

# Consolidated Financial Statements for the Nine Months Ended December 31, 2022 [Japanese GAAP]



February 9, 2023

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: February 10, 2023

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, 2022 (April 1, 2022 – December 31, 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	%
Nine months ended								
December 31, 2022	91,015	1.5	11,230	59.8	11,985	30.0	8,364	34.9
December 31, 2021	89,711	(5.8)	7,028	(12.8)	9,218	8.9	6,202	11.8

(Note) Comprehensive income: Nine months ended December 31, 2022: 9,021 million yen [40.1%]

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

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	439.88	-
December 31, 2021	326.45	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
	Million yen	Million yen	%
As of December 31, 2022	137,577	87,596	62.5
As of March 31, 2022	131,738	80,423	60.1

(Reference) Equity: As of December 31, 2022: 86,039 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)				110.00	110.00

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

**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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	125,000	(1.5)	11,800	12.8	12,600	(4.0)	8,900	5.9	468.46

(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):

December 31, 2022: 20,341,980 shares

March 31, 2022: 20,341,980 shares

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

December 31, 2022: 1,315,699 shares

March 31, 2022: 1,343,554 shares

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

December 31, 2022: 19,015,763 shares

December 31, 2021: 18,998,580 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 nine months ended December 31, 2022, the Japanese economy trended toward recovery owing to various measures aimed at coexisting with COVID-19. On the other hand, the outlook for economic conditions was, remained uncertain due to the impact of a rebound in COVID-19 cases around the end of the year, rise in raw material prices, depreciation of the yen and other factors.

Under these circumstances, in this final year of the Mid-Term Business Plan (FY2020 – FY2022), which began in April 2020, the TAIHEI DENGYO KAISHA Group (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 CO<sub>2</sub> capture system that has been in planning for some time as a contribution to a recycle-oriented society by capturing the CO<sub>2</sub> 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 nine months ended December 31, 2022, the TDK Group recorded orders received of 86,124 million yen (an increase of 11.7% YoY) and net sales of 91,015 million yen (an increase of 1.5% YoY) including 8,748 million yen (an increase of 144.5% YoY) for overseas works.

Regarding profits, operating profit amounted to 11,230 million yen (an increase of 59.8% YoY), ordinary profit amounted to 11,985 million yen (an increase of 30.0% YoY), and profit attributable to owners of parent amounted to 8,364 million yen (an increase of 34.9% YoY).

Performance results by business segment are as follows.

#### (Construction Segment)

Orders received amounted to 31,194 million yen (an increase of 5.7% YoY, composition ratio: 36.2%). Orders received in works for environmental preservation plants increased, resulting in an increase for the overall segment.

Net sales amounted to 32,485 million yen (a decrease of 13.1% YoY, composition ratio: 35.7%). 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, although segment profit amounted to 3,682 million yen (an increase of 118.8% YoY) due to an increase in overseas works.

#### (Maintenance and Renovation Segment)

Orders received amounted to 54,930 million yen (an increase of 15.4% YoY, composition ratio: 63.8%). Despite a decrease in orders received in works for nuclear power plants, orders received in works for iron and steel-related plants and works for environmental preservation plants increased, resulting in an increase for the overall segment.

Net sales amounted to 58,529 million yen (an increase of 11.8% YoY, composition ratio: 64.3%). 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 iron and steel-related plants increased, resulting in an increase for the overall segment. Segment profit amounted to 10,375 million yen (an increase of 34.2% YoY).

(2) Explanation of Financial Position

(a) Assets

Current assets amounted to 95,527 million yen, up 5,896 million yen from the end of the previous fiscal year. This was due mainly to an increase of 14,056 million yen in cash and deposits, despite a decrease of 6,305 million yen in notes receivable, accounts receivable from completed construction contracts, and contract assets.

Non-current assets amounted to 42,050 million yen, down 56 million yen from the end of the previous fiscal year. This was due mainly to a decrease of 397 million yen in deferred tax assets.

(b) Liabilities

Current liabilities amounted to 32,242 million yen, down 1,633 million yen from the end of the previous fiscal year. This was due mainly to decreases of 1,105 million yen in notes payable, accounts payable for construction contracts and 1,070 million yen in income taxes payable, despite an increase of 1,532 million yen in contract liabilities.

Non-current liabilities amounted to 17,739 million yen, up 300 million yen from the end of the previous fiscal year. This was due mainly to an increase of 351 million yen in long-term borrowings.

(c) Net assets

Net assets amounted to 87,596 million yen, up 7,172 million yen from the end of the previous fiscal year. This was due mainly to an increase of 6,454 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 November 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 February 9, 2023 (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 December 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	19,652	33,709
Notes receivable, accounts receivable from completed construction contracts, and contract assets	48,725	42,420
Electronically recorded monetary claims - operating	6,116	3,621
Costs on construction contracts in progress	11,122	14,443
Raw materials and supplies	47	80
Other	3,970	1,257
Allowance for doubtful accounts	(4)	(4)
Total current assets	89,631	95,527
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,067	19,322
Accumulated depreciation and impairment	(10,692)	(11,073)
Buildings and structures, net	8,374	8,249
Machinery and vehicles	13,553	13,405
Accumulated depreciation	(9,812)	(9,934)
Machinery and vehicles, net	3,740	3,471
Tools, furniture and fixtures	2,519	2,634
Accumulated depreciation and impairment	(2,205)	(2,323)
Tools, furniture and fixtures, net	314	311
Land	8,144	9,028
Leased assets	429	558
Accumulated depreciation	(214)	(217)
Leased assets, net	215	341
Construction in progress	348	393
Total property, plant and equipment	21,137	21,795
Intangible assets		
Goodwill	24	6
Other	315	265
Total intangible assets	340	272
Investments and other assets		
Investment securities	10,092	10,683
Long-term loans receivable	221	254
Retirement benefit asset	5	-
Real estate for rent	7,686	7,016
Accumulated depreciation	(828)	(871)
Real estate for rent, net	6,858	6,144
Deferred tax assets	1,138	741
Long term-bank cash	294	315
Other	2,262	2,101
Allowance for doubtful accounts	(245)	(258)
Total investments and other assets	20,629	19,982
Total non-current assets	42,107	42,050
Total assets	131,738	137,577

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(Unit: ¥1 million)

	As of March 31, 2022	As of December 31, 2022
<b>Liabilities</b>		
Current liabilities		
Notes payable, accounts payable for construction contracts	9,517	8,411
Electronically recorded obligations - operating	10,370	9,530
Current portion of long-term borrowings	1,635	972
Lease liabilities	105	132
Income taxes payable	2,554	1,484
Contract liabilities	6,009	7,541
Provision for bonuses	989	301
Provision for bonuses for directors (and other officers)	136	79
Provision for warranties for completed construction	78	134
Provision for loss on construction contracts	40	50
Other	2,437	3,602
<b>Total current liabilities</b>	<b>33,875</b>	<b>32,242</b>
Non-current liabilities		
Bonds payable	5,000	5,000
Long-term borrowings	8,143	8,494
Lease liabilities	153	236
Deferred tax liabilities	1	2
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	49
Other	227	216
<b>Total non-current liabilities</b>	<b>17,439</b>	<b>17,739</b>
<b>Total liabilities</b>	<b>51,314</b>	<b>49,981</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	4,000	4,000
Capital surplus	4,917	4,917
Retained earnings	70,456	76,911
Treasury shares	(2,157)	(2,087)
<b>Total shareholders' equity</b>	<b>77,216</b>	<b>83,742</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,542	2,594
Foreign currency translation adjustment	(267)	(37)
Remeasurements of defined benefit plans	(325)	(259)
<b>Total accumulated other comprehensive income</b>	<b>1,950</b>	<b>2,297</b>
Non-controlling interests	1,256	1,556
<b>Total net assets</b>	<b>80,423</b>	<b>87,596</b>
<b>Total liabilities and net assets</b>	<b>131,738</b>	<b>137,577</b>

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(2) Quarterly Consolidated Statement of Income and Comprehensive Income  
Nine Months Ended December 31, 2021 and 2022

(Unit: ¥1 million)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Net sales	89,711	91,015
Cost of sales	76,431	72,866
Gross profit	13,279	18,148
Selling, general and administrative expenses	6,250	6,917
Operating profit	7,028	11,230
Non-operating income		
Interest income	8	11
Dividend income	237	292
Share of profit of entities accounted for using equity method	101	136
Rental income from non-current assets	183	282
Foreign exchange gains	42	145
Subsidy income	1,000	-
Other	812	175
Total non-operating income	2,385	1,043
Non-operating expenses		
Interest expenses	23	32
Rental expenses on non-current assets	111	113
Loss on retirement of non-current assets	7	0
Borrowing fee	7	66
Other	45	76
Total non-operating expenses	195	288
Ordinary profit	9,218	11,985
Extraordinary income		
Gain on sale of non-current assets	1	-
Gain on sale of investment securities	-	74
Gain on recovery of money transfer scam at overseas branch	-	238
Total extraordinary income	1	312
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on valuation of investment securities	53	2
Other	0	-
Total extraordinary losses	54	2



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	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Profit before income taxes	9,164	12,295
Income taxes – current	2,511	3,363
Income taxes – deferred	375	347
Total income taxes	2,886	3,711
Profit	6,278	8,584
Profit attributable to		
Profit attributable to owners of parent	6,202	8,364
Profit attributable to non-controlling interests	76	219
Other comprehensive income		
Valuation difference on available-for-sale securities	38	51
Foreign currency translation adjustment	11	320
Remeasurements of defined benefit plans, net of tax	111	65
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	162	437
Comprehensive income	6,440	9,021
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,361	8,711
Comprehensive income attributable to non-controlling interests	79	309

(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 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		Nine months from April 1, 2021 to December 31, 2021		Nine months from April 1, 2022 to December 31, 2022		Increase (decrease)
		Amount (¥ million)	Composition ratio (%)	Amount (¥ million)	Composition ratio (%)	Amount (¥ million)
Orders received	Construction Segment	29,526	38.3	31,194	36.2	1,668
	Maintenance and Renovation Segment	47,592	61.7	54,930	63.8	7,338
	Total	77,118	100.0	86,124	100.0	9,006
Net sales	Construction Segment	37,381	41.7	32,485	35.7	(4,895)
	Maintenance and Renovation Segment	52,329	58.3	58,529	64.3	6,199
	Total	89,711	100.0	91,015	100.0	1,304
Order backlog	Construction Segment	42,883	59.0	40,035	53.9	(2,848)
	Maintenance and Renovation Segment	29,812	41.0	34,301	46.1	4,488
	Total	72,696	100.0	74,336	100.0	1,639

- (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.