



Summary of Consolidated Financial Results

For the Third 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: February 12, 2021
 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 2021 (April 1, 2020 – December 31, 2020)

(1) Consolidated result of operations(year-to-date) (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	%
Third quarter ended December 2020	209,788	5.0	8,085	(22.8)	8,116	(20.2)	4,807	(15.7)
Third quarter ended December 2019	199,823	14.3	10,473	75.6	10,173	69.8	5,703	77.7

Note: Comprehensive income: Third quarter of FYMar.2021: 4,943million yen, (18.9%) Third quarter of FYMar.2020: 6,094million yen, 76.8%

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Third quarter ended December 2020	138.08	—
Third quarter ended December 2019	163.81	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2020	198,798	112,885	56.8
As of March 31, 2020	211,431	110,139	52.1

(Reference) Shareholders' equity: As of December 31, 2020:112,849 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	—	23.00	—		
FY3/21 (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, 2021 (April 1, 2020 – March 31, 2021)

(Percentage figures represent year on year changes)

	Orders received		Net sales		Operating income		Ordinary income		Net earnings attributable to controlling interest		Net earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	280,000	(5.6)	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 December 31, 2020: 38,880,000 As of March 31, 2020: 38,880,000
(b) Treasury shares
As of December 31, 2020: 4,061,341 As of March 31, 2020: 4,061,303
(c) Average number of shares (quarterly cumulative period)
Period ended December 31, 2020: 34,818,665 Period ended December 31, 2019: 34,818,697

* 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

During third quarter of the current fiscal year under review, the Japanese economy was in a severe situation due to the impact of COVID-19, but there were some signs of recovery after the declaration of the state of emergency was lifted. However, the infection with COVID-19 in Japan has been re-spreading since the end of the third quarter of the current fiscal year, and the outlook remains uncertain. In the construction sector, public construction investment had been relatively strong, but private sector construction investment had been weak due to a decline in investment sentiment caused by deteriorating corporate earnings and other factors.

Under these circumstances, TCG Group Companies have been paying close attention to the prevention of infection by ensuring social distance, thorough disinfection, temperature measurement by employees, wearing masks, hand washing, in order to ensure the safety of the lives and bodies of employees, contractors, construction technicians, and a third party. In addition, we conduct business negotiations with new customers via the Internet and telephone, as well as in person with thorough infection control measures to ensure safety.

Under these conditions, orders received during third quarter of the current fiscal year decreased by 17.2% YoY to 169,873 million yen, a significant improvement from the 29.9% decrease recorded in the first half of the current fiscal year. This was due to relatively strong orders for architecture from government agencies and a review of our sales activity structure in response to the COVID-19 pandemic. Net sales were 209,788 million yen (+5.0% vs. previous Q3) due to steady progress in construction work on hand.

As for profits, operating income was 8,085 million yen ($\triangle 22.8\%$ vs. previous Q3), ordinary income was 8,116 million yen ($\triangle 20.2\%$ vs. previous Q3), and net earnings attributable to controlling interest was 4,807 million yen ($\triangle 15.7\%$ vs. previous Q3) because of low profitability in architectural construction.

Results by segment are as follows.

Segment income is adjusted with operating income in the quarterly consolidated statements of income. Adjustment of segment income was $\triangle 2,679$ million yen for general and administrative expenses, etc., not belonging to each reportable segment, and $\triangle 174$ million yen for other adjustments.

(Architecture)

Orders received were 83,358 million yen ($\triangle 25.0\%$ vs. previous Q3) and net sales of completed construction contracts were 107,652 million yen (+0.6% vs. previous Q3). Segment income was 4,119 million yen, down 35.4% from the same period of the previous year, due to large unprofitable construction projects.

(Civil Engineering)

Orders received were 67,011 million yen ($\triangle 12.7\%$ vs. previous Q3) and net sales of completed construction contracts were 82,633 million yen (+9.4% vs. previous Q3), with segment income of 5,708 million yen ($\triangle 3.8\%$ vs. previous Q3).

(Real Estate)

Net sales from the sale and rental of real estate were 19,503 million yen (+12.7% vs. previous Q3), and segment income was 1,112 million yen (+4.3% vs. previous Q3).

(2) Overview of financial condition

(Assets)

Total assets at the end of the third quarter of the current fiscal year were 198,798 million yen, a decrease of 12,632 million yen compared to the end of the previous fiscal year.

The main reason for this was a decrease of 21,180 million yen in cash and deposits, despite an increase of 8,775 million yen in real estate for sale.

(Liabilities)

Liabilities decreased by 15,379 million yen compared to the end of the previous fiscal year to 85,913 million yen.

This was mainly due to decreases in accounts payable for construction contracts by 5,849 million yen, advances received on uncompleted construction contracts by 5,821 million yen, and income taxes payable by 2,854 million yen.

(Net Assets)

Net assets increased by 2,746 million yen compared to the end of the previous fiscal year to 112,885 million yen.

The main factor was an increase of 2,614 million yen in retained earnings due to the recording of 4,807 million yen in net profit attributable to owners of the parent and the payment of 2,193 million yen in dividend income.

As a result of the above, the amount of shareholders' equity, which is net profit attributable to non-controlling interests, is 112,849 million yen. The shareholders' equity ratio increased by 4.7

percentage points from the end of the previous fiscal year to 56.8%.

(3) Explanation Regarding the Forecasts for the Consolidated Financial Results

There is no change to the full-year consolidated earnings forecast announced on November 11, 2020.

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)	Third quarter ended December 2020 (As of December 31, 2020)
ASSETS		
Current assets		
Cash and deposits	71,730	50,550
Notes receivable, accounts receivable from completed construction contracts and other	74,320	72,396
Real estate for sale	7,412	16,187
Costs on uncompleted construction contracts	2,275	2,168
Costs on real estate business	2,359	2,105
Accounts receivable	4,976	4,727
Other	1,643	2,302
Allowance for doubtful accounts	(115)	(104)
Total current assets	164,602	150,332
Noncurrent assets		
Tangible Assets		
Buildings and structures, net	5,566	5,575
Machinery, vehicles, tools, furniture and fixtures, net	1,343	1,408
Vessels, net	880	833
Land	24,014	24,759
Lease assets, net	183	191
Construction in progress	694	832
Total Tangible assets	32,681	33,601
Intangible assets		
Goodwill	2,069	1,884
Other	642	653
Total Intangible assets	2,711	2,537
Investments and other assets		
Investment securities	4,623	6,043
Deferred tax assets	4,362	3,728
Other	2,671	2,770
Allowance for doubtful accounts	(223)	(215)
Total investments and other assets	11,434	12,326
Total noncurrent assets	46,828	48,465
Total assets	211,431	198,798

(Million yen)

	Fiscal year ended March 2020 (As of March 31, 2020)	Third quarter ended December 2020 (As of December 31, 2020)
LIABILITIES		
Current liabilities		
Accounts payable for construction contracts	33,634	27,785
Short-term borrowings	16,300	18,700
Income taxes payable	3,732	877
Advances received on uncompleted construction contracts	21,484	15,662
Provision for warranties for completed construction	489	552
Provision for loss on construction contracts	29	—
Provision for bonuses	3,656	1,750
Other	8,687	7,319
Total current liabilities	88,013	72,648
Noncurrent liabilities		
Deferred tax liabilities for land revaluation	256	256
Deferred tax liabilities	4	4
Provision for special repairs of vessels	70	72
Retirement allowances	11,286	11,278
Other	1,660	1,652
Total noncurrent liabilities	13,279	13,264
Total liabilities	101,292	85,913
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	797	797
Retained earnings	113,567	116,181
Treasury shares	(7,483)	(7,483)
Total shareholders' equity	111,881	114,495
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	208	335
Revaluation reserve for land	(1,266)	(1,266)
Foreign currency translation adjustment	(21)	(132)
Remeasurements of retirement allowance plans	(697)	(582)
Total accumulated other comprehensive income	(1,777)	(1,646)
Non-controlling interests	34	35
Total net assets	110,139	112,885
Total liabilities and net assets	211,431	198,798

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income

Quarterly consolidated statement of income

For the third quarter of fiscal year ending March 31, 2021 (April 1, 2020 – December 31, 2020)

(Million yen)

	Third quarter ended December 2019 (April 1, 2019- December 31, 2019)	Third quarter ended December 2020 (April 1, 2020- December 31, 2020)
Net sales		
Net sales of completed construction contracts	182,516	190,285
Sales on real estate business	17,306	19,503
Total net sales	199,823	209,788
Cost of sales		
Cost of sales of completed construction contracts	156,030	165,399
Cost of sales on real estate business	14,807	16,952
Total cost of sales	170,838	182,352
Gross profit		
Gross profit on completed construction contracts	26,486	24,885
Gross profit-real estate business	2,498	2,550
Total gross profit	28,985	27,436
Selling, general and administrative expenses	18,511	19,350
Operating income	10,473	8,085
Non-operating income		
Interest income	0	0
Dividend income	86	94
Rental income	55	75
Subsidy income	—	69
Other	52	65
Total non-operating income	195	305
Non-operating expenses		
Interest expense	129	153
Other	366	120
Total non-operating expenses	496	273
Ordinary income	10,173	8,116
Extraordinary income		
Gain on sales of non-current assets	72	1
Gain on sales of investment securities	22	—
Insurance claim income	34	—
Other	—	0
Total extraordinary income	129	2
Extraordinary losses		
Loss on valuation of investment securities	87	100
Loss on retirement of non-current assets	41	85
Loss on evaluation of inventories	305	—
Other	81	19
Total extraordinary losses	515	205
Income before income taxes	9,786	7,913
Income taxes-current	3,415	2,518
Income taxes-deferred	389	583
Total income taxes	3,804	3,101
Net earnings	5,982	4,812
Net earnings attributable to non-controlling interests	278	4
Net earnings attributable to controlling interest	5,703	4,807

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

(Million yen)

	Third quarter ended December 2019 (April 1, 2019- December 31, 2019)	Third quarter ended December 2020 (April 1, 2020- December 31, 2020)
Net earnings	5,982	4,812
Other comprehensive income		
Valuation difference on available-for-sale securities	83	126
Foreign currency translation adjustment	(61)	(111)
Remeasurements of retirement allowance plans	89	115
Total other comprehensive income	112	131
Comprehensive income	6,094	4,943
(This splits into...)		
Comprehensive income attributable to controlling interest	5,814	4,938
Comprehensive income attributable to non-controlling interests	279	4

- (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, %)

		Third quarter FY3/20		Third quarter FY3/21		Changes	
		(Apr. 1, 2019-Dec. 31,2019)		(Apr. 1, 2020-Dec. 31,2020)			
		Amount	Share	Amount	Share	Amount	%
Orders received	Architecture	111,078	54.2	83,358	49.1	(27,720)	(25.0)
	Civil engineering	76,746	37.4	67,011	39.4	(9,734)	(12.7)
	Total construction	187,824	91.6	150,369	88.5	(37,454)	(19.9)
	Real estate	17,306	8.4	19,503	11.5	2,196	12.7
	Total	205,131	100.0	169,873	100.0	(35,258)	(17.2)
Net sales	Architecture	107,012	53.5	107,652	51.3	640	0.6
	Civil engineering	75,504	37.8	82,633	39.4	7,128	9.4
	Total construction	182,516	91.3	190,285	90.7	7,768	4.3
	Real estate	17,306	8.7	19,503	9.3	2,196	12.7
	Total	199,823	100.0	209,788	100.0	9,965	5.0