

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



February 8, 2022

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: February 9, 2022

Scheduled date of commencing dividend payments: –

Availability of supplementary briefing materials on quarterly financial results: Unavailable

Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2021 (April 1, 2021 to December 31, 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	%
Nine months ended								
December 31, 2021	61,342	3.5	2,870	(38.0)	2,853	(37.1)	2,039	(41.2)
December 31, 2020	59,292	16.4	4,631	45.3	4,538	42.2	3,470	(15.7)

(Note) Comprehensive income: Nine months ended December 31, 2021: ¥2,162 million [(38.6)%]

Nine months ended December 31, 2020: ¥3,524 million [(16.7)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
December 31, 2021	51.84	–
December 31, 2020	86.05	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2021	73,186	39,283	53.7	1,028.84
As of March 31, 2021	79,409	40,790	51.4	1,010.99

(Reference) Equity: As of December 31, 2021: ¥39,283 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	86,800	(3.6)	4,600	(45.7)	4,500	(46.4)	3,300	(36.3)	86.43

(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, (3) Notes to Quarterly Consolidated Financial Statements, (Changes in accounting policies)” on page 5 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):

December 31, 2021: 40,414,407 shares

March 31, 2021: 40,414,407 shares

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

December 31, 2021: 2,232,386 shares

March 31, 2021: 67,641 shares

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

Nine months ended December 31, 2021: 39,341,317 shares

Nine months ended December 31, 2020: 40,326,002 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

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.

(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
Full year	Million yen	%	Million yen	%	Million yen	%	Yen
	83,000	(2.0)	4,200	(47.2)	3,100	(35.2)	81.19

(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 December 31, 2021
Assets		
Current assets		
Cash and deposits	14,035	14,986
Notes receivable, accounts receivable from completed construction contracts and other	34,150	28,372
Costs on construction contracts in progress	2,565	477
Raw materials and supplies	386	325
Other	2,683	3,697
Allowance for doubtful accounts	–	(9)
Total current assets	53,821	47,848
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,220	9,418
Machinery, vehicles, tools, furniture and fixtures	20,681	21,156
Land	14,327	14,314
Construction in progress	245	707
Accumulated depreciation	(20,820)	(21,764)
Total property, plant and equipment	23,655	23,831
Intangible assets	263	253
Investments and other assets		
Other	1,669	1,252
Total investments and other assets	1,669	1,252
Total non-current assets	25,588	25,337
Total assets	79,409	73,186

(Million yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	21,767	20,604
Short-term borrowings	7	104
Income taxes payable	1,147	2
Advances received on construction contracts in progress	2,070	1,255
Provision for warranties for completed construction	15	16
Provision for loss on construction contracts	7	15
Provision for bonuses	1,645	744
Other	4,216	3,745
Total current liabilities	30,877	26,488
Non-current liabilities		
Long-term borrowings	5,000	5,000
Retirement benefit liability	2,597	2,289
Other	144	125
Total non-current liabilities	7,742	7,415
Total liabilities	38,619	33,903
Net assets		
Shareholders' equity		
Share capital	2,000	2,000
Capital surplus	519	521
Retained earnings	38,767	38,982
Treasury shares	(40)	(1,888)
Total shareholders' equity	41,246	39,615
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21	15
Foreign currency translation adjustment	(15)	(8)
Remeasurements of defined benefit plans	(461)	(340)
Total accumulated other comprehensive income	(455)	(332)
Total net assets	40,790	39,283
Total liabilities and net assets	79,409	73,186

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2021
Net sales	59,292	61,342
Cost of sales	50,464	54,241
Gross profit	8,827	7,101
Selling, general and administrative expenses	4,196	4,230
Operating profit	4,631	2,870
Non-operating income		
Dividend income	4	4
Rental income	18	14
Operating fee	11	–
Miscellaneous income	36	30
Total non-operating income	70	48
Non-operating expenses		
Interest expenses	2	28
Guarantee commission	29	20
Syndicated loan origination fee	96	–
Miscellaneous expenses	34	17
Total non-operating expenses	163	65
Ordinary profit	4,538	2,853
Extraordinary income		
Gain on sale of non-current assets	88	20
Gain on sale of investment securities	0	–
Compensation income	–	77
Reversal of provision for retirement benefits	–	0
Total extraordinary income	88	98
Extraordinary losses		
Loss on sale of non-current assets	1	0
Loss on retirement of non-current assets	11	6
Expenses on dismantlement of non-current assets	–	30
Loss on sale of shares of subsidiaries and associates	–	4
Impairment losses	576	–
Total extraordinary losses	590	41
Profit before income taxes	4,036	2,910
Income taxes	566	871
Profit	3,470	2,039
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	3,470	2,039

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2021
Profit	3,470	2,039
Other comprehensive income		
Valuation difference on available-for-sale securities	5	(5)
Foreign currency translation adjustment	(122)	7
Remeasurements of defined benefit plans, net of tax	171	121
Total other comprehensive income	54	123
Comprehensive income	3,524	2,162
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,524	2,162
Comprehensive income attributable to non-controlling interests	—	—

(3) 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 ¥3,442 million and ¥3,580 million, respectively, for the nine months ended December 31, 2021. There were minimal impacts on operating profit, ordinary profit, profit before income taxes and the beginning balance of 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 nine months ended December 31, 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.