

【IR Material】
Supplementary Material on the
Consolidated Financial Results for the Six
Months Ended September 30, 2023

YAHAGI CONSTRUCTION CO., LTD.

Code no.: 1870

**(Listed on Prime Section of Tokyo Stock Exchange and
Premiere Section of Nagoya Stock Exchange)**

Financial Results for the Six Months Ended September 30, 2023

Financial Results for the Six Months Ended September 30, 2023 Highlights

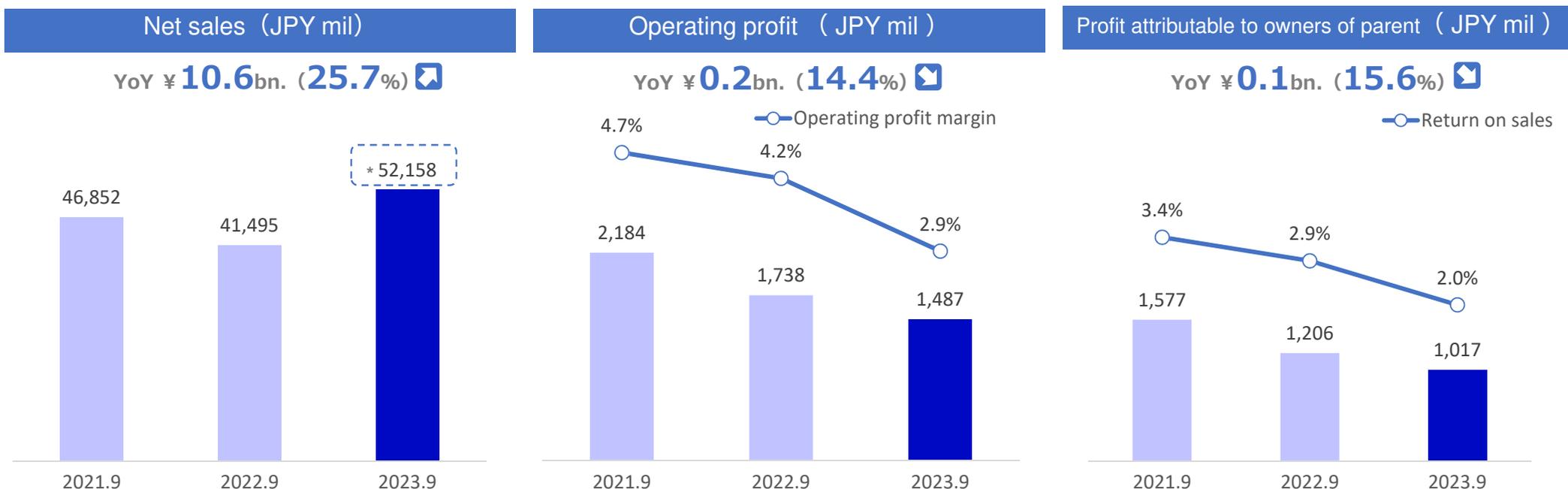


■ Net sales

Net sales reached ¥52.1 billion, increased by ¥10.6 billion year on year, setting a new record high for the first half.

■ Profit

Although gross profit increased, selling, general and administrative expenses increased due to higher personnel expenses, mainly caused by raises in employee salaries and bonuses, higher expenses associated with increased business activities, and other factors. As a result, profit declined at each profit level from operating profit and below.



YoY ¥10.6bn. (25.7%)

YoY ¥0.2bn. (14.4%)

YoY ¥0.1bn. (15.6%)

* Net sales marked a record high.

Financial Results for the Six Months Ended September 30,2023



	Six months ended Sept.30,2021 Actual	Six months ended Sept.30,2022 Actual	Six months ended Sept.30,2023 Actual	(Millions of Yen)	
				Year on year	
				Increase/ decrease	Change
Net sales	46,852	41,495	52,158	10,662	25.7%
Net sales of completed construction contracts	42,614	35,715	45,728	10,012	28.0%
Net sales in real estate business and other	4,237	5,779	6,429	649	11.2%
Gross profit	6,013	5,995	6,377	381	6.4%
<i>(Gross profit margin)</i>	12.8%	14.4%	12.2%		▲2.2pt
Gross profit on completed construction contracts	4,603	4,003	4,558	555	13.9%
Gross profit on real estate business and other	1,410	1,992	1,819	▲173	▲8.7%
Selling, general, and administrative expenses	3,829	4,257	4,889	632	14.8%
Operating profit	2,184	1,738	1,487	▲250	▲14.4%
<i>(Operating profit margin)</i>	4.7%	4.2%	2.9%		▲1.3pt
Ordinary profit	2,211	1,775	1,564	▲210	▲11.9%
<i>(Ordinary profit margin)</i>	4.7%	4.3%	3.0%		▲1.3pt
Profit attributable to owners of parent	1,577	1,206	1,017	▲188	▲15.6%
<i>(Return on sales)</i>	3.4%	2.9%	2.0%		▲0.9pt

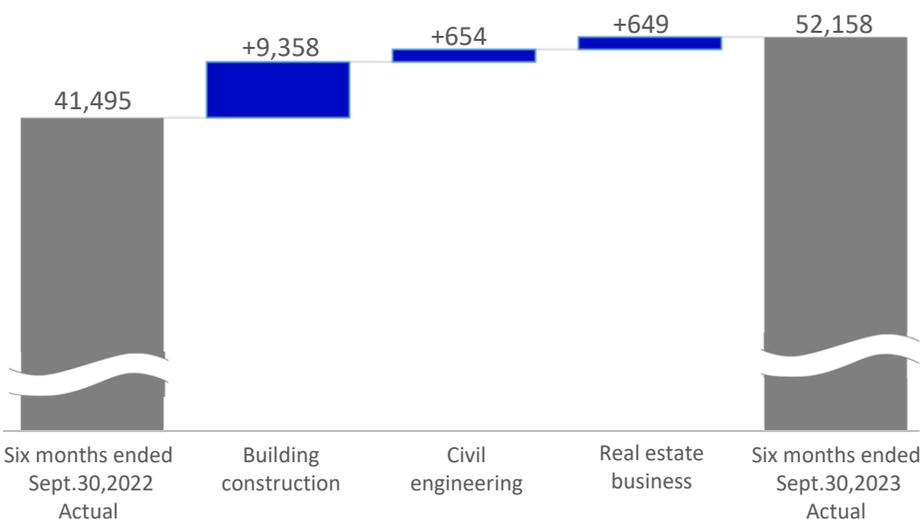
Factors for increase or decrease in net sales/operating profit (vs results for the first six months ended September 30, 2022)



- **Net sales** . . . Increased by ¥10.6 billion year on year, setting a new record high for the first half.
 Construction business : Net sales increased by ¥10.0 billion year on year due to the progress in construction mainly in large building construction projects for which orders were received in or before the previous fiscal year.
 Real estate business : Net sales increased ¥0.6 billion year on year due to the growth in revenue in the condominiums for sale business.
- **Profit** . . . Operating profit by decreased ¥0.2 billion year on year.
 Construction business : Profit increased by ¥0.5 billion year on year due to a significant profitability improvement effect from the approval for a change that is a substantial increase in amount at the time of completion of a large civil engineering project.
 Real estate business : Profit decreased by ¥0.1 billion year on year as there was no sale, during this first six-month period, of self-developed land for industrial use that was sold in the previous fiscal year, despite the positive effect from increased revenue in the condominiums for sale business.
 S&GA : Expenses increased by ¥0.6 billion year on year due to higher personnel expenses mainly caused by raises in employee salaries and bonuses, higher expenses associated with increased business activities, and other factors.

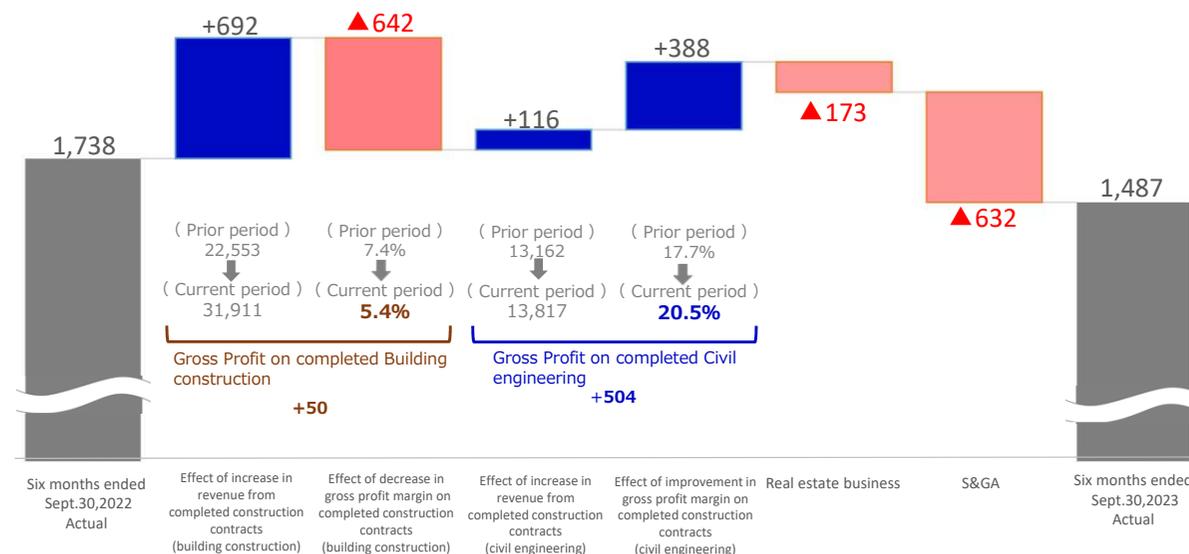
Net sales (JPY mil)

YoY ¥ **10,662** mil.



Operating profit (JPY mil)

YoY ¥ **250** mil.



Comparison with financial forecasts



(Millions of Yen)

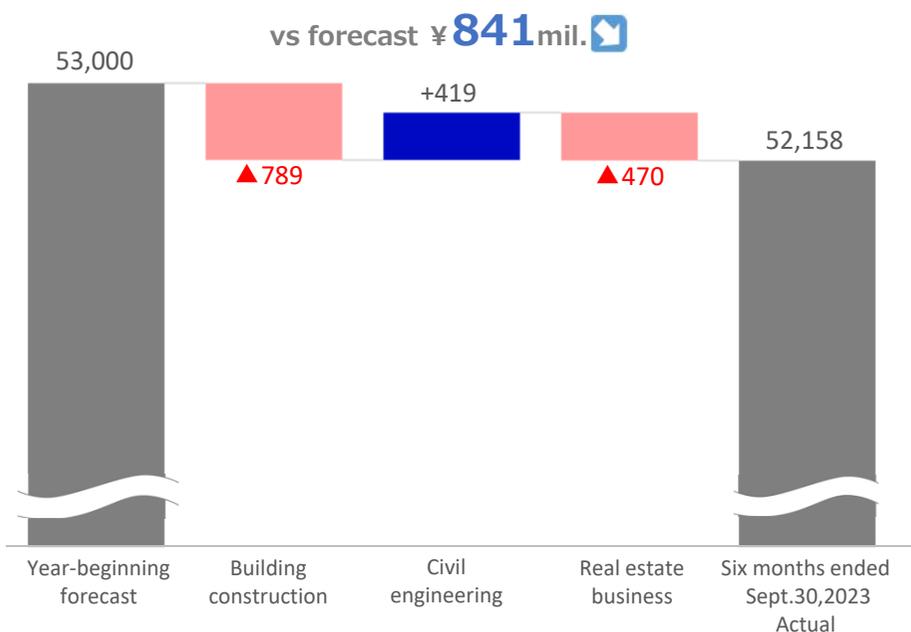
	Six months ended Sept.30.2023 Forecast	Six months ended Sept.30.2023 Actual	vs forecasts	
			Increase/ decrease	Change
Net sales	53,000	52,158	▲841	98.4%
Net sales of completed construction contracts	46,100	45,728	▲371	99.2%
Net sales in real estate business and other	6,900	6,429	▲470	93.2%
Gross profit	5,500	6,377	877	116.0%
<i>(Gross profit margin)</i>	10.4%	12.2%		1.8pt
Gross profit on completed construction contracts	3,300	4,558	1,258	138.1%
Gross profit on real estate business and other	2,200	1,819	▲380	82.7%
Selling, general, and administrative expenses	5,000	4,889	▲110	97.8%
Operating profit	500	1,487	987	297.5%
<i>(Operating profit margin)</i>	0.9%	2.9%		2.0pt
Ordinary profit	500	1,564	1,064	313.0%
<i>(Ordinary profit margin)</i>	0.9%	3.0%		2.1pt
Profit attributable to owners of parent	300	1,017	717	339.3%
<i>(Return on sales)</i>	0.6%	2.0%		1.4pt

Factors for increase or decrease in net sales/operating profit (Vs year-beginning forecasts)

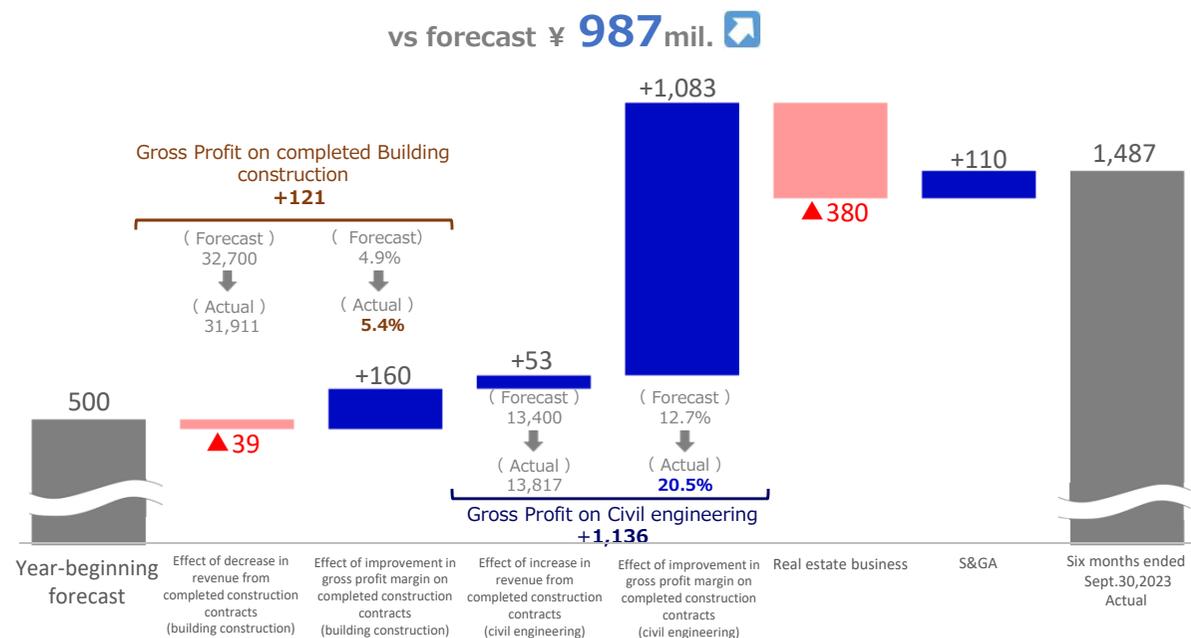


- **Net sales** . . . Fell short of the forecast by approximately ¥0.8 billion.
 - Construction business : Slightly lower than the forecast due to delays in works of some large building construction projects.
 - Real estate business : Lower than the forecast because the planned sale of real estate for sale was not realized due to a revision in the plan by the counterparty.
- **Profit** . . . Operating profit exceeded the forecast by ¥0.9 billion.
 - Construction business : Higher than the forecast due to a significant profitability improvement effect from the approval of a change that is a substantial increase in amount at the time of completion of a large civil engineering project.
 - Real estate business : Lower than the forecast due to the impact of the sale of real estate for sale not being realized.
 - S&GA : Slightly fell short of the forecast mainly due to lower-than-expected sales costs of condominiums.

Net sales (JPY mil)



Operating profit (JPY mil)



<Overall status by segment> Building construction



Orders received

Decreased by ¥6.6 billion from the previous fiscal year when there was a concentration of orders for large logistics facilities and factories.

Net sales

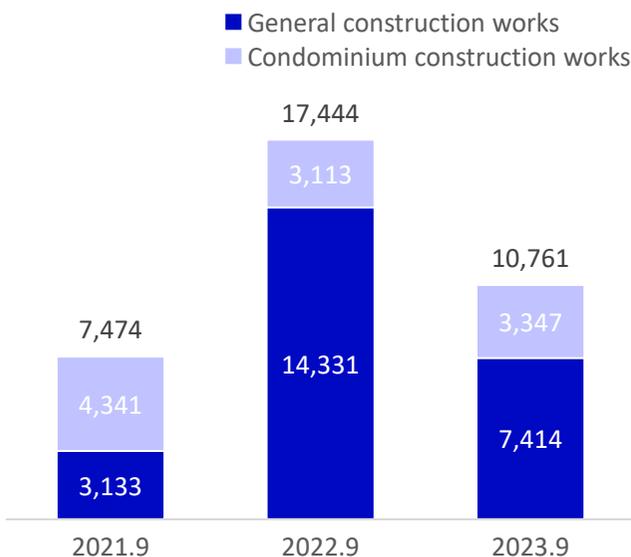
Increased by ¥9.3 billion year on year due to the progress in construction mainly for large commercial facilities and large logistics facilities for which orders were received in or before the previous fiscal year.

Gross profit

Increased by ¥0.05 billion year on year thanks to the effect of higher revenue, despite the impact of the decline in profit margin.

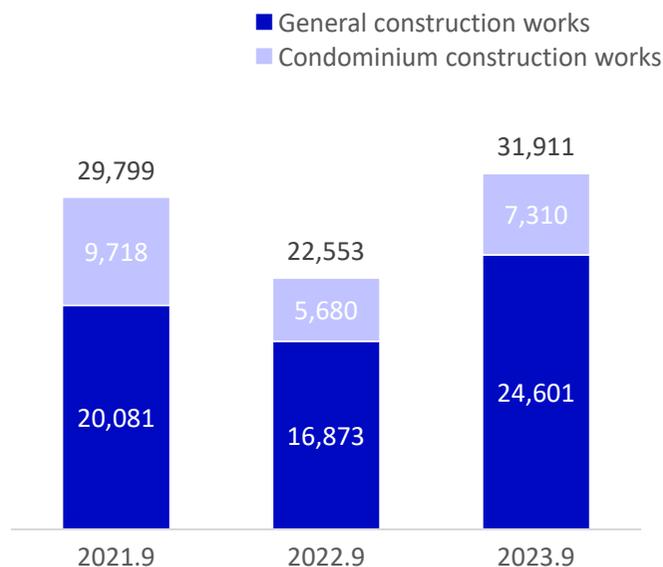
Orders received by use (JPY mil)

YoY ¥ **6.6** bn. (**38.3** %) ↘



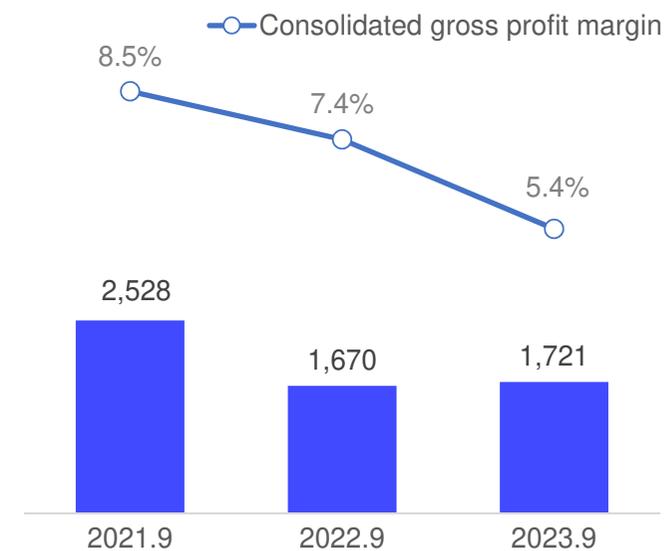
Net sales by use (JPY mil)

YoY ¥ **9.3** bn. (**41.5** %) ↗



Gross profit (JPY mil)

YoY ¥ **0.05** bn. (**3.0** %) ↗



<Overall status by segment> Civil engineering



Orders received

Increased by ¥0.6 billion year on year due to an increase in private-sector works.

Net sales

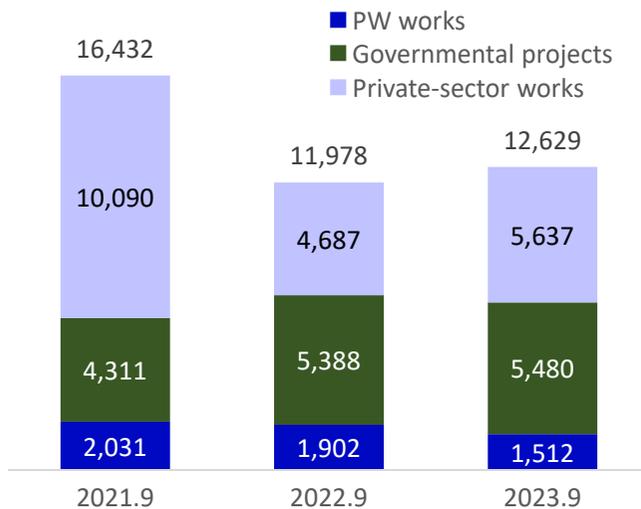
Increased ¥0.6 billion year on year as a change that is a substantial increase in amount was approved at the final settlement discussion for a large civil engineering project.

Gross profit

Increased by ¥0.5 billion year on year due to the profitability improvement effect from the aforesaid increase in amount.

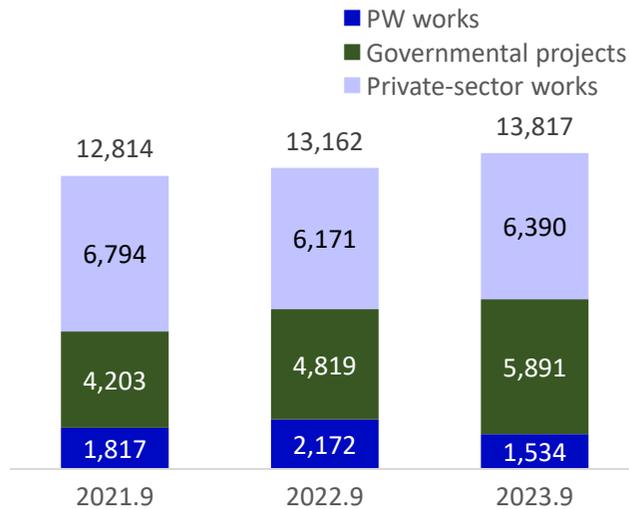
Orders received by use (JPY mil)

YoY ¥ 0.6 bn. (5.4%)



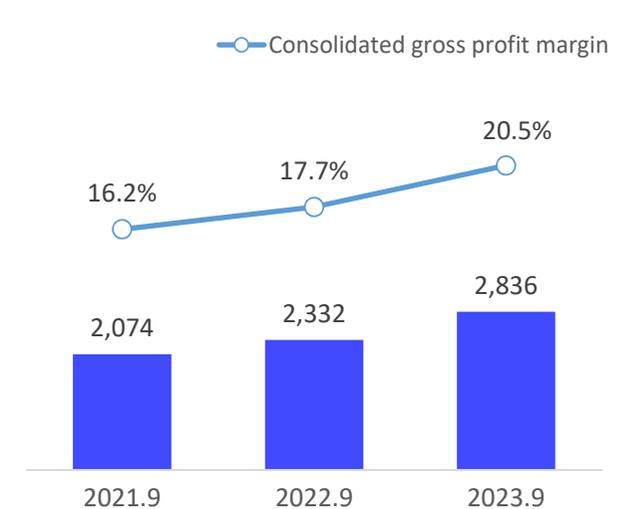
Net sales by use (JPY mil)

YoY ¥ 0.6bn. (5.0%)



Gross profit (JPY mil)

YoY ¥ 0.5bn. (21.6%)



* PW works : Works performed by "PAN Wall" method, a reinforced earth method for natural grounds which is the Company's unique technology

<Overall status by segment> Real estate business



■ Net sales

Increased by ¥0.6 billion year on year due to the significant revenue growth in the condominiums for sale business, although there was no sale, during this first six-month period, of self-developed land for industrial use such as those in the previous fiscal year.

■ Gross profit

Decreased by ¥0.1 billion year on year as there was no sale of self-developed land for industrial use that offers a high profit margin, despite the positive effect from increased revenue in the condominiums for sale business.

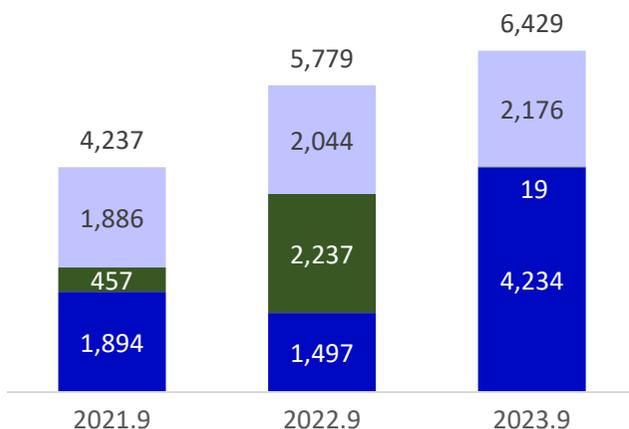
■ Results of condominiums for sale

Number of units sold increased 53 year on year due to the completion of new buildings for delivery in addition to the continued strong sales of buildings that began delivery at the end of the previous fiscal year.

Breakdown of net sales (JPY mil)

YoY ¥ **0.6 bn.** (11.2%) ↗

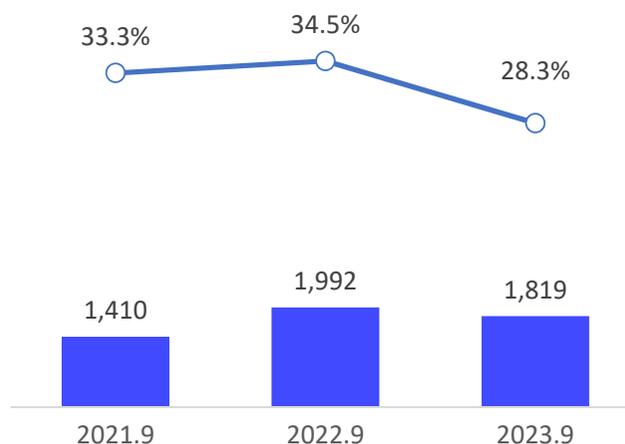
- Condominiums for sale business
- Real estate sales
- Others



Gross profit (JPY mil)

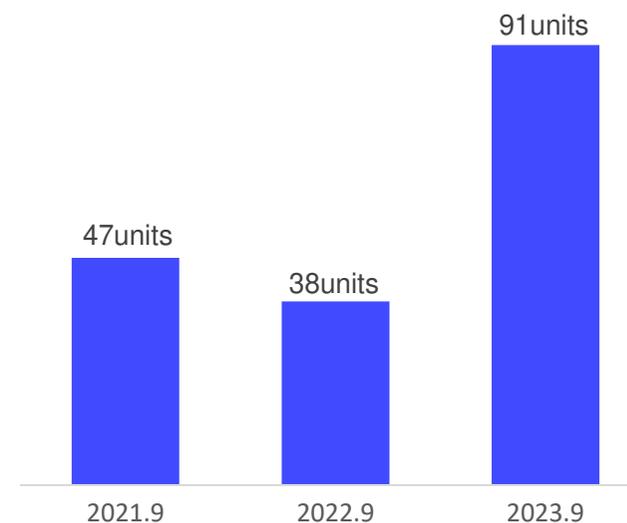
YoY ¥ **0.1bn.** (8.7%) ↘

○ Real estate sales



Number of condominium units sold

YoY **53 units** (139.5%) ↗



Consolidated financial position



- **Total assets** : Total assets increased by ¥2.4 billion due to an increase of ¥1.8 billion in costs on construction contracts in progress associated with the progress of works in the construction business and an increase of ¥2.0 billion in real estate for sale as a result of purchasing land for industrial development, among other factors.
- **Liabilities** : Liabilities increased by ¥1.9 billion due to payments of income taxes and consumption taxes, while interest bearing debt increased by ¥4.0 billion as borrowings were used to cover both higher costs on construction contracts in progress and financing needs associated with the purchase of real estate for sale.
- **Net assets** : Net assets increased by ¥0.5 billion mainly due to the recording of retained earnings.

□ Consolidated balance sheets

Assets		As of March 31, 2023 Actual	As of Sept.30, 2023 Actual	Changes	Liabilities		As of March 31, 2023 Actual	As of Sept.30, 2023 Actual	Changes
Current assets	Cash and deposits	22,821	20,771	▲2,049	Current liabilities	Accounts payable	18,697	17,743	▲953
	Trade receivables	42,753	42,670	▲83		Short-term borrowings	28,100	31,800	3,700
	Costs on construction contracts in progress	2,074	3,921	1,847		Advances received on construction contracts in progress	4,604	5,059	455
	Real estate for sale	20,239	22,314	2,074		Others	5,442	3,787	▲1,655
	Others	4,334	4,185	▲148		Total	56,843	58,390	1,546
	Total	92,223	93,863	1,639	Long-term liabilities	Long-term borrowings	3,800	4,100	300
Fixed assets	Property, plant and equipment	28,497	29,014	517		Others	8,912	8,982	70
	Intangible assets	805	717	▲88		Total	12,712	13,082	370
	Investments and other assets	8,460	8,855	395	Total liabilities	69,556	71,472	1,916	
	Total	37,763	38,588	824	Net assets	60,431	60,978	546	
Total assets		129,987	132,451	2,463	Total liabilities and net assets		129,987	132,451	2,463

Consolidated financial position



□ Key management indicators

	FYE March 2020 Actual	FYE March 2021 Actual	FYE March 2022 Actual	FYE March 2023 Actual	Six months ended Sept.30.2022 Actual	(Millions of Yen) Six months ended Sept.30.2023 Actual
Return on assets (ROA)	7.3%	6.3%	5.0%	5.9%	–	–
Return on equity (ROE)	10.2%	6.2%	8.6%	7.6%	–	–
Earnings per share (EPS)	118.85円	75.86円	112.18円	104.83円	–	–
Equity ratio	48.6%	42.1%	49.4%	46.5%	51.3%	46.0%
Interest-bearing debt	26,057	42,940	30,400	31,900	25,900	35,900
Net interest-bearing debt (*)	12,281	20,848	8,388	9,078	5,315	15,129

(*) Net interest-bearing debt = interest-bearing debt - cash and deposits

□ Consolidated statements of cash flows

	Six months ended Sept.30.2018 Actual	Six months ended Sept.30.2019 Actual	Six months ended Sept.30.2020 Actual	Six months ended Sept.30.2021 Actual	Six months ended Sept.30.2022 Actual	(Millions of Yen) Six months ended Sept.30.2023 Actual
Cash flows from operating activities	▲ 4,351	2,823	4,050	4,732	4,580	▲ 4,174
Cash flows from investing activities	▲ 580	▲ 1,462	▲ 0	▲ 2,014	▲ 586	▲ 816
Cash flows from financing activities	4,320	▲ 2,739	4,169	▲ 5,023	▲ 5,420	2,951

Orders received, And carry forward to the second half

■ Orders received

Decreased by ¥6.0 billion from a year earlier when there was a concentration of orders for large logistics facilities and factories.

■ Carry forward to the second half

Decreased by ¥6.9 billion year on year as net sales significantly increased from a year earlier while orders received declined from a year earlier in the building construction.

* On October 30, 2023, the sale of lot No. 1 of the Obu Tokai Development Project was completed, simultaneously completing the building construction contract. At present, both orders received and carry forward to the second half have increased significantly.

□ Orders received

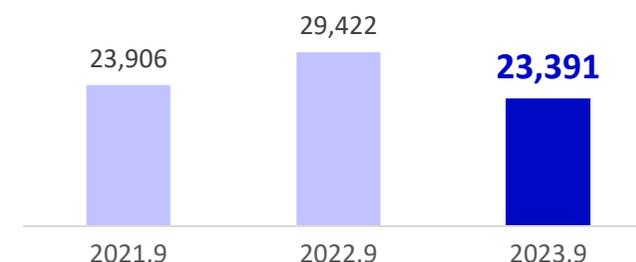
				(Millions of Yen)	
	Six months ended	Six months ended	Six months ended	Year on year	
	Sept.30.2021 Actual	Sept.30.2022 Actual	Sept.30.2023 Actual	Increase/ decrease	Change
Building construction	7,474	17,444	10,761	▲6,682	▲38.3%
Civil engineering	16,432	11,978	12,629	651	5.4%
Total	23,906	29,422	23,391	▲6,031	▲20.5%

□ Carry forward to the second half

				(Millions of Yen)	
	Six months ended	Six months ended	Six months ended	Year on year	
	Sept.30.2021 Actual	Sept.30.2022 Actual	Sept.30.2023 Actual	Increase/ decrease	Change
Building construction	30,144	56,955	45,479	▲11,475	▲20.1%
Civil engineering	28,405	27,079	31,625	4,545	16.8%
Total	58,549	84,034	77,105	▲6,929	▲8.2%

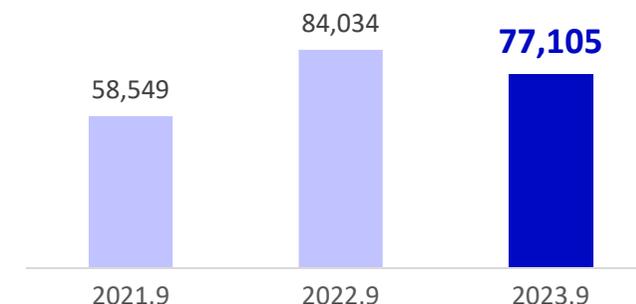
Orders received (JPY mil)

YoY ¥ 6.0bn. (20.5%)



Carry forward to the second half (JPY mil)

YoY ¥ 6.9bn. (8.2%)



II

 **YAHAGI**

Financial Forecasts for the FY March 31, 2024

Financial Forecasts for the FY March 31, 2024



In forecasts for the fiscal year ending March 31, 2024 (full year), a record high is expected at each profit level, with net sales of ¥122.0 billion, operating profit of ¥9.5 billion, and profit of ¥6.3 billion.

■ Net sales

With a large increase in sales in the real estate business, overall net sales will exceed the result in the previous year, achieving a record high.

■ Profit

Due to robust growth in revenue, profit will also far exceed the result in the previous year at each profit level, achieving a record high.

□ Full-year Consolidated forecasts for FY March 2024

	FYE March 2023 Actual	FYE March 2024 Full yearForecast	(Millions of Yen)	
			Year on year (Full year) Increase/ decrease	Change
Net sales	111,110	122,000	10,889	9.8%
Net sales of completed construction contracts	94,265	98,700	4,434	4.7%
Net sales in real estate business and other	16,845	23,300	6,454	38.3%
Gross profit	16,590	19,700	3,109	18.7%
(Gross profit margin)	14.9%	16.1%		1.2pt
Gross profit on completed construction contracts	10,822	9,400	▲1,422	▲13.1%
Gross profit on real estate business and other	5,768	10,300	4,531	78.6%
Selling, general, and administrative expenses	9,377	10,200	822	8.8%
Operating profit	7,212	9,500	2,287	31.7%
(Operating profit margin)	6.5%	7.8%		1.3pt
Ordinary profit	7,259	9,500	2,240	30.9%
(Ordinary profit margin)	6.5%	7.8%		1.3pt
Profit attributable to owners of parent	4,508	6,300	1,791	39.7%
(Return on sales)	4.1%	5.2%		1.1pt

Factors for increase or decrease in net sales/operating profit (vs results for the fiscal year ended March 31, 2023)



■ Net sales

Construction business : Results are expected to exceed those in the previous year, as net sales of HOKUWA CONSTRUCTION,INC., which became a subsidiary, will be added.

Real estate business : Results are expected to significantly exceed those in the previous year due to the sale of the largest ever self-developed land.

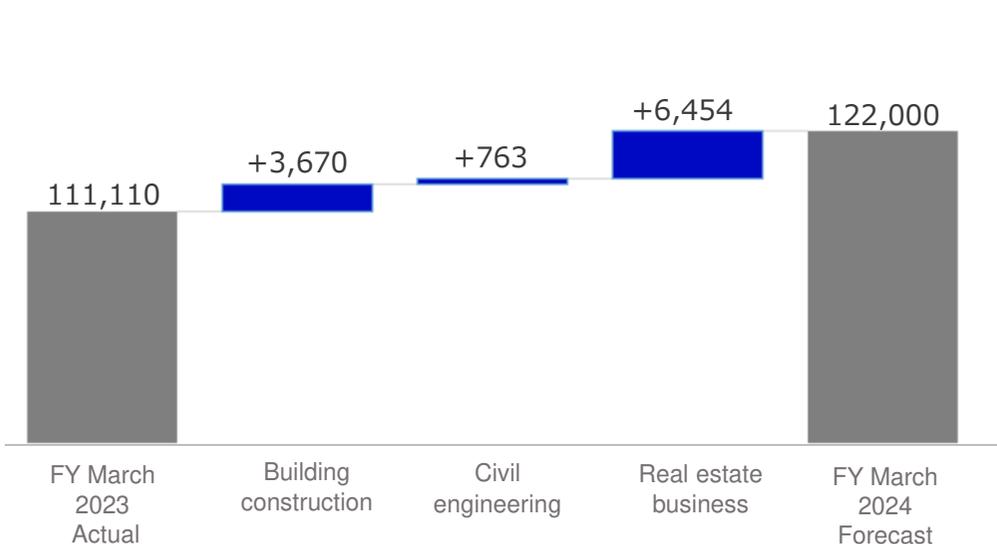
■ Profit

Construction business : Profit is expected to be lower than the result in the previous year due to a decline in profit margin stemming from some unprofitable works.

Real estate business : Profit is expected to significantly exceed the result in the previous year in conjunction with the sale of self-developed land.

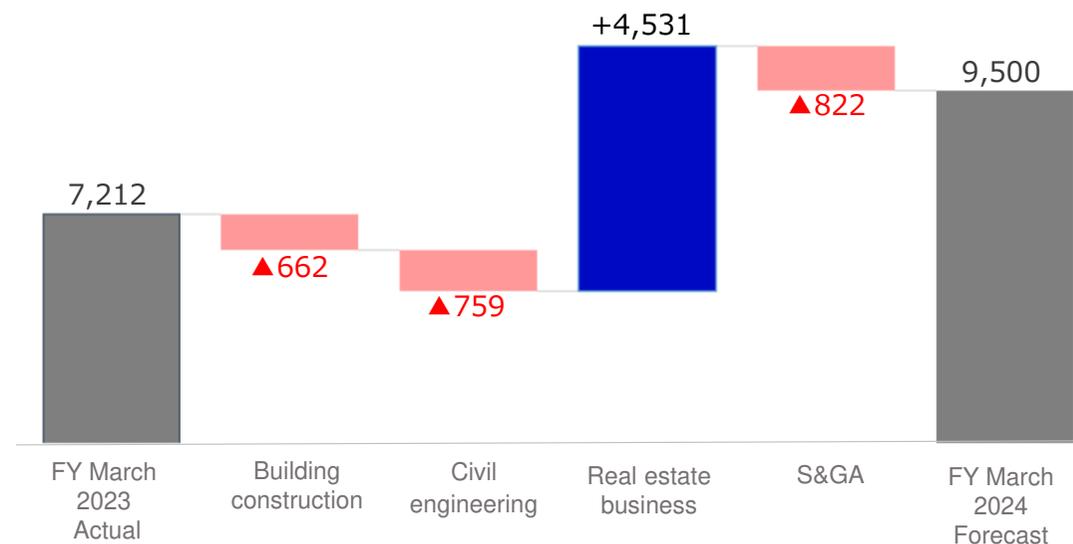
Net sales (JPY mil)

YoY ¥ **10,889** mil.



Gross profit (JPY mil)

YoY ¥ **2,287** mil.



Real Estate Business Topics: Obu Tokai Development Project

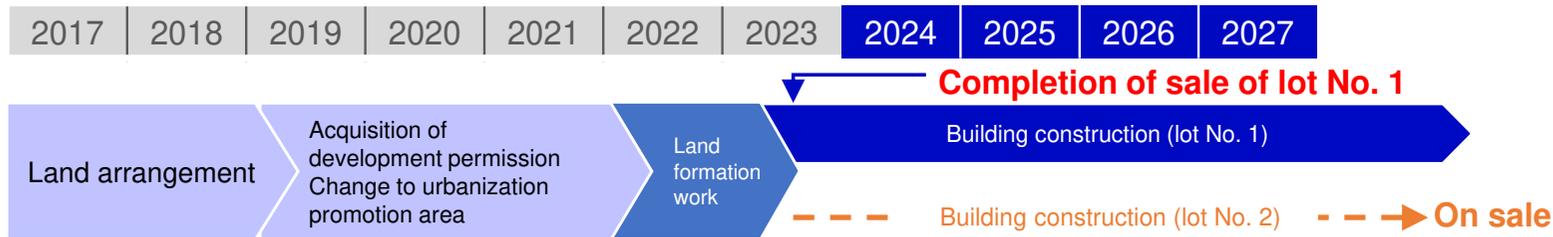


Largest development project ever undertaken by the Company as a business owner

A project to develop two industrial parks of about 70,000 *tsubo* (230,000 m²) in Obu City and Tokai City, Aichi Prefecture. The sale of lot No. 1 with Nomura Real Estate Development Co., Ltd. was completed in October 2023. Expecting to record approximately ¥60.0 billion in total for net sales of completed construction contracts and net sales in real estate business and other over the three periods from FYE March 2024 to FYE March 2026.

(For details, please refer to “Notice Concerning Sale, etc. (Plan) of Real Estate for Sale” disclosed on October 20, 2023.)

■ Project schedule: April 2016 to March 2027 (plan)



■ Project outline

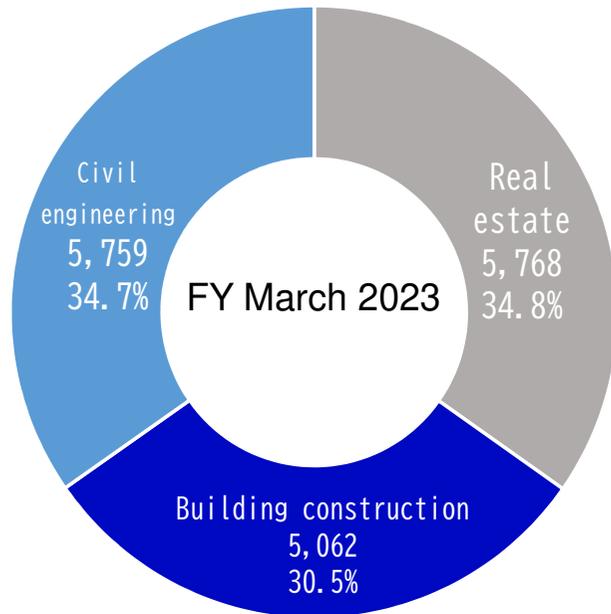


Aerial photo of the site (as of September 30, 2023)

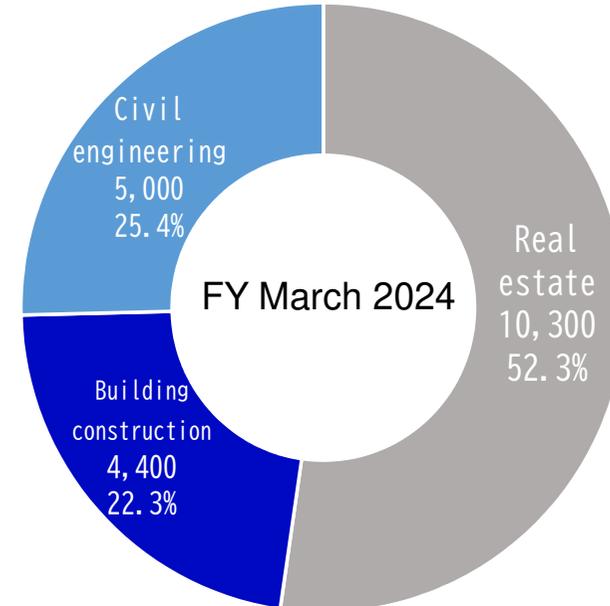
Supplementary information

- As for the percentage of each section in gross profit on sales for FY March 2024, the percentage of the real estate section rose significantly on a temporary basis, partly due to contribution of the sale of self-developed land, which is the Company's record-scale project.

Percentage in gross profit on sales of
¥16.6 billion



Percentage in gross profit on sales of
¥19.7 billion



Dividends



- Interim dividend for FYE March 2024 will be ¥30 as announced.
- The year-end dividend forecast is set at ¥30 as announced, and the annual dividend is expected to be ¥60, an increase of ¥17 from the previous fiscal year.
- The Company plans to increase dividends for three consecutive periods (no dividend reduction for 11 consecutive periods).
- Dividend payout ratio continues to exceed the dividend policy of “30% or more” in the medium-term management plan.



*Forward-looking statements such as earnings forecasts contained in this document include projections for the future, assumptions underlying plans and predictions as of the date of the release of this document. These statements are not guarantees of future performance by the Company. Actual results may differ significantly depending on various factors in the future. This document contains estimates that have not been audited, and the figures are subject to change.

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