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

October 31, 2023

Company name: SUMITOMO DENSETSU CO.,LTD.

Stock exchange listing: Tokyo

Code number: 1949

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

Representative: Makoto Tani President

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Scheduled date of filing quarterly securities report: November 6, 2023

Scheduled date of commencing dividend payments: December 4, 2023

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2023	79,888	(2.0)	3,111	(41.4)	3,628	(37.8)	2,459	(35.1)
September 30, 2022	81,498	11.9	5,307	6.3	5,838	5.9	3,787	6.2

(Note) Comprehensive income: Six months ended September 30, 2023: ¥ 5,112 million [63.0%]
Six months ended September 30, 2022: ¥ 3,136 million [(37.4)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	69.46	-
September 30, 2022	106.99	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	161,739	102,844	60.6
March 31, 2023	162,587	99,618	58.4

(Reference) Equity: As of September 30, 2023: ¥ 97,961 million
As of March 31, 2023: ¥ 94,927 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, 2023	-	43.00	-	51.00	94.00
Fiscal year ending March 31, 2024	-	47.00			
Fiscal year ending March 31, 2024 (Forecast)			-	47.00	94.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024(April 1, 2023 to 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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	185,000	5.6	13,500	0.3	14,500	0.7	9,500	1.2	268.27

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2023

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(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: No

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

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

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

September 30, 2023: 35,635,879 shares

March 31, 2023: 35,635,879 shares

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

September 30, 2023: 219,040 shares

March 31, 2023: 230,084 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2023: 35,412,210 shares

Six months ended September 30, 2022: 35,402,675 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

This presentation contains various forward-looking statements which are based on the current expectations and assumptions of future event.

Please be advised that there are possibilities actual performance could be different from those described in this material.

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	54,770	54,084
Notes receivable, accounts receivable from completed construction contracts and other	64,375	58,691
Costs on construction contracts in progress	3,108	4,534
Other	1,409	1,898
Allowance for doubtful accounts	(12)	(9)
Total current assets	123,650	119,199
Non-current assets		
Property, plant and equipment		
Land	7,028	7,152
Other	16,528	17,289
Accumulated depreciation	(8,767)	(8,876)
Other, net	7,761	8,412
Total property, plant and equipment	14,789	15,565
Intangible assets		
Goodwill	118	60
Other	965	1,032
Total intangible assets	1,083	1,093
Investments and other assets		
Investment securities	18,360	21,052
Other	5,117	5,241
Allowance for doubtful accounts	(414)	(413)
Total investments and other assets	23,063	25,880
Total non-current assets	38,936	42,539
Total assets	162,587	161,739
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	36,157	33,891
Short-term borrowings	1,597	1,529
Income taxes payable	2,577	840
Provisions	201	92
Other	15,630	14,682
Total current liabilities	56,163	51,035
Non-current liabilities		
Long-term borrowings	921	961
Provision for retirement benefits for directors (and other officers)	17	8
Retirement benefit liability	1,253	1,294
Other	4,613	5,595
Total non-current liabilities	6,805	7,859
Total liabilities	62,968	58,894

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Net assets		
Shareholders' equity		
Share capital	6,440	6,440
Capital surplus	6,107	6,114
Retained earnings	73,869	74,523
Treasury shares	(421)	(402)
Total shareholders' equity	85,994	86,676
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,969	10,936
Deferred gains or losses on hedges	-	0
Foreign currency translation adjustment	581	967
Remeasurements of defined benefit plans	(618)	(618)
Total accumulated other comprehensive income	8,932	11,285
Non-controlling interests	4,690	4,882
Total net assets	99,618	102,844
Total liabilities and net assets	162,587	161,739

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the six months)

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Net sales	81,498	79,888
Cost of sales	70,954	71,168
Gross profit	10,543	8,720
Selling, general and administrative expenses		
Employees' salaries and allowances	1,993	2,156
Other	3,242	3,452
Total selling, general and administrative expenses	5,235	5,608
Operating profit	5,307	3,111
Non-operating income		
Interest income	31	63
Dividend income	261	254
Other	267	231
Total non-operating income	560	550
Non-operating expenses		
Interest expenses	10	15
Other	19	17
Total non-operating expenses	30	33
Ordinary profit	5,838	3,628
Extraordinary income		
Gain on sale of investment securities	235	256
Total extraordinary income	235	256
Extraordinary losses		
Loss on disposal of property, plant and equipment	-	43
Total extraordinary losses	-	43
Profit before income taxes	6,073	3,841
Income taxes - current	1,275	932
Income taxes - deferred	650	355
Total income taxes	1,925	1,288
Profit	4,147	2,553
Profit attributable to non-controlling interests	359	93
Profit attributable to owners of parent	3,787	2,459

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit	4,147	2,553
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,405)	1,967
Deferred gains or losses on hedges	(1)	0
Foreign currency translation adjustment	438	592
Remeasurements of defined benefit plans, net of tax	(43)	(1)
Total other comprehensive income	(1,011)	2,558
Comprehensive income	3,136	5,112
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,657	4,812
Comprehensive income attributable to non-controlling interests	479	299

Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	6,073	3,841
Depreciation	527	634
Amortization of goodwill	57	57
Loss (gain) on sale of investment securities	(235)	(256)
Loss on disposal of property, plant and equipment	2	45
Increase (decrease) in allowance for doubtful accounts	(185)	(7)
Increase (decrease) in provision for loss on construction contracts	(17)	(50)
Increase (decrease) in provision for bonuses for directors (and other officers)	(78)	(57)
Increase (decrease) in retirement benefit liability	(37)	(28)
Interest and dividend income	(293)	(318)
Interest expenses	10	15
Foreign exchange losses (gains)	(83)	(22)
Decrease (increase) in trade receivables	8,323	6,224
Decrease (increase) in inventories	(1,290)	(1,424)
Increase (decrease) in trade payables	(7,014)	(2,461)
Increase (decrease) in advances received on construction contracts in progress	(1,020)	1,661
Increase (decrease) in other current liabilities	(1,680)	(2,775)
Other, net	186	(679)
Subtotal	3,246	4,399
Interest and dividends received	293	318
Interest paid	(11)	(16)
Income taxes and paid refund	(3,251)	(2,604)
Net cash provided by (used in) operating activities	276	2,096
Cash flows from investing activities		
Payments into time deposits	(366)	(305)
Proceeds from withdrawal of time deposits	390	366
Purchase of property, plant and equipment	(1,131)	(1,373)
Proceeds from sale of property, plant and equipment	0	3
Purchase of intangible assets	(327)	(270)
Purchase of investment securities	(5)	(0)
Proceeds from sale of investment securities	449	411
Net decrease (increase) in short-term loans receivable	-	50
Other, net	10	(37)
Net cash provided by (used in) investing activities	(979)	(1,155)
Cash flows from financing activities		
Proceeds from long-term borrowings	550	492
Repayments of long-term borrowings	(554)	(520)
Dividends paid	(1,734)	(1,805)
Dividends paid to non-controlling interests	(57)	(107)
Other, net	(39)	(41)
Net cash provided by (used in) financing activities	(1,836)	(1,982)
Effect of exchange rate change on cash and cash equivalents	397	392
Net increase (decrease) in cash and cash equivalents	(2,141)	(649)
Cash and cash equivalents at beginning of period	54,921	54,428
Cash and cash equivalents at end of period	52,779	53,779

Supplementary Information

Consolidated Orders Received/Net Sales/Backlog of Orders by works type

1.Orders Received

(Unit : Millions of yen)

Works Type	FY2022/2Q (From: Apr.1,2022 To: Sep.30,2022)		FY2023/2Q (From: Apr.1,2023 To: Sep.30,2023)		Increase (Decrease)		FY2022(Full year) (From: Apr.1,2022 To: Mar.31,2023)	
	Amount	Proportion	Amount	Proportion	Amount	Rate	Amount	Proportion
Power Transmission Works	11,251	11.4	12,076	11.5	824	7.3	24,192	12.8
General Electrical Works	61,515	62.2	68,704	65.1	7,189	11.7	112,211	59.4
Information & Communications Works	14,438	14.6	13,915	13.2	(523)	(3.6)	29,597	15.7
Facility & HVAC Works	7,270	7.3	6,647	6.3	(623)	(8.6)	13,334	7.1
Utilities Engineering Service	94,476	95.5	101,343	96.1	6,867	7.3	179,335	95.0
Others	4,408	4.5	4,138	3.9	(270)	(6.1)	9,451	5.0
Total	98,884	100.0	105,481	100.0	6,597	6.7	188,787	100.0

2.Net Sales

Works Type	FY2022/2Q (From: Apr.1,2022 To: Sep.30,2022)		FY2023/2Q (From: Apr.1,2023 To: Sep.30,2023)		Increase (Decrease)		FY2022(Full year) (From: Apr.1,2022 To: Mar.31,2023)	
	Amount	Proportion	Amount	Proportion	Amount	Rate	Amount	Proportion
Power Transmission Works	8,182	10.0	10,479	13.1	2,296	28.1	19,148	10.9
General Electrical Works	50,906	62.5	48,704	61.0	(2,202)	(4.3)	105,950	60.5
Information & Communications Works	12,712	15.6	11,579	14.5	(1,132)	(8.9)	28,517	16.3
Facility & HVAC Works	5,287	6.5	4,986	6.2	(301)	(5.7)	12,052	6.9
Utilities Engineering Service	77,090	94.6	75,750	94.8	(1,339)	(1.7)	165,669	94.6
Others	4,408	5.4	4,138	5.2	(270)	(6.1)	9,451	5.4
Total	81,498	100.0	79,888	100.0	(1,609)	(2.0)	175,120	100.0

3. Backlog of Orders

Works Type	FY2022/2Q (As of Sep.30,2022)		FY2023/2Q (As of Sep.30,2023)		Increase (Decrease)		FY2022(Full year) (As of Mar.31,2023)	
	Amount	Proportion	Amount	Proportion	Amount	Rate	Amount	Proportion
Power Transmission Works	18,217	14.5	21,789	14.7	3,571	19.6	20,192	16.5
General Electrical Works	79,824	63.3	95,477	64.5	15,652	19.6	75,476	61.7
Information & Communications Works	18,329	14.5	20,019	13.5	1,689	9.2	17,683	14.4
Facility & HVAC Works	9,769	7.7	10,730	7.3	960	9.8	9,069	7.4
Total	126,142	100.0	148,016	100.0	21,873	17.3	122,423	100.0

(2) Forecast of Consolidated Orders Received & Net Sales

(Unit : Millions of yen)

Works Type	Orders Received (From: Apr.1,2023 To: Mar.31, 2024)		Net Sales (From: Apr.1,2023 To: Mar.31, 2024)	
	Amount	Increase (Decrease)	Amount	Increase (Decrease)
Power Transmission Works	24,500	1.3%	22,500	17.5%
General Electrical Works	112,500	0.3	111,000	4.8
Information & Communications Works	31,000	4.7	30,000	5.2
Facility & HVAC Works	13,500	1.2	13,000	7.9
Utilities Engineering Service	181,500	1.2	176,500	6.5
Others	8,500	(10.1)	8,500	(10.1)
Total	190,000	0.6	185,000	5.6