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Consolidated Financial Statements for the Nine Months Ended December 31, 2024 [Japanese GAAP]



February 7, 2025

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

Contact: Shinya Kusaka, Director and Managing Executive Officer/General Manager, General Affairs Administrative Division

Phone: +81-3-5213-7211

Scheduled date of commencing dividend payments: -

Preparation of supplementary explanatory materials: No

Holding of financial results briefing: No

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

1. Consolidated Results for the Nine Months Ended December 31, 2024 (April 1, 2024 – December 31, 2024)

(1) Consolidated Operating Results (Cumulative) (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2024	90,886	(1.3)	9,772	63.0	10,909	52.4	7,898	44.6
December 31, 2023	92,059	1.1	5,994	(46.6)	7,156	(40.3)	5,463	(34.7)

(Note) Comprehensive income: Nine months ended December 31, 2024: 7,859 million yen [15.7%]

Nine months ended December 31, 2023: 6,795 million yen [(24.7)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2024	393.74	392.21
December 31, 2023	287.16	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
	Million yen	Million yen	%
As of December 31, 2024	148,959	110,455	73.3
As of March 31, 2024	153,023	100,592	64.8

(Reference) Equity: As of December 31, 2024: 109,248 million yen

As of March 31, 2024: 99,212 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, 2024	-	-	-	135.00	135.00
Year ending March 31, 2025	-	-	-		
Year ending March 31, 2025 (Forecast)				175.00	175.00

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

3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2025 (April 1, 2024 - March 31, 2025)

(% 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	139,000	7.5	13,500	34.3	14,200	23.3	9,500	13.2	490.30

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

* Notes:

(1) Significant changes in the scope of consolidation during the period: 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

(Note) Please refer to the attached reference material page 8 “2. Quarterly Consolidated Financial Statements and Primary Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)” for details.

(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, 2024: 21,151,980 shares

March 31, 2024: 20,341,980 shares

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

December 31, 2024: 696,810 shares

March 31, 2024: 966,005 shares

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

December 31, 2024: 20,059,902 shares

December 31, 2023: 19,026,167 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (voluntary)

* 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. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Nine Months Ended December 31, 2024

During the nine months ended December 31, 2024, the Japanese economy showed signs of gradual recovery, with a pickup in consumer spending and capital investment, and an improving employment and income situation. However, the outlook for the global economy remains uncertain due to continued high interest rates in Europe and the United States, prolonged stagnation in the Chinese real estate market, the direction of the U.S. administration, and the situation in the Middle East.

Under these circumstances, the Group continues working to achieve the Mid-Term Business Plan (FY2023 – FY 2025) launched in April of last year, which is 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 addition, the Sustainability Promotion Committee was established in July 2024 to further promote sustainability management. Furthermore, in Chikusei City, Ibaraki Prefecture and Murakami City, Niigata Prefecture, we launched “Green Projects,” aimed at contributing to the realization of a regional circular society leveraging regional resources, such as agriculture and forestry, to create new industries and jobs, as well as the resolution of social issues, with a focus on woody biomass power plants.

As a result, for the nine months ended December 31, 2024, the TDK Group recorded orders received of 113,830 million yen (an increase of 14.3% YoY) and net sales of 90,886 million yen (a decrease of 1.3% YoY) including 3,397 million yen (a decrease of 37.0% YoY) for overseas works.

Regarding profits, operating profit amounted to 9,772 million yen (an increase of 63.0% YoY), ordinary profit amounted to 10,909 million yen (an increase of 52.4% YoY), and profit attributable to owners of parent amounted to 7,898 million yen (an increase of 44.6% YoY).

Performance results by business segment are as follows.

(Construction Segment)

Orders received amounted to 46,776 million yen (an increase of 30.3% YoY, composition ratio: 41.1%). Despite a decrease in works for nuclear power plants, works for thermal power plants for business use increased, resulting in an increase for the overall segment.

Net sales amounted to 29,440 million yen (a decrease of 11.5% YoY, composition ratio: 32.4%). Works for thermal power plants for business use and works for environmental preservation plants decreased, resulting in a decrease for the overall segment. Segment profit amounted to 1,152 million yen (an increase of 176.4% YoY).

(Maintenance and Renovation Segment)

Orders received amounted to 67,054 million yen (an increase of 5.3% YoY, composition ratio: 58.9%). Works for iron and steel-related plants increased, resulting in an increase for the overall segment.

Net sales amounted to 61,445 million yen (an increase of 4.5% YoY, composition ratio: 67.6%). Despite a decrease in works for thermal power plants for private use, works for thermal power plants for business use increased, resulting in an increase for the overall segment. Segment profit amounted to 11,735 million yen (an increase of 38.9% YoY).

(2) Overview of Financial Position for the Nine Months Ended December 31, 2024

(a) Assets

Current assets amounted to 102,497 million yen, down 4,334 million yen from the end of the previous fiscal year. This was due mainly to a decrease of 5,233 million yen in cash and deposits.

Non-current assets amounted to 46,461 million yen, up 270 million yen from the end of the previous fiscal year. This was due mainly to an increase of 463 million yen in investment securities, despite a decrease of 381 million yen in buildings and structures.

(b) Liabilities

Current liabilities amounted to 20,256 million yen, down 18,859 million yen from the end of the previous fiscal year. This was due mainly to decreases of 10,829 million yen in electronically recorded obligations – operating and 5,000 million yen in current portion of bonds payable.

Non-current liabilities amounted to 18,247 million yen, up 4,932 million yen from the end of the previous fiscal year. This was due mainly to an increase of 5,000 million yen in bonds payable.

(c) Net assets

Net assets amounted to 110,455 million yen, up 9,863 million yen from the end of the previous fiscal year. This was due mainly to increases of 2,439 million yen in capital surplus and 5,269 million yen in retained earnings.

(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, 2024” published on May 10, 2024.

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, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	42,173	36,940
Notes receivable, accounts receivable from completed construction contracts, and contract assets	48,389	45,378
Electronically recorded monetary claims – operating	3,524	2,959
Costs on construction contracts in progress	10,209	13,659
Raw materials and supplies	59	109
Other	2,475	3,450
Total current assets	106,832	102,497
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,446	20,244
Accumulated depreciation and impairment	(12,226)	(12,405)
Buildings and structures, net	8,220	7,838
Machinery and vehicles	13,491	13,414
Accumulated depreciation	(10,637)	(10,800)
Machinery and vehicles, net	2,854	2,614
Tools, furniture and fixtures	2,765	2,838
Accumulated depreciation and impairment	(2,494)	(2,573)
Tools, furniture and fixtures, net	270	264
Land	9,135	9,173
Leased assets	685	777
Accumulated depreciation	(294)	(404)
Leased assets, net	390	373
Construction in progress	22	187
Total property, plant and equipment	20,892	20,451
Intangible assets		
Other	236	206
Total intangible assets	236	206
Investments and other assets		
Investment securities	16,676	17,139
Long-term loans receivable	280	290
Retirement benefit asset	4	-
Real estate for rent	6,300	6,305
Accumulated depreciation	(368)	(408)
Real estate for rent, net	5,932	5,897
Deferred tax assets	37	7
Long term-bank cash	352	366
Other	2,051	2,383
Allowance for doubtful accounts	(274)	(282)
Total investments and other assets	25,060	25,802
Total non-current assets	46,190	46,461
Total assets	153,023	148,959

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(Unit: ¥1 million)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	10,648	8,223
Electronically recorded obligations - operating	11,837	1,008
Current portion of bonds payable	5,000	-
Current portion of long-term borrowings	948	1,009
Lease liabilities	162	166
Income taxes payable	1,362	1,629
Contract liabilities	4,952	5,834
Provision for bonuses	1,047	314
Provision for bonuses for directors (and other officers)	79	60
Provision for warranties for completed construction	138	96
Provision for loss on construction contracts	752	171
Other	2,185	1,741
Total current liabilities	39,116	20,256
Non-current liabilities		
Bonds payable	-	5,000
Long-term borrowings	8,631	7,993
Lease liabilities	250	220
Deferred tax liabilities	142	718
Retirement benefit liability	3,850	3,894
Provision for share awards for directors (and other officers)	202	173
Provision for retirement benefits for directors (and other officers)	44	38
Other	194	207
Total non-current liabilities	13,314	18,247
Total liabilities	52,430	38,503
Net assets		
Shareholders' equity		
Share capital	4,000	5,788
Capital surplus	5,881	8,320
Retained earnings	85,270	90,540
Treasury shares	(1,621)	(1,194)
Total shareholders' equity	93,530	103,453
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,222	6,265
Foreign currency translation adjustment	(243)	(258)
Remeasurements of defined benefit plans	(296)	(212)
Total accumulated other comprehensive income	5,682	5,794
Share acquisition rights	17	1
Non-controlling interests	1,361	1,206
Total net assets	100,592	110,455
Total liabilities and net assets	153,023	148,959

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(2) Quarterly Consolidated Statement of Income and Comprehensive Income
Nine Months Ended December 31, 2023 and 2024

(Unit: ¥1 million)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Net sales	92,059	90,886
Cost of sales	78,944	73,514
Gross profit	13,115	17,371
Selling, general and administrative expenses	7,120	7,599
Operating profit	5,994	9,772
Non-operating income		
Interest income	18	15
Dividend income	357	449
Share of profit of entities accounted for using equity method	182	138
Rental income from non-current assets	291	265
Foreign exchange gains	346	432
Other	203	184
Total non-operating income	1,401	1,486
Non-operating expenses		
Interest expenses	35	46
Bond issuance costs	-	78
Rental expenses on non-current assets	128	89
Borrowing fee	9	11
Other	64	123
Total non-operating expenses	239	349
Ordinary profit	7,156	10,909
Extraordinary income		
Gain on sale of investment securities	506	61
Gain on recovery of money transfer scam at overseas branch	32	10
Gain on sale of non-current assets	0	862
Other	0	0
Total extraordinary income	540	936
Extraordinary losses		
Loss on retirement of non-current assets	0	45
Loss on valuation of investment securities	29	-
Other	-	0
Total extraordinary losses	29	45

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(Unit: ¥1 million)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Profit before income taxes	7,667	11,799
Income taxes – current	1,810	3,592
Income taxes – deferred	545	464
Total income taxes	2,355	4,057
Profit	5,311	7,741
Profit attributable to		
Profit attributable to owners of parent	5,463	7,898
Loss attributable to non-controlling interests	(152)	(156)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,266	45
Foreign currency translation adjustment	134	(12)
Remeasurements of defined benefit plans, net of tax	81	84
Share of other comprehensive income of entities accounted for using equity method	1	0
Total other comprehensive income	1,484	117
Comprehensive income	6,795	7,859
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,909	8,010
Comprehensive income attributable to non-controlling interests	(114)	(150)

(3) Notes to Quarterly Consolidated Financial Statements

(Changes in accounting policies)

(Application of Accounting Standard for Current Income Taxes)

The Accounting Standard for Current Income Taxes (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; hereinafter referred to as the “Revised Accounting Standard 2022”), etc. have been adopted from the beginning of the first quarter of the current fiscal year. The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso to paragraph 65-2 (2) of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the “Revised Implementation Guidance 2022”). This change in accounting policies has no impact on the quarterly consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the first quarter of the current fiscal year. This change in accounting policies was applied retrospectively. Hence, the quarterly consolidated financial statements for the same quarter of the prior fiscal year and the consolidated financial statements for the prior fiscal year have been modified retrospectively. This change in accounting policies has no impact on the quarterly consolidated financial statements for the same quarter of the prior fiscal year and the consolidated financial statements for the prior fiscal year.

(Segment information, etc.)

[Segment information]

I Nine months from April 1, 2023 to December 31, 2023

1. Information on net sales and profit or loss by reportable segment and information on the breakdown of income

(Unit: ¥1 million)

	Reportable segment		Total
	Construction Segment	Maintenance and Renovation Segment	
Net sales			
Goods transferred at a point in time	5,045	40,345	45,390
Goods transferred over time	28,205	18,462	46,668
Revenue from contracts with customers	33,251	58,808	92,059
Net sales to outside customers	33,251	58,808	92,059
Segment profit	416	8,451	8,868

2. Differences between the total amount of profits or losses for reportable segments and the amount recorded in the quarterly consolidated statement of income and comprehensive income, and main details of such differences (matters relating to reconciliation)

(Unit: ¥1 million)

Profits	Amounts
Total amount for reportable segments	8,868
Corporate expenses (Note)	(2,873)
Operating profit in quarterly consolidated statement of income and comprehensive income	5,994

(Note) Corporate expenses are general and administrative expenses and common expenses which do not belong to any reportable segments.

II Nine months from April 1, 2024 to December 31, 2024

1. Information on net sales and profit or loss by reportable segment and information on the breakdown of income

(Unit: ¥1 million)

	Reportable segment		Total
	Construction Segment	Maintenance and Renovation Segment	
Net sales			
Goods transferred at a point in time	5,957	40,147	46,104
Goods transferred over time	23,483	21,298	44,781
Revenue from contracts with customers	29,440	61,445	90,886
Net sales to outside customers	29,440	61,445	90,886
Segment profit	1,152	11,735	12,888

2. Differences between the total amount of profits or losses of reportable segments and the amount recorded in the quarterly consolidated statement of income and comprehensive income, and main details of such differences (matters relating to reconciliation)

(Unit: ¥1 million)

Profits	Amounts
Total amount for reportable segments	12,888
Corporate expenses (Note)	(3,115)
Operating profit in quarterly consolidated statement of income and comprehensive income	9,772

(Note) Corporate expenses are general and administrative expenses and common expenses which do not belong to any reportable segments.

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

The Company issued new shares and disposed of treasury share by exercising the first and second series of share acquisition rights during the nine months ended December 31, 2024, resulting in increases of 1,787 million yen in share capital and 2,439 million yen in capital surplus, respectively, and a decrease of 399 million yen in treasury share.

As a result, share capital, capital surplus, and treasury share amounted to 5,788 million yen, 8,320 million yen, and 1,194 million yen, respectively, at the end of the nine months ended December 31, 2024.

(Notes on going concern assumption)

Not applicable.

(Notes to statement of cash flows)

Quarterly consolidated statement of cash flows has not been prepared for the nine months ended December 31, 2024. Depreciation and amortization (including amortization related to intangible assets) for the nine months ended December 31 are as follows.

	Nine months from April 1, 2023 to December 31, 2023	Nine months from April 1, 2024 to December 31, 2024
Depreciation	1,158 million yen	1,112 million yen

(Significant subsequent events)

(Exercise of the second series of stock acquisition rights)

The second series of stock acquisition rights issued by the Company on March 4, 2024 were exercised after the nine months ended December 31, 2024.

The status of the exercising of such rights from January 1, 2025 to February 5, 2025 is as follows:

- (1) Number of stock acquisition rights exercised: 800
- (2) Class and number of shares issued: 80,000 shares of common stock
- (3) Increase in share capital: 174 million yen
- (4) Increase in capital surplus: 174 million yen

As a result of the above, the total number of shares issued and outstanding increased by 80,000 shares, and share capital and capital surplus increased by 174 million yen each. As of February 5, 2025, the total number of shares issued and outstanding was 21,231,980, and share capital and capital surplus amounted to 5,962 million yen and 6,607 million yen, respectively.

3. Supplemental Information

(1) Orders Received, Net Sales and Order Backlog by Segment

		Nine months from April 1, 2023 to December 31, 2023		Nine months from April 1, 2024 to December 31, 2024		Increase (decrease)
Segment		Amount (¥ million)	Composition ratio (%)	Amount (¥ million)	Composition ratio (%)	Amount (¥ million)
Orders received	Construction Segment	35,904	36.1	46,776	41.1	10,872
	Maintenance and Renovation Segment	63,656	63.9	67,054	58.9	3,397
	Total	99,560	100.0	113,830	100.0	14,269
Net sales	Construction Segment	33,251	36.1	29,440	32.4	(3,810)
	Maintenance and Renovation Segment	58,808	63.9	61,445	67.6	2,637
	Total	92,059	100.0	90,886	100.0	(1,173)
Order backlog	Construction Segment	57,972	58.8	68,004	56.4	10,031
	Maintenance and Renovation Segment	40,582	41.2	52,616	43.6	12,033
	Total	98,555	100.0	120,620	100.0	22,064

- (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.