

Consolidated Financial Statements for the Six Months Ended September 30, 2022 [Japanese GAAP]



November 10, 2022

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

Stock exchange listing: Tokyo Stock Exchange

Code number: 1968

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

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Scheduled date of filing quarterly report: November 11, 2022

Scheduled date of commencing dividend payments: -

Preparation of supplementary explanatory materials: Yes

Quarterly financial results briefing: Yes

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

1. Consolidated Results for the Six Months Ended September 30, 2022 (April 1, 2022 – September 30, 2022)

(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	%
Six months ended September 30, 2022	59,130	(1.4)	6,438	(2.4)	7,797	(2.7)	5,587	2.2
September 30, 2021	59,988	(0.7)	6,599	48.3	8,011	70.4	5,469	79.0

(Note) Comprehensive income: Six months ended September 30, 2022: 5,496 million yen [(9.7)%]

Six months ended September 30, 2021: 6,087 million yen [67.3%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	293.93	-
September 30, 2021	287.90	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
	Million yen	Million yen	%
As of September 30, 2022	136,939	84,070	60.4
As of March 31, 2022	131,738	80,423	60.1

(Reference) Equity: As of September 30, 2022: 82,720 million yen

As of March 31, 2022: 79,167 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, 2022	-	-	-	100.00	100.00
Year ending March 31, 2023	-	-	-	-	-
Year ending March 31, 2023 (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, 2023
(April 1, 2022 - March 31, 2023)**

(% 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	
	126,000	(0.7)	9,000	(13.9)	10,600	(19.2)	7,500	(10.8)	394.77

(Note) Changes from the most recent results forecast: Yes

*** 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):

September 30, 2022: 20,341,980 shares

March 31, 2022: 20,341,980 shares

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

September 30, 2022: 1,315,694 shares

March 31, 2022: 1,343,554 shares

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

September 30, 2022: 19,010,474 shares

September 30, 2021: 18,998,609 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

During the six months ended September 30, 2022, the Japanese economy saw a moderate recovery as activity restrictions were eased and social and economic activities were rejuvenated, particularly in personal spending and inbound tourism demand, amid the decreasing trend in the number of COVID-19 cases. However, there is potential downward risk due to the impacts of a sharp fall in the value of the yen resulting from the widening gap between Japanese and U.S. interest rates and increasing resources prices, and the outlook for economic conditions remains severe. Due to concerns about fuel procurement and cost-of-living rises resulting from the situation in Ukraine and other factors, the electric power industry, the main area of business for the TAIHEI DENGYO KAISHA Group (the TDK Group), is making its maximum efforts to secure fuel for thermal power plants, maintain and manage equipment, and work on the re-opening of nuclear power plants, all for the sake of a stable supply of electric power. The industry is also pursuing the expansion of demand responses for the adjustment of the balance of electricity demand and supply.

Under these circumstances, in this final year of the Mid-Term Business Plan (FY2020 – FY2022), which began in April 2020, the TDK Group has continued to work on achieving the targets set forth in this plan, focusing on “enhancing the corporate foundation for sustainable growth” and “ensuring a revenue base that responds to changes in the business environment.” In addition, in June, it began commercial operation of the compact CO₂ capture system that has been in planning for some time as a contribution to a recycle-oriented society by capturing the CO₂ emitted from the Group’s power plants and using it in the agriculture. Further, the Group is pursuing new initiatives such as the development of new construction methods to take advantage of our technologies in the forestry and the replacement of wind power generation facilities.

As a result, for the six months ended September 30, 2022, the TDK Group recorded orders received of 57,572 million yen (an increase of 9.6% YoY) and net sales of 59,130 million yen (a decrease of 1.4% YoY) including 4,326 million yen (an increase of 61.1% YoY) for overseas works.

Regarding profits, operating profit amounted to 6,438 million yen (a decrease of 2.4% YoY), ordinary profit amounted to 7,797 million yen (a decrease of 2.7% YoY), and profit attributable to owners of parent amounted to 5,587 million yen (an increase of 2.2% YoY).

Performance results by business segment are as follows.

(Construction Segment)

Orders received amounted to 20,621 million yen (an increase of 9.6% YoY, composition ratio: 35.8%). 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 19,641 million yen (a decrease of 19.1% YoY, composition ratio: 33.2%). Net sales of 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. Segment profit amounted to 1,445 million yen (a decrease of 41.4% YoY).

(Maintenance and Renovation Segment)

Orders received amounted to 36,950 million yen (an increase of 9.6% YoY, composition ratio: 64.2%). Despite a decrease in orders received in works for nuclear power plants, orders received in works for iron and steel-related plants increased, resulting in an increase for the overall segment.

Net sales amounted to 39,488 million yen (an increase of 10.6% YoY, composition ratio: 66.8%). Despite a decrease in net sales of works for thermal power plants for private use, net sales of works for thermal power plants for business use and works for nuclear power plants increased, resulting in an increase for the overall segment. Segment profit amounted to 6,797 million yen (an increase of 18.4% YoY).

(2) Explanation of Financial Position

(a) Assets

Current assets amounted to 94,606 million yen, up 4,975 million yen from the end of the previous fiscal year. This was due mainly to increases of 13,817 million yen in cash and deposits and 2,561 million yen in costs on construction contracts in progress, despite a decrease of 10,344 million yen in notes receivable, accounts receivable from completed construction contracts, and contract assets.

Non-current assets amounted to 42,333 million yen, up 225 million yen from the end of the previous fiscal year. This was due mainly to an increase of 248 million yen in deferred tax assets.

(b) Liabilities

Current liabilities amounted to 34,917 million yen, up 1,041 million yen from the end of the previous fiscal year. This was due mainly to an increase of 3,693 million yen in contract liabilities, despite a decrease of 1,607 million yen in notes payable, accounts payable for construction contracts.

Non-current liabilities amounted to 17,951 million yen, up 512 million yen from the end of the previous fiscal year. This was due mainly to an increase of 592 million yen in long-term borrowings.

(c) Net assets

Net assets amounted to 84,070 million yen, up 3,646 million yen from the end of the previous fiscal year. This was due mainly to an increase of 3,677 million yen in retained earnings.

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

The Company revised the consolidated financial results forecast for the full year ending March 31, 2023 (April 1, 2022 to March 31, 2023) from the forecast announced on May 10, 2022. For more details on the revised forecast, please see “Notice concerning the Revision of the Financial Results Forecast for the Full Year Ending March 31, 2023” published today on November 10, 2022 (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, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	19,652	33,470
Notes receivable, accounts receivable from completed construction contracts, and contract assets	48,725	38,381
Electronically recorded monetary claims - operating	6,116	7,212
Costs on construction contracts in progress	11,122	13,684
Raw materials and supplies	47	96
Other	3,970	1,765
Allowance for doubtful accounts	(4)	(4)
Total current assets	89,631	94,606
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,067	19,329
Accumulated depreciation and impairment	(10,692)	(10,947)
Buildings and structures, net	8,374	8,381
Machinery and vehicles	13,553	13,381
Accumulated depreciation	(9,812)	(9,781)
Machinery and vehicles, net	3,740	3,599
Tools, furniture and fixtures	2,519	2,616
Accumulated depreciation and impairment	(2,205)	(2,276)
Tools, furniture and fixtures, net	314	339
Land	8,144	8,878
Leased assets	429	502
Accumulated depreciation	(214)	(203)
Leased assets, net	215	299
Construction in progress	348	310
Total property, plant and equipment	21,137	21,809
Intangible assets		
Goodwill	24	12
Other	315	284
Total intangible assets	340	296
Investments and other assets		
Investment securities	10,092	10,270
Long-term loans receivable	221	273
Retirement benefit asset	5	-
Real estate for rent	7,686	7,060
Accumulated depreciation	(828)	(856)
Real estate for rent, net	6,858	6,203
Deferred tax assets	1,138	1,386
Long term-bank cash	294	339
Other	2,262	2,045
Allowance for doubtful accounts	(245)	(292)
Total investments and other assets	20,629	20,227
Total non-current assets	42,107	42,333
Total assets	131,738	136,939

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(Unit: ¥1 million)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	9,517	7,910
Electronically recorded obligations - operating	10,370	10,555
Current portion of long-term borrowings	1,635	1,225
Lease liabilities	105	119
Income taxes payable	2,554	2,641
Contract liabilities	6,009	9,702
Provision for bonuses	989	1,245
Provision for bonuses for directors (and other officers)	136	53
Provision for warranties for completed construction	78	107
Provision for loss on construction contracts	40	32
Other	2,437	1,322
Total current liabilities	33,875	34,917
Non-current liabilities		
Bonds payable	5,000	5,000
Long-term borrowings	8,143	8,735
Lease liabilities	153	212
Deferred tax liabilities	1	1
Retirement benefit liability	3,630	3,638
Provision for share awards for directors (and other officers)	171	101
Provision for retirement benefits for directors (and other officers)	111	48
Other	227	214
Total non-current liabilities	17,439	17,951
Total liabilities	51,314	52,868
Net assets		
Shareholders' equity		
Share capital	4,000	4,000
Capital surplus	4,917	4,917
Retained earnings	70,456	74,134
Treasury shares	(2,157)	(2,087)
Total shareholders' equity	77,216	80,965
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,542	2,291
Foreign currency translation adjustment	(267)	(254)
Remeasurements of defined benefit plans	(325)	(281)
Total accumulated other comprehensive income	1,950	1,755
Non-controlling interests	1,256	1,350
Total net assets	80,423	84,070
Total liabilities and net assets	131,738	136,939

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(2) Quarterly Consolidated Statement of Income and Comprehensive Income
Six Months Ended September 30, 2021 and 2022

(Unit: ¥1 million)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Net sales	59,988	59,130
Cost of sales	49,180	48,142
Gross profit	10,808	10,987
Selling, general and administrative expenses	4,208	4,549
Operating profit	6,599	6,438
Non-operating income		
Interest income	5	9
Dividend income	134	174
Share of profit of entities accounted for using equity method	41	104
Rental income from non-current assets	116	185
Foreign exchange gains	-	965
Subsidy income	1,000	-
Other	278	154
Total non-operating income	1,577	1,593
Non-operating expenses		
Interest expenses	18	23
Foreign exchange losses	49	-
Rental expenses on non-current assets	69	72
Loss on retirement of non-current assets	6	0
Borrowing fee	5	63
Other	16	75
Total non-operating expenses	165	234
Ordinary profit	8,011	7,797
Extraordinary income		
Gain on sale of non-current assets	1	-
Gain on recovery of money transfer scam at overseas branch	-	210
Total extraordinary income	1	210
Extraordinary losses		
Loss on retirement of non-current assets	-	0
Loss on valuation of investment securities	24	2
Other	0	-
Total extraordinary losses	25	2

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	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Profit before income taxes	7,987	8,005
Income taxes – current	2,457	2,499
Income taxes – deferred	(0)	(159)
Total income taxes	2,457	2,339
Profit	5,530	5,666
Profit attributable to		
Profit attributable to owners of parent	5,469	5,587
Profit attributable to non-controlling interests	60	78
Other comprehensive income		
Valuation difference on available-for-sale securities	436	(251)
Foreign currency translation adjustment	8	37
Remeasurements of defined benefit plans, net of tax	111	43
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	556	(170)
Comprehensive income	6,087	5,496
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,024	5,392
Comprehensive income attributable to non-controlling interests	62	103

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(3) Quarterly Consolidated Statement of Cash Flows

(Unit: ¥1 million)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	7,987	8,005
Depreciation	812	821
Amortization of goodwill	12	12
Increase (decrease) in allowance for doubtful accounts	(0)	46
Increase (decrease) in other provisions	8	60
Increase (decrease) in retirement benefit liability	106	69
Interest and dividend income	(140)	(183)
Interest expenses	18	23
Borrowing fee	5	63
Foreign exchange losses (gains)	50	(852)
Subsidy income	(1,000)	-
Share of loss (profit) of entities accounted for using equity method	(41)	(104)
Other non-operating expenses (income)	(181)	(190)
Loss (gain) on sale and retirement of property, plant and equipment	5	(9)
Loss (gain) on valuation of investment securities	24	2
Gain on recovery of money transfer scam at overseas branch	-	(210)
Decrease (increase) in notes and accounts receivable-trade and contract assets	6,144	13,035
Decrease (increase) in costs on construction contracts in progress	(2,227)	(2,548)
Increase (decrease) in trade payables	(2,349)	(1,444)
Decrease (increase) in consumption taxes refund receivable	(2,743)	2,286
Increase (decrease) in accrued consumption taxes	(2,648)	61
Other, net	(433)	(917)
Subtotal	3,407	18,026
Interest and dividends received	150	191
Interest paid	(18)	(23)
Subsidies received	200	-
Income taxes paid	(1,741)	(2,387)
Amount for recovery of money transfer scam at overseas branches	-	210
Other, net	158	3
Net cash provided by (used in) operating activities	2,156	16,021
Cash flows from investing activities		
Payments into time deposits	(200)	(244)
Proceeds from withdrawal of time deposits	155	244
Purchase of securities	(3,000)	-
Purchase of property, plant and equipment	(1,570)	(902)
Proceeds from sale of property, plant and equipment	1	9
Purchase of intangible assets	(21)	(14)
Proceeds from sale of intangible assets	0	-
Purchase of investment securities	(451)	(445)
Proceeds from sale of investment securities	10	-
Loan advances	-	(26)
Proceeds from collection of loans receivable	1	-
Other, net	18	324
Net cash provided by (used in) investing activities	(5,056)	(1,055)

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	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash flows from financing activities		
Proceeds from long-term borrowings	-	1,125
Repayments of long-term borrowings	(842)	(942)
Payments of borrowing fee	(4)	(63)
Redemption of bonds	(3,200)	-
Purchase of treasury shares	-	(0)
Proceeds from sale of treasury shares	-	23
Repayments of lease liabilities	(63)	(72)
Dividends paid	(1,526)	(1,840)
Dividends paid to non-controlling interests	(8)	(9)
Net cash provided by (used in) financing activities	(5,646)	(1,780)
Effect of exchange rate change on cash and cash equivalents	27	631
Net increase (decrease) in cash and cash equivalents	(8,519)	13,817
Cash and cash equivalents at beginning of period	30,941	19,397
Cash and cash equivalents at end of period	22,422	33,215

(4) 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 Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31; June 17, 2021; the "Implementation Guidance") from the beginning of the three months ended June 30, 2022. New accounting policies based on the Implementation Guidance have been applied prospectively in accordance with the transitional treatment stipulated in Paragraph 27-2 of the Implementation Guidance. This had no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

Segment		Six months from April 1, 2021 to September 30, 2021		Six months from April 1, 2022 to September 30, 2022		Increase (decrease)
		Amount (¥ million)	Composition ratio (%)	Amount (¥ million)	Composition ratio (%)	Amount (¥ million)
Orders received	Construction Segment	18,816	35.8	20,621	35.8	1,805
	Maintenance and Renovation Segment	33,726	64.2	36,950	64.2	3,224
	Total	52,542	100.0	57,572	100.0	5,029
Net sales	Construction Segment	24,273	40.5	19,641	33.2	(4,631)
	Maintenance and Renovation Segment	35,715	59.5	39,488	66.8	3,773
	Total	59,988	100.0	59,130	100.0	(858)
Order backlog	Construction Segment	45,281	58.2	42,306	54.5	(2,975)
	Maintenance and Renovation Segment	32,561	41.8	35,362	45.5	2,801
	Total	77,843	100.0	77,669	100.0	(174)

- (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 operation of the power plants.

(Significant subsequent events)

Not applicable.