

# Consolidated Financial Statements for the Six Months Ended September 30, 2023 [Japanese GAAP]



November 10, 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: November 10, 2023

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, 2023 (April 1, 2023 – September 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	%
Six months ended September 30, 2023	58,081	(1.8)	3,210	(50.1)	4,364	(44.0)	3,129	(44.0)
September 30, 2022	59,130	(1.4)	6,438	(2.4)	7,797	(2.7)	5,587	2.2

(Note) Comprehensive income: Six months ended September 30, 2023: 4,656 million yen [(15.3)%]

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

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	164.47	-
September 30, 2022	293.93	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
	Million yen	Million yen	%
As of September 30, 2023	145,285	91,891	62.4
As of March 31, 2023	147,039	89,533	60.0

(Reference) Equity: As of September 30, 2023: 90,613 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	
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen	
	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):

September 30, 2023: 20,341,980 shares

March 31, 2023: 20,341,980 shares

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

September 30, 2023: 1,315,815 shares

March 31, 2023: 1,315,784 shares

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

September 30, 2023: 19,026,175 shares

September 30, 2022: 19,010,474 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, 2023, the Japanese economy recovered moderately as social and economic activities normalized after COVID-19 ceased to prevail. However, the outlook remains uncertain as the rise in interest rates resulting from aggressive monetary tightening in major countries has led to a sharp depreciation of the yen, and persistently high energy prices due to rising geopolitical risks has caused price increases.

To achieve stable energy supply and carbon neutrality, the electric power industry, the main area of business for the TAIHEI DENGYO KAISHA Group (the TDK Group), has been promoting the adoption of renewable energy to break away from excessive dependence on fossil fuels and striving to use nuclear power plants continuously and advance the nuclear fuel cycle business based on the key premise of ensuring safety.

Under these circumstances, the TDK Group launched the new Mid-Term Business Plan (FY2023-FY2025) in April 2023, based on the three key concepts of “management that defends by being able to respond quickly to changes in social structure,” “management that goes on the offense to contribute to social development,” and “management that co-creates to bring about new corporate value.” In July, the Safety and Quality Assurance Division was set up to strengthen safety and quality control, which is the foundation for any construction company. Furthermore, we strove to win orders for works for environmental preservation plants, expand the areas of works related to the re-opening of nuclear power plants, and establish new construction methods specific to dismantling onshore wind power generation facilities as well as new timber collection methods for green projects that we are pushing.

As a result, for the six months ended September 30, 2023, the TDK Group recorded orders received of 64,253 million yen (an increase of 11.6% YoY) and net sales of 58,081 million yen (a decrease of 1.8% YoY) including 3,463 million yen (a decrease of 19.9% YoY) for overseas works.

Regarding profits, operating profit amounted to 3,210 million yen (a decrease of 50.1% YoY), ordinary profit amounted to 4,364 million yen (a decrease of 44.0% YoY), and profit attributable to owners of parent amounted to 3,129 million yen (a decrease of 44.0% YoY).

Performance results by business segment are as follows.

#### (Construction Segment)

Orders received amounted to 20,066 million yen (a decrease of 2.7% YoY, composition ratio: 31.2%). Despite an increase in works for nuclear power plants, orders received in works for environmental preservation plants decreased, resulting in a decrease for the overall segment.

Net sales amounted to 19,869 million yen (an increase of 1.2% YoY, composition ratio: 34.2%). Despite decreases in works for thermal power plants for business use and works for thermal power plants for private use, works for environmental preservation plants increased, resulting in an increase for the overall segment. Segment profit amounted to 36 million yen (a decrease of 97.4% YoY).

#### (Maintenance and Renovation Segment)

Orders received amounted to 44,186 million yen (an increase of 19.6% YoY, composition ratio: 68.8%). Despite a decrease in works for iron and steel-related plants, works for thermal power plants for business use and works for nuclear power plants increased, resulting in an increase for the overall segment.

Net sales amounted to 38,212 million yen (a decrease of 3.2% YoY, composition ratio: 65.8%). Despite an increase in works for thermal power plants for private use, works for thermal power plants for business use decreased, resulting in a decrease for the overall segment. Segment profit amounted to 5,107 million yen (a decrease of 24.9% YoY).

## (2) Explanation of Financial Position

### (a) Assets

Current assets amounted to 100,912 million yen, down 3,403 million yen from the end of the previous fiscal year. This was due mainly to a decrease of 10,485 million yen in cash and deposits, despite increases of 3,000 million yen in securities and 3,201 million yen in costs on construction contracts in progress.

Non-current assets amounted to 44,373 million yen, up 1,649 million yen from the end of the previous fiscal year. This was due mainly to an increase of 2,346 million yen in investment securities.

### (b) Liabilities

Current liabilities amounted to 39,818 million yen, up 1,067 million yen from the end of the previous fiscal year. This was due mainly to an increase of 5,000 million yen in current portion of bonds payable, despite a decrease of 4,528 million yen in other current liabilities.

Non-current liabilities amounted to 13,575 million yen, down 5,179 million yen from the end of the previous fiscal year. This was due mainly to a decrease of 5,000 million yen in bonds payable.

### (c) Net assets

Net assets amounted to 91,891 million yen, up 2,358 million yen from the end of the previous fiscal year. This was due mainly to increases of 837 million yen in retained earnings and 1,450 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 September 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	48,944	38,458
Notes receivable, accounts receivable from completed construction contracts, and contract assets	42,545	41,112
Electronically recorded monetary claims - operating	1,792	2,410
Securities	-	3,000
Costs on construction contracts in progress	9,954	13,156
Raw materials and supplies	71	65
Other	1,009	2,710
Allowance for doubtful accounts	(1)	(2)
<b>Total current assets</b>	<b>104,316</b>	<b>100,912</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,384	19,442
Accumulated depreciation and impairment	(11,160)	(11,387)
Buildings and structures, net	8,224	8,054
Machinery and vehicles	13,454	13,484
Accumulated depreciation	(10,088)	(10,386)
Machinery and vehicles, net	3,366	3,098
Tools, furniture and fixtures	2,661	2,705
Accumulated depreciation and impairment	(2,365)	(2,428)
Tools, furniture and fixtures, net	295	277
Land	8,989	9,031
Leased assets	540	707
Accumulated depreciation	(192)	(240)
Leased assets, net	348	466
Construction in progress	53	133
<b>Total property, plant and equipment</b>	<b>21,275</b>	<b>21,061</b>
Intangible assets		
Other	272	266
<b>Total intangible assets</b>	<b>272</b>	<b>266</b>
Investments and other assets		
Investment securities	11,499	13,846
Long-term loans receivable	259	280
Real estate for rent	7,016	7,019
Accumulated depreciation	(886)	(916)
Real estate for rent, net	6,129	6,102
Deferred tax assets	1,292	665
Long term-bank cash	317	349
Other	1,936	2,076
Allowance for doubtful accounts	(259)	(275)
<b>Total investments and other assets</b>	<b>21,174</b>	<b>23,044</b>
<b>Total non-current assets</b>	<b>42,723</b>	<b>44,373</b>
<b>Total assets</b>	<b>147,039</b>	<b>145,285</b>

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(Unit: ¥1 million)

	As of March 31, 2023	As of September 30, 2023
<b>Liabilities</b>		
Current liabilities		
Notes payable, accounts payable for construction contracts	9,879	10,140
Electronically recorded obligations - operating	8,916	12,047
Current portion of bonds payable	-	5,000
Current portion of long-term borrowings	968	954
Lease liabilities	134	172
Income taxes payable	3,120	1,367
Contract liabilities	7,988	7,021
Provision for bonuses	1,018	1,265
Provision for bonuses for directors (and other officers)	123	41
Provision for warranties for completed construction	127	141
Provision for loss on construction contracts	685	406
Other	5,787	1,259
<b>Total current liabilities</b>	<b>38,750</b>	<b>39,818</b>
Non-current liabilities		
Bonds payable	5,000	-
Long-term borrowings	9,255	8,979
Lease liabilities	236	320
Deferred tax liabilities	4	8
Retirement benefit liability	3,832	3,829
Provision for share awards for directors (and other officers)	151	151
Provision for retirement benefits for directors (and other officers)	50	42
Other	225	245
<b>Total non-current liabilities</b>	<b>18,755</b>	<b>13,575</b>
<b>Total liabilities</b>	<b>57,506</b>	<b>53,393</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	4,000	4,000
Capital surplus	4,917	4,988
Retained earnings	79,166	80,003
Treasury shares	(2,087)	(2,159)
<b>Total shareholders' equity</b>	<b>85,997</b>	<b>86,834</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,852	4,302
Foreign currency translation adjustment	(235)	(189)
Remeasurements of defined benefit plans	(388)	(334)
<b>Total accumulated other comprehensive income</b>	<b>2,228</b>	<b>3,778</b>
Non-controlling interests	1,308	1,278
<b>Total net assets</b>	<b>89,533</b>	<b>91,891</b>
<b>Total liabilities and net assets</b>	<b>147,039</b>	<b>145,285</b>

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

(Unit: ¥1 million)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Net sales	59,130	58,081
Cost of sales	48,142	50,099
Gross profit	10,987	7,982
Selling, general and administrative expenses	4,549	4,771
Operating profit	6,438	3,210
Non-operating income		
Interest income	9	13
Dividend income	174	204
Share of profit of entities accounted for using equity method	104	118
Rental income from non-current assets	185	198
Foreign exchange gains	965	616
Other	154	173
Total non-operating income	1,593	1,324
Non-operating expenses		
Interest expenses	23	11
Rental expenses on non-current assets	72	93
Loss on retirement of non-current assets	0	0
Borrowing fee	63	6
Other	75	58
Total non-operating expenses	234	170
Ordinary profit	7,797	4,364
Extraordinary income		
Gain on recovery of money transfer scam at overseas branch	210	12
Other	-	0
Total extraordinary income	210	13
Extraordinary losses		
Loss on valuation of investment securities	2	29
Other	0	0
Total extraordinary losses	2	29



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(Unit: ¥1 million)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit before income taxes	8,005	4,348
Income taxes - current	2,499	1,158
Income taxes - deferred	(159)	108
Total income taxes	2,339	1,267
Profit	5,666	3,080
Profit attributable to		
Profit attributable to owners of parent	5,587	3,129
Profit (loss) attributable to non-controlling interests	78	(48)
Other comprehensive income		
Valuation difference on available-for-sale securities	(251)	1,449
Foreign currency translation adjustment	37	70
Remeasurements of defined benefit plans, net of tax	43	54
Share of other comprehensive income of entities accounted for using equity method	(0)	1
Total other comprehensive income	(170)	1,575
Comprehensive income	5,496	4,656
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,392	4,679
Comprehensive income attributable to non-controlling interests	103	(23)

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(3) Quarterly Consolidated Statement of Cash Flows

(Unit: ¥1 million)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	8,005	4,348
Depreciation	821	764
Amortization of goodwill	12	-
Increase (decrease) in allowance for doubtful accounts	46	17
Increase (decrease) in other provisions	60	(108)
Increase (decrease) in retirement benefit liability	69	65
Interest and dividend income	(183)	(217)
Interest expenses	23	11
Borrowing fee	63	6
Foreign exchange losses (gains)	(852)	(528)
Share of loss (profit) of entities accounted for using equity method	(104)	(118)
Other non-operating expenses (income)	(190)	(208)
Loss (gain) on sale and retirement of property, plant and equipment	(9)	0
Loss (gain) on valuation of investment securities	2	29
Gain on recovery of money transfer scam at overseas branch	(210)	(12)
(Increase) decrease in trade receivables, contract assets and contract liabilities	13,035	(70)
Decrease (increase) in costs on construction contracts in progress	(2,548)	(3,173)
Increase (decrease) in trade payables	(1,444)	3,360
Decrease (increase) in consumption taxes refund receivable	2,286	(1,817)
Increase (decrease) in accrued consumption taxes	61	(3,473)
Other, net	(917)	(981)
<b>Subtotal</b>	<b>18,026</b>	<b>(2,105)</b>
Interest and dividends received	191	230
Interest paid	(23)	(11)
Income taxes paid	(2,387)	(2,729)
Amount for recovery of money transfer scam at overseas branches	210	12
Other, net	3	129
<b>Net cash provided by (used in) operating activities</b>	<b>16,021</b>	<b>(4,474)</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(244)	(244)
Proceeds from withdrawal of time deposits	244	244
Purchase of property, plant and equipment	(902)	(419)
Proceeds from sale of property, plant and equipment	9	0
Purchase of intangible assets	(14)	(16)
Purchase of investment securities	(445)	(315)
Loan advances	(26)	-
Other, net	324	(104)
<b>Net cash provided by (used in) investing activities</b>	<b>(1,055)</b>	<b>(856)</b>

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(Unit: ¥1 million)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	1,125	198
Repayments of long-term borrowings	(942)	(487)
Payments of borrowing fee	(63)	(6)
Purchase of treasury shares	(0)	(0)
Proceeds from sale of treasury shares	23	0
Repayments of lease liabilities	(72)	(80)
Dividends paid	(1,840)	(2,232)
Dividends paid to non-controlling interests	(9)	(5)
Net cash provided by (used in) financing activities	(1,780)	(2,615)
Effect of exchange rate change on cash and cash equivalents	631	460
Net increase (decrease) in cash and cash equivalents	13,817	(7,485)
Cash and cash equivalents at beginning of period	19,397	48,689
Cash and cash equivalents at end of period	33,215	41,204

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(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.

(Segment information, etc.)

Segment		Six months from April 1, 2022 to September 30, 2022		Six months from April 1, 2023 to September 30, 2023		Increase (decrease)
		Amount (¥ million)	Composition ratio (%)	Amount (¥ million)	Composition ratio (%)	Amount (¥ million)
Orders received	Construction Segment	20,621	35.8	20,066	31.2	(555)
	Maintenance and Renovation Segment	36,950	64.2	44,186	68.8	7,236
	Total	57,572	100.0	64,253	100.0	6,680
Net sales	Construction Segment	19,641	33.2	19,869	34.2	227
	Maintenance and Renovation Segment	39,488	66.8	38,212	65.8	(1,275)
	Total	59,130	100.0	58,081	100.0	(1,048)
Order backlog	Construction Segment	42,306	54.5	55,516	57.1	13,210
	Maintenance and Renovation Segment	35,362	45.5	41,708	42.9	6,345
	Total	77,669	100.0	97,225	100.0	19,556

- (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.