

Consolidated Financial Statements for the Three Months Ended June 30, 2021 [Japanese GAAP]



August 5, 2021

Company name: **TAIHEI DENGYO KAISHA, LTD.**

Stock exchange listing: Tokyo Stock Exchange

Code number: 1968

URL: <https://www.taihei-dengyo.co.jp/>

Representative: Jo Nojiri, Representative Director, President and Chief Executive Officer

Contact: Shinya Kusaka, Director and Senior Executive Officer/General Manager, General Affairs Administrative Division

Phone: +81-3-5213-7211

Scheduled date of filing quarterly report: August 6, 2021

Scheduled date of commencing dividend payments: -

Preparation of supplementary explanatory materials: No

Quarterly financial results briefing: No

(Amounts of less than one million yen are rounded down.)

1. Consolidated Results for the Three Months Ended June 30, 2021 (April 1, 2021 – June 30, 2021)

(1) Consolidated Operating Results (Cumulative) (% 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	%
Three months ended June 30, 2021	28,957	10.1	2,296	30.4	3,506	76.7	2,416	101.2
June 30, 2020	26,311	13.0	1,761	(14.1)	1,984	(7.0)	1,201	(15.3)

(Note) Comprehensive income: Three months ended June 30, 2021: 2,562 million yen [61.7%]

Three months ended June 30, 2020: 1,585 million yen [34.8%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2021	127.20	-
June 30, 2020	63.26	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
	Million yen	Million yen	%
As of June 30, 2021	125,733	74,100	58.0
As of March 31, 2021	128,757	73,113	55.9

(Reference) Equity: As of June 30, 2021: 72,925 million yen

As of March 31, 2021: 71,936 million yen

2. Cash Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2021	-	-	-	80.00	80.00
Year ending March 31, 2022	-	-	-	-	-
Year ending March 31, 2022 (Forecast)	-	-	-	100.00	100.00

(Note) Changes from the most recent dividends forecast: None

3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2022
(April 1, 2021 - March 31, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	127,000	(0.6)	7,000	(5.4)	8,800	5.7	5,700	1.5	300.02

(Note) Changes from the most recent results forecast: None

*** Notes:**

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Application of special accounting methods for preparing 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: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(Note) For details, please see “Changes in accounting policies” on page 8 of the attached materials.

(4) Total number of shares issued and outstanding (common shares)

1) Number of shares issued and outstanding at the end of the period (including treasury shares):

June 30, 2021: 20,341,980 shares

March 31, 2021: 20,341,980 shares

2) Number of treasury shares at the end of the period:

June 30, 2021: 1,343,371 shares

March 31, 2021: 1,343,371 shares

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

June 30, 2021: 18,998,609 shares

June 30, 2020: 18,987,192 shares

* These financial results are outside the scope of quarterly review by certified public accountants or audit corporations.

* Explanation of the proper use of performance forecast and other notes

The earnings forecast and other forward-looking statements herein are based on the information currently available and certain assumptions deemed reasonable by the Company, and thus actual results may differ significantly from these forecasts due to a wide range of factors.

Table of Contents

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	3
2. Quarterly Consolidated Financial Statements and Primary Notes	4
(1) Quarterly Consolidated Balance Sheet.....	4
(2) Quarterly Consolidated Statement of Income and Comprehensive Income.....	6
(3) Notes to Quarterly Consolidated Financial Statements.....	8
(Notes on going concern assumption)	8
(Notes in case of significant changes in shareholders' equity).....	8
(Changes in accounting policies)	8
(Segment information, etc.).....	9
(Significant subsequent events).....	9

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The outlook remains unclear for the Japanese economy in the consolidated cumulative first quarter, as consumer spending and corporate activity have continued to be limited due to priority preventative measures and intermittent declarations of states of emergency by the government to prevent the spread of COVID-19.

Under these circumstances, in the consolidated cumulative first quarter, orders received amounted to 21,786 million yen (an increase of 11.8% YoY) and net sales amounted to 28,957 million yen (an increase of 10.1% YoY) including 1,364 million yen (a decrease of 21.4% YoY) for overseas works.

Regarding profits, operating profit amounted to 2,296 million yen (an increase of 30.4% YoY), ordinary profit amounted to 3,506 million yen (an increase of 76.7% YoY) and profit attributable to owners of parent amounted to 2,416 million yen (an increase of 101.2% YoY).

The “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29; March 31, 2020) and others have been applied from the beginning of the first quarter of the consolidated fiscal year under review. Details are stated in “2. Quarterly Consolidated Financial Statements and Primary Notes, (3) Notes to Quarterly Consolidated Financial Statements, (Changes in accounting policies).”

Performance results by business segment are as follows.

(Construction Segment)

Orders received amounted to 6,262 million yen (an increase of 121.6% YoY, composition ratio: 28.7%). Orders received in works for thermal power plants for business use and works for environmental preservation plants increased, resulting in an increase for the overall segment.

Net sales amounted to 11,849 million yen (an increase of 1.9% YoY, composition ratio: 40.9%). Despite a decrease in that for works for thermal power plants for business use and works for environmental preservation plants, net sales of works for thermal power plants for private use and works for iron and steel-related plants increased, resulting in an increase for the overall segment. Segment profit amounted to 717 million yen (an increase of 33.4% YoY).

(Maintenance and Renovation Segment)

Orders received amounted to 15,524 million yen (a decrease of 6.8% YoY, composition ratio: 71.3%). Despite an increase in orders received in works for thermal power plants for business use and for works for thermal power plants for private use, orders for works for nuclear power plants and works for environmental preservation plants decreased, resulting in a decrease for the overall segment.

Net sales amounted to 17,107 million yen (an increase of 16.5% YoY, composition ratio: 59.1%). Despite a decrease in that for works for iron and steel-related plants, net sales of works for thermal power plants for business use and works for thermal power plants for private use increased, resulting in an increase for the overall segment. Segment profit amounted to 2,446 million yen (an increase of 19.7% YoY).

(2) Explanation of Financial Position

(a) Assets

Current assets amounted to 90,976 million yen, down 3,531 million yen from the end of the previous consolidated fiscal year. This was due mainly to a decrease of 6,166 million yen in notes receivable, accounts receivable from completed construction contracts, and contract assets despite an increase of 2,828 million yen in costs on construction contracts in progress.

Non-current assets amounted to 34,756 million yen, up 508 million yen from the end of the previous consolidated fiscal year. This was due mainly to an increase of 332 million yen in investments and other assets.

(b) Liabilities

Current liabilities amounted to 36,929 million yen, down 3,558 million yen from the end of the previous consolidated fiscal year. This was due mainly to a decrease of 2,602 million yen in other current liabilities.

Non-current liabilities amounted to 14,703 million yen, down 452 million yen from the end of the previous consolidated fiscal year. This was due mainly to a decrease of 421 million yen in long-term borrowings.

(c) Net assets

Net assets amounted to 74,100 million yen, up 987 million yen from the end of the previous consolidated fiscal year. This was due mainly to an increase of 841 million yen in retained earnings.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

There is no change to the consolidated financial results forecast for the full year from the forecast announced on May 14, 2021, in the “Consolidated Financial Statements for the Fiscal Year Ended March 31, 2021.”

Forward-looking statements, such as performance forecasts, made in this document are based on information currently available to the Company and certain assumptions deemed reasonable, and actual results, etc. may differ significantly due to various factors.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: ¥1 million)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	31,151	28,932
Notes receivable, accounts receivable from completed construction contracts	40,058	-
Notes receivable, accounts receivable from completed construction contracts, and contract assets	-	33,892
Electronically recorded monetary claims - operating	6,480	6,690
Costs on construction contracts in progress	16,002	18,831
Raw materials and supplies	65	46
Other	754	2,587
Allowance for doubtful accounts	(3)	(3)
Total current assets	94,508	90,976
Non-current assets		
Property, plant and equipment		
Buildings and structures	18,189	18,187
Accumulated depreciation and impairment	(10,214)	(10,333)
Buildings and structures, net	7,974	7,853
Machinery and vehicles	14,648	14,757
Accumulated depreciation	(10,489)	(10,673)
Machinery and vehicles, net	4,158	4,083
Tools, furniture and fixtures	2,337	2,349
Accumulated depreciation and impairment	(2,076)	(2,102)
Tools, furniture and fixtures, net	261	247
Land	7,610	7,621
Leased assets	298	395
Accumulated depreciation	(152)	(169)
Leased assets, net	146	226
Construction in progress	314	621
Total property, plant and equipment	20,466	20,653
Intangible assets		
Goodwill	48	42
Other	371	365
Total intangible assets	420	407
Investments and other assets		
Investment securities	9,427	9,449
Long-term loans receivable	182	182
Retirement benefit asset	6	10
Real estate for rent	1,782	1,782
Accumulated depreciation	(785)	(793)
Real estate for rent, net	996	989
Deferred tax assets	1,081	642
Long term-bank cash	271	271
Other	1,608	2,362
Allowance for doubtful accounts	(213)	(213)
Total investments and other assets	13,362	13,695
Total non-current assets	34,248	34,756
Total assets	128,757	125,733

TAIHEI DENGYO KAISHA, LTD. (1968)
Financial Results for the Three Months Ended June 30, 2021 [Japanese GAAP]

(Unit: ¥1 million)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	10,485	10,162
Electronically recorded obligations - operating	11,336	11,414
Current portion of bonds payable	4,400	4,200
Current portion of long-term borrowings	1,685	1,685
Lease obligations	95	115
Income taxes payable	1,561	418
Advances received on construction contracts in progress	4,088	-
Contract liabilities	-	5,517
Provision for bonuses	967	328
Provision for bonuses for directors (and other officers)	124	33
Provision for warranties for completed construction	152	95
Provision for loss on construction contracts	229	198
Other	5,361	2,758
Total current liabilities	40,487	36,929
Non-current liabilities		
Bonds payable	5,000	5,000
Long-term borrowings	5,778	5,357
Lease obligations	125	176
Deferred tax liabilities	1	2
Retirement benefit liability	3,939	3,845
Provision for share awards for directors (and other officers)	109	109
Provision for retirement benefits for directors (and other officers)	104	106
Other	97	106
Total non-current liabilities	15,156	14,703
Total liabilities	55,643	51,632
Net assets		
Shareholders' equity		
Share capital	4,000	4,000
Capital surplus	4,917	4,917
Retained earnings	63,624	64,465
Treasury shares	(2,156)	(2,156)
Total shareholders' equity	70,385	71,227
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,476	2,473
Foreign currency translation adjustment	(225)	(186)
Remeasurements of defined benefit plans	(700)	(588)
Total accumulated other comprehensive income	1,550	1,698
Non-controlling interests	1,176	1,174
Total net assets	73,113	74,100
Total liabilities and net assets	128,757	125,733

TAIHEI DENGYO KAISHA, LTD. (1968)
Financial Results for the Three Months Ended June 30, 2021 [Japanese GAAP]

(2) Quarterly Consolidated Statement of Income and Comprehensive Income
Three Months Ended June 30, 2020 and 2021

(Unit: ¥1 million)

	For the three months ended June 30, 2020	For the three months ended June 30, 2021
Net sales	26,311	28,957
Cost of sales	22,570	24,527
Gross profit	3,741	4,429
Selling, general and administrative expenses	1,979	2,133
Operating profit	1,761	2,296
Non-operating income		
Interest income	2	2
Dividend income	103	118
Share of profit of entities accounted for using equity method	90	16
Rental income from non-current assets	56	52
Foreign exchange gains	20	-
Subsidy income	-	1,000
Other	23	111
Total non-operating income	297	1,302
Non-operating expenses		
Interest expenses	9	7
Foreign exchange losses	-	34
Rental expenses on non-current assets	41	32
Loss on retirement of non-current assets	0	5
Other	23	12
Total non-operating expenses	74	92
Ordinary profit	1,984	3,506
Extraordinary income		
Gain on sale of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	-	0
Loss on valuation of investment securities	-	24
Other	-	0
Total extraordinary losses	-	25

TAIHEI DENGYO KAISHA, LTD. (1968)
Financial Results for the Three Months Ended June 30, 2021 [Japanese GAAP]

	For the three months ended June 30, 2020	For the three months ended June 30, 2021
Profit before income taxes	1,985	3,481
Income taxes – current	230	657
Income taxes – deferred	405	394
Total income taxes	636	1,051
Profit	1,348	2,430
Profit attributable to		
Profit attributable to owners of parent	1,201	2,416
Profit attributable to non-controlling interests	147	13
Other comprehensive income		
Valuation difference on available-for-sale securities	208	(2)
Foreign currency translation adjustment	2	23
Remeasurements of defined benefit plans, net of tax	26	111
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	236	132
Comprehensive income	1,585	2,562
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,437	2,541
Comprehensive income attributable to non-controlling interests	147	21

(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)

(Application of the Accounting Standard for Revenue Recognition)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 31, 2020) (the "Revenue Recognition Standard") and others from the beginning of the first quarter of the consolidated fiscal year under review. Revenue is recognized in the amount expected to be received in exchange for promised goods or services when control of said goods or services is transferred to the customer.

Previously, the percentage-of-completion method was applied to construction contracts for which results are deemed certain in terms of the progress portion, and the completed-contract method was applied to other construction contracts. However, due to the application of this Revenue Recognition Standard, the method has been changed such that if performance obligations are satisfied over a certain period of time, revenue is recognized over a certain period of time based on an estimated progress rate for the satisfaction of performance obligations. If the progress rate for the satisfaction of performance obligations cannot be reasonably estimated, but recovery of expenses to be incurred can be expected, revenue is recognized using the cost recovery method. For construction contracts in which the period from the start date in the contract to the estimated time of fully satisfying the performance obligations is very short, revenue is recognized when the performance obligations are fully satisfied.

With regard to the application of the Revenue Recognition Standard, etc. in accordance with the transitional treatment stipulated in the proviso to Paragraph 84 of the Revenue Recognition Standard, the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the first quarter of the consolidated fiscal year under review has been added to or subtracted from retained earnings at the beginning of the first quarter of the consolidated fiscal year under review, and the new accounting policy has been applied from the beginning of said period.

As a result, for the three months ended June 30, 2021, net sales decreased by 1,239 million yen, cost of sales decreased by 1,306 million yen, and operating profit, ordinary profit, and profit before income taxes each increased by 67 million yen. Retained earnings at the beginning of the current period decreased by 46 million yen.

Due to the application of the Revenue Recognition Standard, etc., "notes receivable, accounts receivable from completed construction contracts" under "current assets" and "advances received on construction contracts in progress" under "current liabilities" in the consolidated balance sheets for the previous fiscal year have been included in "notes receivable, accounts receivable from completed construction contracts, and contract assets" and "contract liabilities," respectively, from the first quarter of the consolidated fiscal year under review. In accordance with the transitional treatment stipulated in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been reclassified in accordance with the new approach to presentation.

(Application of the Accounting Standard for Fair Value Measurement)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30; July 4, 2019) (the “Fair Value Standard”) and others from the beginning of the first quarter of the consolidated fiscal year under review. New accounting policies based on the Fair Value Standard have been applied prospectively in accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10; July 4, 2019). There is no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

Segment		Three months from April 1, 2020 to June 30, 2020		Three months from April 1, 2021 to June 30, 2021		Increase (decrease)
		Amount (¥ million)	Composition ratio (%)	Amount (¥ million)	Composition ratio (%)	Amount (¥ million)
Orders received	Construction Segment	2,826	14.5	6,262	28.7	3,436
	Maintenance and Renovation Segment	16,653	85.5	15,524	71.3	(1,129)
	Total	19,479	100.0	21,786	100.0	2,307
Net sales	Construction Segment	11,626	44.2	11,849	40.9	222
	Maintenance and Renovation Segment	14,684	55.8	17,107	59.1	2,422
	Total	26,311	100.0	28,957	100.0	2,645
Order backlog	Construction Segment	39,031	47.9	45,152	57.8	6,121
	Maintenance and Renovation Segment	42,458	52.1	32,966	42.2	(9,491)
	Total	81,489	100.0	78,119	100.0	(3,370)

- (Notes)
1. Construction Segment includes businesses such as installation and reconstruction works, etc., for thermal power plants, nuclear power plants, iron and steel-related plants, environmental preservation plants and chemical plants, etc., electric and instrumentation work, and insulation and painting works incidental to these facilities, as well as demolition and decommissioning, etc., of various plants and facilities.
 2. Maintenance and Renovation Segment includes businesses such as periodic inspection, daily maintenance, renovation, etc., for the various plants and facilities mentioned above as well as the power generation business.

(Significant subsequent events)

(Establishment of a subsidiary)

Based on the resolution at the Board of Directors meeting held on July 8, 2021, the Company established a subsidiary on August 2, 2021 as described below.

1) Purpose of the establishment of the subsidiary

With an eye to fuel conversion for the realization of a decarbonized society by 2050, the Company aims to expand into the design and material procurement businesses, in addition to engaging in the conventional construction, maintenance and renovation businesses.

The establishment of a subsidiary specialized in designing is the first step to building an organizational structure as a comprehensive construction company.

2) Overview of the subsidiary

- (1) Name Taihei Engineering Service Co., Ltd.
- (2) Location 2-4-63, Kanda Jimbo-cho, Chiyoda-ku, Tokyo
- (3) Representative Jo Nojiri, Representative Director and President
(Representative Director and President of the Company)
- (4) Business lines Design and construction supervision of buildings and structures
Any other business associated with or related to the above
- (5) Capital 50 million yen
- (6) Established August 2, 2021
- (7) Major shareholders and shareholding ratio Wholly owned by the Company