131 thousand yen (52,501 thousand yen used for the same period of the previous year). This was mainly attributable to purchase of property, plant and equipment of 29,022 thousand yen, and purchase of investment securities of 88,091 thousand yen.

(Cash flows from financing activities)

Net cash used in financing activities during the six months ended March 31, 2023, was 26,859 thousand yen (1,247,789 thousand yen provided for the same period of the previous year). This was mainly attributable to repayments of lease liabilities of 50,490 thousand yen.

(3) Explanations on Consolidated Earnings Forecast and Other Forecast Information

Regarding the full-year earnings forecast, there is no change to the full-year consolidated earnings forecast announced in the "Consolidated Financial Results for the Fiscal Year Ended September 2022" document dated November 14, 2022. Current consolidated earnings forecast is calculated based on the information available as of the date of the filing of this summary of financial results. However, the Company will promptly announce revisions if they are deemed necessary.

2. Quarterly Consolidated Financial Statement and Primary Notes

(1) Quarterly Consolidated Statement of Financial Position

(Unit: Thousand yen)

	As of September 30, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and cash equivalents	1,808,962	1,741,996
Trade and other receivables	302,175	304,829
Other financial assets	34,184	974
Other current assets	148,778	164,615
Total current assets	2,294,099	2,212,415
Non-current assets		
Property, plant, and equipment	41,983	58,211
Right-of-use assets	359,757	442,893
Intangible assets	20,150	19,211
Investment securities	177,840	271,453
Other financial assets	59,372	58,511
Deferred tax assets	858	3,352
Other non-current assets	11,005	9,142
Total non-current assets	670,966	862,773
Total assets	2,965,065	3,075,187
Liabilities and net assets		
Liabilities		
Current liabilities		
Trade and other payables	206,836	173,441
Borrowings	20,000	30,000
Lease liabilities	102,401	92,542
Other financial liabilities	42,953	44,342
Income taxes payable	33,457	17,829
Provisions	6,423	4,798
Other current liabilities	115,510	83,158
Total current liabilities	527,581	446,111
Non-current liabilities		
Lease liabilities	304,624	394,985
Provisions	7,387	9,709
Deferred tax liabilities	-	5,244
Total non-current liabilities	312,011	409,938
Total liabilities	839,592	856,049
Net assets		
Share capital	893,343	901,993
Capital surplus	883,732	895,505
Retained earnings	311,147	372,510
Treasury shares	-	(80)
Other components of equity	37,250	49,210
Total equity attributable to owners of parent	2,125,473	2,219,138
Total net assets	2,125,473	2,219,138
Total liabilities and net assets	2,965,065	3,075,187

(2) Quarterly Consolidated Statement of Profit or Loss and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Profit or Loss)

(Unit: Thousand yen)

	The six months ended March 31, 2022	The six months ended March 31, 2023
Revenue	1,051,135	1,320,231
Cost of sales	(668,291)	(846,516)
Gross profit	382,844	473,714
Selling, general and administrative expenses	(260,489)	(378,516)
Other income	8,892	4,220
Other expenses	(9,259)	-
Operating profit	121,989	99,419
Finance income	16,797	6,858
Finance expenses	(6,401)	(32,975)
Profit before tax	132,384	73,302
Income taxes	(26,753)	(11,939)
Profit	105,631	61,363
Profit attributable to		
Owners of parent	105,631	61,363
Profit	105,631	61,363
Earnings per share		
Basic earnings per share (yen)	10.98	5.56
Diluted earnings per share (yen)	10.46	5.09

(Quarterly Consolidated Statement of Comprehensive Income)

(Unit: Thousand yen)

	The six months ended March 31, 2022	The six months ended March 31, 2023
Profit	105,631	61,363
Other comprehensive income		
Items that may be reclassified to profit and loss		
Exchange differences on translation of foreign operations	706	12,005
Total of items that may be reclassified to profit and loss	706	12,005
Other comprehensive income, net of tax	706	12,005
Comprehensive income	106,337	73,368
Comprehensive income attributable to		
Owners of parent	106,337	73,368
Comprehensive income	106,337	73,368

(3) Quarterly Consolidated Statement of Changes in Net assets
The six months ended March 31, 2022

(Unit: Thousand yen)

	Equity attributable to owners of parent							Total
	Share capital	Capital surplus	Retained earnings	Other components of equity			Total	
				Exchange differences on translation of foreign operations	Share acquisition rights	Total		
Balance as of October 1, 2021	225,297	227,772	61,533	396	55,852	56,248	570,850	570,850
Profit	-	-	105,631	-	-	-	105,631	105,631
Other comprehensive income	-	-	-	706	-	706	706	706
Total comprehensive income	-	-	105,631	706	-	706	106,337	106,337
Issuance of new shares	644,000	635,944	-	-	-	-	1,279,944	1,279,944
Share-based payment transactions	-	2,937	-	-	7,998	7,998	10,935	10,935
Forfeiture of share acquisition rights	24,046	16,969	-	-	(14,819)	(14,819)	26,196	26,196
Total transactions with owners	668,046	655,851	-	-	(6,821)	(6,821)	1,317,076	1,317,076
Balance as of March 31, 2022	893,343	883,623	167,164	1,102	49,031	50,133	1,994,263	1,994,263

The six months ended March 31, 2023

(Unit: Thousand yen)

	Equity attributable to owners of parent							
	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity			Total
					Exchange differences on translation of foreign operations	Share acquisition rights	Financial assets measured at fair value through other comprehensive income	
Balance as of October 1, 2022	893,343	883,732	311,147	-	(10,829)	56,674	(8,595)	37,250
Profit	-	-	61,363	-	-	-	-	-
Other comprehensive income	-	-	-	-	12,005	-	-	12,005
Total comprehensive income	-	-	61,363	-	12,005	-	-	12,005
Share-based payment transactions	-	-	-	-	-	6,755	-	6,755
Forfeiture of share acquisition rights	8,650	11,773	-	-	-	(7,175)	-	(7,175)
Purchase of treasury shares	-	-	-	(80)	-	-	-	-
Other	-	-	-	-	-	374	-	374
Total transactions with owners	8,650	11,773	-	(80)	-	(46)	-	(46)
Balance as of March 31, 2023	901,993	895,505	372,510	(80)	1,176	56,629	(8,595)	49,210

(Unit: Thousand yen)

	Equity attributable to owners of parent	Total
	Total	
Balance as of October 1, 2022	2,125,473	2,125,473
Profit	61,363	61,363
Other comprehensive income	12,005	12,005
Total comprehensive income	73,368	73,368
Share-based payment transactions	6,755	6,755
Forfeiture of share acquisition rights	13,248	13,248
Purchase of treasury shares	(80)	(80)
Other	374	374
Total transactions with owners	20,298	20,298
Balance as of March 31, 2023	2,219,138	2,219,138

(4) Quarterly Consolidated Statement of Cash Flows

(Unit: Thousand yen)

	The six months ended March 31, 2022	The six months ended March 31, 2023
Cash flows from operating activities		
Profit before tax	132,384	73,302
Depreciation and amortization	60,471	64,413
Share-based payment expenses	10,935	6,755
Finance income	(2,091)	(1,335)
Finance expenses	6,401	34,096
Decrease (increase) in trade and other receivables	(54,103)	(7,254)
Increase (decrease) in trade and other payables	(3,631)	(25,884)
Increase (decrease) in provisions	(356)	(1,624)
Other	(24,774)	(56,662)
Subtotal	125,237	85,805
Interest and dividends received	284	136
Interest paid	(6,287)	(7,172)
Income taxes paid	(20,649)	(22,523)
Net cash provided by (used in) operating activities	98,585	56,247
Cash flows from investing activities		
Payments into time deposits	-	33,376
Purchase of property, plant, and equipment	(3,142)	(29,022)
Purchase of Intangible assets	-	(3,171)
Purchase of investment securities	(50,004)	(88,091)
Other	644	(1,224)
Net cash provided by (used in) investing activities	(52,501)	(88,131)
Cash flows from financing activities		
Net cash provided by (used in) investing activities	-	10,000
Increase (decrease) in short-term borrowings	-	10,000
Repayments of lease liabilities	(45,539)	(50,490)
Proceeds from issuance of new shares	1,267,132	-
Proceeds from exercise of share acquisition rights	26,196	13,248
Other	-	383
Net cash provided by (used in) financing activities	1,247,789	(26,859)
Net increase (decrease) in cash and cash equivalents	1,293,873	(58,743)
Cash and cash equivalents at beginning of period	500,061	1,808,962
Effect of exchange rate changes on cash and cash equivalents	14,684	(8,222)
Cash and cash equivalents at end of period	1,808,618	1,741,996

(5) Notes to Consolidated Financial Statement

(Notes on Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

Not applicable.

(Changes in Accounting Estimates)

Not applicable.

(Segment Information)

The descriptions are omitted as the Group has a single operating segment.