



Summary of Consolidated Financial Results For the First Quarter of 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
 URL: <https://www.takamatsu-cg.co.jp/>
 Representative: Hirotaka Takamatsu, 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: August 05, 2021
 Date of commencement of dividend payment: —
 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 quarter of the fiscal year ending March 2022 (April 1, 2021 – June 30, 2021)

(1) Consolidated result of operations (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 quarter ended June 2021	61,377	(7.2)	1,437	2.1	1,464	5.8	847	38.7
First quarter ended June 2020	66,123	10.6	1,407	6.4	1,384	2.7	610	44.5

Note: Comprehensive income: First quarter of FYMar.2022: 1,216million yen, 51.4% vs. last year First quarter of FYMar.2021: 803million yen, 94.0% vs. last year

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
First quarter ended June 2021	24.33	—
First quarter ended June 2020	17.55	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2021	222,991	115,575	51.8
As of March 31, 2021	220,831	115,756	52.4

(Reference) Shareholders' equity: As of June 30, 2021: 115,538 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	—	—	—	—	—
FY3/22 (Est.)	—	23.00	—	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
First half	152,000	48.5	137,000	0.2	3,700	2.8	3,700	2.5	2,100	5.8	60.31
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 June 30, 2021:	38,880,000	As of March 31, 2021:	38,880,000
----------------------	------------	-----------------------	------------

(b) Treasury shares

As of June 30, 2021:	4,061,382	As of March 31, 2021:	4,061,341
----------------------	-----------	-----------------------	-----------

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

Period ended June 30, 2021:	34,818,632	Period ended June 30, 2020:	34,818,673
-----------------------------	------------	-----------------------------	------------

* 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. Analysis of Results of Operations and Financial condition.....	2
(1) Overview of operating results.....	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
(Changes in Accounting Policies).....	8
3. Consolidated Orders Received and Net Sales.....	9

1. Analysis of Results of Operations and Financial condition

(1) Overview of operating results

During the first quarter of the fiscal year ending March 31, 2022, the Japanese economy was still affected by the new coronavirus infection, and socioeconomic activities were curtailed due to the issuance of priority measures to prevent the spread of the disease and the third declaration of a state of emergency. However, some parts of the Japanese economy began to show signs of recovery. As for the recent future of the Japanese economy, we can expect a pickup in the economy as the vaccination rate for the new coronavirus increases, but on the other hand, the new coronavirus infection is spreading again, and there is still no prospect of its cessation. We believe that the search for a way to coexist with the new coronavirus will continue for some time to come.

In the construction industry, public construction investment, including the national resilience plan, is expected to remain firm. Private construction investment 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 "wood shock." 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 business results for the first quarter of the fiscal year ended March 31, 2021, were significantly down 43.3% compared to the first quarter of the fiscal year ended March 31, 2020, due to the refrain from face-to-face sales to private customers, temporary stagnation in order placement by corporate customers due to an increase in telecommuting, and postponement of order placement by corporate customers due to concerns about the economic downturn. In the first quarter of the fiscal year ending March 31, 2022, orders received increased significantly to 68,268 million yen (up 58.8% vs. previous Q1) due to the rebound from the previous fiscal year. Net sales were 61,377 million yen (down 7.2% vs. previous Q1) due to weak orders in the previous fiscal year. As for profits, operating profit was 1,437 million yen (up 2.1% vs. previous Q1), ordinary profit was 1,464 million yen (up 5.8% vs. previous Q1), and profit attributable to owners of parent was 847 million yen (up 38.7% vs. previous Q1).

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 -901 million yen in general and administrative expenses that do not belong to any reportable segment and -17 million yen in other adjustments.

(Architecture)

Orders received were 36,256 million yen (up 134.0% vs. previous Q1) and net sales were 28,716 million yen (down 19.7% vs. previous Q1), resulting in segment profit of 185 million yen (down 80.0% vs. previous Q1).

(Civil engineering)

Orders received were 23,908 million yen (up 7.0% vs. previous Q1) and net sales were 24,557 million yen (down 2.5% vs. previous Q1), resulting in segment profit of 1,467 million yen (up 25.3% vs. previous Q1).

(Real estate)

Net sales from real estate sales and leasing were 8,102 million yen (up 57.0% vs. previous Q1), and segment profit were 703 million yen (up 189.1% vs. previous Q1).

(2) Overview of financial condition

(Assets)

Total assets at the end of the first quarter of the fiscal year ending March 31, 2022, increased by 2,159 million yen compared to the end of the previous fiscal year to 222,991 million yen.

This was mainly due to an increase of 2,033 million yen in real estate for sale.

(Liabilities)

Total liabilities increased by 2,340 million yen from the end of the previous fiscal year to 107,415 million yen.

This was mainly due to an increase of 6,240 million yen in advances received on uncompleted construction contracts, while accounts payable for construction contracts decreased by 2,824 million yen and profit taxes payable decreased by 1,913 million yen.

(Net assets)

Net assets decreased by 180 million yen compared to the end of the previous fiscal year to 115,575 million yen.

The main reason for this was a decrease of 545 million yen in retained earnings due to the payment of 1,392 million yen in dividends, despite the recording of 847 million yen in Profit attributable to owners of parent.

As a result of the above, the amount of shareholders' equity, which is net assets minus non-controlling interests, amounted to 115,538 million yen, and the shareholders' equity ratio decreased by 0.6 percentage points from the end of the fiscal year ended March 2021 to 51.8%.

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

There is no change to the first-half and 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)	First quarter ended June 2021 (As of June 30, 2021)
ASSETS		
Current assets		
Cash and deposits	73,372	74,266
Notes receivable, accounts receivable from completed construction contracts and other	70,948	68,870
Real estate for sale	11,699	13,732
Costs on construction contracts in progress	1,443	1,423
Costs on real estate business	3,397	3,431
Accounts receivable – other	3,339	4,274
Other	1,894	1,421
Allowance for doubtful accounts	(112)	(80)
Total current assets	165,982	167,340
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,138	6,158
Machinery, vehicles, tools, furniture and fixtures, net	1,551	1,515
Vessels, net	757	741
Land	28,642	28,652
Leased assets, net	168	181
Construction in progress	1,213	1,530
Total Property, plant and equipment	38,472	38,781
Intangible assets		
Goodwill	1,822	1,760
Other	980	984
Total Intangible assets	2,803	2,745
Investments and other assets		
Investment securities	6,573	6,806
Deferred tax assets	4,356	4,644
Other	2,858	2,895
Allowance for doubtful accounts	(214)	(221)
Total investments and other assets	13,573	14,124
Total non-current assets	54,849	55,650
Total assets	220,831	222,991

(Million yen)

	Fiscal year ended March 2021 (As of March 31, 2021)	First quarter ended June 2021 (As of June 30, 2021)
LIABILITIES		
Current liabilities		
Accounts payable for construction contracts	26,930	24,105
Short-term borrowings	16,000	15,000
Income taxes payable	2,739	825
Advances received on construction contracts in progress	17,455	23,695
Provision for warranties for completed construction	1,243	1,088
Provision for bonuses	3,582	5,381
Other	7,505	7,739
Total current liabilities	75,455	77,836
Noncurrent liabilities		
Bonds payable	15,000	15,000
Deferred tax liabilities for land revaluation	256	256
Deferred tax liabilities	650	653
Provision for special repairs of vessels	62	68
Retirement benefit liability	11,283	11,273
Other	2,367	2,327
Total non-current liabilities	29,619	29,579
Total liabilities	105,075	107,415
NET ASSETS		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	797	797
Retained earnings	118,842	118,296
Treasury shares	(7,483)	(7,483)
Total shareholders' equity	117,155	116,610
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	550	623
Revaluation reserve for land	(1,266)	(1,266)
Foreign currency translation adjustment	(216)	49
Remeasurements of defined benefit plans	(508)	(477)
Total accumulated other comprehensive income	(1,440)	(1,071)
Non-controlling interests	40	37
Total net assets	115,756	115,575
Total liabilities and net assets	220,831	222,991

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

(Million yen)

	First quarter ended June, 2020 (April 1, 2020-June 30, 2020)	First quarter ended June, 2021 (April 1, 2021-June 30, 2021)
Net sales		
Net sales of completed construction contracts	60,963	53,274
Sales in real estate business	5,159	8,102
Total net sales	66,123	61,377
Cost of sales		
Cost of sales of completed construction contracts	53,773	46,175
Cost of sales in real estate business	4,469	6,900
Total cost of sales	58,242	53,075
Gross profit		
Gross profit on completed construction contracts	7,190	7,098
Gross profit - real estate business	690	1,202
Total gross profit	7,881	8,301
Selling, general and administrative expenses	6,473	6,864
Operating profit	1,407	1,437
Non-operating income		
Interest income	0	0
Dividend income	56	66
Rental income	27	26
Other	17	24
Total non-operating income	101	116
Non-operating expenses		
Interest expenses	57	70
Taxes and dues	33	—
Other	33	18
Total non-operating expenses	123	89
Ordinary profit	1,384	1,464
Extraordinary income		
Gain on sale of non-current assets	0	3
Total extraordinary income	0	3
Extraordinary losses		
Loss on sale of non-current assets	—	0
Loss on retirement of non-current assets	0	1
Loss on valuation of investment securities	100	—
Other	0	—
Total extraordinary losses	100	2
Profit before income taxes	1,285	1,466
Income taxes - current	940	959
Income taxes - deferred	(266)	(341)
Total income taxes	673	617
Profit	611	848
Profit attributable to non-controlling interests	0	1
Profit attributable to owners of parent	610	847

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

(Million yen)

	First quarter ended June,2020 (April 1, 2020-June 30, 2020)	First quarter ended June,2021 (April 1, 2021-June 30, 2021)
Profit	611	848
Other comprehensive income		
Valuation difference on available-for-sale securities	164	72
Foreign currency translation adjustment	(15)	163
Remeasurements of defined benefit plans, net of tax	42	30
Share of other comprehensive income of entities accounted for using equity method	—	101
Total other comprehensive income	192	368
Comprehensive income	803	1,216
Comprehensive income attributable to owners of parent	803	1,215
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 first 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 quarter FY3/21 (Apr. 1, 2020-Jun. 30,2020)		First quarter FY3/22 (Apr. 1, 2021-Jun. 30,2021)		Changes	
		Amount	Share	Amount	Share	Amount	%
Orders received	Architecture	15,496	36.0	36,256	53.1	20,759	134.0
	Civil engineering	22,339	52.0	23,908	35.0	1,569	7.0
	Total construction	37,836	88.0	60,165	88.1	22,329	59.0
	Real estate	5,159	12.0	8,102	11.9	2,943	57.0
	Total	42,995	100.0	68,268	100.0	25,272	58.8
Net sales	Architecture	35,763	54.1	28,716	46.8	(7,047)	(19.7)
	Civil engineering	25,200	38.1	24,557	40.0	(642)	(2.5)
	Total construction	60,963	92.2	53,274	86.8	(7,689)	(12.6)
	Real estate	5,159	7.8	8,102	13.2	2,943	57.0
	Total	66,123	100.0	61,377	100.0	(4,746)	(7.2)