

Translated version

Takamatsu Construction Group

Analysis Material for 2Q, FY ending March 2024

Takamatsu Construction Group Co.,Ltd.
Securities Code : 1762
November 8, 2023

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Financial results for 2Q, FY ending March 2024











Situation of Corporate Group

Civil Engineering	Architecture	Real Estate	Main sales areas
	Takamatsu Corporation		Tokyo · Osaka · Nagoya
	Takamatsu Techno Service		Osaka · Tokyo
		Takamatsu Estate	Osaka · Tokyo
	Suminoe Kogei		Japan(nationwide)
	Kongo Gumi		Osaka · Tokyo
	Nakamura Shaji		Nagoya
	Takamatsu Build		Tokyo · Kanagawa
Taisho Kogyo Corporation			Osaka
Asunaro Aoki Construction			Japan(nationwide)
Shimada Gumi			Japan(nationwide)
Mirai Construction			Japan(nationwide)
Aoki Marine			Japan(nationwide)
	M's		Metropolitan area
Toko Geotech			Japan(nationwide)
		Takamatsu House	Tokyo · Kanagawa · Saitama
		Mibu Corporation	Tokyo · Kanagawa
		Takamatsu House Kansai	Osaka · Hyogo
		TCG USA	USA
Takamatsu Construction Group (Pure Holding Company)			

Performance for 2Q FY ending March 2024

◆ Orders received decreased YoY, but net sales and operating profit secured an increase YoY.

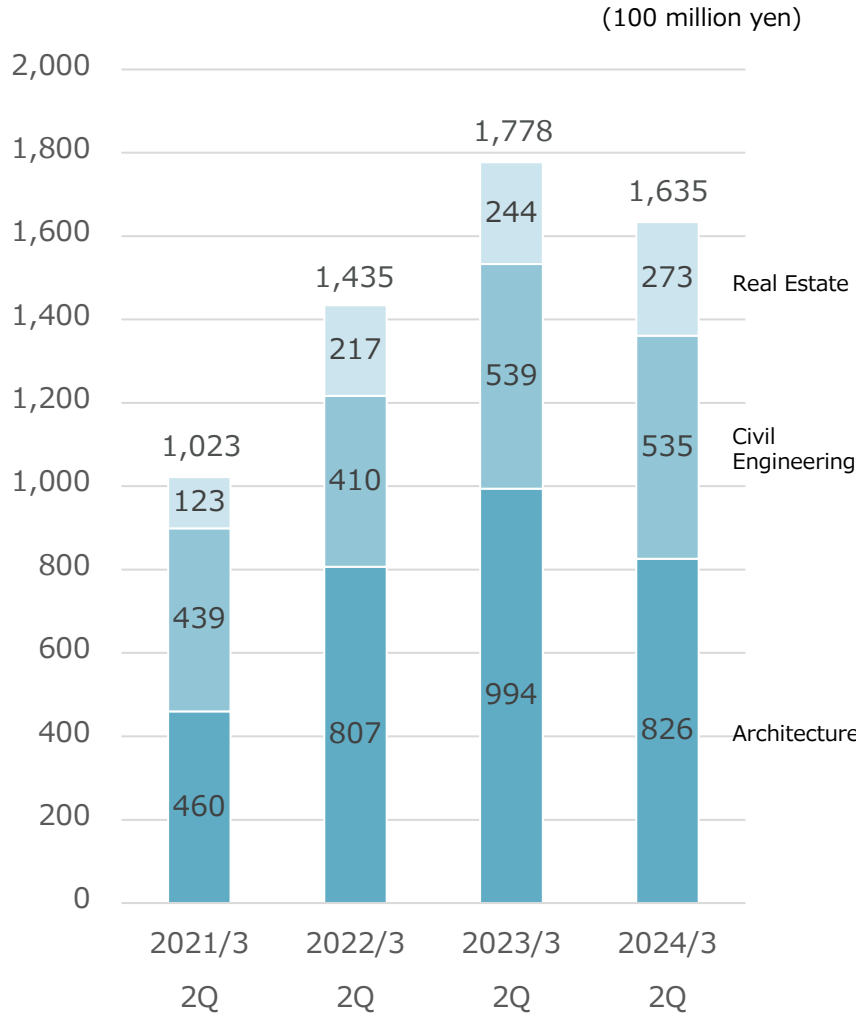
(100 million yen)

Item	2Q FY ended March 2021	2Q FY ended March 2022	2Q FY ended March 2023	2Q FY ending March 2024	+ / -
Orders received	1,023	1,435	1,778	 1,635	(8.0%)
Net sales	1,366	1,259	1,288	 1,432	+11.3%
Gross profit	166	168	176	 192	+9.0%
Gross profit %	12.2%	13.4%	13.7%	 13.4%	(0.3pt)
Operating profit	35	31	28	 33	+18.0%
Operating profit %	2.6%	2.5%	2.2%	 2.3%	+0.1pt
Ordinary profit	36	31	29	 34	+15.4%
Ordinary profit %	2.6%	2.5%	2.3%	 2.4%	+0.1pt
Quarterly profit attributable to owners of parent	19	16	13	 11	(16.2%)
Quarterly profit attributable to owners of parent %	1.5%	1.3%	1.1%	 0.8%	(0.3pt)

Orders received by segments

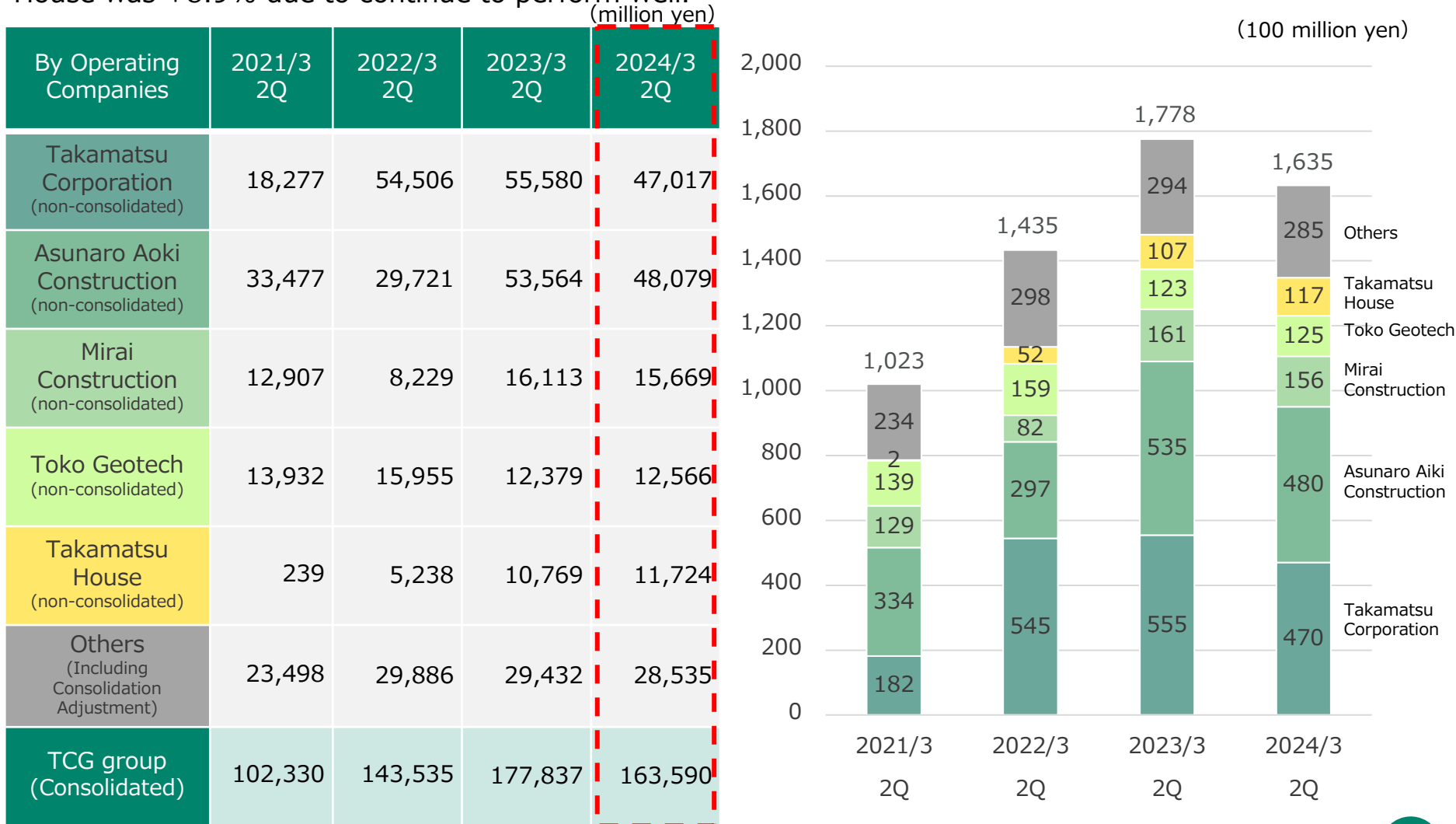
◆ Architecture was (16.9%) YoY, due to decrease in orders received of Takamatsu Corporation and Asunaro Aoki Construction. Civil engineering decreased slightly to (0.6%) YoY. Real estate was +11.9% YoY due to increase in orders received of Takamatsu House.

By Segments	2021/3 2Q	2022/3 2Q	2023/3 2Q	2024/3 2Q
Architecture	46,053	80,753	99,476	82,643
Civil Engineering	43,922	41,070	53,912	53,594
Real Estate	12,354	21,712	24,449	27,352
TCG group (Consolidated)	102,330	143,535	177,837	163,590



Orders Received by core operating companies

- ◆ Takamatsu Corporation was (15.4%) YoY due to decrease in orders received of rental apartments and Asunaro Aoki Construction was (10.2%) YoY due to fewer orders received for large projects compared to the same period last year. Mirai Construction was (2.8%) YoY and Toko Geotech was +1.5% YoY. Takamatsu House was +8.9% due to continue to perform well.



※Figures for individual companies include transactions between group companies.

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Carried forward to the next term by core operating companies

- ◆ Asunaro Aoki Construction was +11.2% YoY due to orders received for the Hokkaido Shinkansen in 1Q and wind power generation, etc. in 2Q. Takamatsu House was (23.2%) YoY. It was +12.7% YoY for group companies other than the core companies.

(million yen)

By Operating Companies		2023/3 2Q	2024/3 2Q	Increase/Decrease	Increase/Decrease %
Takamatsu Corporation (non-consolidated)		195,177	208,380	↑	13,203 +6.8%
Asunaro Aoki Construction (non-consolidated)	Architecture	86,493	92,447	↑	5,954 +6.9%
	Civil Engineering	62,922	69,961	↑	7,039 +11.2%
	Sub total	149,415	162,409	↑	12,994 +8.7%
Mirai Construction (non-consolidated)		35,766	33,921	↓	(1,845) (5.2%)
Toko Geotech (non-consolidated)		12,568	13,110	↑	542 +4.3%
Takamatsu House (non-consolidated)		4,188	3,216	↓	(972) (23.2%)
Others (Including Consolidation Adjustment)		19,882	22,407	↑	2,525 +12.7%
TCG group (Consolidated)		416,996	443,443	↑	26,447 +6.3%

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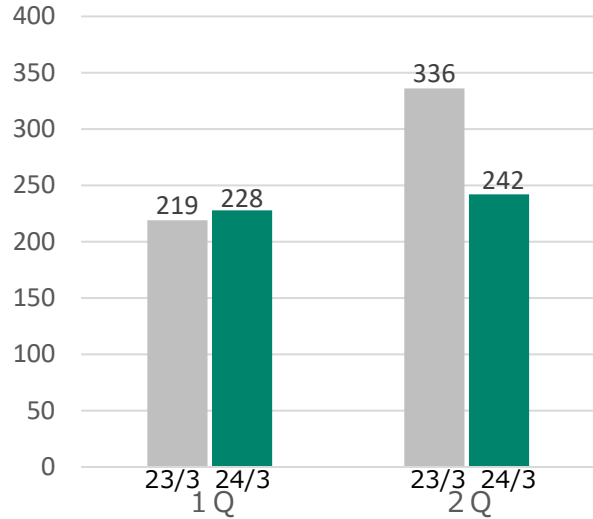
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Quarterly Orders by the 5 core companies and Group Total (Consolidated)

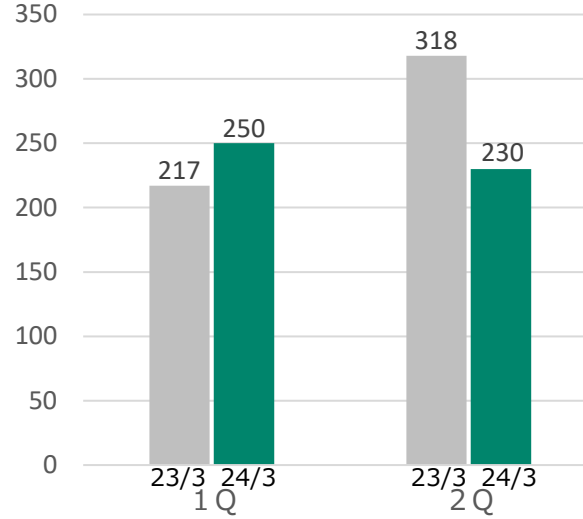
(※ Figures are quarterly amounts, not cumulative.)

(100 million yen)

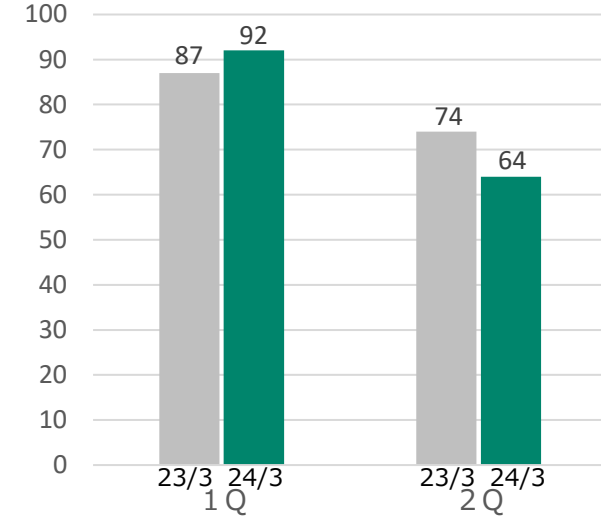
Takamatsu Corporation



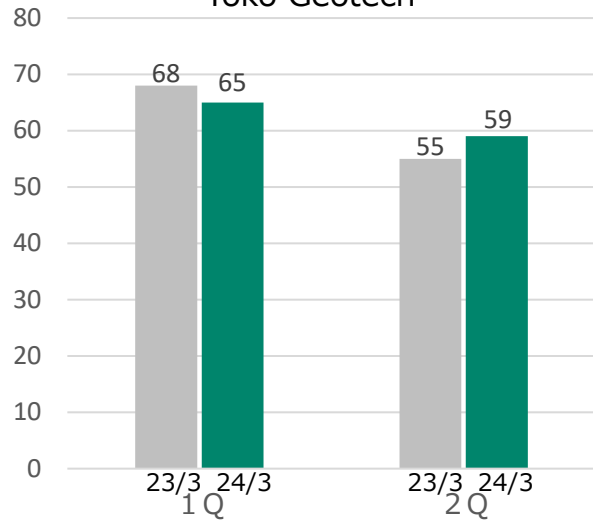
Asunaro Aoki Construction



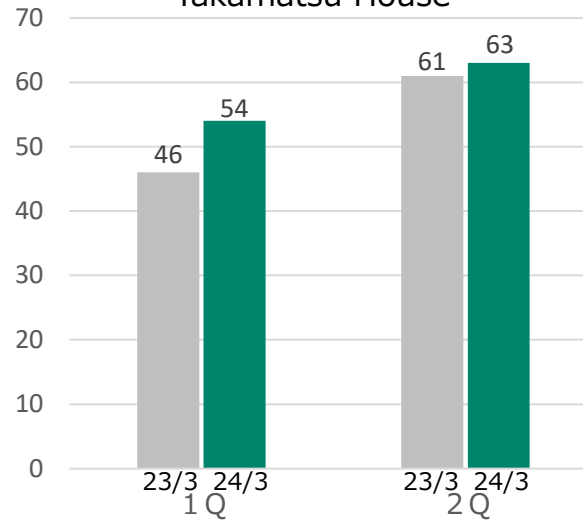
Mirai Construction



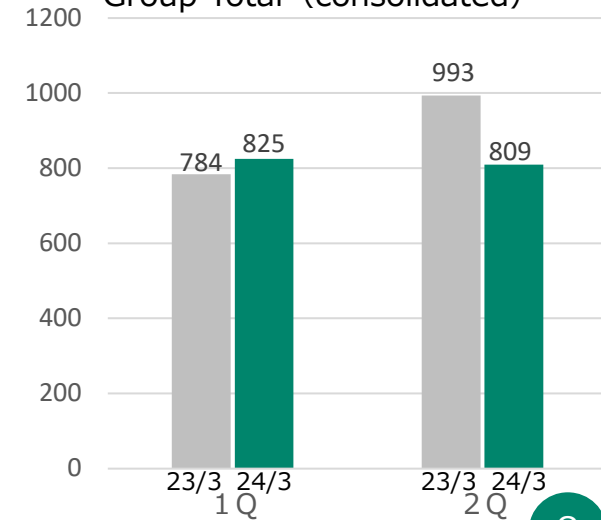
Toko Geotech



Takamatsu House



Group Total (consolidated)



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Takamatsu Corporation : Orders by Rental Apartments and non-Residentials

- ◆ In both Osaka and Tokyo, orders received of rental apartments fell sharply YoY, while non-residentials orders received increased YoY. However, rental apartments failed to make up for the decline, resulting in an overall YoY decrease.
- ◆ Although the orders received ratio of rental apartments in Osaka was lower than in other years (20/3 2Q : 29.5%, 21/3 2Q : 20.1%, 22/3 2Q : 34.8%), and also this trend that the composition ratio of rental apartments for the full year will be expected to continue.

Orders received by Rental Apartments and non-Residentials

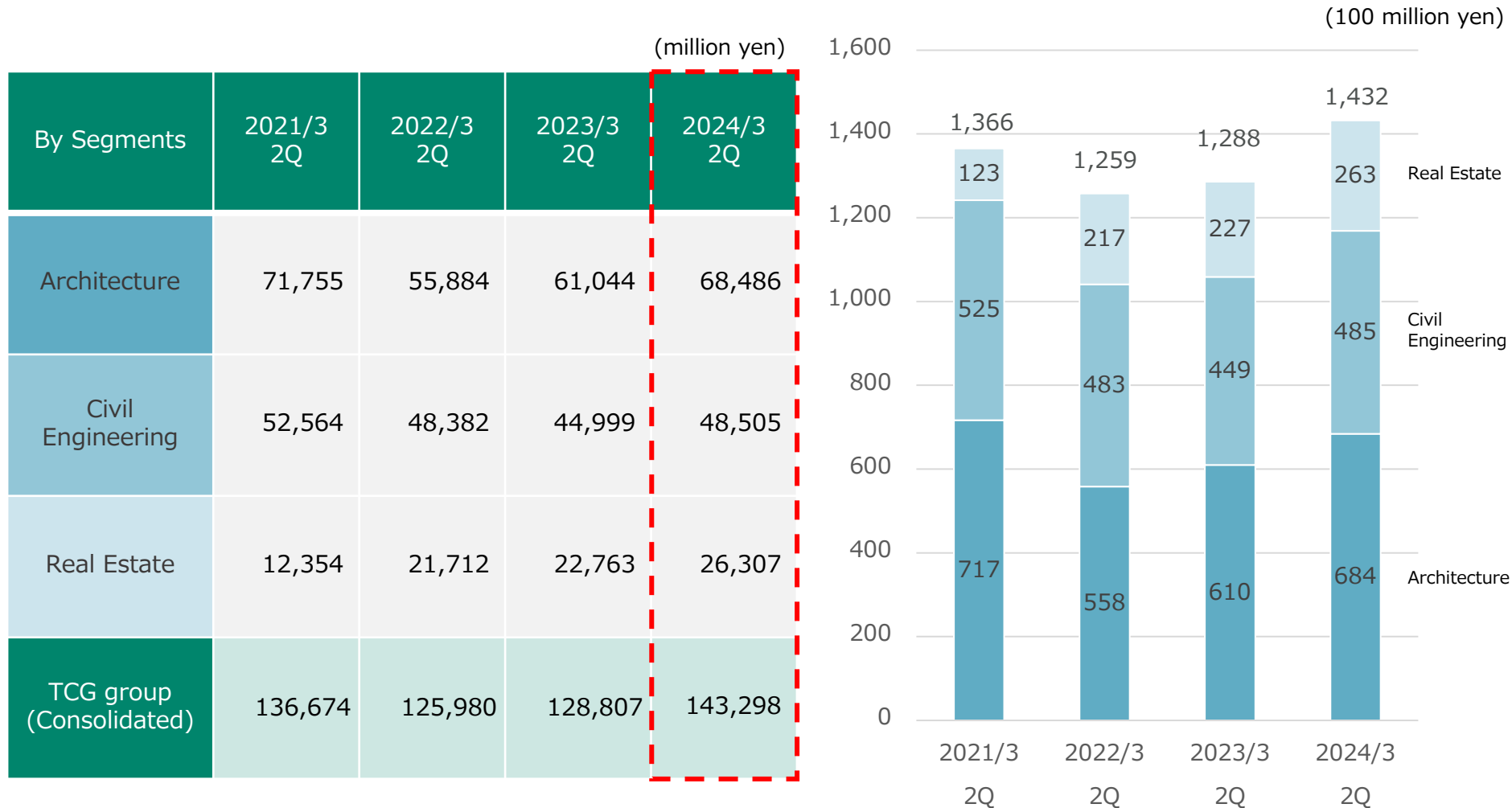
(million yen)

	Osaka				Tokyo			
	2023/3 2Q	%	2024/3 2Q	%	2023/3 2Q	%	2024/3 2Q	%
Rental Apartments	9,769	35.8%	1,902	6.5%	24,013	84.9%	10,920	60.9%
non-Residentials	17,530	64.2%	27,182	93.5%	4,269	15.1%	7,013	39.1%
Total	27,299	100%	29,084	100%	28,282	100%	17,933	100%

※Figures including transactions between group companies.

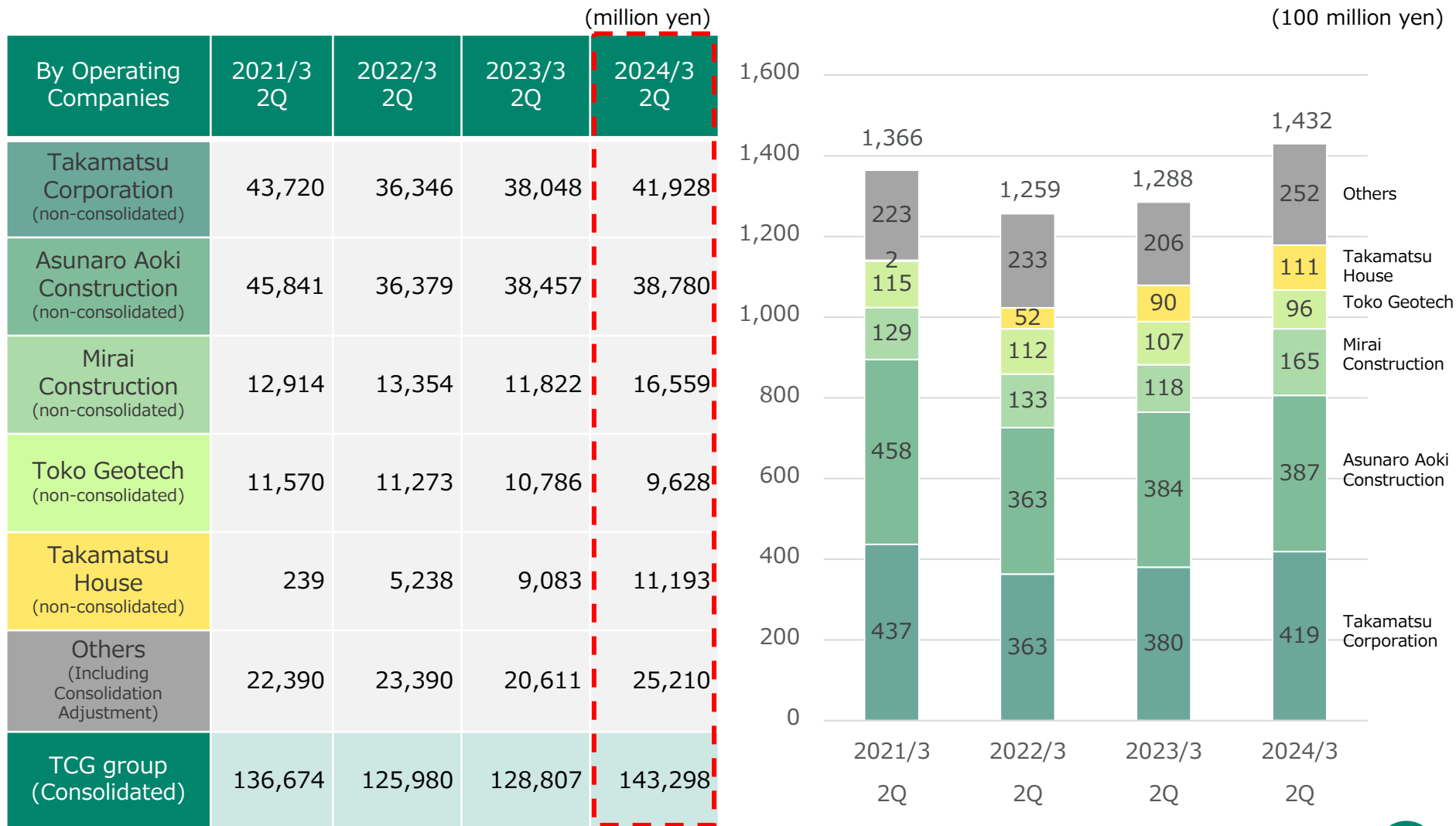
Net sales by segments

- ◆ Architecture was +12.2% YoY due to increase of Takamatsu Corporation and Asunaro Aoki Construction. Civil engineering was +7.8% YoY due to significantly increased in net sales of Mirai Construction, despite decrease in net sales of Asunaro Aoki Construction and Toko Geotech. Real estate was +15.6% YoY because of maintaining a strong performance of Takamatsu House.



Net sales by core operating companies

- ◆ Takamatsu Corporation was +10.2% YoY, Asunaro Aoki Construction slightly increased by +0.8% YoY, Mirai Construction was +40.1% YoY due to recovery of orders received in the previous year and steady construction progress, Toko Geotech was (10.7%) YoY due to a lack of carryover construction and other factors, Takamatsu House continued to perform well, resulting in increase of 23.2% YoY. Group companies other than the core companies also posted a significant increase of 22.3% YoY.



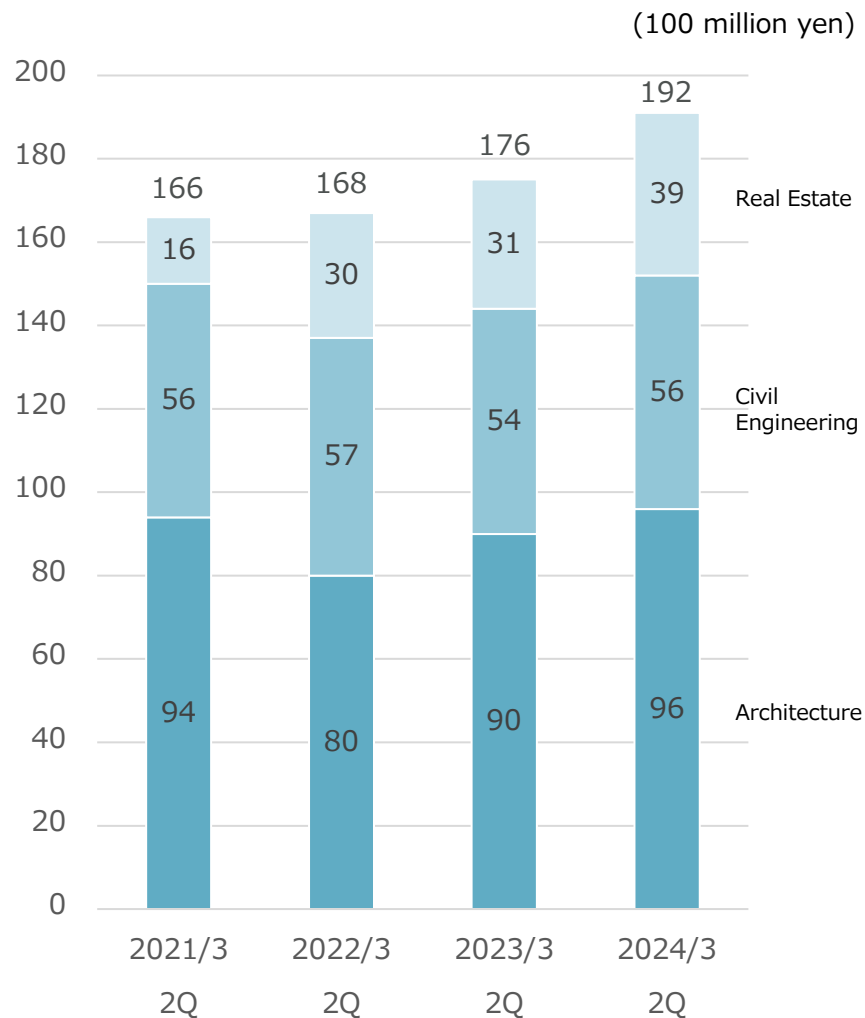
※Figures for individual companies include transactions between group companies.

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Gross profit by segments

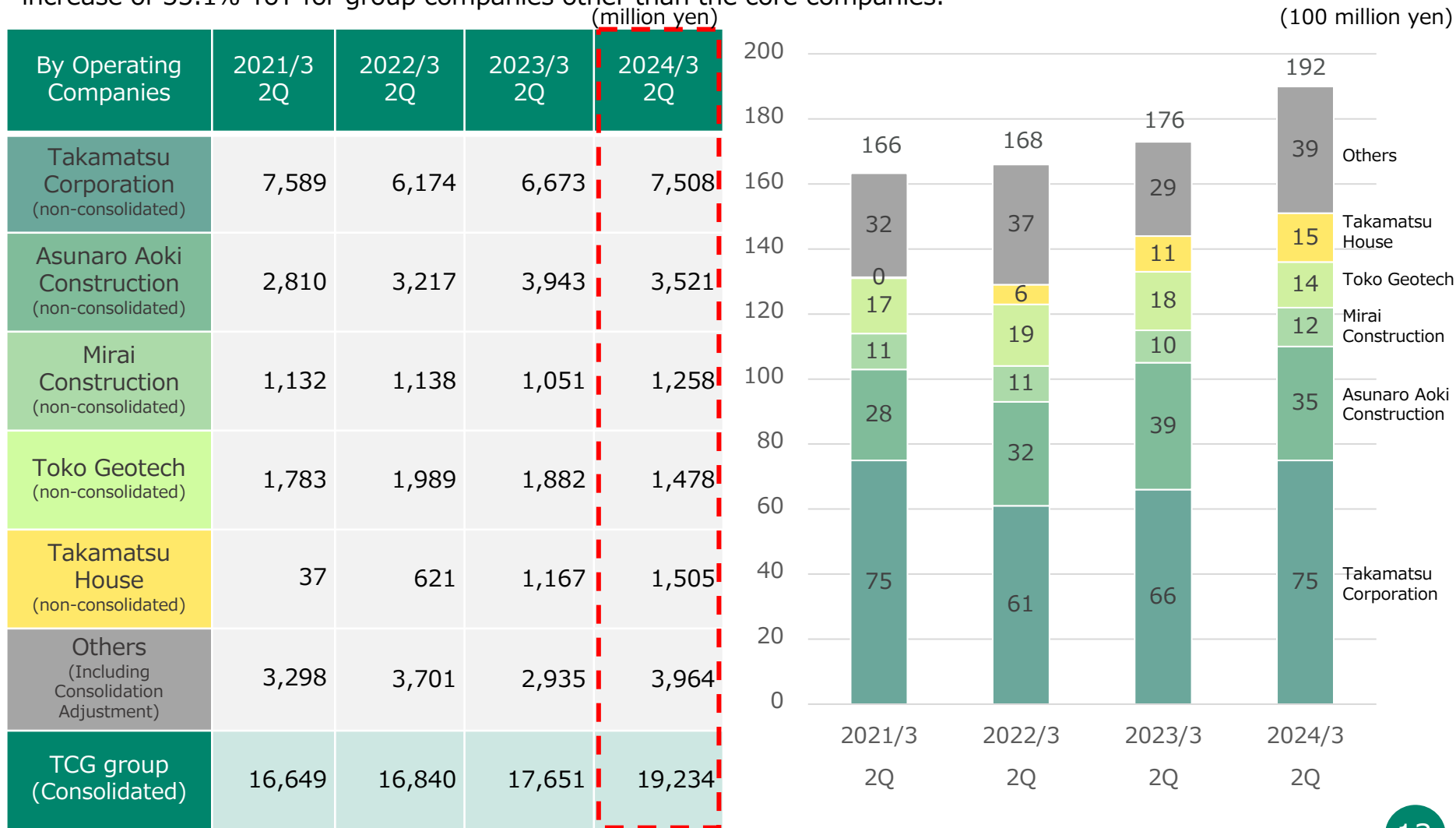
- ◆ Architecture was +6.4% YoY due to increase in gross profit of Takamatsu Corporation, despite decrease in gross profit of Asunaro Aoki Construction. Civil engineering was increased by 3.8% YoY due to increase in gross profit of Asunaro Aoki Construction and Mirai Construction, despite decrease in gross profit of Toko Geotech. In real estate, Takamatsu House continued to perform well, resulting in significantly increase of 25.5% YoY.

By Segments	2021/3 2Q	2022/3 2Q	2023/3 2Q	2024/3 2Q
Architecture	9,408	8,042	9,079	9,657
Civil Engineering	5,615	5,760	5,439	5,644
Real Estate	1,625	3,036	3,132	3,931
TCG group (Consolidated)	16,649	16,840	17,651	19,234



Gross profit by core operating companies

- Takamatsu Corporation was +12.5% YoY due to increase net sales and higher gross profit margin, Asunaro Aoki Construction was (10.7%) YoY due to lower gross profit margin mainly in architecture, Mirai Construction was +19.7% YoY due to increase net sales, Toko Geotech was (21.5%) YoY due to decrease net sales and lower gross profit margin, Takamatsu House continued to perform well, resulting in increase of 29.0% YoY. It was significantly increase of 35.1% YoY for group companies other than the core companies.



※Figures for individual companies include transactions between group companies.

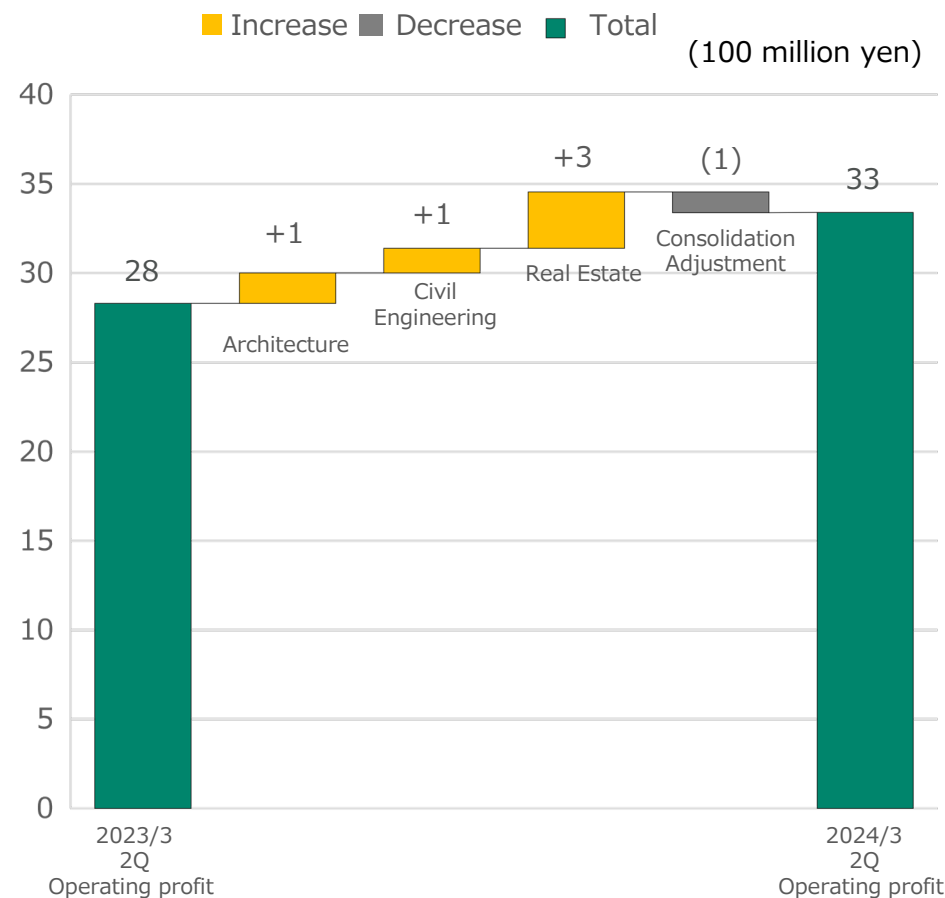
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Operating profit by segments

- ◆ Architecture was +14.8% YoY due to increase in operating profit of Takamatsu Corporation, despite decrease in operating profit of Asunaro Aoki Construction. Civil engineering was +5.5% YoY due to increase in operating profit of Asunaro Aoki Construction and Mirai Construction despite decrease in operating profit of Toko Geotech. Real estate was +21.1% YoY due to Takamatsu House continued to perform well.

(million yen)

By Segments	2021/3 2Q	2022/3 2Q	2023/3 2Q	2024/3 2Q
Architecture	1,803	72	1,159	1,330
Civil Engineering	2,997	3,110	2,529	2,667
Real Estate	683	1,935	1,499	1,815
Consolidation Adjustment	(1,885)	(1,989)	(2,357)	(2,474)
TCG group (Consolidated)	3,599	3,128	2,830	3,339



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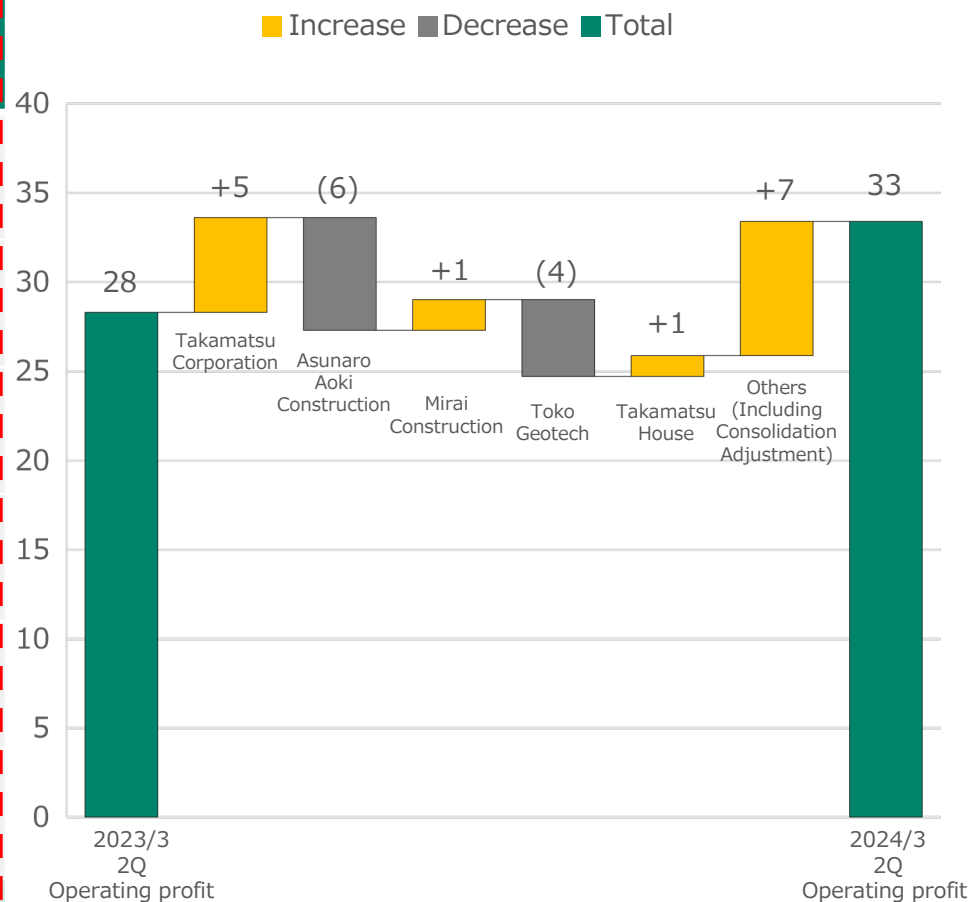
Operating profit by core operating companies

◆ Despite an increase in SG & A expenses, Takamatsu Corporation was +47.9% YoY due to increase in net sales and higher gross profit margin. Asunaro Aoki Construction's operating profit fell sharply by 60.2% YoY, due to lower gross profit margin and increase in SG & A expenses. Mirai Construction's operating profit increased significantly by approximately 4.6 times YoY due to the increase in net sales. Toko Geotech's operating profit fell sharply by 46.7% YoY, due to decrease in net sales and lower gross profit margin. Despite an increase in SG&A expenses, Takamatsu House maintained strong operating profit of +24.6% YoY due to increase in net sales and higher gross profit margin. Group companies other than the core companies narrowed its operating loss approximately 750 million yen.

By Operating Companies	2021/3 2Q	2022/3 2Q	2023/3 2Q	2024/3 2Q
Takamatsu Corporation (non-consolidated)	2,329	856	1,110	1,642
Asunaro Aoki Construction (non-consolidated)	41	339	1,051	418
Mirai Construction (non-consolidated)	221	199	48	220
Toko Geotech (non-consolidated)	962	1,133	922	491
Takamatsu House (non-consolidated)	(143)	303	478	596
Others (Including Consolidation Adjustment)	189	298	(779)	(28)
TCG group (Consolidated)	3,599	3,128	2,830	3,339

(million yen)

(100 million yen)



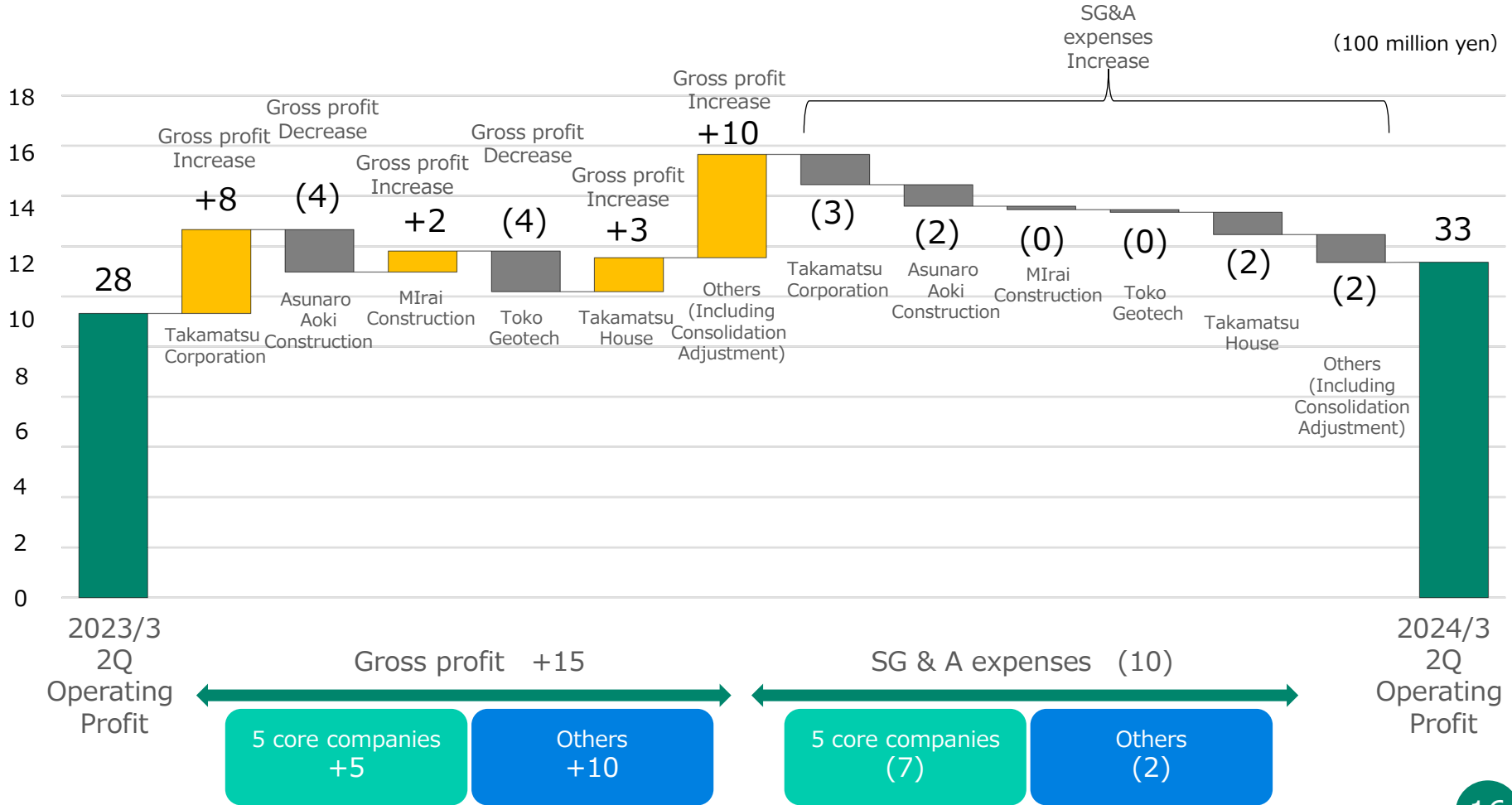
※Figures for individual companies include transactions between group companies.

Gross profit, SG&A expenses, Analysis of Changes in Operating Profit

■ Increase ■ Decrease ■ Total

- Gross profit increased approximately 1.5 billion yen YoY, mainly because gross profit increased at Takamatsu Corporation and the other core companies, which offset the decrease in gross profit from Asunaro Aoki Construction and Toko Geotech. SG&A expenses increased approximately 1 billion yen YoY, mainly due to an increase in personnel expenses at Takamatsu Corporation, Asunaro Aoki Construction and Takamatsu House, while overall operating profit increased approximately 0.5 billion yen YoY.

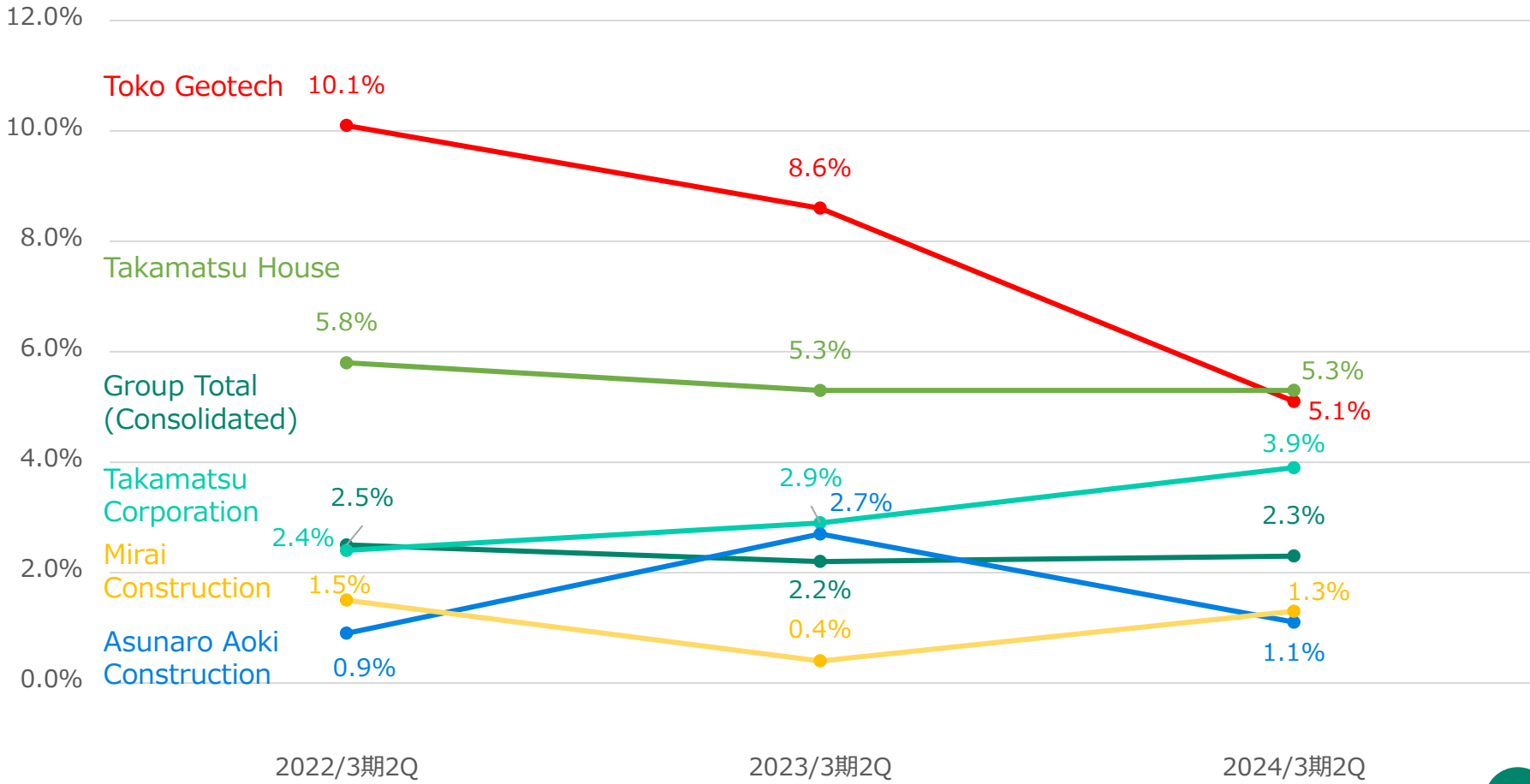
Analysis of Changes in Operating Profit



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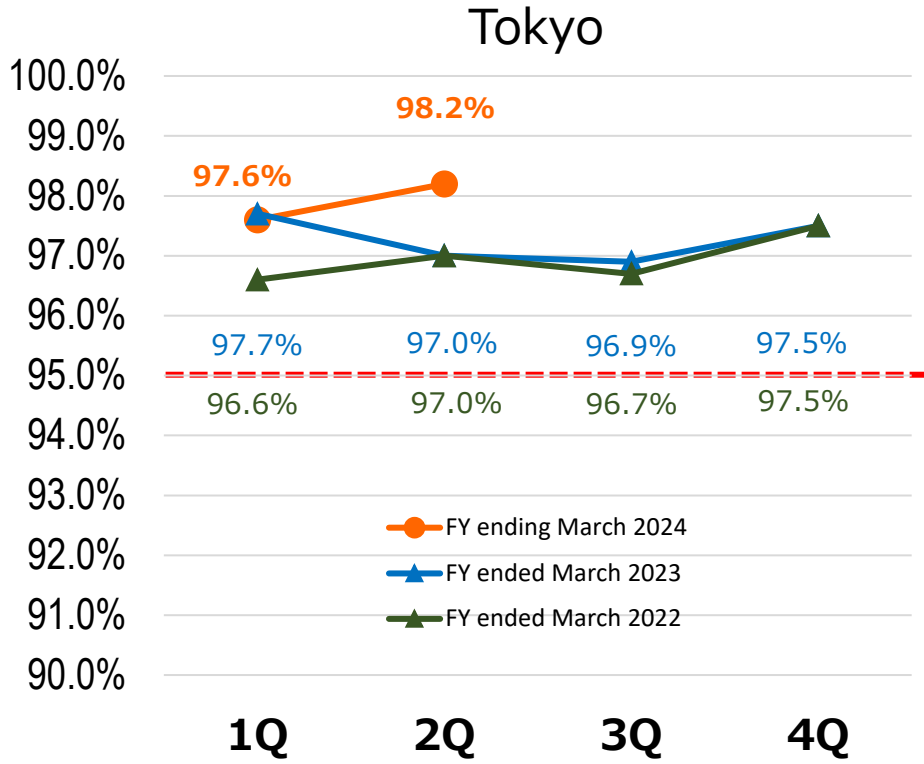
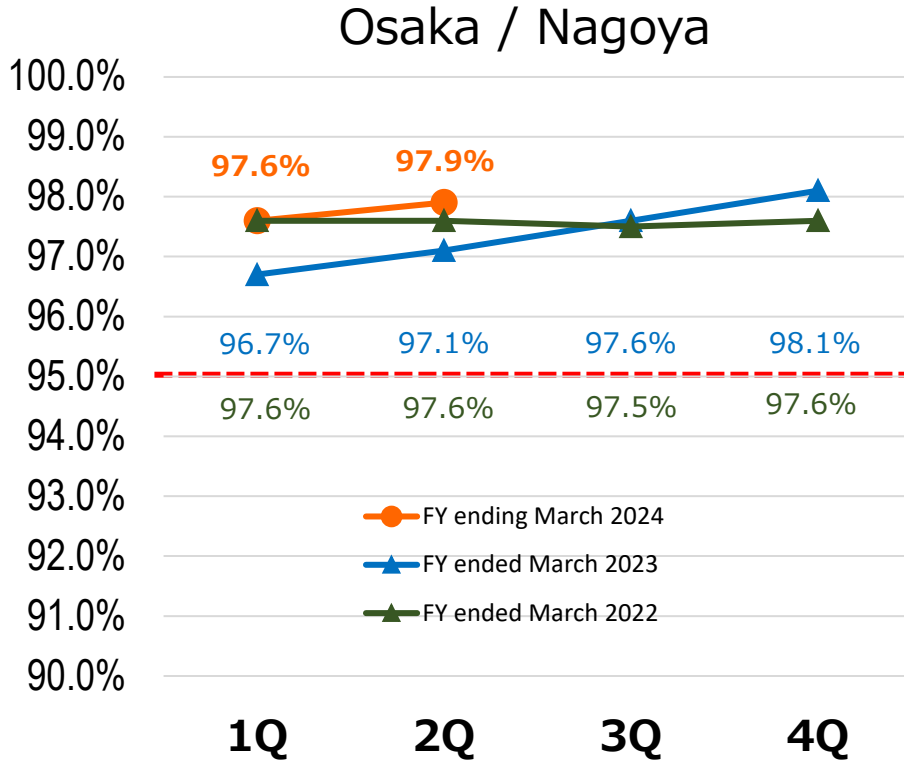
Operating profit ratio by Group Total (Consolidated) and the 5 core companies

- ◆ Gross profit margin for Takamatsu Corporation increased slightly by 0.4pt YoY and operating profit margin increased by 1pt YoY despite an increase in SG&A expenses, mainly personnel expenses, due to raising wage levels.
- ◆ Gross profit margin for Asunaro Aoki Construction was (1.2pt) YoY and operating profit margin was (1.6pt) YoY, mainly due to an increase in personnel expenses among SG&A expenses as a result of continued hiring and raising wage levels.
- ◆ Mirai Construction's gross profit margin was (1.3pt) YoY, despite personnel expenses mainly increased slightly among SG&A expenses, net sales increased and operating profit margin rose slightly by 0.9pt YoY. Takamatsu House's operating profit margin was flat YoY.
- ◆ Toko Geotech's gross profit margin fell sharply by 2.1pt YoY, and its operating profit margin also declined sharply by 3.5pt YoY.



Occupancy Rate of Properties Constructed by Takamatsu Corporation at Takamatsu Estate

◆ Occupancy rates of 95% or higher have been maintained for 2Q FY ending March 2024.



Definitions

“Osaka/Nagoya” : Osaka, Kyoto, Hyogo, and Nagoya

“Tokyo” : Tokyo, Kanagawa, Saitama, and Chiba

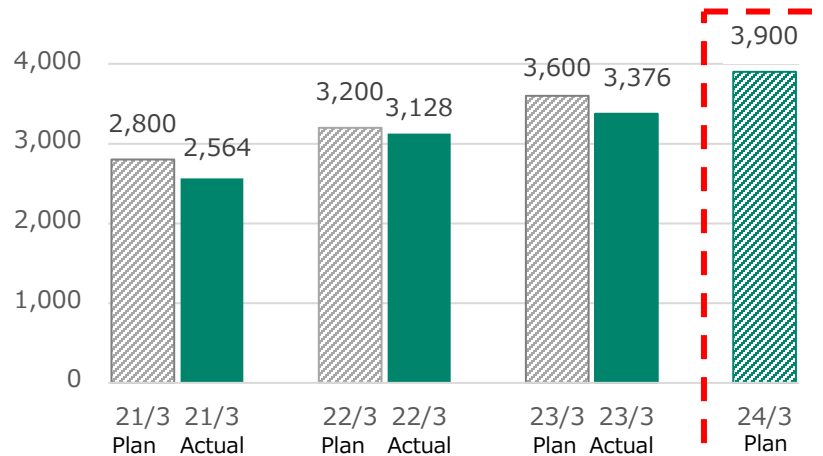
“Occupancy rate” : $\frac{\text{Number of properties constructed by Takamatsu Corporation managed by Takamatsu Estate that are occupied at the end of each quarter}}{\text{total number of properties constructed by Takamatsu Corporation managed by Takamatsu Estate at the end of each quarter}}$

Earnings Forecast & Dividend Forecast for FY ending March 2024

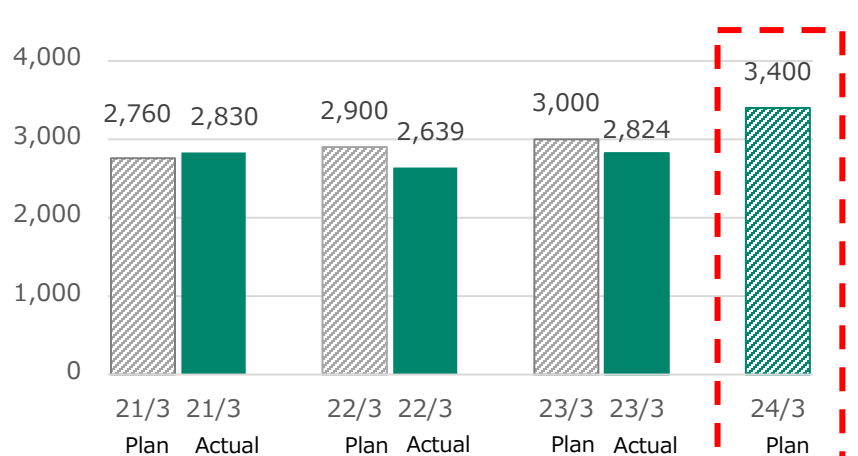
Earnings Forecast for FY ending March 2024

◆ For the FY ending March 2024 will be in line with the medium-term management plan. The full-year forecast remains unchanged.

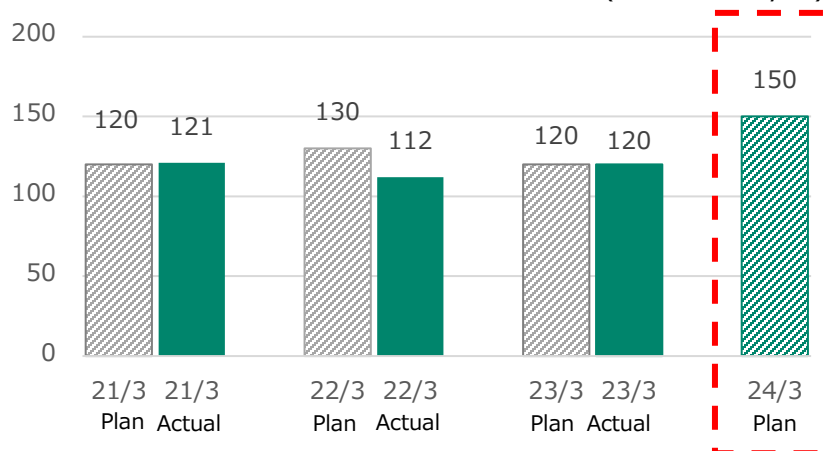
Orders received (100 million yen)



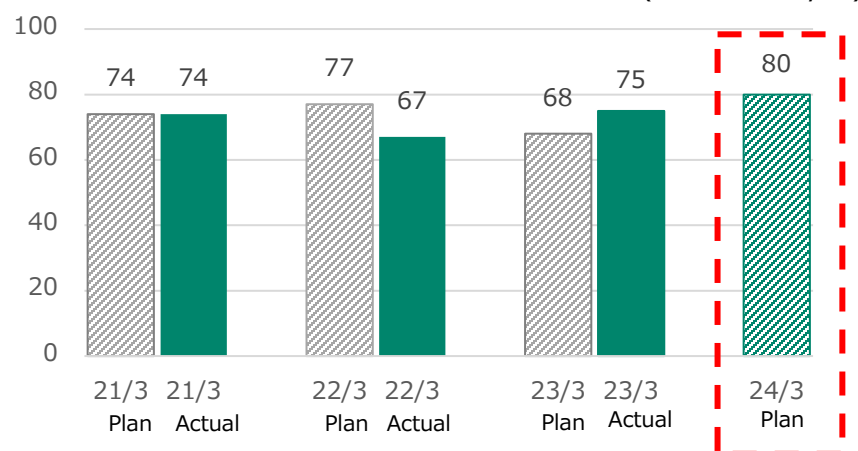
Net sales (100 million yen)



Operating profit (100 million yen)



Profit attributable to owners of parent (100 million yen)

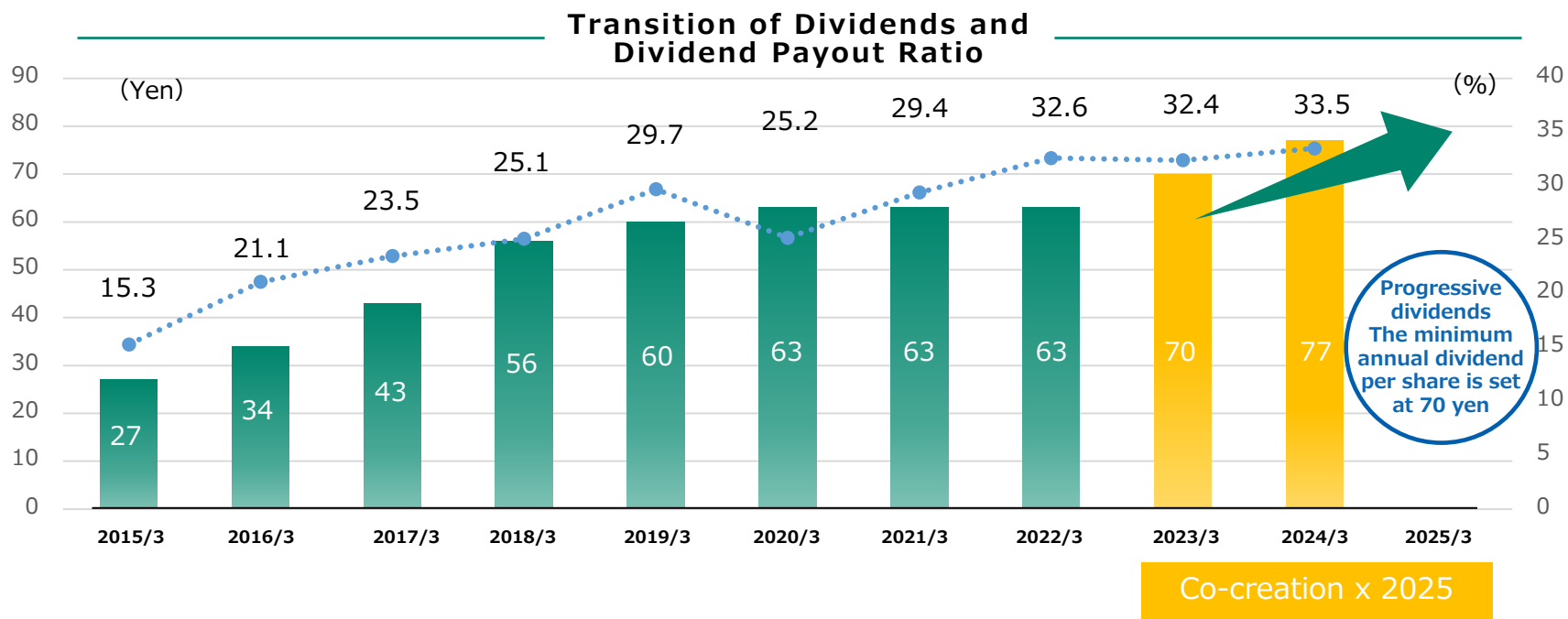


Points of Earnings Forecast for FY ending March 2024

<p>Summary of 2nd Quarter Results for the FY Ending March 2024</p>	<ul style="list-style-type: none"> • Orders and sales are progressing almost as planned, but operating income is below plan. • Despite the continued high prices of raw materials and equipment, and rising labor costs, sales and operating income are up YoY.
<p>Current business environment</p>	<ul style="list-style-type: none"> • Overall, prices of raw materials, equipment, and materials have remained high, but some raw materials have continued to rise. • Labor costs continue to rise, with some types of work experiencing a sharp increase. • Lead times for some equipment are lengthening, and there are also shortages of installation personnel at equipment suppliers. • There is a chronic shortage of construction personnel.
<p>Outlook for the current fiscal year, initiatives, etc.</p>	<ul style="list-style-type: none"> • In the construction segment, the market is expected to remain strong due to firm corporate willingness to make capital investments, but the environment for orders is becoming increasingly severe due to high raw material and equipment prices, soaring labor costs, and longer lead times for equipment procurement. • In the rental condominium market, the market is expected to remain firm, but construction costs are rising due to soaring prices of raw materials, materials and equipment, and labor costs, making it necessary to be selective about orders in order to secure profits. • In the real estate segment, housing prices are on an upward trend due to rising fixed interest rates on mortgage loans and soaring prices of construction materials and equipment, and the business environment is likely to slow down in the second half of the year. • Raw material and equipment prices remain high, and labor costs continue to rise. While the price indexing system will be applied to public works projects in some cases, there are cases in which private-sector construction orders are affected by price hikes but are not passed on to the client, which is expected to put pressure on profits in the second half of the fiscal year.

Earnings Forecast & Dividend Forecast for FY ended March 2024

- ◆ The basic policy is to pay progressive dividends during the target years of the medium-term management plan “Co-creation x 2025” (fiscal year ended March 2023 to fiscal year ending March 2025). The minimum annual dividend per share is set at 70 yen. Profit returns will be linked to business performance.
- ◆ We have decided to increase the dividend by 7 yen from the forecast of 63 yen per share to 70 yen per share for the fiscal year ended March 31, 2023.
- ◆ The dividend for the fiscal year ending March 2024 is planned to be 77 yen per share, an increase of 7 yen from the dividend for the fiscal year ended March 2023.



Reduction of Cross-shareholdings

- ◆ Takamatsu Construction Group sold all of its Cross-shareholdings in FY 2022.
- ◆ As for Asunaro Aoki Construction, the company with the largest balance sheet carrying amount of investment shareholdings (investment shareholdings carrying amount) among consolidated subsidiaries, approximately 3.2 billion yen in book value as of March 31, 2023, which is about 1.4% of consolidated net assets.
- ◆ In other group companies, approximately 1.1 billion yen in book value as of March 31, 2023, which is approximately 0.5% of consolidated net assets.
- ◆ The Board of Directors reviews the appropriateness of holding these shareholdings every fiscal year, taking into consideration the nature of transactions with business partners, the scale of the transactions, and the length of time the transactions have been in place, among other factors.

Takamatsu Construction Group

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