

Consolidated Financial Results for the Six Months Ended September 30, 2021 [Japanese GAAP]



November 8, 2021

Company name: SEIKITOKYU KOGYO CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 1898

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

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Scheduled date of filing quarterly securities report: November 9, 2021

Scheduled date of commencing dividend payments: –

Availability of supplementary briefing materials on quarterly financial results: Unavailable

Schedule of quarterly financial results briefing session: Scheduled (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2021 (April 1, 2021 to September 30, 2021)

(1) Consolidated Operating Results (Cumulative) (% indicates year-on-year changes)

	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, 2021	38,663	10.6	1,753	(21.6)	1,737	(22.1)	1,191	(40.6)
Six months ended September 30, 2020	34,950	12.2	2,236	55.5	2,230	55.6	2,007	(23.5)

(Note) Comprehensive income: Six months ended September 30, 2021: ¥1,272 million [(37.6)%]

Six months ended September 30, 2020: ¥2,038 million [(23.6)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2021	30.01	–
Six months ended September 30, 2020	49.79	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2021	71,472	39,030	54.6	1,001.97
As of March 31, 2021	79,409	40,790	51.4	1,010.99

(Reference) Equity: As of September 30, 2021: ¥39,030 million

As of March 31, 2021: ¥40,790 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	–	0.00	–	43.00	43.00
Fiscal year ending March 31, 2022	–	0.00			
Fiscal year ending March 31, 2022 (Forecast)			–	30.00	30.00

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

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

(% indicates year-on-year changes)

	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	88,600	(1.6)	4,900	(42.1)	4,800	(42.8)	3,300	(36.3)	84.72

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Changes in significant subsidiaries during the period under review

(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: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(Note) For details, please see “Quarterly Consolidated Financial Statements and Primary Notes, (4) Notes to Quarterly Consolidated Financial Statements, (Changes in accounting policies)” on page 6 of the attachment.

(4) Number of shares issued (common shares)

1) Total number of shares issued at the end of the period (including treasury shares):

September 30, 2021: 40,414,407 shares

March 31, 2021: 40,414,407 shares

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

September 30, 2021: 1,461,028 shares

March 31, 2021: 67,641 shares

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

Six months ended September 30, 2021: 39,716,615 shares

Six months ended September 30, 2020: 40,317,010 shares

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

* Explanation of the proper use of financial results forecasts and other notes

1. Financial results forecasts are based on information available and certain assumptions deemed reasonable by the Company at the time of preparation of this document, which may contain various uncertain factors. Thus, actual results and outcomes may differ from these forecasts.

2. The Company is planning to hold a briefing session for institutional investors and analysts on Tuesday, November 30, 2021. The briefing materials to be distributed at the session are scheduled to be promptly posted on the Company’s website after the session is held.

(Reference) Non-Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(% indicates year-on-year changes)

	Net sales		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Yen	%	Yen
Full year	84,500	(0.2)	4,400	(44.7)	3,100	(35.2)	79.58

(Note) Revision to the financial results forecast announced most recently: Yes

*** Explanation of the proper use of financial results forecast and other notes**

Financial results forecasts are based on information available and certain assumptions deemed reasonable by the Company at the time of preparation of this document, which may contain various uncertain factors. Thus, actual results and outcomes may differ from these forecasts.

Quarterly Consolidated Financial Statements and Primary Notes
(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	14,035	16,007
Notes receivable, accounts receivable from completed construction contracts and other	34,150	25,242
Costs on construction contracts in progress	2,565	425
Raw materials and supplies	386	379
Other	2,683	3,859
Allowance for doubtful accounts	–	(9)
Total current assets	53,821	45,903
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,220	9,374
Machinery, vehicles, tools, furniture and fixtures	20,681	21,040
Land	14,327	14,310
Construction in progress	245	455
Accumulated depreciation	(20,820)	(21,361)
Total property, plant and equipment	23,655	23,819
Intangible assets	263	261
Investments and other assets		
Other	1,669	1,489
Total investments and other assets	1,669	1,489
Total non-current assets	25,588	25,569
Total assets	79,409	71,472

(Million yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	21,767	17,947
Short-term borrowings	7	104
Income taxes payable	1,147	462
Advances received on construction contracts in progress	2,070	1,794
Provision for warranties for completed construction	15	15
Provision for loss on construction contracts	7	7
Provision for bonuses	1,645	1,500
Other	4,216	3,102
Total current liabilities	30,877	24,935
Non-current liabilities		
Long-term borrowings	5,000	5,000
Retirement benefit liability	2,597	2,382
Other	144	124
Total non-current liabilities	7,742	7,506
Total liabilities	38,619	32,442
Net assets		
Shareholders' equity		
Share capital	2,000	2,000
Capital surplus	519	521
Retained earnings	38,767	38,135
Treasury shares	(40)	(1,251)
Total shareholders' equity	41,246	39,405
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21	19
Foreign currency translation adjustment	(15)	(13)
Remeasurements of defined benefit plans	(461)	(380)
Total accumulated other comprehensive income	(455)	(374)
Total net assets	40,790	39,030
Total liabilities and net assets	79,409	71,472

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Net sales	34,950	38,663
Cost of sales	29,937	34,125
Gross profit	5,012	4,538
Selling, general and administrative expenses	2,776	2,784
Operating profit	2,236	1,753
Non-operating income		
Dividend income	2	2
Operating fee	11	–
Rental income	12	9
Miscellaneous income	18	20
Total non-operating income	44	31
Non-operating expenses		
Interest expenses	1	18
Guarantee commission	23	16
Miscellaneous expenses	24	12
Total non-operating expenses	50	47
Ordinary profit	2,230	1,737
Extraordinary income		
Gain on sale of non-current assets	88	13
Reversal of provision for retirement benefits	–	0
Total extraordinary income	88	14
Extraordinary losses		
Loss on sale of non-current assets	1	0
Loss on retirement of non-current assets	8	6
Expenses on dismantlement of non-current assets	–	30
Loss on sale of shares of subsidiaries and associates	–	4
Total extraordinary losses	9	41
Profit before income taxes	2,308	1,710
Income taxes	301	518
Profit	2,007	1,191
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	2,007	1,191

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Profit	2,007	1,191
Other comprehensive income		
Valuation difference on available-for-sale securities	4	(1)
Foreign currency translation adjustment	(87)	2
Remeasurements of defined benefit plans, net of tax	114	80
Total other comprehensive income	31	81
Comprehensive income	2,038	1,272
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,038	1,272
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	2,308	1,710
Depreciation	904	955
Increase (decrease) in allowance for doubtful accounts	6	12
Increase (decrease) in provision for bonuses	188	(144)
Increase (decrease) in retirement benefit liability	(299)	(202)
Interest and dividend income	(2)	(2)
Interest expenses	1	18
Loss (gain) on sale of property, plant and equipment	(86)	(13)
Loss on retirement of property, plant and equipment	8	6
Expenses on dismantlement of non-current assets	–	30
Decrease (increase) in trade receivables	8,259	10,368
Decrease (increase) in costs on construction contracts in progress	(1,696)	(104)
Increase (decrease) in trade payables	(4,958)	(3,797)
Increase (decrease) in advances received on construction contracts in progress	1,921	585
Decrease (increase) in deposits paid	–	(1,255)
Other, net	398	(372)
Subtotal	6,952	7,794
Interest and dividends received	2	2
Interest paid	(3)	(15)
Income taxes paid	(336)	(936)
Net cash provided by (used in) operating activities	6,615	6,844
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,768)	(1,799)
Proceeds from sale of property, plant and equipment	148	14
Dismantling of property, plant and equipment	–	(185)
Proceeds from sale of shares of subsidiaries and associates resulting in change in scope of consolidation	–	8
Proceeds from collection of loans receivable	0	–
Other, net	(42)	(31)
Net cash provided by (used in) investing activities	(1,663)	(1,993)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(0)	96
Repayments of long-term borrowings	(215)	–
Purchase of treasury shares	(0)	(1,248)
Dividends paid	(1,891)	(1,730)
Net cash provided by (used in) financing activities	(2,106)	(2,882)
Effect of exchange rate change on cash and cash equivalents	(10)	3
Net increase (decrease) in cash and cash equivalents	2,835	1,972
Cash and cash equivalents at beginning of period	14,169	14,035
Cash and cash equivalents at end of period	17,004	16,007

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in the case of significant changes in shareholders' equity)

Not applicable.

(Changes in accounting policies)

(Application of the “Accounting Standard for Revenue Recognition” and relevant implementation guidance)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter, the “Revenue Recognition Standard”) and relevant implementation guidance effective from the beginning of the fiscal year ending March 31, 2022. Accordingly, the Company recognizes revenue as the amount expected to be received in exchange for promised goods or services at the time when the control of the goods or services is transferred to the customer. As a result of this application, the Company has made the following primary change of revenue recognition.

Revenue recognition for construction contracts

The Company previously applied the percentage of completion method for the construction work whose outcome from the completed portion was deemed definite, and the completed contract method for other construction work whose progress of completion was unable to be measured. However, the Company has changed to recognize revenue over a certain period of time as it satisfies its performance obligation. The progress of completion toward satisfaction of performance obligations is measured based on the proportion of the cost incurred as of the end of each fiscal year to the estimated total cost of the construction work. For construction contracts whose progress of completion toward satisfaction of performance obligations cannot be estimated reasonably, the Company recognizes revenue by the cost recovery method when it is probable that the cost incurred will be recovered.

The application of the Revenue Recognition Standard, etc. is in accordance with the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Standard. The cumulative effect of retrospectively applying the new accounting policy to periods prior to the beginning of the fiscal year ending March 31, 2022 has been added to or deducted from the retained earnings at the beginning of the fiscal year ending March 31, 2022, and the new accounting policy is applied from the said balance.

As a result, net sales and cost of sales increased by ¥1,984 million and ¥1,990 million, respectively, for the six months ended September 30, 2021. There were minimal impacts on the beginning balance of operating profit, ordinary profit, profit before income taxes, and retained earnings for the fiscal year ending March 31, 2022.

In accordance with the transitional treatment stipulated in Paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020), the Company omitted information on disaggregation of revenue from contracts with customers for the six months ended September 30, 2020.

(Application of the “Accounting Standard for Fair Value Measurement” and relevant implementation guidance)
The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter, the “Fair Value Measurement Standard”) and relevant implementation guidance effective from the beginning of the fiscal year ending March 31, 2022. In accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company applies the new accounting policy set forth by the Fair Value Measurement Standard, etc. over future periods. The application of the new accounting policy had no impact on the quarterly consolidated financial statements.

(Additional information)

(Application of the tax effect accounting for the transition from the consolidated tax return filing system to the group tax sharing system)

With regard to the transition to the group tax sharing system established based on “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 8, 2020) and to the items reconsidered on the non-consolidated tax return filing system in accordance with this transition to the group tax sharing system, the Company and its certain consolidated subsidiaries in Japan calculate the amounts of deferred tax assets and deferred tax liabilities based on the provisions of the Income Tax Act before the amendment, without applying the provisions of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), pursuant to Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Tax Return Filing System to the Group Tax Sharing System” (Practical Issues Task Force No. 39, March 31, 2020).

(Accounting estimates as to the impact of COVID-19)

There are no significant changes in the assumptions including those about the future impact and period of convergence of the COVID-19 pandemic stated in “(Additional information)” in the Annual Securities Report (*Yukashoken Houkokusho*) for the fiscal year ended March 31, 2021.