



Summary of Consolidated Financial Results For the Second Quarter of the Fiscal Year Ending March 31, 2022 [Japan GAAP]

Company: Takamatsu Construction Group Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange (First Section)
 Stock code: 1762
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 Date of filing of quarterly securities report: November 11, 2021
 Date of commencement of dividend payment: December 7, 2021
 Supplementary explanatory documents: Yes
 Earnings presentation: No

(Yen in millions, rounded down, figures in parentheses indicate negative amounts or percentages)

1. Financial results for the first half of the fiscal year ending March 2022 (April 1, 2021 – September 30, 2021)

(1) Consolidated result of operations (year-to-date) (Percentage figures represent year on year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half ended September 2021	125,980	(7.8)	3,128	(13.1)	3,148	(12.8)	1,683	(15.2)
First half ended September 2020	136,674	5.6	3,599	(36.7)	3,610	(32.9)	1,984	(20.6)

Note: Comprehensive income: First half of FYMar.2022: 2,189million yen, 2.6% vs. last year First half of FYMar.2021: 2,133million yen, (22.6%) vs. last year

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
First half ended September 2021	48.35	—
First half ended September 2020	57.00	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2021	220,025	116,547	53.0
As of March 31, 2021	220,831	115,756	52.4

(Reference) Shareholders' equity: As of September 30, 2021: 116,510 million yen As of March 31, 2021: 115,715 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
FY3/21	—	23.00	—	40.00	63.00
FY3/22	—	23.00	—	40.00	63.00
FY3/22 (Est.)	—	—	—	40.00	63.00

Note: Change in the estimation of dividend from the latest announcement: No

3. Consolidated forecast for the fiscal year ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(Percentage figures represent year on year changes)

	Orders received		Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	320,000	24.8	290,000	2.4	13,000	6.6	13,000	7.3	7,700	3.1	221.15

Note: Change in the forecast from the latest announcement: No

* **Notes**

(1) Changes in significant subsidiaries (Changes of specific subsidiaries that accompanies scope change of consolidation): No

Included — (company name) Excluded — (company name)

(2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements: No

(3) Changes in accounting principles and estimates, and retrospective restatement

(a) Changes due to revision of accounting standards: Yes

(b) Changes other than (a): No

(c) Changes in accounting estimates: No

(d) Retrospective restatement: No

(4) Number of shares outstanding (ordinary shares)

(a) Shares outstanding (including treasury shares)

As of September 30, 2021:	38,880,000	As of March 31, 2021:	38,880,000
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(b) Treasury shares

As of September 30, 2021:	4,061,422	As of March 31, 2021:	4,061,341
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(c) Average number of shares (quarterly cumulative period)

Period ended September 30, 2021:	34,818,612	Period ended September 30, 2020:	34,818,667
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* Auditing of financial statements by CPA and/or CPA firm is not conducted to this summary of financial results.

* Cautionary statement regarding forecasts and special notes

(Note on forward looking statements)

Forward-looking statements in this material are based on the information available to management at the time this report was prepared. Actual results may differ significantly from these statements for number of reasons.

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1. Analysis of Results of Operations and Financial condition

(1) Overview of operating results

During the second quarter of the fiscal year ending March 31, 2022, the Japanese economy was still affected by the COVID-19 infection, and socioeconomic activities were curtailed due to the issuance of priority measures to prevent the spread of the disease and the fourth declaration of a state of emergency. Although complete containment of the COVID-19 infection is not foreseeable, the number of infected people in Japan has reached a lull after peaking in August, and the vaccination rate in Japan is increasing, so it is expected that the economy will pick up.

In the construction industry, public construction sector, including the national resilience plan, is expected to remain firm. Private construction sector is expected to recover in the manufacturing industry, etc., with favorable performance as a tailwind. However, the outlook for material price trends remains uncertain and cannot be optimistic, such as soaring prices of materials such as iron and rising global timber prices called "the sticker shock of lumber price." At the TCG Group, material and lumber price hikes are not currently a factor that is putting pressure on profits. However, we will continue to focus on the price trend of materials.

TCG Group's orders received for the second quarter of the fiscal year ending March 31, 2022, were up 40.3% YoY to 143,535 million yen. This was a reaction to the weak orders received in the same period of the previous fiscal year due to the voluntary restraint of sales activities associated with the COVID-19 infection. Net sales were 125,980 million yen (down 7.8% vs. previous Q2) due to the impact of weak orders in the previous fiscal year. Operating profit was 3,128 million yen (down 13.1% vs. previous Q2), Ordinary profit was 3,148 million yen (down 12.8% vs. previous Q2), Profit attributable to owners of parent was 1,683 million yen (down 15.2% vs. previous Q2).

Results by business segment are as follows.

Segment profit is adjusted with operating profit on the quarterly consolidated profit statement. Adjustments to segment profit include -1,885 million yen in general and administrative expenses that do not belong to any reportable segment and -103 million yen in other adjustments.

(Architecture)

Orders received were 80,753 million yen (up 75.3% vs. previous Q2), net sales were 55,884 million yen (down 22.1% vs. previous Q2), resulting in segment profit of 72 million yen (down 96.0% vs. previous Q2).

(Civil Engineering)

Orders received were 41,070 million yen (down 6.5% vs. previous Q2), net sales were 48,382 million yen (down 8.0% vs. previous Q2) resulting in segment profit of 3,110 million yen (up 3.8% vs. previous Q2).

(Real Estate)

Net sales from real estate sales and leasing were 21,712 million yen (up 75.7% vs. previous Q2) and segment profit were 1,935 million yen (up 183.3% vs. previous Q2).

(2) Overview of financial condition

(Assets)

Total assets at the end of the second quarter of the fiscal year ending March 31, 2022, decreased by 805 million yen compared to the end of the previous fiscal year to 220,025 million yen.

This was mainly due to a decrease of 1,190 million yen in real estate for sale.

(Liabilities)

Total liabilities decreased by 1,597 million yen from the end of the previous fiscal year to 103,477 million yen.

This was mainly due to an increase of 4,249 million yen in advances received on construction contracts in progress, while accounts payable for construction contracts decreased by 3,278 million yen and income taxes payable decreased by 1,295 million yen, and short-term borrowings decreased by 1,000 million yen.

(Net Assets)

Net assets increased by 791 million yen compared to the end of the previous fiscal year to 116,547 million yen.

The main reason for this was an increase of 290 million yen in retained earnings due to the posting of 1,683 million yen in profit attributable to owners of parent, despite the payment of 1,392 million yen in dividends and increases of 166 million yen in valuation difference on available-for-sale securities and 260 million yen in foreign currency translation adjustments.

As a result of the above, the amount of shareholders' equity, which is net assets minus non-controlling interests, amounted to 116,510 million yen, and the shareholders' equity ratio increased by 0.6 percentage points from the end of the fiscal year ended March 2021 to 53.0%.

(3) Explanation Regarding the Forecasts for the Consolidated Financial Results

There is no change to the full-year consolidated earnings forecast announced on May 12, 2021.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2021 (As of March 31, 2021)	Second quarter ended September 2021 (As of September 30, 2021)
ASSETS		
Current assets		
Cash and deposits	73,372	72,824
Notes receivable, accounts receivable from completed construction contracts and other	70,948	72,181
Real estate for sale	11,699	10,509
Costs on construction contracts in progress	1,443	1,580
Costs on real estate business	3,397	2,837
Accounts receivable – other	3,339	3,359
Other	1,894	1,765
Allowance for doubtful accounts	(112)	(79)
Total current assets	165,982	164,976
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,138	6,025
Machinery, vehicles, tools, furniture and fixtures, net	1,551	1,413
Vessels, net	757	726
Land	28,642	27,823
Leased assets, net	168	166
Construction in progress	1,213	2,323
Total property, plant and equipment	38,472	38,478
Intangible assets		
Goodwill	1,822	1,699
Other	980	959
Total intangible assets	2,803	2,658
Investments and other assets		
Investment securities	6,573	6,931
Deferred tax assets	4,356	4,229
Other	2,858	2,974
Allowance for doubtful accounts	(214)	(223)
Total investments and other assets	13,573	13,911
Total non-current assets	54,849	55,049
Total assets	220,831	220,025

(Million yen)

	Fiscal year ended March 2021 (As of March 31, 2021)	Second quarter ended September 2021 (As of September 30, 2021)
LIABILITIES		
Current liabilities		
Accounts payable for construction contracts	26,930	23,652
Short-term borrowings	16,000	15,000
Income taxes payable	2,739	1,444
Advances received on construction contracts in progress	17,455	21,704
Provision for warranties for completed construction	1,243	1,114
Provision for bonuses	3,582	4,150
Other	7,505	6,799
Total current liabilities	75,455	73,864
Non-current liabilities		
Bonds payable	15,000	15,000
Deferred tax liabilities for land revaluation	256	256
Deferred tax liabilities	650	649
Provision for special repairs of vessels	62	73
Retirement benefit liability	11,283	11,327
Other	2,367	2,306
Total non-current liabilities	29,619	29,613
Total liabilities	105,075	103,477
NET ASSETS		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	797	797
Retained earnings	118,842	119,132
Treasury shares	(7,483)	(7,483)
Total shareholders' equity	117,155	117,446
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	550	717
Revaluation reserve for land	(1,266)	(1,266)
Foreign currency translation adjustment	(216)	44
Remeasurements of defined benefit plans	(508)	(431)
Total accumulated other comprehensive income	(1,440)	(936)
Non-controlling interests	40	37
Total net assets	115,756	116,547
Total liabilities and net assets	220,831	220,025

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income
 Quarterly consolidated statement of income
 For the first half of the fiscal year ending March 31, 2022 (April 1, 2021 – September 30, 2021)

(Million yen)

	First half ended September 2020 (April 1, 2020- September 30, 2020)	First half ended September 2021 (April 1, 2021- September 30, 2021)
Net sales		
Net sales of completed construction contracts	124,319	104,267
Sales in real estate business	12,354	21,712
Total net sales	136,674	125,980
Cost of sales		
Cost of sales of completed construction contracts	109,295	90,464
Cost of sales in real estate business	10,729	18,675
Total cost of sales	120,024	109,139
Gross profit		
Gross profit on completed construction contracts	15,024	13,803
Gross profit - real estate business	1,625	3,036
Total gross profit	16,649	16,840
Selling, general and administrative expenses	13,050	13,711
Operating profit	3,599	3,128
Non-operating income		
Interest income	0	3
Dividend income	60	69
Rental income	50	49
Other	110	52
Total non-operating income	221	176
Non-operating expenses		
Interest expenses	104	126
Other	106	30
Total non-operating expenses	210	156
Ordinary profit	3,610	3,148
Extraordinary income		
Gain on sales of non-current assets	1	3
Gain on sale of investment securities	—	6
Other	0	—
Total extraordinary income	2	9
Extraordinary losses		
Loss on valuation of investment securities	100	—
Loss on retirement of non-current assets	1	5
Other	2	1
Total extraordinary losses	103	7
Profit before income taxes	3,509	3,150
Income taxes - current	1,609	1,448
Income taxes - deferred	(85)	16
Total income taxes	1,523	1,464
Profit	1,985	1,685
Profit attributable to non-controlling interests	0	1
Profit attributable to owners of parent	1,984	1,683

Quarterly consolidated statement of comprehensive income
 For the first half of the fiscal year ending March 31, 2022 (April 1, 2021– September 30, 2021)

(Million yen)

	First half ended September 2020 (April 1, 2020- September 30, 2020)	First half ended September 2021 (April 1, 2021- September 30, 2021)
Profit	1,985	1,685
Other comprehensive income		
Valuation difference on available-for-sale securities	109	166
Foreign currency translation adjustment	(40)	160
Remeasurements of defined benefit plans, net of tax	79	76
Share of other comprehensive income of entities accounted for using equity method	—	100
Total other comprehensive income	147	503
Comprehensive income	2,133	2,189
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,132	2,187
Comprehensive income attributable to non-controlling interests	0	1

(3) Notes to consolidated financial statements

(Going concern assumptions)

None

(Significant change in shareholders' equity)

None

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition)

It became possible to apply the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) etc. from the beginning of the consolidated fiscal year starting on or after April 1, 2021. The amount expected to be received in exchange for promised goods or services is recognized as revenue at the time control of those goods or services is transferred to the customer.

The main changes resulting from the application of the Accounting Standard for Revenue Recognition are as follows:

(1) Recognition of revenue related to construction contracts

With respect to construction contracts in the architecture and civil engineering business, the Company previously applied the percentage-of-completion method for construction projects for which the outcome of the progress of the construction activity is deemed certain, and the completed-contract method for other projects, but has changed to a method of recognizing revenue over a certain period as performance obligations are satisfied.

TCG Group estimates the degree of progress toward satisfaction of performance obligations primarily by using the input method based on incurred costs. And if the degree of progress toward satisfaction of the performance obligation cannot be reasonably estimated, but it is probable that the costs to be incurred will be recovered, the Company recognizes revenue under the cost recovery method. For construction contracts in which the period between the date of commencement of the transaction in the contract and the time when the performance obligation is expected to be fully satisfied is very short, TCG Group applies the alternative treatment and recognizes revenue when the performance obligation is fully satisfied, instead of recognizing revenue over a certain period.

(2) Recognition of revenue related to agent transactions

For some transactions in the real estate business, TCG Group previously recognized revenue on a gross basis, but has changed to a method of recognizing revenue on a net basis when it is determined that the role in providing goods or services to customers is that of an agent rather than a principal.

The application of accounting standard for revenue recognition is in accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the revenue recognition accounting standard, and the cumulative effect of applying the new accounting policy retrospectively prior to the beginning of the first quarter of the fiscal year ending March 31, 2022, has been added to or deducted from retained earnings at the beginning of the first quarter of the fiscal year ending March 31, 2022. The new accounting policy has been applied from the beginning balance of the fiscal year ending March 31, 2022. And the impact on net sales and cost of sales for the second quarter of the fiscal year ending March 31, 2022, is minimal, and there is no impact on profit before income taxes.

(Application of Accounting Standard for Fair Value Measurement)

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and others have been applied from the beginning of the current first quarter. In accordance with the transitional treatment set forth in Paragraph 19 of "Accounting Standard for Fair Value Measurement" and Paragraph 44-2 of "Accounting Standard for Financial instruments" (ASBJ Statement No. 10, July 4, 2019), the new accounting policy set forth by "Accounting Standard for Fair Value Measurement" etc. will be applied prospectively. There is no impact on the quarterly consolidated financial statements.

3. Consolidated Orders Received and Net Sales

(Million yen, %)

		First half FY3/21		First half FY3/22		Changes	
		(Apr. 1, 2020-Sep. 30,2020)		(Apr. 1, 2021-Sep. 30,2021)			
		Amount	Share	Amount	Share	Amount	%
Orders received	Architecture	46,053	45.0	80,753	56.3	34,699	75.3
	Civil engineering	43,922	42.9	41,070	28.6	(2,851)	(6.5)
	Total construction	89,975	87.9	121,823	84.9	31,847	35.4
	Real estate	12,354	12.1	21,712	15.1	9,357	75.7
	Total	102,330	100.0	143,535	100.0	41,205	40.3
Net sales	Architecture	71,755	52.5	55,884	44.4	(15,870)	(22.1)
	Civil engineering	52,564	38.5	48,382	38.4	(4,181)	(8.0)
	Total construction	124,319	91.0	104,267	82.8	(20,051)	(16.1)
	Real estate	12,354	9.0	21,712	17.2	9,357	75.7
	Total	136,674	100.0	125,980	100.0	(10,693)	(7.8)