



Summary of Consolidated Financial Results For the Third 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
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 Date of filing of quarterly securities report: February 9, 2023
 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 2023 (April 1, 2022 – December 31, 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	%
Third quarter ended December 2022	203,647	6.8	6,871	1.1	7,060	2.9	4,096	(0.6)
Third quarter ended December 2021	190,639	(9.1)	6,798	(15.9)	6,863	(15.4)	4,120	(14.3)

Note: Comprehensive income: Third quarter of FYMar.2023: 5,457 million yen, 17.1% vs. last year Third quarter of FYMar.2022: 4,659 million yen, (5.7%) vs. last year

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Third quarter ended December 2022	117.64	—
Third quarter ended December 2021	118.35	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2022	218,453	124,734	57.1
As of March 31, 2022	236,719	121,471	51.3

(Reference) Shareholders' equity: As of December 31, 2022: 124,701 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	—		
FY3/23 (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, 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 December 31, 2022:	34,818,578	As of March 31, 2022:	34,818,578
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(b) Treasury shares

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

Period ended December 31, 2022:	34,818,578	Period ended December 31, 2021	34,818,601
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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 third quarter of the current fiscal year ending March 31, 2023, although the Japanese economy have been in a situation where the impact of the new coronavirus infection was protracted, but social and economic activities are heading towards normalization due to the easing of restrictions on movement and the spread of vaccines. On the other hand, the global economy is in a slump due to continued tightening of monetary policy, and the Japanese economy has also been affected. Furthermore, the outlook for the future remains uncertain due to factors such as rising raw material prices, equipment prices, and energy prices due to the weaker yen, and economic instability due to the prolonged situation in Ukraine.

In this business environment, although demand for both public and private construction investment has been resilient, construction costs continue to rise due to a chronic shortage of technical workers and soaring prices of materials and equipment and the severe business environment continues.

Regarding private housing investment, although the number of new housing starts for owner-occupied housing is decreasing, rented housing is on the rise and are expected to remain resilient as a trend. However, it is necessary to keep a close watch on developments, as construction costs are likely to increase due to soaring materials and equipment prices and labor shortages.

During the third quarter of the current fiscal year ending March 2023, orders received were 258,476 million yen (up 12.4% from the same period of the previous year), net sales were 203,647 million yen (up 6.8% from the same period of the previous year). As for profits, operating profit increased by 1.1% to 6,871 million yen, ordinary profit increased by 2.9% to 7,060 million yen, and profit attributable to owners of parent decreased by 0.6% to 4,096 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 -3,071 million yen in general and administrative expenses that do not belong to any reportable segment and -734 million yen in other adjustments. (Architecture)

Orders received were 147,565 million yen (up 17.5% from the same period of the previous year) and net sales were 96,767 million yen (up 9.6% from the same period of the previous year), resulting in the segment profit of 3,410 million yen (up 72.3% from the same period of the previous year).

(Civil Engineering)

Orders received were 73,611 million yen (down 2.7% from the same period of the previous year), and net sales were 69,508 million yen (down 5.5% from the same period of the previous year), resulting in the segment profit of 4,417 million yen (down 20.5% from the same period of the previous year).

(Real Estate)

Net sales from real estate sales and leasing were 37,371 million yen (up 30.1% from the same period of the previous year), and segment profit were 2,849 million yen (up 26.8% from the same period of the previous year).

(2) Explanation of Financial Condition

(Assets)

Total assets at the end of the third quarter of the current fiscal year were 218,453 million yen, down 18,265 million yen from the end of the previous fiscal year.

The main factors were increases of 7,110 million yen in real estate for sale and 2,527 million yen in costs on real estate business and 4,389 million yen in construction in progress, while cash and deposits decreased by 30,793 million yen and notes receivable, accounts receivable from completed construction contracts and other decreased by 3,679 million yen.

(Liabilities)

Liabilities decreased by 21,528 million yen from the end of the previous fiscal year to 93,719 million yen.

The main factors were increases of 2,368 million yen in advances received on construction contracts in progress, while there were decreases of 2,834 million yen in accounts payable for construction contracts and 17,200 million yen in short-term borrowings.

(Net Assets)

Net assets increased by 3,262 million yen from the end of the previous fiscal year to 124,734 million yen.

The main factor was an increase in retained earnings of 1,902 million yen due to the posting of profit attributable to owners of parent of 4,096 million yen, in addition to an increase in foreign currency translation adjustments of 1,442 million yen, despite the payment of cash dividends of 2,193 million yen.

As a result of the above, shareholders' equity, which is net assets less non-controlling interests, totaled 124,701 million yen, and the shareholders' equity ratio increased 5.8 percentage points from the end of the previous fiscal year to 57.1%.

(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)	Third quarter ended December 2022 (As of December 31, 2022)
ASSETS		
Current assets		
Cash and deposits	67,899	37,106
Notes receivable, accounts receivable from completed construction contracts and other	79,948	76,269
Real estate for sale	13,759	20,870
Costs on construction contracts in progress	1,422	1,826
Costs on real estate business	8,519	11,047
Accounts receivable - other	3,741	3,030
Other	1,373	3,138
Allowance for doubtful accounts	(82)	(82)
Total current assets	176,582	153,207
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,118	6,195
Machinery, vehicles, tools, furniture and fixtures, net	1,361	1,512
Vessels, net	696	1,089
Land	27,808	27,851
Leased assets, net	151	116
Construction in progress	5,438	9,828
Total property, plant and equipment	41,573	46,593
Intangible assets		
Goodwill	1,576	1,391
Other	914	842
Total intangible assets	2,490	2,233
Investments and other assets		
Investment securities	9,442	10,230
Deferred tax assets	3,900	3,412
Other	2,952	2,991
Allowance for doubtful accounts	(221)	(214)
Total investments and other assets	16,073	16,419
Total non-current assets	60,137	65,246
Total assets	236,719	218,453

(Million yen)

	Fiscal year ended March 2022 (As of March 31, 2022)	Third quarter ended December 2022 (As of December 31, 2022)
LIABILITIES		
Current liabilities		
Accounts payable for construction contracts	28,561	25,727
Short-term borrowings	17,200	—
Income taxes payable	2,315	678
Advances received on construction contracts in progress	23,968	26,337
Provision for warranties for completed construction	703	598
Provision for bonuses	3,785	1,976
Other	9,930	9,087
Total current liabilities	86,465	64,406
Non-current liabilities		
Bonds payable	15,000	15,000
Deferred tax liabilities for land revaluation	256	256
Deferred tax liabilities	501	531
Provision for special repairs of vessels	71	68
Retirement benefit liability	10,627	11,128
Other	2,325	2,328
Total non-current liabilities	28,782	29,313
Total liabilities	115,247	93,719
NET ASSETS		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	797	797
Retained earnings	115,892	117,795
Total shareholders' equity	121,689	123,592
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	748	651
Revaluation reserve for land	(1,266)	(1,266)
Foreign currency translation adjustment	60	1,503
Remeasurements of defined benefit plans	201	220
Total accumulated other comprehensive income	(256)	1,109
Non-controlling interests	38	32
Total net assets	121,471	124,734
Total liabilities and net assets	236,719	218,453

(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 2023 (April 1, 2022 – December 31, 2022)

(Million yen)

	Third quarter ended December 2021 (April 1, 2021- December 31, 2021)	Third quarter ended December 2022 (April 1, 2022- December 31, 2022)
Net sales		
Net sales of completed construction contracts	161,912	166,275
Sales in real estate business	28,726	37,371
Total net sales	190,639	203,647
Cost of sales		
Cost of sales of completed construction contracts	138,640	142,579
Cost of sales in real estate business	24,668	31,987
Total cost of sales	163,308	174,566
Gross profit		
Gross profit on completed construction contracts	23,272	23,696
Gross profit - real estate business	4,058	5,384
Total gross profit	27,330	29,080
Selling, general and administrative expenses	20,531	22,209
Operating profit	6,798	6,871
Non-operating income		
Interest income	4	4
Dividend income	107	109
Gain on investments in capital	–	127
Foreign exchange gains	71	–
Other	151	234
Total non-operating income	334	475
Non-operating expenses		
Interest expenses	177	155
Other	92	130
Total non-operating expenses	269	286
Ordinary profit	6,863	7,060
Extraordinary income		
Gain on sale of non-current assets	3	2
Gain on sale of investment securities	6	121
Total extraordinary income	9	124
Extraordinary losses		
Loss on retirement of non-current assets	8	6
Office relocation expenses	45	–
Other	1	–
Total extraordinary losses	55	6
Profit before income taxes	6,817	7,179
Income taxes - current	2,065	2,492
Income taxes - deferred	631	595
Total income taxes	2,697	3,087
Profit	4,120	4,091
Profit (loss) attributable to non-controlling interests	0	(4)
Profit attributable to owners of parent	4,120	4,096

Quarterly consolidated statement of comprehensive income
For the Third quarter of the fiscal year ending March 2023 (April 1, 2022– December 31, 2022)

(Million yen)

	Third quarter ended December 2021 (April 1, 2021- December 31, 2021)	Third quarter ended December 2022 (April 1, 2022- December 31, 2022)
Profit	4,120	4,091
Other comprehensive income		
Valuation difference on available-for-sale securities	113	(97)
Foreign currency translation adjustment	189	961
Remeasurements of defined benefit plans, net of tax	116	19
Share of other comprehensive income of entities accounted for using equity method	119	481
Total other comprehensive income	539	1,365
Comprehensive income	4,659	5,457
Comprehensive income attributable to owners of parent	4,659	5,461
Comprehensive income attributable to non-controlling interests	0	(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, %)

		Third quarter FY3/22 (April 1, 2021 – December 31, 2021)		Third quarter FY3/23 (April 1, 2022 – December 31, 2022)		Changes	
		Amount	Share	Amount	Share	Amount	%
Orders received	Architecture	125,599	54.6	147,565	57.1	21,966	17.5
	Civil engineering	75,674	32.9	73,611	28.5	(2,062)	(2.7)
	Total construction	201,273	87.5	221,177	85.6	19,903	9.9
	Real estate	28,726	12.5	37,299	14.4	8,572	29.8
	Total	229,999	100.0	258,476	100.0	28,476	12.4
Net sales	Architecture	88,326	46.3	96,767	47.5	8,440	9.6
	Civil engineering	73,586	38.6	69,508	34.1	(4,077)	(5.5)
	Total construction	161,912	84.9	166,275	81.6	4,362	2.7
	Real estate	28,726	15.1	37,371	18.4	8,645	30.1
	Total	190,639	100.0	203,647	100.0	13,008	6.8