

# Consolidated Financial Statements for the Nine Months Ended December 31, 2021 [Japanese GAAP]



February 10, 2022

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

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Scheduled date of filing quarterly report: February 14, 2022

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 Nine Months Ended December 31, 2021 (April 1, 2021 – December 31, 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	%
Nine months ended December 31, 2021	89,711	(5.8)	7,028	(12.8)	9,218	8.9	6,202	11.8
December 31, 2020	95,251	17.4	8,064	57.1	8,464	57.5	5,546	62.4

(Note) Comprehensive income: Nine months ended December 31, 2021: 6,440 million yen [(0.9)%]

Nine months ended December 31, 2020: 6,501 million yen [76.3%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2021	326.45	-
December 31, 2020	292.00	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
	Million yen	Million yen	%
As of December 31, 2021	129,595	77,973	59.2
As of March 31, 2021	128,757	73,113	55.9

(Reference) Equity: As of December 31, 2021: 76,745 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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	127,000	(0.6)	8,800	18.9	10,700	28.5	7,100	26.5	373.71

(Note) Changes from the most recent results forecast: No

**\* 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

(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):

December 31, 2021: 20,341,980 shares

March 31, 2021: 20,341,980 shares

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

December 31, 2021: 1,343,554 shares

March 31, 2021: 1,343,371 shares

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

December 31, 2021: 18,998,580 shares

December 31, 2020: 18,994,418 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.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

Regarding the Japanese economy in the nine months ended December 31, 2021, we saw signs of economic recovery as the state of emergency was lifted, but due to the situation including the appearance of new COVID-19 variants, it is still unclear when the COVID-19 infections will settle down, and the critical situation continues.

The electric power industry, the main business of the TAIHEI DENGYO KAISHA Group (the TDK Group), has been expanding the use of renewable energy, promoting stable supply and economic efficiency on the premise of safety, and pursuing innovation in thermal power generation and other areas from the perspective of “S+3E” (safety, energy security, economic efficiency, and environment). As such, the industry has been promoting effective measures to reduce CO<sub>2</sub> emissions while building a PDCA cycle.

Under these circumstances, the TDK Group has continued to work on achieving the targets set forth in the Mid-Term Business Plan (FY2020 - FY2022) and focuses on “Enhancing the corporate foundation for sustainable growth” and “Securing a revenue base that responds to changes in the business environment.” Furthermore, the Group is implementing initiatives that take the new fields of design and material procurement into consideration, along with its conventional businesses. In this context, we established in August 2021 Taihei Engineering Service Co., Ltd., a subsidiary dedicated to engineering work, and are striving to build an order-receiving system aimed at further business expansion.

As a result, in the nine months ended December 31, 2021, orders received amounted to 77,118 million yen (a decrease of 9.9% YoY) and net sales amounted to 89,711 million yen (a decrease of 5.8% YoY) including 3,577 million yen (a decrease of 26.3% YoY) for overseas works.

Regarding profits, operating profit amounted to 7,028 million yen (a decrease of 12.8% YoY), ordinary profit amounted to 9,218 million yen (an increase of 8.9% YoY) and profit attributable to owners of parent amounted to 6,202 million yen (an increase of 11.8% 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 current consolidated fiscal year. 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 29,526 million yen (a decrease of 21.0% YoY, composition ratio: 38.3%). Orders received in works for thermal power plants for business use and works for iron and steel-related plants decreased, resulting in a decrease for the overall segment.

Net sales amounted to 37,381 million yen (a decrease of 17.5% YoY, composition ratio: 41.7%). Despite an increase in that for works for thermal power plants for private use and works for iron and steel-related plants, net sales of works for thermal power plants for business use decreased, resulting in a decrease for the overall segment. Segment profit amounted to 1,683 million yen (a decrease of 45.7% YoY).

#### (Maintenance and Renovation Segment)

Orders received amounted to 47,592 million yen (a decrease of 1.2% YoY, composition ratio: 61.7%). Despite an increase in orders for thermal power plants for business use, orders received in works for nuclear power plants and orders for thermal power plants for private use decreased, resulting in a decrease for the overall segment.

Net sales amounted to 52,329 million yen (an increase of 4.8% YoY, composition ratio: 58.3%). Despite a decrease in that for works for nuclear power plants and 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 7,733 million yen (an increase of 6.4% YoY).

(2) Explanation of Financial Position

(a) Assets

Current assets amounted to 87,840 million yen, down 6,668 million yen from the end of the previous consolidated fiscal year. This was due mainly to a decrease of 13,423 million yen in cash and deposits despite increases of 1,831 million yen in costs on construction contracts in progress and 4,273 million yen in other current assets.

Non-current assets amounted to 41,755 million yen, up 7,507 million yen from the end of the previous consolidated fiscal year. This was due mainly to an increase of 5,904 million yen in real estate for rent.

(b) Liabilities

Current liabilities amounted to 37,552 million yen, down 2,934 million yen from the end of the previous consolidated fiscal year. This was due mainly to a decrease of 3,400 million yen in current portion of bonds payable and a decrease of 3,604 million yen in other current liabilities despite an increase of 4,000 million yen in short-term borrowings.

Non-current liabilities amounted to 14,069 million yen, down 1,086 million yen from the end of the previous consolidated fiscal year. This was due mainly to a decrease of 1,287 million yen in long-term borrowings.

(c) Net assets

Net assets amounted to 77,973 million yen, up 4,859 million yen from the end of the previous consolidated fiscal year. This was due mainly to an increase of 4,627 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 in the “Notice concerning the Revision of the Financial Results Forecast for the Full Year Ending March 31, 2022” published on November 11, 2021 (available in Japanese).

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 December 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	31,151	17,727
Notes receivable, accounts receivable from completed construction contracts	40,058	-
Notes receivable, accounts receivable from completed construction contracts, and contract assets	-	40,307
Electronically recorded monetary claims - operating	6,480	6,893
Costs on construction contracts in progress	16,002	17,833
Raw materials and supplies	65	54
Other	754	5,027
Allowance for doubtful accounts	(3)	(4)
<b>Total current assets</b>	<b>94,508</b>	<b>87,840</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	18,189	19,056
Accumulated depreciation and impairment	(10,214)	(10,578)
Buildings and structures, net	7,974	8,477
Machinery and vehicles	14,648	14,514
Accumulated depreciation	(10,489)	(10,667)
Machinery and vehicles, net	4,158	3,846
Tools, furniture and fixtures	2,337	2,452
Accumulated depreciation and impairment	(2,076)	(2,156)
Tools, furniture and fixtures, net	261	295
Land	7,610	8,133
Leased assets	298	420
Accumulated depreciation	(152)	(214)
Leased assets, net	146	205
Construction in progress	314	268
<b>Total property, plant and equipment</b>	<b>20,466</b>	<b>21,226</b>
Intangible assets		
Goodwill	48	30
Other	371	323
<b>Total intangible assets</b>	<b>420</b>	<b>354</b>
Investments and other assets		
Investment securities	9,427	10,084
Long-term loans receivable	182	211
Retirement benefit asset	6	18
Real estate for rent	1,782	7,686
Accumulated depreciation	(785)	(812)
Real estate for rent, net	996	6,874
Deferred tax assets	1,081	562
Long term-bank cash	271	280
Other	1,608	2,380
Allowance for doubtful accounts	(213)	(238)
<b>Total investments and other assets</b>	<b>13,362</b>	<b>20,174</b>
<b>Total non-current assets</b>	<b>34,248</b>	<b>41,755</b>
<b>Total assets</b>	<b>128,757</b>	<b>129,595</b>

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(Unit: ¥1 million)

	As of March 31, 2021	As of December 31, 2021
<b>Liabilities</b>		
Current liabilities		
Notes payable, accounts payable for construction contracts	10,485	8,380
Electronically recorded obligations - operating	11,336	11,527
Short-term borrowings	-	4,000
Current portion of bonds payable	4,400	1,000
Current portion of long-term borrowings	1,685	1,685
Lease obligations	95	107
Income taxes payable	1,561	784
Advances received on construction contracts in progress	4,088	-
Contract liabilities	-	7,763
Provision for bonuses	967	294
Provision for bonuses for directors (and other officers)	124	99
Provision for warranties for completed construction	152	72
Provision for loss on construction contracts	229	82
Other	5,361	1,756
<b>Total current liabilities</b>	<b>40,487</b>	<b>37,552</b>
Non-current liabilities		
Bonds payable	5,000	5,000
Long-term borrowings	5,778	4,491
Lease obligations	125	147
Deferred tax liabilities	1	2
Retirement benefit liability	3,939	3,957
Provision for share awards for directors (and other officers)	109	109
Provision for retirement benefits for directors (and other officers)	104	109
Other	97	252
<b>Total non-current liabilities</b>	<b>15,156</b>	<b>14,069</b>
<b>Total liabilities</b>	<b>55,643</b>	<b>51,622</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	4,000	4,000
Capital surplus	4,917	4,917
Retained earnings	63,624	68,251
Treasury shares	(2,156)	(2,157)
<b>Total shareholders' equity</b>	<b>70,385</b>	<b>75,012</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,476	2,515
Foreign currency translation adjustment	(225)	(193)
Remeasurements of defined benefit plans	(700)	(588)
<b>Total accumulated other comprehensive income</b>	<b>1,550</b>	<b>1,733</b>
Non-controlling interests	1,176	1,227
<b>Total net assets</b>	<b>73,113</b>	<b>77,973</b>
<b>Total liabilities and net assets</b>	<b>128,757</b>	<b>129,595</b>

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(2) Quarterly Consolidated Statement of Income and Comprehensive Income  
Nine Months Ended December 31, 2020 and 2021

(Unit: ¥1 million)

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2021
Net sales	95,251	89,711
Cost of sales	81,320	76,431
Gross profit	13,931	13,279
Selling, general and administrative expenses	5,866	6,250
Operating profit	8,064	7,028
Non-operating income		
Interest income	7	8
Dividend income	197	237
Share of profit of entities accounted for using equity method	152	101
Rental income from non-current assets	158	183
Foreign exchange gains	-	42
Subsidy income	-	1,000
Other	186	812
Total non-operating income	702	2,385
Non-operating expenses		
Interest expenses	26	23
Foreign exchange losses	95	-
Rental expenses on non-current assets	110	111
Loss on retirement of non-current assets	3	7
Other	67	53
Total non-operating expenses	303	195
Ordinary profit	8,464	9,218
Extraordinary income		
Gain on sale of non-current assets	96	1
Total extraordinary income	96	1
Extraordinary losses		
Loss on sale of non-current assets	18	-
Loss on retirement of non-current assets	-	0
Loss on valuation of investment securities	0	53
Loss on valuation of golfclub membership	0	-
Other	-	0
Total extraordinary losses	19	54
Profit before income taxes	8,542	9,164
Income taxes – current	2,400	2,511
Income taxes – deferred	334	375
Total income taxes	2,735	2,886
Profit	5,806	6,278
Profit attributable to		
Profit attributable to owners of parent	5,546	6,202
Profit attributable to non-controlling interests	260	76



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	For the nine months ended December 31, 2020	For the nine months ended December 31, 2021
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	586	38
Foreign currency translation adjustment	2	11
Remeasurements of defined benefit plans, net of tax	104	111
Share of other comprehensive income of entities accounted for using equity method	1	0
<b>Total other comprehensive income</b>	<b>694</b>	<b>162</b>
<b>Comprehensive income</b>	<b>6,501</b>	<b>6,440</b>
<b>Comprehensive income attributable to</b>		
Comprehensive income attributable to owners of parent	6,239	6,361
Comprehensive income attributable to non-controlling interests	261	79

## (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 current consolidated fiscal year. 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 current consolidated fiscal year has been added to or subtracted from retained earnings at the beginning of the first quarter of the current consolidated fiscal year, and the new accounting policy has been applied from the beginning of said period.

As a result, for the nine months ended December 31, 2021, net sales increased by 3,216 million yen, cost of sales increased by 3,365 million yen, and operating profit, ordinary profit, and profit before income taxes each decreased by 149 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 current consolidated fiscal year. 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 current consolidated fiscal year. 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.

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(Segment information, etc.)

Segment		Nine months from April 1, 2020 to December 31, 2020		Nine months from April 1, 2021 to December 31, 2021		Increase (decrease)
		Amount (¥ million)	Composition ratio (%)	Amount (¥ million)	Composition ratio (%)	Amount (¥ million)
Orders received	Construction Segment	37,377	43.7	29,526	38.3	(7,851)
	Maintenance and Renovation Segment	48,183	56.3	47,592	61.7	(591)
	Total	85,560	100.0	77,118	100.0	(8,442)
Net sales	Construction Segment	45,319	47.6	37,381	41.7	(7,937)
	Maintenance and Renovation Segment	49,932	52.4	52,329	58.3	2,397
	Total	95,251	100.0	89,711	100.0	(5,540)
Order backlog	Construction Segment	39,889	50.7	42,883	59.0	2,993
	Maintenance and Renovation Segment	38,741	49.3	29,812	41.0	(8,928)
	Total	78,631	100.0	72,696	100.0	(5,934)

- (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)

(Outflow of funds in the Hong Kong Branch)

The Company confirmed that our Hong Kong Branch transferred funds outside of the Company from early to middle of January 2022 according to fraudulent instructions by a malicious third party.

Soon after the funds were transferred outside of the Company, the Company recognized that the instruction was fraudulent and concluded that it was highly likely the branch was involved in a crime. Accordingly, the Company established a task force and reported the damage to the local investigative authority. Currently, the Company is fully cooperating with the investigation, and the Company is doing its best to follow procedures to conserve and collect the funds transferred. The total amount of transferred funds that we can confirm at this point is 734 million yen, and the estimated amount of loss reflecting the amount that can be collected is not finalized yet at this point.

The Company plans to record the loss incurred in this incident in extraordinary losses during the consolidated fourth quarter of the fiscal year under review.