



Summary of Consolidated Financial Results For the Third 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
 URL: <https://www.takamatsu-cg.co.jp/>
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 Date of filing of quarterly securities report: February 10, 2022
 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 third quarter of the fiscal year ending March 2022 (April 1, 2021 – December 31, 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	%
Third quarter ended December 2021	190,639	(9.1)	6,798	(15.9)	6,863	(15.4)	4,120	(14.3)
Third quarter ended December 2020	209,788	5.0	8,085	(22.8)	8,116	(20.2)	4,807	(15.7)

Note: Comprehensive income: Third quarter of FYMar.2022: 4,659million yen, (5.7%) vs. last year Third quarter of FYMar.2021: 4,943million yen, (18.9%) vs. last year

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Third quarter ended December 2021	118.35	—
Third quarter ended December 2020	138.08	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2021	223,680	118,217	52.8
As of March 31, 2021	220,831	115,756	52.4

(Reference) Shareholders' equity: As of December 31, 2021: 118,181 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	—		
FY3/22 (Est.)				40.00	63.00

Note: Change in the estimation of divided 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 December 31, 2021:	38,880,000	As of March 31, 2021:	38,880,000
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(b) Treasury shares

As of December 31, 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 December 31, 2021:	34,818,601	Period ended December 31, 2020:	34,818,665
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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 third 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. On October 1, 2021, with the lifting of the declaration of a state of emergency, etc., the restrictions on activities were eased, and it was expected that economic activities would normalize thereafter. However, since December 2021, the number of people infected by the Omicron strain has been increasing rapidly worldwide, and the future of the economic situation is still uncertain.

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 significant pressure on profits. However, we will continue to focus on the price trend of materials.

TCG Group's orders received for the third quarter of the fiscal year ending March 31, 2022, were up 35.4% YoY to 229,999 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 190,639 million yen (down 9.1% vs. previous Q3) due to the impact of weak orders in the previous fiscal year.

Operating profit was 6,798 million yen (down 15.9% vs. previous Q3), Ordinary profit was 6,863 million yen (down 15.4% vs. previous Q3), Profit attributable to owners of parent was 4,120 million yen (down 14.3% vs. previous Q3).

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 -2,763 million yen in general and administrative expenses that do not belong to any reportable segment and -223 million yen in other adjustments.

(Architecture)

Orders received were 125,599 million yen (up 50.7% vs. previous Q3), net sales were 88,326 million yen (down 18.0% vs. previous Q3), resulting in segment profit of 1,979 million yen (down 52.0% vs. previous Q3).

(Civil Engineering)

Orders received were 75,674 million yen (up 12.9% vs. previous Q3), net sales were 73,586 million yen (down 10.9% vs. previous Q3) resulting in segment profit of 5,560 million yen (down 2.6% vs. previous Q3).

(Real Estate)

Net sales from real estate sales and leasing were 28,726 million yen (up 47.3% vs. previous Q3) and segment profit were 2,246 million yen (up 102.0% vs. previous Q3).

(2) Overview of financial condition

(Assets)

Total assets at the end of the third quarter of the fiscal year ending March 31, 2022, increased by 2,848 million yen compared to the end of the previous fiscal year to 223,680 million yen.

This was mainly due to a decrease of 9,044 million yen in cash and deposits, and increases of 7,109 million yen in Notes receivable, accounts receivable from completed construction contracts and other, 2,496 million yen in construction in progress, 1,877 million yen in costs on real estate business, and 1,122 million yen in real estate for sale.

(Liabilities)

Total liabilities increased by 386 million yen from the end of the previous fiscal year to 105,462 million yen.

The main factors were decreases of 2,148 million yen in Income taxes payable, 1,679 million yen in provision for bonuses, and 1,645 million yen in accounts payable for construction contracts, while advances received on construction contracts in progress and short-term borrowings increased by 3,786 million yen and 1,200 million yen, respectively.

(Net Assets)

Net assets increased by 2,461 million yen compared to the end of the previous fiscal year to 118,217 million yen.

The main factors were an increase in retained earnings of 1,927 million yen due to the posting of profit attributable to owners of parent of 4,120 million yen, in addition to an increase in foreign currency translation adjustments of 308 million yen and an increase in valuation difference on available-for-sale securities of 113 million yen, despite the payment of cash dividends of 2,192 million yen.

As a result of the above, the amount of shareholders' equity, which is net assets minus noncontrolling interests, amounted to 118,181 million yen, and the shareholders' equity ratio increased by 0.4 percentage points from the end of the previous fiscal year to 52.8%.

- (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)	Third quarter ended December 2021 (As of December 31, 2021)
ASSETS		
Current assets		
Cash and deposits	73,372	64,328
Notes receivable, accounts receivable from completed construction contracts and other	70,948	78,058
Real estate for sale	11,699	12,822
Costs on construction contracts in progress	1,443	1,778
Costs on real estate business	3,397	5,274
Accounts receivable – other	3,339	4,032
Other	1,894	1,776
Allowance for doubtful accounts	(112)	(90)
Total current assets	165,982	167,982
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,138	5,986
Machinery, vehicles, tools, furniture and fixtures, net	1,551	1,392
Vessels, net	757	710
Land	28,642	27,825
Leased assets, net	168	154
Construction in progress	1,213	3,709
Total property, plant and equipment	38,472	39,779
Intangible assets		
Goodwill	1,822	1,637
Other	980	938
Total intangible assets	2,803	2,575
Investments and other assets		
Investment securities	6,573	6,974
Deferred tax assets	4,356	3,564
Other	2,858	3,025
Allowance for doubtful accounts	(214)	(222)
Total investments and other assets	13,573	13,342
Total non-current assets	54,849	55,698
Total assets	220,831	223,680

(Million yen)

	Fiscal year ended March 2021 (As of March 31, 2021)	Third quarter ended December 2021 (As of December 31, 2021)
LIABILITIES		
Current liabilities		
Accounts payable for construction contracts	26,930	25,285
Short-term borrowings	16,000	17,200
Income taxes payable	2,739	590
Advances received on construction contracts in progress	17,455	21,242
Provision for warranties for completed construction	1,243	829
Provision for bonuses	3,582	1,902
Other	7,505	8,820
Total current liabilities	75,455	75,870
Non-current liabilities		
Bonds payable	15,000	15,000
Deferred tax liabilities for land revaluation	256	256
Deferred tax liabilities	650	585
Provision for special repairs of vessels	62	79
Retirement benefit liability	11,283	11,315
Other	2,367	2,354
Total non-current liabilities	29,619	29,591
Total liabilities	105,075	105,462
NET ASSETS		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	797	797
Retained earnings	118,842	120,769
Treasury shares	(7,483)	(7,483)
Total shareholders' equity	117,155	119,082
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	550	664
Revaluation reserve for land	(1,266)	(1,266)
Foreign currency translation adjustment	(216)	92
Remeasurements of defined benefit plans	(508)	(391)
Total accumulated other comprehensive income	(1,440)	(901)
Non-controlling interests	40	36
Total net assets	115,756	118,217
Total liabilities and net assets	220,831	223,680

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

(Million yen)

	Third quarter ended December 2020 (April 1, 2020- December 31, 2020)	Third quarter ended December 2021 (April 1, 2021- December 31, 2021)
Net sales		
Net sales of completed construction contracts	190,285	161,912
Sales in real estate business	19,503	28,726
Total net sales	209,788	190,639
Cost of sales		
Cost of sales of completed construction contracts	165,399	138,640
Cost of sales in real estate business	16,952	24,668
Total cost of sales	182,352	163,308
Gross profit		
Gross profit on completed construction contracts	24,885	23,272
Gross profit - real estate business	2,550	4,058
Total gross profit	27,436	27,330
Selling, general and administrative expenses	19,350	20,531
Operating profit	8,085	6,798
Non-operating income		
Interest income	0	4
Dividend income	94	107
Rental income	75	71
Foreign exchange gains	0	71
Other	134	80
Total non-operating income	305	334
Non-operating expenses		
Interest expenses	153	177
Other	120	92
Total non-operating expenses	273	269
Ordinary profit	8,116	6,863
Extraordinary income		
Gain on sale 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	—
Office relocation expenses	—	45
Other	105	9
Total extraordinary losses	205	55
Profit before income taxes	7,913	6,817
Income taxes - current	2,518	2,065
Income taxes - deferred	583	631
Total income taxes	3,101	2,697
Profit	4,812	4,120
Profit attributable to non-controlling interests	4	0
Profit attributable to owners of parent	4,807	4,120

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

(Million yen)

	Third quarter ended December 2020 (April 1, 2020- December 31, 2020)	Third quarter ended December 2021 (April 1, 2021- December 31, 2021)
Profit	4,812	4,120
Other comprehensive income		
Valuation difference on available-for-sale securities	126	113
Foreign currency translation adjustment	(111)	189
Remeasurements of defined benefit plans, net of tax	115	116
Share of other comprehensive income of entities accounted for using equity method	—	119
Total other comprehensive income	131	539
Comprehensive income	4,943	4,659
Comprehensive income attributable to owners of parent	4,938	4,659
Comprehensive income attributable to non-controlling interests	4	0

(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 third 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.

(Significant Subsequent Events)

(Cancellation of Treasury Shares and Reversal of General reserve)

TCG Group at the meeting of the Board of Directors held on February 9, 2022, its Board of Directors resolved to cancel treasury shares pursuant to Article 178 of the Companies Act, and it has resolved to reverse general reserve in accordance with the provisions of the Articles of Incorporation under Article 459, Paragraph 1 of the Companies Act.

1. Cancellation of Treasury Shares

- (1) Type of shares to be cancelled
Common stock of the Company
- (2) Total number of shares to be cancelled
4,061,422 shares
(This number represents 10.4% of total outstanding shares before cancellation)
- (3) Scheduled date of cancellation
February 28, 2022
- (4) Total number of shares issued after cancellation
34,818,578 shares

2. Reversal of General Reserve

- (1) Item and amount of retained earnings to be decreased
General reserve JPY 28.27 billion
- (2) Item and amount of retained earnings to be increased
Retained earnings brought forward JPY 28.27 billion
- (3) Purpose of the reversal of the general reserve
To retire treasury stock and to enable flexible capital policies, including shareholder returns in response to future changes in the business environment
- (4) Effective date
February 9, 2022

3. Consolidated Orders Received and Net Sales

(Million yen, %)

		Third quarter FY3/21 (Apr. 1, 2020-Dec. 31,2020)		Third quarter FY3/22 (Apr. 1, 2021-Dec. 31,2021)		Changes	
		Amount	Share	Amount	Share	Amount	%
Orders received	Architecture	83,358	49.1	125,599	54.6	42,241	50.7
	Civil engineering	67,011	39.4	75,674	32.9	8,662	12.9
	Total construction	150,369	88.5	201,273	87.5	50,903	33.9
	Real estate	19,503	11.5	28,726	12.5	9,223	47.3
	Total	169,873	100.0	229,999	100.0	60,126	35.4
Net sales	Architecture	107,652	51.3	88,326	46.3	(19,326)	(18.0)
	Civil engineering	82,633	39.4	73,586	38.6	(9,047)	(10.9)
	Total construction	190,285	90.7	161,912	84.9	(28,373)	(14.9)
	Real estate	19,503	9.3	28,726	15.1	9,223	47.3
	Total	209,788	100.0	190,639	100.0	(19,149)	(9.1)