

Summary of Consolidated Financial Results

For the First Quarter of Fiscal Year Ending March 31, 2021 [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: August 06, 2020
 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 2021 (April 1, 2020 – June 30, 2020)

(1) Consolidated result of operations (Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net earnings attributable to controlling interest	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First quarter ended June 2020	66,123	10.6	1,407	6.4	1,384	2.7	610	44.5
First quarter ended June 2019	59,810	10.4	1,322	47.7	1,348	45.5	422	(8.9)

Note: Comprehensive income: First quarter of FYMar.2021: 803 million yen, 94.0% vs. last year First quarter of FYMar.2020: 414million yen, (28.6%) vs. last year

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
First quarter ended June 2020	17.55	—
First quarter ended June 2019	12.14	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2020	201,607	109,546	54.3
As of March 31, 2020	211,431	110,139	52.1

(Reference) Shareholders' equity: As of June 30, 2020: 109,514 million yen As of March 31, 2020: 110,104 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
FY3/20	—	23.00	—	40.00	63.00
FY3/21	—				
FY3/21 (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, 2021 (April 1, 2020 – March 31, 2021)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net earnings attributable to controlling interest		Net earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	133,000	2.8	3,200	(43.7)	3,000	(44.2)	1,500	(40.0)	43.08
Full year	276,000	(2.3)	12,000	(18.5)	11,800	(17.8)	7,400	(14.9)	212.53

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: No

(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, 2020:	38,880,000	As of March 31, 2020:	38,880,000
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(b) Treasury shares

As of June 30, 2020:	4,061,340	As of March 31, 2020:	4,061,303
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(c) Average number of shares (quarterly cumulative period)

Period ended June 30, 2020:	34,818,673	Period ended June 30, 2019:	34,818,697
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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. Results of Operations

(1) Overview of business performance

We would like to express our sincere condolences to the victims of the spread of the new coronavirus infection and to the people who have died as a result of the spread of the disease. Our sympathies go out to all those still living in isolation in hospitals and accommodation and their families. Also, to those healthcare professionals who are confronting the risk of infection without considering the risk of their own infection, we would like to express our gratitude for your kind attention. We would like to express our sincere condolences to the people who have been affected by the torrential rains of July 2020.

During the first quarter of the fiscal year that will end in March 2021, the overall Japanese economy was impacted by the spread of the new coronavirus infection, which led to a decline in personal consumption and corporate activity.

The economic situation was extremely difficult due to the rapid deterioration of the economy caused by the significant restriction of movement in the market. As for the future, we are required to raise the level of socio-economic activities in a step-by-step manner while taking measures to prevent the spread of infection. The situation is expected to continue to be extremely severe due to concerns about the further spread of infectious diseases.

In the construction industry, the spread of the new coronavirus since March of this year and some construction work was suspended due to the government's declaration of a state of emergency on April 7, 2020 and requests to refrain from going out of house for unnecessary. The Company group is committed to ensuring the safety of its employees, subcontractors' employees and construction workers, and third parties. However, this partial suspension of construction work had a minimal impact on earnings. In addition, due to the instability in the Chinese supply chain that began at the end of February, some architectural construction we had been taking steps to minimize the impact of delays in the delivery of equipment and other matters on construction work.

Under these circumstances, projects ordered by the public sector remained solid, despite some minor delays in orders. The company group refrained from visiting new private customers, and for those customers with whom it has been doing business with on an ongoing basis, business was conducted over the Internet or by telephone. In addition, our corporate customers are also experiencing a slowdown in orders due to an increase in working remotely and other forms of telecommuting, as well as due to the postponement of the order placement period for the economic downturn.

Against this backdrop, orders received during the 1Q of the fiscal year under review were 42,995 million yen, down 43.3% from the same period of the previous fiscal year. However, sales increased for the 9-consecutive year, reaching 66,123 million yen, up 10.6% from the same period of the previous year by due to progress in construction carried over from the previous year this is the 8-consecutive year of record highs.

Operating income was 1,407 million yen (+6.4% vs. previous Q1), and ordinary income was 1,384 million yen (+2.7% vs. previous Q1). Net income attributable to owners of parent was up 2.7%, net income attributable to non-controlling interests decreased due to the acquisition of Asunaro Aoki Construction Co., Ltd. as a result, 610 million Yen, up 44.5% from the same period of the previous year.

Segment income is adjusted with operating income on the quarterly consolidated income statement. Adjustments of segment profit are general administrative expenses of -876 million yen and other adjustments of -54 million yen that do not belong to any reporting segment.

(Architecture)

Orders received decreased by 60.0% to 15,496 million yen, net sales increased by 16.8 % to 35,763 million yen and the segment operating profit decreased by 1.4 % to 923 million yen.

(Civil engineering)

Orders received decreased by 30.6 % to 22,339 million yen, net sales increased by 3.9 % to 25,200 million yen and the segment operating profit decreased by 0.0 % to 1,171 million yen.

(Real estate)

Sales from real estate transactions, leasing and other operations increased by 4.9 % to 5,159 million yen and the segment operating profit decreased by 21.8 % to 243 million yen.

(2) Overview of financial condition

(Assets)

Assets totaled 201,607 million yen at the end of the first quarter, 9,824 million yen less than the end of the previous fiscal year.

This was mainly due to an increase of 9,091 million yen in real estate for sale, but a decrease of 10,931 million yen in notes receivable, accounts receivable from completed construction contracts and other receivables, and a decrease of 7,165 million yen in cash and deposits.

(Liabilities)

Liabilities decreased by 9,231 million yen to 92,060 million yen. The main reason for this is that accounts payable for construction contracts decreased by 5,841 million yen and income taxes payable decreased by 2,928 million yen.

(Net assets)

Net assets decreased by 592 million yen to 109,546 million yen. The primary reasons were Q1 net earning of 610 million yen offset by decrease of retained earnings of 781 million yen caused by dividend payment of 1,392 million yen. As the result, net assets after deducting non-controlling interests was 109,514 million yen with the equity ratio of 54.3 %, 2.2 percentage point higher than the end of the previous fiscal year.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2020 (As of March 31, 2020)	First quarter ended June 2020 (As of June 30, 2020)
ASSETS		
Current assets		
Cash and deposits	71,730	64,565
Notes receivable, accounts receivable from completed construction contracts and other	74,320	63,389
Real estate for sale	7,412	16,503
Costs on uncompleted construction contracts	2,275	2,488
Costs on real estate business	2,359	1,509
Accounts receivable	4,976	4,109
Other	1,643	1,954
Allowance for doubtful accounts	(115)	(85)
Total current assets	164,602	154,435
Noncurrent assets		
Tangible Assets		
Buildings and structures, net	5,566	5,558
Machinery, vehicles, tools, furniture and fixtures, net	1,343	1,390
Vessels, net	880	864
Land	24,014	24,013
Lease assets, net	183	186
Construction in progress	694	758
Total Tangible assets	32,681	32,770
Intangible assets		
Goodwill	2,069	2,007
Other	642	636
Total Intangible assets	2,711	2,644
Investments and other assets		
Investment securities	4,623	4,730
Deferred tax assets	4,362	4,580
Other	2,671	2,667
Allowance for doubtful accounts	(223)	(222)
Total investments and other assets	11,434	11,757
Total noncurrent assets	46,828	47,172
Total assets	211,431	201,607

(Million yen)

	Fiscal year ended March 2020 (As of March 31, 2020)	First quarter ended June 2020 (As of June 30, 2020)
LIABILITIES		
Current liabilities		
Accounts payable for construction contracts	33,634	27,792
Short-term borrowings	16,300	15,000
Income taxes payable	3,732	804
Advances received on uncompleted construction contracts	21,484	21,694
Provision for warranties for completed construction	489	523
Provision for loss on construction contracts	29	25
Provision for bonuses	3,656	5,306
Other	8,687	7,765
Total current liabilities	88,013	78,913
Noncurrent liabilities		
Deferred tax liabilities for land revaluation	256	256
Deferred tax liabilities	4	4
Provision for special repairs of vessels	70	56
Retirement allowances	11,286	11,197
Other	1,660	1,630
Total noncurrent liabilities	13,279	13,146
Total liabilities	101,292	92,060
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	797	797
Retained earnings	113,567	112,786
Treasury shares	(7,483)	(7,483)
Total shareholders' equity	111,881	111,099
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	208	373
Revaluation reserve for land	(1,266)	(1,266)
Foreign currency translation adjustment	(21)	(36)
Remeasurements of retirement allowance plans	(697)	(654)
Total accumulated other comprehensive income	(1,777)	(1,585)
Non-controlling interests	34	32
Total net assets	110,139	109,546
Total liabilities and net assets	211,431	201,607

(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, 2021 (April 1, 2020—June 30, 2020)

(Million yen)

	First quarter ended June, 2019 (April 1, 2019-June 30, 2019)	First quarter ended June, 2020 (April 1, 2020-June 30, 2020)
Net sales		
Net sales of completed construction contracts	54,892	60,963
Sales on real estate business	4,917	5,159
Total net sales	59,810	66,123
Cost of sales		
Cost of sales of completed construction contracts	48,188	53,773
Cost of sales on real estate business	4,195	4,469
Total cost of sales	52,384	58,242
Gross profit		
Gross profit on completed construction contracts	6,704	7,190
Gross profit-real estate business	722	690
Total gross profit	7,426	7,881
Selling, general and administrative expenses	6,103	6,473
Operating income	1,322	1,407
Non-operating income		
Interest income	0	0
Dividend income	46	56
Rental income	19	27
Other	16	17
Total non-operating income	83	101
Non-operating expenses		
Interest expense	49	57
Taxes and dues	—	33
Other	7	33
Total non-operating expenses	57	123
Ordinary income	1,348	1,384
Extraordinary income		
Gain on sales of fixed assets	1	0
Insurance claim income	10	—
Total extraordinary income	12	0
Extraordinary losses		
Loss on valuation of investment securities	89	100
Other	43	0
Total extraordinary losses	132	100
Income before income taxes	1,228	1,285
Income taxes-current	1,085	940
Income taxes-deferred	(372)	(266)
Total income taxes	713	673
Net earnings	514	611
Net earnings attributable to non-controlling interests	92	0
Net earnings attributable to controlling interest	422	610

Quarterly consolidated statement of comprehensive income
For the first quarter of fiscal year ending March 31, 2021 (April 1, 2020– June 30, 2020)

(Million yen)

	First quarter ended June,2019 (April 1, 2019-June 30, 2019)	First quarter ended June,2020 (April 1, 2020-June 30, 2020)
Net earnings	514	611
Other comprehensive income		
Valuation difference on available-for-sale securities	(130)	164
Foreign currency translation adjustment	(0)	(15)
Remeasurements of retirement allowance plans	30	42
Total other comprehensive income	(100)	192
Comprehensive income	414	803
(This splits into...)		
Comprehensive income attributable to controlling interest	345	803
Comprehensive income attributable to non-controlling interests	69	0

- (3) Notes to consolidated financial statements
 (Going concern assumptions)
 None
- (Significant change in shareholders' equity)
 None

3. Additional Information

Orders Received and Net Sales (Consolidated)

(Million yen, %)

		First quarter FY3/20		First quarter FY3/21		Changes	
		(Apr. 1, 2019-Jun. 30,2019)		(Apr. 1, 2020-Jun. 30,2020)			
		Amount	Share	Amount	Share	Amount	%
Orders received	Architecture	38,724	51.1	15,496	36.0	(23,227)	(60.0)
	Civil engineering	32,179	42.4	22,339	52.0	(9,840)	(30.6)
	Total construction	70,904	93.5	37,836	88.0	(33,068)	(46.6)
	Real estate	4,917	6.5	5,159	12.0	242	4.9
	Total	75,822	100.0	42,995	100.0	(32,826)	(43.3)
Net sales	Architecture	30,630	51.2	35,763	54.1	5,132	16.8
	Civil engineering	24,261	40.6	25,200	38.1	938	3.9
	Total construction	54,892	91.8	60,963	92.2	6,071	11.1
	Real estate	4,917	8.2	5,159	7.8	242	4.9
	Total	59,810	100.0	66,123	100.0	6,313	10.6