



Summary of Consolidated Financial Results For the Second Quarter of the Fiscal Year Ending March 31, 2023 [Japan GAAP]

Company: Takamatsu Construction Group Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Stock code: 1762
 URL: <https://www.takamatsu-cg.co.jp/>
 Representative: Hirotaka Takamatsu, President and Representative Director of the Board
 Contact: Norihiko Fuwa, Officer
 Contact: 06-6303-8101, info@takamatsu-cg.co.jp
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 Date of commencement of dividend payment: December 6, 2022
 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 2023 (April 1, 2022 – September 30, 2022)

(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 2022	128,807	2.2	2,830	(9.5)	2,971	(5.6)	1,378	(18.1)
First half ended September 2021	125,980	(7.8)	3,128	(13.1)	3,148	(12.8)	1,683	(15.2)

Note: Comprehensive income: First half of FYMar.2023: 2,196million yen, 0.3% vs. last year First half of FYMar.2022: 2,189million yen, 2.6% vs. last year

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
First half ended September 2022	39.59	—
First half ended September 2021	48.35	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2022	216,011	122,274	56.6
As of March 31, 2022	236,719	121,471	51.3

(Reference) Shareholders' equity: As of September 30, 2022: 122,241 million yen As of March 31, 2022: 121,433 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
FY3/22	—	23.00	—	40.00	63.00
FY3/23	—	23.00	—	40.00	63.00
FY3/23 (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, 2023 (April 1, 2022 – March 31, 2023)

(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	360,000	15.1	300,000	13.7	12,000	6.9	12,000	4.4	6,800	1.1	195.30

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, 2022:	34,818,578	As of March 31, 2022:	34,818,578
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(b) Treasury shares

As of September 30, 2022:	—	As of March 31, 2022:	—
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(c) Average number of shares (quarterly cumulative period)

Period ended September 30, 2022:	34,818,578	Period ended September 30, 2021	34,818,612
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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. Qualitative Information on Quarterly Financial Results

(1) Explanation of business results

During the second quarter of the current fiscal year ending March 31, 2023, although the Japanese economy remained to be affected by COVID-19 infections, but there were signs that social and economic activities were returning to normal due to the easing of restrictions on movement. On the other hand, we were affected by the historically depreciating yen against the backdrop of the widening interest rate differential between Japan and the United States, which led to rising raw material prices, equipment prices and energy prices. Furthermore, there is also the impact of economic instability due to the prolonged situation in Ukraine. There is a risk that the economy will continue to stagnate due to these factors.

Regarding public construction investment is expected to remain firm, including government investment under the National Resilience Plan. As for private construction investment, although demand remains firm, the business environment continues to be severe because of intensifying competition for orders and soaring prices of materials and equipment, etc. Therefore, it is a situation that requires close attention.

Private housing investment remained weak, with new housing starts decreasing year-on-year for the third consecutive month since May 2022. In addition, it is necessary to pay close attention to price trends, as there are concerns about an increase in construction costs due to the impact of soaring material and equipment prices and labor shortages.

During the second quarter of the current fiscal year ending March 2023, orders received were 177,837 million yen (up 23.9% from the same period of the previous year), continuing the strong performance of the previous fiscal year. Net sales were 128,807 million yen (up 2.2% from the same period of the previous year). As for profits, operating profit decreased by 9.5% to 2,830 million yen, ordinary profit decreased by 5.6% to 2,971 million yen, and profit attributable to owners of parent decreased by 18.1% to 1,378 million yen.

Results by business segment are as follows.

Segment profit is adjusted with operating profit on the quarterly consolidated statements of income. Adjustments to segment profit include -2,008 million yen in general and administrative expenses that do not belong to any reportable segment and -348 million yen in other adjustments. (Architecture)

Orders received were 99,476 million yen (up 23.2% from the same period of the previous year) and net sales were 61,044 million yen (up 9.2% from the same period of the previous year), resulting in the segment profit of 1,159 million yen (72 million yen in the same period of the previous year).

(Civil Engineering)

Orders received were 53,912 million yen (up 31.3% from the same period of the previous year), while net sales were 44,999 million yen (down 7.0% from the same period of the previous year), resulting in the segment profit of 2,529 million yen (down 18.7% from the same period of the previous year).

(Real Estate)

Net sales from real estate sales and leasing were 22,763 million yen (up 4.8% from the same period of the previous year), while segment profit were 1,499 million yen (down 22.5% from the same period of the previous year).

(2) Explanation of Financial Condition

(Assets)

Total assets at the end of the second quarter of the current fiscal year were 216,011 million yen, down 20,708 million yen from the end of the previous fiscal year.

The main factors were increases of 6,298 million yen in real estate for sale and 3,122 million yen in construction in progress, while cash and deposits decreased by 27,143 million yen and notes receivable, accounts receivable from completed construction contracts and other decreased by 5,479 million yen.

(Liabilities)

Liabilities decreased by 21,510 million yen from the end of the previous fiscal year to 93,737 million yen.

The main factors were increases of 2,751 million yen in advances received on construction contracts in progress, while there were decreases of 4,537 million yen in accounts payable for construction contracts and 17,200 million yen in short-term borrowings.

(Net Assets)

Net assets increased by 802 million yen from the end of the previous fiscal year to 122,274 million yen.

The main factor was an increase 858 million yen in foreign currency translation adjustments. On the other hand, decrease in retained earnings of 14 million yen due to dividend payments of 1,392 million yen, while profit attributable to owners of parent of 1,378 million yen was recorded. As a result of the above, shareholders' equity, which is net assets less non-controlling interests, totaled 122,241 million yen, and the shareholders' equity ratio increased 5.3 percentage points from the end of the previous fiscal year to 56.6%.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements

There are no changes to the consolidated earnings forecasts for the full year of the fiscal year ending March 2023, from those announced on May 11, 2022.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2022 (As of March 31, 2022)	Second quarter ended September 2022 (As of September 30, 2022)
ASSETS		
Current assets		
Cash and deposits	67,899	40,755
Notes receivable, accounts receivable from completed construction contracts and other	79,948	74,469
Real estate for sale	13,759	20,058
Costs on construction contracts in progress	1,422	1,470
Costs on real estate business	8,519	9,195
Accounts receivable - other	3,741	2,915
Other	1,373	2,907
Allowance for doubtful accounts	(82)	(80)
Total current assets	176,582	151,693
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,118	6,223
Machinery, vehicles, tools, furniture and fixtures, net	1,361	1,536
Vessels, net	696	674
Land	27,808	27,839
Leased assets, net	151	128
Construction in progress	5,438	8,560
Total property, plant and equipment	41,573	44,963
Intangible assets		
Goodwill	1,576	1,452
Other	914	877
Total intangible assets	2,490	2,330
Investments and other assets		
Investment securities	9,442	10,193
Deferred tax assets	3,900	4,050
Other	2,952	2,996
Allowance for doubtful accounts	(221)	(216)
Total investments and other assets	16,073	17,023
Total non-current assets	60,137	64,317
Total assets	236,719	216,011

(Million yen)

	Fiscal year ended March 2022 (As of March 31, 2022)	Second quarter ended September 2022 (As of September 30, 2022)
LIABILITIES		
Current liabilities		
Accounts payable for construction contracts	28,561	24,024
Short-term borrowings	17,200	—
Income taxes payable	2,315	1,591
Advances received on construction contracts in progress	23,968	26,720
Provision for warranties for completed construction	703	608
Provision for bonuses	3,785	4,397
Other	9,930	7,304
Total current liabilities	86,465	64,646
Non-current liabilities		
Bonds payable	15,000	15,000
Deferred tax liabilities for land revaluation	256	256
Deferred tax liabilities	501	487
Provision for special repairs of vessels	71	62
Retirement benefit liability	10,627	10,960
Other	2,325	2,323
Total non-current liabilities	28,782	29,090
Total liabilities	115,247	93,737
NET ASSETS		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	797	797
Retained earnings	115,892	115,878
Total shareholders' equity	121,689	121,675
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	748	699
Revaluation reserve for land	(1,266)	(1,266)
Foreign currency translation adjustment	60	919
Remeasurements of defined benefit plans	201	214
Total accumulated other comprehensive income	(256)	565
Non-controlling interests	38	33
Total net assets	121,471	122,274
Total liabilities and net assets	236,719	216,011

(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 2023 (April 1, 2022—September 30, 2022)

(Million yen)

	First half ended September 2021 (April 1, 2021- September 30, 2021)	First half ended September 2022 (April 1, 2022- September 30, 2022)
Net sales		
Net sales of completed construction contracts	104,267	106,043
Sales in real estate business	21,712	22,763
Total net sales	125,980	128,807
Cost of sales		
Cost of sales of completed construction contracts	90,464	91,524
Cost of sales in real estate business	18,675	19,631
Total cost of sales	109,139	111,156
Gross profit		
Gross profit on completed construction contracts	13,803	14,519
Gross profit - real estate business	3,036	3,132
Total gross profit	16,840	17,651
Selling, general and administrative expenses	13,711	14,820
Operating profit	3,128	2,830
Non-operating income		
Interest income	3	3
Dividend income	69	70
Gain on investments in capital	—	85
Recoveries of written off receivables	3	83
Other	99	104
Total non-operating income	176	347
Non-operating expenses		
Interest expenses	126	112
Other	30	94
Total non-operating expenses	156	206
Ordinary profit	3,148	2,971
Extraordinary income		
Gain on sales of non-current assets	3	0
Gain on sale of investment securities	6	—
Total extraordinary income	9	0
Extraordinary losses		
Loss on retirement of non-current assets	5	1
Other	1	—
Total extraordinary losses	7	1
Profit before income taxes	3,150	2,970
Income taxes - current	1,448	1,738
Income taxes - deferred	16	(141)
Total income taxes	1,464	1,596
Profit	1,685	1,374
Profit (loss) attributable to non-controlling interests	1	(4)
Profit attributable to owners of parent	1,683	1,378

Quarterly consolidated statement of comprehensive income
For the first half of the fiscal year ending March 2023 (April 1, 2022– September 30, 2022)

(Million yen)

	First half ended September 2021 (April 1, 2021- September 30, 2021)	First half ended September 2022 (April 1, 2022- September 30, 2022)
Profit	1,685	1,374
Other comprehensive income		
Valuation difference on available-for-sale securities	166	(49)
Foreign currency translation adjustment	160	513
Remeasurements of defined benefit plans, net of tax	76	13
Share of other comprehensive income of entities accounted for using equity method	100	345
Total other comprehensive income	503	822
Comprehensive income	2,189	2,196
Comprehensive income attributable to owners of parent	2,187	2,200
Comprehensive income attributable to non-controlling interests	1	(4)

- (3) Notes to consolidated financial statements
 (Going concern assumptions)
 None

(Significant change in shareholders' equity)
 None

(Changes in Accounting Policies)

The "Guidance on Accounting Standard for Measurement of Fair Value" (ASBJ Guidance No. 31, June 17, 2021). The "Guidance on Accounting Standard for Measurement of Fair Value" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as the "Guidance on Accounting Standard for Measurement of Fair Value") was applied from the beginning of the period under review. The new accounting policy prescribed by the "Guidance on Accounting Standard for Measurement of Fair Value" (ASBJ Guidance No. 31, June 17, 2021) is applied from the beginning of the first quarter of the current fiscal year, and the new accounting policy prescribed by the Guidance is applied prospectively in accordance with the transitional treatment prescribed in Paragraph 27-2 of the Guidance. There is no impact on the quarterly consolidated financial statements.

3. Consolidated Orders Received and Net Sales

(Million yen, %)

		First half FY3/22 (April 1, 2021 – September 30, 2021)		First half FY3/23 (April 1, 2022 – September 30, 2022)		Changes	
		Amount	Share	Amount	Share	Amount	%
Orders received	Architecture	80,753	56.3	99,476	56.0	18,723	23.2
	Civil engineering	41,070	28.6	53,912	30.3	12,841	31.3
	Total construction	121,823	84.9	153,388	86.3	31,565	25.9
	Real estate	21,712	15.1	24,449	13.7	2,736	12.6
	Total	143,535	100.0	177,837	100.0	34,302	23.9
Net sales	Architecture	55,884	44.4	61,044	47.4	5,159	9.2
	Civil engineering	48,382	38.4	44,999	34.9	(3,383)	(7.0)
	Total construction	104,267	82.8	106,043	82.3	1,776	1.7
	Real estate	21,712	17.2	22,763	17.7	1,051	4.8
	Total	125,980	100.0	128,807	100.0	2,827	2.2