

Summary of Consolidated Financial Results For the Second Quarter of Fiscal Year Ending March 31, 2021 [Japan GAAP]



Company: Takamatsu Construction Group Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange (First Section)
 Stock code: 1762
 URL: <https://www.takamatsu-cg.co.jp/>
 Representative: Nobuhiko Yoshitake, President and Representative Director of the Board
 Contact: Masahiro Shimabayashi, Senior Director, Group Integration Division
 Contact: 06-6303-8101, info@takamatsu-cg.co.jp
 Date of filing of quarterly securities report: November 12, 2020
 Date of commencement of dividend payment: December 8, 2020
 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 2021 (April 1, 2020 – September 30, 2020)

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

	Net sales		Operating income		Ordinary income		Net earnings attributable to controlling interest	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half ended September 2020	136,674	5.6	3,599	(36.7)	3,610	(32.9)	1,984	(20.6)
First half ended September 2019	129,370	13.2	5,682	59.4	5,379	49.9	2,498	27.8

Note: Comprehensive income: First half of FYMar.2021: 2,133 million yen, (22.6%) First half of FYMar.2020: 2,755 million yen, 19.8%

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
First half ended September 2020	57.00	—
First half ended September 2019	71.75	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2020	200,840	110,876	55.2
As of March 31, 2020	211,431	110,139	52.1

(Reference) Shareholders' equity: As of September 30, 2020: 110,844 million yen As of March 31, 2020: 110,104 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
FY3/20	—	23.00	—	40.00	63.00
FY3/21	—	23.00	—	40.00	63.00
FY3/21 (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, 2021 (April 1, 2020 – March 31, 2021)

(Percentage figures represent year on year changes)

	Orders received		Net sales		Operating income		Ordinary income		Net earnings attributable to controlling interest		Net earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	280,000	(5.6)	276,000	(2.3)	12,000	(18.5)	11,800	(17.8)	7,400	(14.9)	212.53

Note: Change in the forecast from the latest announcement: Yes

* **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: No

(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, 2020:	38,880,000	As of March 31, 2020:	38,880,000
---------------------------	------------	-----------------------	------------

(b) Treasury shares

As of September 30, 2020:	4,061,340	As of March 31, 2020:	4,061,303
---------------------------	-----------	-----------------------	-----------

(c) Average number of shares (quarterly cumulative period)

Period ended September 30, 2020:	34,818,667	Period ended September 30, 2019:	34,818,697
----------------------------------	------------	----------------------------------	------------

* 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.

Index for Supplementary Information

1. Results of Operations	2
(1) Overview of business performance.....	2
(2) Overview of financial condition.....	2
(3) Explanation Regarding the Forecasts for the Consolidated Financial Results	3
2. Quarterly Consolidated Financial Statements and Major Notes.....	4
(1) Quarterly consolidated balance sheet.....	4
(2) Quarterly consolidated statement of income and consolidated statements of comprehensive income	6
Quarterly consolidated statement of income.....	6
Quarterly consolidated statement of comprehensive income.....	7
(3) Notes to consolidated financial statements.....	8
(Going concern assumptions).....	8
(Significant change in shareholders' equity).....	8
3. Additional Information.....	8
Orders received and net sales (consolidated).....	8

1. Results of Operations

(1) Overview of business performance

During the second quarters of the fiscal year under review, the Japanese economy experienced a slowdown in economic activity due to the spread of the new coronavirus infection, while corporate performance, employment and personal income deteriorated rapidly. After the lifting of the State of Emergency, there have been some signs of recovery in some part of economic activities, but the pace of economic recovery has been slow and there are concerns about the further spread of infection. As a result, the economic situation continues to be severe.

In the construction sector, although investment in public construction projects such as the National Resilience Plan is expected to remain relatively firm, delays in orders due to the spread of new coronavirus infections have become apparent. On the other hand, there are concerns that private capital investment of private sector will be delayed due to a decline in investment confidence.

Under these circumstances, TCG Group Companies have been paying close attention to the prevention of infection by ensuring social distance, thorough disinfection, temperature measurement by employees, wearing masks, hand washing, in order to ensure the safety of the lives and bodies of employees, contractors, construction technicians, and a third party. "Although there were delays in public sector orders, construction orders remained relatively steady. However, orders from new private sector's customers were sluggish compared to the previous fiscal year due to the fact that it took a long time to conclude contracts, mainly due to Web and telephone consultations until the middle of the second quarter."

Under these circumstances, orders received in the second quarters of the current fiscal year were 102,330 million yen, a decrease of 29.9% vs. previous Q2.

However, net sales increased 5.6% to 136,674 million yen due to progress in work carried over from the previous fiscal year.

As for income, due to a decline in the profitability of large-scale construction projects, operating income was 3,599 million yen (Δ 36.7% vs. previous Q2), ordinary income was 3,610 million yen (Δ 32.9% vs. previous Q2), and net earnings attributable to controlling interest was 1,984 million yen (Δ 20.6% vs. previous Q2).

Results by segment are as follows.

Segment income is adjusted with operating income in the quarterly consolidated statement of income. Reconciliations of segment income included (Δ 1,762 million yen) general and administrative expenses not attributable to any reportable segment and (Δ 122 million yen) other reconciliations.

(Architecture)

Orders received were 46,053 million yen (Δ 39.6% vs. previous Q2), and net sales were 71,755 million yen (+4.7% vs. previous Q2). Segment income was 1,803 million yen (Δ 53.6% vs. previous Q2) due to a decline in the profitability of large-scale construction work.

(Civil Engineering)

Orders received were 43,922 million yen (Δ 25.0% vs. previous Q2), and net sales were 52,564 million yen (+5.9% vs. previous Q2). Segment income was 2,997 million yen (Δ 2.1% vs. previous Q2).

(Real Estate)

Net sales from the sale and rental of real estate were 12,354 million yen (+10.5% vs. previous Q2). Segment income were 683 million yen (+3.1% vs. previous Q2).

(2) Overview of financial condition

(Assets)

As of the end of the second quarter of the fiscal year under review, total assets were 200,840 million yen, a decrease of 10,590 million yen from the end of the previous fiscal year.

This was mainly due to a 8,152 million yen increase in real estate for sale and an increase of 3,463 million yen in notes receivable, accounts receivable from completed construction contracts and other, while cash and deposits decreased by 22,210 million yen.

(Liabilities)

Liabilities decreased 11,327 million yen to 89,964 million yen.

This was mainly due to 5,339 million yen decrease in accounts payable for construction contracts, 2,000 million yen decrease in income taxes payable, and 1,041 million yen decrease in advances received on uncompleted construction contracts.

(Net Assets)

Net assets increased by 737 million yen from the end of the previous fiscal year to 110,876 million yen.

This was mainly due to an increase of 592 million yen in retained earnings resulting from the recording of 1,984 million yen in net earnings attributable to controlling interest and the payment of 1,392 million yen in dividends.

As a result of the above, the amount of shareholders' equity excluding non-controlling interests was 110,844 million yen, and the shareholders' equity ratio was 55.2%, an increase of 3.1 points from the end of the previous fiscal year.

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

The consolidated performance forecast for the fiscal year ending March 31, 2021, the Company has revised the forecast announced on May 27, 2020.

For details, please refer to "Difference between consolidated earnings forecast and results for FY 2020 2Q and Revision of Earnings Forecast" released today (November 11, 2020).

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2020 (As of March 31, 2020)	First quarter ended September 2020 (As of September 30, 2020)
ASSETS		
Current assets		
Cash and deposits	71,730	49,520
Notes receivable, accounts receivable from completed construction contracts and other	74,320	77,783
Real estate for sale	7,412	15,564
Costs on uncompleted construction contracts	2,275	2,178
Costs on real estate business	2,359	1,884
Accounts receivable	4,976	3,491
Other	1,643	2,080
Allowance for doubtful accounts	(115)	(101)
Total current assets	164,602	152,401
Noncurrent assets		
Tangible Assets		
Buildings and structures, net	5,566	5,503
Machinery, vehicles, tools, furniture and fixtures, net	1,343	1,418
Vessels, net	880	848
Land	24,014	24,456
Lease assets, net	183	176
Construction in progress	694	448
Total Tangible assets	32,681	32,851
Intangible assets		
Goodwill	2,069	1,945
Other	642	644
Total Intangible assets	2,711	2,589
Investments and other assets		
Investment securities	4,623	6,017
Deferred tax assets	4,362	4,412
Other	2,671	2,784
Allowance for doubtful accounts	(223)	(217)
Total investments and other assets	11,434	12,997
Total noncurrent assets	46,828	48,439
Total assets	211,431	200,840

(Million yen)

	Fiscal year ended March 2020 (As of March 31, 2020)	First quarter ended September 2020 (As of September 30, 2020)
LIABILITIES		
Current liabilities		
Accounts payable for construction contracts	33,634	28,295
Short-term borrowings	16,300	16,000
Income taxes payable	3,732	1,731
Advances received on uncompleted construction contracts	21,484	20,442
Provision for warranties for completed construction	489	530
Provision for loss on construction contracts	29	28
Provision for bonuses	3,656	3,972
Other	8,687	5,705
Total current liabilities	88,013	76,707
Noncurrent liabilities		
Deferred tax liabilities for land revaluation	256	256
Deferred tax liabilities	4	4
Provision for special repairs of vessels	70	64
Retirement allowances	11,286	11,231
Other	1,660	1,699
Total noncurrent liabilities	13,279	13,256
Total liabilities	101,292	89,964
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	797	797
Retained earnings	113,567	114,159
Treasury shares	(7,483)	(7,483)
Total shareholders' equity	111,881	112,473
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	208	317
Revaluation reserve for land	(1,266)	(1,266)
Foreign currency translation adjustment	(21)	(61)
Remeasurements of retirement allowance plans	(697)	(618)
Total accumulated other comprehensive income	(1,777)	(1,629)
Non-controlling interests	34	32
Total net assets	110,139	110,876
Total liabilities and net assets	211,431	200,840

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income
Quarterly consolidated statement of income
For the first half of fiscal year ending March 31, 2021 (April 1,2020 – September 30,2020)

(Million yen)

	First half ended September 2019 (April 1, 2019- September 30, 2019)	First half ended September 2020 (April 1, 2020- September 30, 2020)
Net sales		
Net sales of completed construction contracts	118,194	124,319
Sales on real estate business	11,175	12,354
Total net sales	129,370	136,674
Cost of sales		
Cost of sales of completed construction contracts	101,829	109,295
Cost of sales on real estate business	9,485	10,729
Total cost of sales	111,315	120,024
Gross profit		
Gross profit on completed construction contracts	16,365	15,024
Gross profit-real estate business	1,690	1,625
Total gross profit	18,055	16,649
Selling, general and administrative expenses	12,372	13,050
Operating income	5,682	3,599
Non-operating income		
Interest income	0	0
Dividend income	50	60
Rental income	38	50
Subsidy income	—	54
Other	36	56
Total non-operating income	125	221
Non-operating expenses		
Interest expense	79	104
Other	349	106
Total non-operating expenses	428	210
Ordinary income	5,379	3,610
Extraordinary income		
Gain on sales of fixed assets	3	1
Insurance claim income	15	—
Other	—	0
Total extraordinary income	18	2
Extraordinary losses		
Loss on valuation of investment securities	92	100
Loss on valuation of investment	305	—
Other	87	3
Total extraordinary losses	485	103
Income before income taxes	4,912	3,509
Income taxes-current	2,374	1,609
Income taxes-deferred	(236)	(85)
Total income taxes	2,137	1,523
Net earnings	2,775	1,985
Net earnings attributable to non-controlling interests	276	0
Net earnings attributable to controlling interest	2,498	1,984

Quarterly consolidated statement of comprehensive income
 For the first half of fiscal year ending March 31, 2021 (April 1, 2020– September 30, 2020)

(Million yen)

	First half ended September 2019 (April 1, 2019- September 30, 2019)	First half ended September 2020 (April 1, 2020- September 30, 2020)
Net earnings	2,775	1,985
Other comprehensive income		
Valuation difference on available-for-sale securities	(14)	109
Foreign currency translation adjustment	(65)	(40)
Remeasurements of retirement allowance plans	60	79
Total other comprehensive income	(19)	147
Comprehensive income	2,755	2,133
(This splits into...)		
Comprehensive income attributable to controlling interest	2,476	2,132
Comprehensive income attributable to non-controlling interests	278	0

- (3) Notes to consolidated financial statements
 (Going concern assumptions)
 None
- (Significant change in shareholders' equity)
 None

3. Additional Information
Orders Received and Net Sales (Consolidated)

(Million yen, %)

		First quarter FY3/20		First quarter FY3/21		Changes	
		(Apr. 1, 2019-Sep. 30,2019)		(Apr. 1, 2020-Sep. 30,2020)			
		Amount	Share	Amount	Share	Amount	%
Orders received	Architecture	76,256	52.2	46,053	45.0	(30,202)	(39.6)
	Civil engineering	58,566	40.1	43,922	42.9	(14,643)	(25.0)
	Total construction	134,822	92.3	89,975	87.9	(44,846)	(33.3)
	Real estate	11,175	7.7	12,354	12.1	1,178	10.5
	Total	145,998	100.0	102,330	100.0	(43,668)	(29.9)
Net sales	Architecture	68,560	53.0	71,755	52.5	3,194	4.7
	Civil engineering	49,634	38.4	52,564	38.5	2,929	5.9
	Total construction	118,194	91.4	124,319	91.0	6,124	5.2
	Real estate	11,175	8.6	12,354	9.0	1,178	10.5
	Total	129,370	100.0	136,674	100.0	7,303	5.6