

# Consolidated Financial Statements for the Three Months Ended June 30, 2023 [Japanese GAAP]



August 9, 2023

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: August 9, 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 Three Months Ended June 30, 2023 (April 1, 2023 – June 30, 2023)

(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	%
Three months ended June 30, 2023	26,902	(7.2)	767	(74.4)	1,492	(62.1)	1,177	(56.1)
June 30, 2022	28,977	0.1	2,996	30.5	3,943	12.4	2,681	11.0

(Note) Comprehensive income: Three months ended June 30, 2023: 1,985 million yen [(26.9)%]

Three months ended June 30, 2022: 2,716 million yen [6.0%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2023	61.87	-
June 30, 2022	141.13	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
	Million yen	Million yen	%
As of June 30, 2023	141,303	89,221	62.3
As of March 31, 2023	147,039	89,533	60.0

(Reference) Equity: As of June 30, 2023: 87,968 million yen

As of March 31, 2023: 88,225 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, 2023	-	-	-	120.00	120.00
Year ending March 31, 2024	-				
Year ending March 31, 2024 (Forecast)		-	-	120.00	120.00

(Note) Changes from the most recent dividends forecast: None

**3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2024  
(April 1, 2023 - March 31, 2024)**

(% 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	135,000	7.3	11,900	(17.0)	12,700	(15.9)	8,400	(20.9)	441.50

(Note) Changes from the most recent results forecast: None

**\* 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: None

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):

June 30, 2023: 20,341,980 shares

March 31, 2023: 20,341,980 shares

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

June 30, 2023: 1,315,822 shares

March 31, 2023: 1,315,784 shares

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

June 30, 2023: 19,026,185 shares

June 30, 2022: 18,998,595 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 three months ended June 30, 2023, the Japanese economy shifted to the post-COVID-19 era, and the economy has been recovering moderately owing mainly to the domestic demand, such as normalization of social and economic activities and the further increase in inbound tourism demand due to the weak yen. However, the outlook for the global economy remains uncertain primarily due to the impact of rising prices as well as fluctuations in financial and capital markets from the prolonged situation in Ukraine and the rise in interest rates resulting from monetary tightening, particularly in Europe and the US.

Under these circumstances, for the three months ended June 30, 2023, the TDK Group recorded orders received of 25,665 million yen (a decrease of 0.6% YoY) and net sales of 26,902 million yen (a decrease of 7.2% YoY) including 2,248 million yen (an increase of 13.8% YoY) for overseas works.

Regarding profits, operating profit amounted to 767 million yen (a decrease of 74.4% YoY), ordinary profit amounted to 1,492 million yen (a decrease of 62.1% YoY), and profit attributable to owners of parent amounted to 1,177 million yen (a decrease of 56.1% YoY).

Performance results by business segment are as follows.

#### (Construction Segment)

Orders received amounted to 7,033 million yen (a decrease of 11.4% YoY, composition ratio: 27.4%). Despite an increase in works for nuclear power plants, orders received in works for thermal power plants for business use and works for environmental preservation plants decreased, resulting in a decrease for the overall segment.

Net sales amounted to 9,521 million yen (a decrease of 1.4% YoY, composition ratio: 35.4%). Despite an increase in works for environmental preservation plants, works for thermal power plants for business use and works for thermal power plants for private use decreased, resulting in a decrease for the overall segment. Segment profit amounted to 256 million yen (a decrease of 53.6% YoY).

#### (Maintenance and Renovation Segment)

Orders received amounted to 18,631 million yen (an increase of 4.3% YoY, composition ratio: 72.6%). Works for nuclear power plants and works for iron and steel-related plants increased, resulting in an increase for the overall segment.

Net sales amounted to 17,381 million yen (a decrease of 10.0% YoY, composition ratio: 64.6%). Works for thermal power plants for business use and works for nuclear power plants decreased, resulting in a decrease for the overall segment. Segment profit amounted to 1,625 million yen (a decrease of 50.9% YoY).

### (2) Explanation of Financial Position

#### (a) Assets

Current assets amounted to 98,096 million yen, down 6,219 million yen from the end of the previous fiscal year. This was due mainly to a decrease of 9,515 million yen in cash and deposits, despite an increase of 3,556 million yen in costs on construction contracts in progress.

Non-current assets amounted to 43,206 million yen, up 483 million yen from the end of the previous fiscal year. This was due mainly to an increase of 1,229 million yen in investment securities, despite a decrease of 681 million yen in deferred tax assets.

#### (b) Liabilities

Current liabilities amounted to 33,329 million yen, down 5,420 million yen from the end of the previous fiscal year. This was due mainly to decreases of 2,986 million yen in income taxes payable and 3,834 million yen in other current liabilities.

Non-current liabilities amounted to 18,752 million yen, down 3 million yen from the end of the previous

fiscal year. This was due mainly to a decrease of 39 million yen in long-term borrowings, despite an increase of 22 million yen in lease liabilities.

(c) Net assets

Net assets amounted to 89,221 million yen, down 311 million yen from the end of the previous fiscal year. This was due mainly to a decrease of 1,114 million yen in retained earnings, despite an increase of 870 million yen in valuation difference on available-for-sale securities.

(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 “Consolidated Financial Statements for the Fiscal Year Ended March 31, 2023” published on May 11, 2023.

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, 2023	As of June 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	48,944	39,428
Notes receivable, accounts receivable from completed construction contracts, and contract assets	42,545	40,874
Electronically recorded monetary claims - operating	1,792	1,968
Costs on construction contracts in progress	9,954	13,511
Raw materials and supplies	71	76
Other	1,009	2,239
Allowance for doubtful accounts	(1)	(1)
Total current assets	104,316	98,096
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,384	19,396
Accumulated depreciation and impairment	(11,160)	(11,287)
Buildings and structures, net	8,224	8,109
Machinery and vehicles	13,454	13,459
Accumulated depreciation	(10,088)	(10,228)
Machinery and vehicles, net	3,366	3,231
Tools, furniture and fixtures	2,661	2,670
Accumulated depreciation and impairment	(2,365)	(2,394)
Tools, furniture and fixtures, net	295	275
Land	8,989	9,003
Leased assets	540	594
Accumulated depreciation	(192)	(207)
Leased assets, net	348	387
Construction in progress	53	113
Total property, plant and equipment	21,275	21,119
Intangible assets		
Other	272	256
Total intangible assets	272	256
Investments and other assets		
Investment securities	11,499	12,729
Long-term loans receivable	259	276
Real estate for rent	7,016	7,017
Accumulated depreciation	(886)	(901)
Real estate for rent, net	6,129	6,116
Deferred tax assets	1,292	610
Long term-bank cash	317	339
Other	1,936	2,028
Allowance for doubtful accounts	(259)	(270)
Total investments and other assets	21,174	21,830
Total non-current assets	42,723	43,206
Total assets	147,039	141,303

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(Unit: ¥1 million)

	As of March 31, 2023	As of June 30, 2023
<b>Liabilities</b>		
Current liabilities		
Notes payable, accounts payable for construction contracts	9,879	10,069
Electronically recorded obligations - operating	8,916	10,993
Current portion of long-term borrowings	968	961
Lease liabilities	134	147
Income taxes payable	3,120	133
Contract liabilities	7,988	7,907
Provision for bonuses	1,018	362
Provision for bonuses for directors (and other officers)	123	20
Provision for warranties for completed construction	127	142
Provision for loss on construction contracts	685	637
Other	5,787	1,952
Total current liabilities	38,750	33,329
Non-current liabilities		
Bonds payable	5,000	5,000
Long-term borrowings	9,255	9,216
Lease liabilities	236	258
Deferred tax liabilities	4	11
Retirement benefit liability	3,832	3,837
Provision for share awards for directors (and other officers)	151	151
Provision for retirement benefits for directors (and other officers)	50	41
Other	225	236
Total non-current liabilities	18,755	18,752
Total liabilities	57,506	52,082
<b>Net assets</b>		
Shareholders' equity		
Share capital	4,000	4,000
Capital surplus	4,917	4,917
Retained earnings	79,166	78,051
Treasury shares	(2,087)	(2,087)
Total shareholders' equity	85,997	84,882
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,852	3,722
Foreign currency translation adjustment	(235)	(274)
Remeasurements of defined benefit plans	(388)	(361)
Total accumulated other comprehensive income	2,228	3,086
Non-controlling interests	1,308	1,252
Total net assets	89,533	89,221
Total liabilities and net assets	147,039	141,303

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(2) Quarterly Consolidated Statement of Income and Comprehensive Income  
Three Months Ended June 30, 2022 and 2023

(Unit: ¥1 million)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Net sales	28,977	26,902
Cost of sales	23,771	23,598
Gross profit	5,206	3,303
Selling, general and administrative expenses	2,209	2,536
Operating profit	2,996	767
Non-operating income		
Interest income	4	6
Dividend income	155	174
Share of profit of entities accounted for using equity method	61	50
Rental income from non-current assets	92	101
Foreign exchange gains	649	491
Other	59	11
Total non-operating income	1,022	835
Non-operating expenses		
Interest expenses	8	11
Rental expenses on non-current assets	36	60
Loss on retirement of non-current assets	0	0
Other	30	38
Total non-operating expenses	75	110
Ordinary profit	3,943	1,492
Extraordinary income		
Gain on recovery of money transfer scam at overseas branch	12	-
Total extraordinary income	12	-
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on valuation of investment securities	-	29
Total extraordinary losses	0	29



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(Unit: ¥1 million)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Profit before income taxes	3,955	1,463
Income taxes - current	770	(35)
Income taxes - deferred	430	368
Total income taxes	1,200	332
Profit	2,755	1,130
Profit attributable to		
Profit attributable to owners of parent	2,681	1,177
Profit (loss) attributable to non-controlling interests	73	(46)
Other comprehensive income		
Valuation difference on available-for-sale securities	(35)	870
Foreign currency translation adjustment	(24)	(42)
Remeasurements of defined benefit plans, net of tax	21	27
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total other comprehensive income	(38)	855
Comprehensive income	2,716	1,985
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,636	2,035
Comprehensive income attributable to non-controlling interests	79	(49)

(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.

(Segment information, etc.)

Segment		Three months from April 1, 2022 to June 30, 2022		Three months from April 1, 2023 to June 30, 2023		Increase (decrease)
		Amount (¥ million)	Composition ratio (%)	Amount (¥ million)	Composition ratio (%)	Amount (¥ million)
Orders received	Construction Segment	7,936	30.8	7,033	27.4	(902)
	Maintenance and Renovation Segment	17,871	69.2	18,631	72.6	760
	Total	25,808	100.0	25,665	100.0	(142)
Net sales	Construction Segment	9,657	33.3	9,521	35.4	(136)
	Maintenance and Renovation Segment	19,319	66.7	17,381	64.6	(1,938)
	Total	28,977	100.0	26,902	100.0	(2,074)
Order backlog	Construction Segment	39,605	52.1	52,832	58.8	13,226
	Maintenance and Renovation Segment	36,451	47.9	36,984	41.2	533
	Total	76,056	100.0	89,816	100.0	13,760

- (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)

(Disposal of treasury shares through third-party allotment)

At the Board of Directors' meeting held on August 9, 2023, the Company has resolved to dispose of treasury shares through third-party allotment (the "Disposal of Treasury shares") as described below.

1. Outline of the Disposal of Treasury Shares

(1) Date of disposal	August 31, 2023
(2) Type and number of shares to be disposed of	24,500 common shares
(3) Disposal price	4,460 yen per share
(4) Total amount of disposal price	109,270,000 yen
(5) Planned allottee	The Master Trust Bank of Japan, Ltd. (Board Incentive Plan (BIP) trust account)
(6) Other	The Disposal of Treasury shares is subject to the notification becoming effective under the Financial Instruments and Exchange Act.

2. Objective of and reason for the disposal

At the Board of Directors' meeting held on May 11, 2023, the Company resolved to continue the performance-based stock compensation plan using a Board Incentive Plan (BIP) Trust (the "Plan") with the aim of further clarifying the linkage between the remuneration of directors (excluding outside directors and overseas residents; the same shall apply hereinafter) and the Company's business performance and stock value, and raising awareness of their contribution to improving the medium- to long-term business performance and increasing corporate value.

The Disposal of Treasury shares will be conducted through third-party allotment to the Master Trust Bank of Japan, Ltd. (BIP trust account), which is the joint trustee under the BIP trust agreement concluded between the Company and Mitsubishi UFJ Trust and Banking Corporation along with an additional monetary contribution to the Plan.

The number of shares to be disposed of is the number of shares expected to be delivered to the directors during the trust period based on the stock delivery rules. The scale of dilution will be at 0.12% (figure rounded off to two decimal places; 0.13% of 190,601 total voting rights as of March 31, 2023) of the total number of shares issued (20,341,980 shares).

The shares of the Company to be allotted by the Disposal of Treasury Shares will be delivered to the directors based on the stock delivery rules. As the shares are not expected to flow to the stock market all at one time due to the Disposal of Treasury shares, the impact on the secondary market is minor. Thus, the Company has determined that the number of shares to be disposed of and the scale of dilution are reasonable.

For an overview of the extension of the BIP Trust, please refer to the "Notice on Continuation of the Performance-based Stock Compensation Plan for Directors" announced on May 11, 2023.