

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



November 7, 2022

Company name: SEIKITOKYU KOGYO CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 1898

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

Representative: Yoshikazu Taira, Representative Director, President

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Scheduled date of filing quarterly securities report: November 8, 2022

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, 2022 (April 1, 2022 to September 30, 2022)

(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, 2022 | 41,892 | 8.4 | 246 | (86.0) | 246 | (85.8) | 90 | (92.4) |
| September 30, 2021 | 38,663 | 10.6 | 1,753 | (21.6) | 1,737 | (22.1) | 1,191 | (40.6) |

(Note) Comprehensive income: Six months ended September 30, 2022: ¥157 million [(87.6)%]

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

| | Basic earnings per share | | Diluted earnings per share | |
|-------------------------------------|--------------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Six months ended September 30, 2022 | 2.47 | | – | |
| September 30, 2021 | 30.01 | | – | |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|--------------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of September 30, 2022 | 75,289 | 38,768 | 51.5 | 1,063.66 |
| As of March 31, 2022 | 78,295 | 40,497 | 51.7 | 1,082.33 |

(Reference) Equity: As of September 30, 2022: ¥38,768 million

As of March 31, 2022: ¥40,497 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, 2022 | – | 0.00 | – | 30.00 | 30.00 |
| Fiscal year ending March 31, 2023 | – | 0.00 | | | |
| Fiscal year ending March 31, 2023 (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, 2023 (April 1, 2022 to March 31, 2023)

(% indicates year-on-year changes)

| | 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 |
| | 92,600 | 8.8 | 4,700 | 6.4 | 4,700 | 7.8 | 3,300 | (0.1) | 90.54 |

(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: No

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

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Number of shares issued (common shares)

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

September 30, 2022: 38,414,407 shares

March 31, 2022: 40,414,407 shares

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

September 30, 2022: 1,966,343 shares

March 31, 2022: 2,996,909 shares

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

Six months ended September 30, 2022: 36,885,280 shares

Six months ended September 30, 2021: 39,716,615 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 Wednesday, November 30, 2022. 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, 2023 (April 1, 2022 to March 31, 2023)

(% indicates year-on-year changes)

| | Net sales | | Ordinary profit | | Profit | | Basic earnings per share |
|-----------|-------------|-----|-----------------|-----|-------------|-----|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 88,000 | 8.4 | 4,400 | 9.3 | 3,100 | 0.6 | 85.05 |

(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, 2022 | As of September 30, 2022 |
|--|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 12,814 | 13,562 |
| Notes receivable, accounts receivable from completed construction contracts and other | 34,942 | 31,118 |
| Costs on construction contracts in progress | 459 | 172 |
| Raw materials and supplies | 401 | 405 |
| Other | 2,871 | 1,648 |
| Allowance for doubtful accounts | - | (5) |
| Total current assets | 51,489 | 46,901 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 9,824 | 11,589 |
| Machinery, vehicles, tools, furniture and fixtures | 21,511 | 22,011 |
| Land | 14,217 | 14,697 |
| Construction in progress | 763 | 269 |
| Accumulated depreciation | (21,464) | (22,153) |
| Total property, plant and equipment | 24,852 | 26,414 |
| Intangible assets | 250 | 241 |
| Investments and other assets | | |
| Other | 1,703 | 1,731 |
| Total investments and other assets | 1,703 | 1,731 |
| Total non-current assets | 26,806 | 28,387 |
| Total assets | 78,295 | 75,289 |

(Million yen)

| | As of March 31, 2022 | As of September 30, 2022 |
|--|----------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes payable, accounts payable for construction contracts and other | 20,722 | 20,730 |
| Short-term borrowings | 107 | 203 |
| Income taxes payable | 494 | 153 |
| Advances received on construction contracts in progress | 1,921 | 1,963 |
| Provision for warranties for completed construction | 32 | 37 |
| Provision for loss on construction contracts | 5 | 37 |
| Provision for bonuses | 1,861 | 1,677 |
| Other | 4,163 | 3,503 |
| Total current liabilities | 29,307 | 28,305 |
| Non-current liabilities | | |
| Long-term borrowings | 6,900 | 6,850 |
| Retirement benefit liability | 1,505 | 1,283 |
| Other | 84 | 81 |
| Total non-current liabilities | 8,490 | 8,214 |
| Total liabilities | 37,797 | 36,520 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 2,000 | 2,000 |
| Capital surplus | 521 | 500 |
| Retained earnings | 40,248 | 37,588 |
| Treasury shares | (2,502) | (1,618) |
| Total shareholders' equity | 40,266 | 38,470 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 22 | 16 |
| Foreign currency translation adjustment | 4 | 29 |
| Remeasurements of defined benefit plans | 203 | 251 |
| Total accumulated other comprehensive income | 231 | 297 |
| Total net assets | 40,497 | 38,768 |
| Total liabilities and net assets | 78,295 | 75,289 |

(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, 2021 | For the six months ended September 30, 2022 |
|---|--|--|
| Net sales | 38,663 | 41,892 |
| Cost of sales | 34,125 | 38,559 |
| Gross profit | 4,538 | 3,332 |
| Selling, general and administrative expenses | 2,784 | 3,086 |
| Operating profit | 1,753 | 246 |
| Non-operating income | | |
| Dividend income | 2 | 2 |
| Rental income | 9 | 10 |
| Foreign exchange gains | 3 | 46 |
| Miscellaneous income | 17 | 12 |
| Total non-operating income | 31 | 71 |
| Non-operating expenses | | |
| Interest expenses | 18 | 27 |
| Guarantee commission | 16 | 13 |
| Commission for purchase of treasury shares | 3 | 22 |
| Miscellaneous expenses | 9 | 6 |
| Total non-operating expenses | 47 | 71 |
| Ordinary profit | 1,737 | 246 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 13 | 2 |
| Reversal of provision for retirement benefits | 0 | - |
| Total extraordinary income | 14 | 2 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | 0 | 11 |
| Loss on retirement of non-current assets | 6 | 9 |
| Expenses on dismantlement of non-current assets | 30 | - |
| Loss on sale of shares of subsidiaries and associates | 4 | - |
| Total extraordinary losses | 41 | 20 |
| Profit before income taxes | 1,710 | 228 |
| Income taxes | 518 | 137 |
| Profit | 1,191 | 90 |
| Profit attributable to non-controlling interests | - | - |
| Profit attributable to owners of parent | 1,191 | 90 |

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Million yen)

| | For the six months ended September 30, 2021 | For the six months ended September 30, 2022 |
|--|--|--|
| Profit | 1,191 | 90 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (1) | (6) |
| Foreign currency translation adjustment | 2 | 25 |
| Remeasurements of defined benefit plans, net of tax | 80 | 47 |
| Total other comprehensive income | 81 | 66 |
| Comprehensive income | 1,272 | 157 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,272 | 157 |
| Comprehensive income attributable to non-controlling interests | - | - |

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

| | 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 | 1,710 | 228 |
| Depreciation | 955 | 999 |
| Increase (decrease) in allowance for doubtful accounts | 12 | 5 |
| Increase (decrease) in provision for bonuses | (144) | (184) |
| Increase (decrease) in retirement benefit liability | (202) | (221) |
| Interest and dividend income | (2) | (2) |
| Interest expenses | 18 | 27 |
| Loss (gain) on sale of property, plant and equipment | (13) | 8 |
| Loss on retirement of property, plant and equipment | 6 | 9 |
| Expenses on dismantlement of non-current assets | 30 | - |
| Decrease (increase) in trade receivables | 10,368 | 3,824 |
| Decrease (increase) in costs on construction contracts in progress | (104) | 286 |
| Increase (decrease) in trade payables | (3,797) | 8 |
| Increase (decrease) in advances received on construction contracts in progress | 585 | 42 |
| Decrease (increase) in deposits paid | (1,255) | (10) |
| Other, net | (372) | 937 |
| Subtotal | 7,794 | 5,959 |
| Interest and dividends received | 2 | 2 |
| Interest paid | (15) | (27) |
| Income taxes paid | (936) | (459) |
| Net cash provided by (used in) operating activities | 6,844 | 5,475 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (1,799) | (2,902) |
| Proceeds from sale of property, plant and equipment | 14 | 63 |
| Dismantling of property, plant and equipment | (185) | - |
| Proceeds from sale of shares of subsidiaries and associates resulting in change in scope of consolidation | 8 | - |
| Other, net | (31) | (71) |
| Net cash provided by (used in) investing activities | (1,993) | (2,909) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 96 | 95 |
| Repayments of long-term borrowings | - | (50) |
| Purchase of treasury shares | (1,248) | (799) |
| Dividends paid | (1,730) | (1,120) |
| Net cash provided by (used in) financing activities | (2,882) | (1,874) |
| Effect of exchange rate change on cash and cash equivalents | 3 | 57 |
| Net increase (decrease) in cash and cash equivalents | 1,972 | 748 |
| Cash and cash equivalents at beginning of period | 14,035 | 12,814 |
| Cash and cash equivalents at end of period | 16,007 | 13,562 |

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

The Company retired 2,000,000 shares of its treasury shares on June 30, 2022, based on the resolution at the Board of Directors meeting held on April 27, 2022. As a result, in the six months ended September 30, 2022, capital surplus decreased by ¥21 million, retained earnings decreased by ¥1,627 million, and treasury shares decreased by ¥1,648 million.

(Additional information)

(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, 2022.