

Consolidated Financial Results for the Three Months Ended June 30, 2021 [Japanese GAAP]



August 6, 2021

Company name: SEIKITOKYU KOGYO CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 1898

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

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Scheduled date of filing quarterly securities report: August 6, 2021

Scheduled date of commencing dividend payments: –

Availability of supplementary briefing materials on quarterly financial results: Unavailable

Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2021 (April 1, 2021 to June 30, 2021)

(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	%
Three months ended June 30, 2021	18,619	23.6	528	56.2	512	49.3	360	12.0
June 30, 2020	15,060	14.5	338	174.6	343	181.7	321	(78.8)

(Note) Comprehensive income: Three months ended June 30, 2021: ¥394 million [23.8%]

Three months ended June 30, 2020: ¥318 million [(79.7)%]

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Three months ended June 30, 2021	8.99	–	–	–
June 30, 2020	7.99	–	–	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2021	72,517	38,756	53.4	977.45
As of March 31, 2021	79,409	40,790	51.4	1,010.99

(Reference) Equity: As of June 30, 2021: ¥38,756 million

As of March 31, 2021: ¥40,790 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, 2021	–	0.00	–	43.00	43.00
Fiscal year ending March 31, 2022	–				
Fiscal year ending March 31, 2022 (Forecast)		0.00	–	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, 2022 (April 1, 2021 to March 31, 2022)

(% indicates year-on-year changes)

	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
First half	40,600	16.2	1,100	(50.8)	1,100	(50.7)	700	(65.1)	17.65
Full year	86,400	(4.0)	4,800	(43.3)	4,700	(44.0)	3,100	(40.2)	78.18

(Notes) Revision to the financial results forecast announced most recently: Yes

The Company revised only the consolidated financial results forecast for the six months ending September 30, 2021, which was announced on May 12, 2021.

* 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: Yes

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

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(Note) For details, please see “Quarterly Consolidated Financial Statements and Primary Notes, (3) Notes to Quarterly Consolidated Financial Statements, (Changes in accounting policies)” on page 6 of the attachment.

(4) Number of shares issued (common shares)

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

June 30, 2021: 40,414,407 shares

March 31, 2021: 40,414,407 shares

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

June 30, 2021: 763,502 shares

March 31, 2021: 67,641 shares

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

Three months ended June 30, 2021: 40,107,508 shares

Three months ended June 30, 2020: 40,294,432 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

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.

(Reference) Non-Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(% indicates year-on-year changes)

	Net sales		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Yen	%	Yen
First half	39,500	21.1	1,100	(49.1)	800	(57.6)	20.18
Full year	82,200	(3.0)	4,400	(44.7)	3,000	(37.3)	75.66

(Note) Revision to the financial results forecast announced most recently: Yes

The Company revised only the non-consolidated financial results forecast for the six months ending September 30, 2021, which was announced on May 12, 2021.

*** 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, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	14,035	22,192
Notes receivable, accounts receivable from completed construction contracts and other	34,150	19,549
Costs on construction contracts in progress	2,565	487
Raw materials and supplies	386	405
Other	2,683	4,173
Allowance for doubtful accounts	–	(7)
Total current assets	53,821	46,801
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,220	9,380
Machinery, vehicles, tools, furniture and fixtures	20,681	20,894
Land	14,327	14,327
Construction in progress	245	442
Accumulated depreciation	(20,820)	(21,125)
Total property, plant and equipment	23,655	23,919
Intangible assets	263	273
Investments and other assets		
Other	1,669	1,522
Total investments and other assets	1,669	1,522
Total non-current assets	25,588	25,715
Total assets	79,409	72,517

(Million yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	21,767	18,475
Short-term borrowings	7	104
Income taxes payable	1,147	56
Advances received on construction contracts in progress	2,070	2,290
Provision for warranties for completed construction	15	17
Provision for loss on construction contracts	7	5
Provision for bonuses	1,645	767
Other	4,216	4,408
Total current liabilities	30,877	26,125
Non-current liabilities		
Long-term borrowings	5,000	5,000
Retirement benefit liability	2,597	2,490
Other	144	144
Total non-current liabilities	7,742	7,634
Total liabilities	38,619	33,760
Net assets		
Shareholders' equity		
Share capital	2,000	2,000
Capital surplus	519	519
Retained earnings	38,767	37,304
Treasury shares	(40)	(644)
Total shareholders' equity	41,246	39,178
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21	15
Foreign currency translation adjustment	(15)	(16)
Remeasurements of defined benefit plans	(461)	(420)
Total accumulated other comprehensive income	(455)	(422)
Total net assets	40,790	38,756
Total liabilities and net assets	79,409	72,517

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2020	For the three months ended June 30, 2021
Net sales	15,060	18,619
Cost of sales	13,472	16,705
Gross profit	1,587	1,913
Selling, general and administrative expenses	1,248	1,384
Operating profit	338	528
Non-operating income		
Rental income	6	5
Operating fee	11	–
Miscellaneous income	8	5
Total non-operating income	26	10
Non-operating expenses		
Interest expenses	1	9
Guarantee commission	15	11
Miscellaneous expenses	5	6
Total non-operating expenses	22	27
Ordinary profit	343	512
Extraordinary income		
Gain on sale of non-current assets	0	12
Reversal of provision for retirement benefits	–	0
Total extraordinary income	0	12
Extraordinary losses		
Loss on sale of non-current assets	–	0
Loss on retirement of non-current assets	2	0
Expenses on dismantlement of non-current assets	–	30
Total extraordinary losses	2	30
Profit before income taxes	341	494
Income taxes	19	134
Profit	321	360
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	321	360

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2020	For the three months ended June 30, 2021
Profit	321	360
Other comprehensive income		
Valuation difference on available-for-sale securities	3	(6)
Foreign currency translation adjustment	(63)	(0)
Remeasurements of defined benefit plans, net of tax	57	40
Total other comprehensive income	(3)	33
Comprehensive income	318	394
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	318	394
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Additional information)

(Application of the tax effect accounting for the transition from the consolidated tax return filing system to the group tax sharing system)

With regard to the transition to the group tax sharing system established based on “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 8, 2020) and to the items reconsidered on the non-consolidated tax return filing system in accordance with this transition to the group tax sharing system, the Company and its certain consolidated subsidiaries in Japan calculate the amounts of deferred tax assets and deferred tax liabilities based on the provisions of the Income Tax Act before the amendment, without applying the provisions of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), pursuant to Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Tax Return Filing System to the Group Tax Sharing System” (Practical Issues Task Force No. 39, March 31, 2020).

(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, 2021.

(Changes in accounting policies)

(Application of the “Accounting Standard for Revenue Recognition” and relevant implementation guidance)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter, the “Revenue Recognition Standard”) and relevant implementation guidance effective from the beginning of the fiscal year ending March 31, 2022. Accordingly, the Company recognizes revenue as the amount expected to be received in exchange for promised goods or services at the time when the control of the goods or services is transferred to the customer. As a result of this application, the Company has made the following primary change of revenue recognition.

Revenue recognition for construction contracts

The Company previously applied the percentage of completion method for the construction work whose outcome from the completed portion was deemed definite, and the completed contract method for other construction work whose progress of completion was unable to be measured. However, the Company has changed to recognize revenue over a certain period of time as it satisfies its performance obligation. The progress of completion toward satisfaction of performance obligations is measured based on the proportion of the cost incurred as of the end of each fiscal year to the estimated total cost of the construction work. For construction contracts whose progress of completion toward satisfaction of performance obligations cannot be estimated reasonably, the Company recognizes revenue by the cost recovery method when it is probable that the cost incurred will be recovered.

The application of the Revenue Recognition Standard, etc. is in accordance with the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Standard. The cumulative effect of retrospectively applying the new accounting policy to periods prior to the beginning of the fiscal year ending March 31, 2022 has been added to or deducted from the retained earnings at the beginning of the fiscal year ending March 31, 2022, and the new accounting policy is applied from the said balance.

As a result, net sales and cost of sales increased by ¥1,245 million and ¥1,165 million, respectively, for the three months ended June 30, 2021. There were minimal impacts on the beginning balance of operating profit, ordinary profit, profit before income taxes, and retained earnings for the fiscal year ending March 31, 2022. In accordance with the transitional treatment stipulated in Paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020), the Company omitted information on disaggregation of revenue from contracts with customers for the three months ended June 30, 2020.

(Application of the “Accounting Standard for Fair Value Measurement” and relevant implementation guidance)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter, the “Fair Value Measurement Standard”) and relevant implementation guidance effective from the beginning of the fiscal year ending March 31, 2022. In accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company applies

the new accounting policy set forth by the Fair Value Measurement Standard, etc. over future periods. The application of the new accounting policy had no impact on the quarterly consolidated financial statements.