

Translation

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**Summary of Consolidated Financial Results
for the Six Months Ended September 30, 2022
(Based on Japanese GAAP)**

October 31, 2022

Company name: Kandenko Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 1942 URL <https://www.kandenko.co.jp/>
 Representative: President and Director Toshio Nakama
 Department Manager of
 Inquiries: Hidenori Yamaguchi TEL (03)5476-2111
 Accounting Department
 Scheduled date to file Quarterly Securities Report: November 14, 2022
 Scheduled date to commence dividend payments: December 5, 2022
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	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, 2022	233,693	6.1	13,630	1.3	14,518	3.6	9,508	7.3
Six months ended September 30, 2021	220,331	—	13,452	0.0	14,010	(0.4)	8,861	0.3

Note: Comprehensive income For the six months ended September 30, 2022: ¥9,462 million [(6.2)%]
 For the six months ended September 30, 2021: ¥10,091 million [0.2%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	46.54	—
Six months ended September 30, 2021	43.38	—

Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and relevant revised ASBJ regulations effective from the beginning of the fiscal year ended March 31, 2022. As the application of the accounting standard will have an impact on the recording of net sales, the year-on-year percentage change in net sales for the second quarter of the fiscal year ended March 31, 2022 is not shown.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2022	451,609	300,098	64.3
As of March 31, 2022	470,967	293,514	60.3

Reference: Equity
 As of September 30, 2022: ¥290,379 million
 As of March 31, 2022: ¥283,975 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	—	14.00	—	14.00	28.00
Year ending March 31, 2023	—	15.00			
Year ending March 31, 2023 (Forecast)			—	15.00	30.00

Note: Revisions to the forecast of cash dividends most recently announced: Yes

3. Forecast of consolidated financial results for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	542,000	9.4	32,000	4.4	32,800	3.3	20,800	2.4	101.80

Note: Revisions to the earnings forecast most recently announced: None

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2022
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of September 30, 2022	205,288,338 shares	As of March 31, 2022	205,288,338 shares
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Number of treasury shares at the end of the period

As of September 30, 2022	938,599 shares	As of March 31, 2022	983,306 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2022	204,316,191 shares	Six months ended September 30, 2021	204,269,642 shares
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* 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

The forward-looking statements including the projection for the financial results contained in this document are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable, and actual results may differ significantly from such statements due to a variety of factors.

Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	67,614	63,838
Notes receivable, accounts receivable from completed construction contracts and other	185,675	161,118
Securities	4,999	5,299
Costs on construction contracts in progress	9,547	13,149
Other	20,888	24,703
Allowance for doubtful accounts	(556)	(507)
Total current assets	288,170	267,601
Non-current assets		
Property, plant and equipment		
Land	60,496	60,270
Other, net	52,433	51,303
Total property, plant and equipment	112,930	111,573
Intangible assets	5,694	5,696
Investments and other assets		
Investment securities	48,274	50,724
Other	17,181	17,273
Allowance for doubtful accounts	(1,284)	(1,261)
Total investments and other assets	64,171	66,737
Total non-current assets	182,797	184,007
Total assets	470,967	451,609

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	80,241	56,832
Short-term borrowings	6,792	7,296
Income taxes payable	6,815	5,059
Advances received on construction contracts in progress	12,349	11,709
Provision for loss on construction contracts	9,927	9,559
Other provisions	959	693
Other	30,204	31,635
Total current liabilities	147,290	122,786
Non-current liabilities		
Long-term borrowings	6,607	6,248
Other provisions	452	379
Retirement benefit liability	13,813	12,885
Other	9,289	9,210
Total non-current liabilities	30,162	28,723
Total liabilities	177,452	151,510
Net assets		
Shareholders' equity		
Share capital	10,264	10,264
Capital surplus	6,456	6,468
Retained earnings	257,625	264,411
Treasury shares	(561)	(535)
Total shareholders' equity	273,784	280,609
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,315	14,194
Deferred gains or losses on hedges	(189)	(155)
Revaluation reserve for land	(5,276)	(5,414)
Remeasurements of defined benefit plans	1,342	1,147
Total accumulated other comprehensive income	10,191	9,770
Non-controlling interests	9,538	9,718
Total net assets	293,514	300,098
Total liabilities and net assets	470,967	451,609

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income
Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales of completed construction contracts	220,331	233,693
Cost of sales of completed construction contracts	194,443	207,370
Gross profit on completed construction contracts	25,887	26,322
Selling, general and administrative expenses	12,435	12,692
Operating profit	13,452	13,630
Non-operating income		
Dividend income	559	594
Foreign exchange gains	13	252
Other	158	196
Total non-operating income	731	1,044
Non-operating expenses		
Interest expenses	95	91
Other	77	63
Total non-operating expenses	173	155
Ordinary profit	14,010	14,518
Extraordinary income		
Gain on sale of investment securities	–	30
Total extraordinary income	–	30
Extraordinary losses		
Loss on retirement of non-current assets	200	10
Other	62	–
Total extraordinary losses	262	10
Profit before income taxes	13,748	14,537
Income taxes	4,585	4,782
Profit	9,163	9,754
Profit attributable to non-controlling interests	301	245
Profit attributable to owners of parent	8,861	9,508

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	9,163	9,754
Other comprehensive income		
Valuation difference on available-for-sale securities	1,179	(127)
Deferred gains or losses on hedges	8	34
Remeasurements of defined benefit plans, net of tax	(259)	(198)
Total other comprehensive income	928	(292)
Comprehensive income	10,091	9,462
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,778	9,226
Comprehensive income attributable to non-controlling interests	313	236

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	13,748	14,537
Depreciation	3,547	3,838
Increase (decrease) in allowance for doubtful accounts	(106)	(71)
Increase (decrease) in provision for loss on construction contracts	162	(367)
Increase (decrease) in retirement benefit liability	(1,222)	(928)
Interest and dividend income	(570)	(602)
Interest expenses	95	91
Loss (gain) on sale of investment securities	–	(30)
Decrease (increase) in trade receivables	61,292	24,551
Decrease (increase) in costs on construction contracts in progress	(634)	(3,601)
Increase (decrease) in trade payables	(33,002)	(23,413)
Increase (decrease) in advances received on construction contracts in progress	2,648	(639)
Other, net	(3,759)	(2,772)
Subtotal	42,199	10,591
Interest and dividends received	569	602
Interest paid	(95)	(91)
Income taxes refund (paid)	(3,697)	(6,446)
Net cash provided by (used in) operating activities	38,976	4,655
Cash flows from investing activities		
Net decrease (increase) in time deposits	(100)	500
Purchase of property, plant and equipment	(2,290)	(2,161)
Proceeds from sale of property, plant and equipment	40	299
Purchase of investment securities	(1,326)	(2,984)
Proceeds from sale and redemption of investment securities	3	40
Loan advances	(700)	(650)
Proceeds from collection of loans receivable	553	507
Other, net	(556)	(467)
Net cash provided by (used in) investing activities	(4,377)	(4,915)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(120)	500
Repayments of long-term borrowings	(348)	(353)
Dividends paid	(2,859)	(2,860)
Other, net	(358)	(420)
Net cash provided by (used in) financing activities	(3,687)	(3,134)
Effect of exchange rate change on cash and cash equivalents	2	117
Net increase (decrease) in cash and cash equivalents	30,914	(3,276)
Cash and cash equivalents at beginning of period	57,187	67,423
Cash and cash equivalents at end of period	88,102	64,147