

Summary of Consolidated Financial Results

For the Third Quarter of Fiscal Year Ending March 31, 2020 [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 13, 2020

Date of commencement of dividend payment:

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Supplementary explanatory documents:

Yes

Earnings presentation meeting:

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 2020 (April 1, 2019 – December 31, 2019)

(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 2019	199,823	14.3	10,473	75.6	10,173	69.8	5,703	77.7
Third quarter ended December 2018	174,893	(0.9)	5,963	(33.3)	5,992	(33.1)	3,209	(33.0)

Note: Comprehensive income: Third quarter of FYMar.2020: 6,094million yen 76.8%, Third quarter of FYMar.2019: 3,447million yen (44.1%)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Third quarter ended December 2019	163.81	—
Third quarter ended December 2018	92.16	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2019	195,737	108,017	55.2
As of March 31, 2019	190,590	118,126	54.6

(Reference) Shareholders' equity

As of December 31, 2019: 107,982 million yen

As of March 31, 2019: 104,018 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
FY3/19	—	22.00	—	38.00	60.00
FY3/20	—	23.00	—		
FY3/20 (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, 2020 (April 1, 2019 – March 31, 2020)

(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	310,000	1.6	270,000	8.1	13,300	6.9	13,300	7.0	7,300	3.9	209.66

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, 2019:	38,880,000	As of March 31, 2019:	38,880,000
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(b) Treasury shares

As of December 31, 2019:	4,061,303	As of March 31, 2019:	4,061,303
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(c) Average number of shares (quarterly cumulative period)

Period ended December 31, 2019	34,818,697	Period ended December 31, 2018:	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

During the third quarter of the fiscal year that will end in March 2020, the overall Japanese economy started to show signs of slowdown such as stagnant corporate earnings and weaker new residence construction start-ups due to incidents such as US-China trade friction and the Japanese consumption tax hike, in comparison to continued mild growth of the previous fiscal year. However, the Japanese construction market showed positive growth for the first time in Q3 of this fiscal year for both private and public sectors, while the overall domestic construction market is estimated to show continued tight market trend for the next two to three years.

However, it is also necessary to note that the Japanese construction market showed minus 5.5% growth vs. last year for Q3 on accumulated basis due to negative growth of Q1 and Q2.

Under these circumstances, Takamatsu Construction Group kicked off its new three year Mid-Term Plan "Create! 2022", with fiscal year March 2020 as its first year.

In this Mid-Term Plan, The Group plans to achieve goals of 300 billion yen of revenue and 18 billion yen of operating income in fiscal year March 2022, the final year of the Mid-Term Plan based on the "Five Creates". The "Five Creates" are; "Create High-growth, High-profit Group", "Create New Business Domain", Create Group Culture that Respects Diversity and Compliance", Create Synergy Effect", and "Create Value towards Economy, Society and Environment". To be more concrete, Takamatsu Group will lead the growth of the Group through its real estate utilization business mainly by capturing tight market demand of Tokyo Area, while Asunaro Aoki Group will work to improve profitability while achieving stable growth.

In addition, concerning Tender Offer that we decided at our Board of Directors' Meeting held on August 6, 2019 to purchase all ordinary shares (excluding treasury shares and shares already owned by us) of Asunaro Aoki Construction Co.,Ltd., (Stock code 1865, first section of Tokyo Stock Exchange) which is our Group company on consolidated basis, the Offer was completed successfully. Thus, on November 11, 2019, Asunaro Aoki Construction Co.,Ltd., has become 100% Group company of Takamatsu Construction Group after 19 years of double-listed status. In the future, we will further implement our management as one Group and generate further synergy effects.

With the abovementioned strategies, although our Q3 orders received recorded 205,131 million yen which is -5.9 % vs previous Q3, our net sales soared to record high of 199,823 million yen (+14.3%vs previous Q3). Regarding profit, due to increased revenue through smooth progress of constructions as well as our efforts towards selective orders and efficient operation, our profit increased mainly by Takamatsu Corporation and Asunaro Aoki Construction, leading into record high operating income of 10,473 million yen (+75.6% vs. previous Q3), as well as record high ordinary income of 10,173 million yen (+69.8% vs. previous Q3), with net earnings attributable to controlling interest of 5,703 million yen, an increase of 77.7% vs. previous Q3.

By-segment performance were as shown below, however concerning by-segment earnings, the numbers do not include 2,902 million yen of headquarter expenses and other adjustments to match with consolidated operating income.

(Architecture)

Orders received decreased by 4.9% to 111,078 million yen, net sales increased by 36.3% to 107,012 million yen and the segment operating profit increased by 75.1% to 6,375 million yen.

(Civil engineering)

Orders received decreased by 9.1% to 76,746 million yen, net sales decreased by 5.0% to 75,504 million yen and the segment operating profit increased by 51.6% to 5,934million yen.

(Real estate)

Sales from real estate transactions, leasing and other operations increased by 2.8% to 17,306 million yen and the segment operating profit decreased by 0.8% to 1,066 million yen.

(2) Overview of financial condition

(Assets)

Assets totaled 195,737 million yen at the end of the third quarter, 5,147 million yen more than the end of the previous fiscal year. This is due mainly to increases of tangible assets of 10,042 million yen caused mainly by purchase of land for new Tokyo Headquarter building, increase of costs on uncompleted construction contracts of 1,325 million yen, increase of real estate for sale of 1,076 million yen and goodwill of 609 million yen caused by acquisition of a new Group company, partially offset by decrease of cash and deposits of 7,848 million yen.

(Liabilities)

Liabilities increased by 15,256 million yen to 87,720 million yen. This is due mainly to increase of short-term borrowings of 11,200 million yen and increase of advances received on uncompleted construction contracts of 7,364 million yen, partially offset by decrease of accounts payable for construction contracts of 3,913 million yen.

(Net assets)

Net assets increased by 10,109 million yen to 108,017 million yen.

The primary reason is decrease of non-controlling interests of 14,073 million yen caused by Tender Offer to purchase ordinary shares of Asunaro Aoki Construction Co., Ltd. which is our consolidated Group company, partially offset by increase of retained earnings of 3,579 million yen which derives from 5,703 million yen of our net earnings minus 2,123 million yen of dividend payment. As the result, net assets after deducting non-controlling interests was 107,982 million yen with the equity ratio of 55.2%, 0.6 percentage point higher than the end of the previous fiscal year.

(3) Forecast

There is no change from the forecast for consolidated results of operations announced on May 13, 2019.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2019 (As of March 31, 2019)	Third quarter ended December 2019 (As of December 31, 2019)
ASSETS		
Current assets		
Cash and deposits	62,074	54,226
Notes receivable, accounts receivable from completed construction contracts and other	72,219	71,556
Real estate for sale	10,153	11,230
Costs on uncompleted construction contracts	1,594	2,920
Costs on real estate business	631	1,086
Accounts receivable	6,262	5,990
Other	1,369	2,330
Allowance for doubtful accounts	(106)	(104)
Total current assets	154,199	149,235
Noncurrent assets		
Tangible Assets		
Buildings and structures, net	5,429	5,592
Machinery, vehicles, tools, furniture and fixtures, net	1,273	1,387
Vessels, net	967	896
Land	13,599	23,955
Lease assets, net	185	197
Construction in progress	1,046	514
Total Tangible assets	22,502	32,544
Intangible assets		
Goodwill	1,521	2,130
Other	542	619
Total Intangible assets	2,063	2,749
Investments and other assets		
Investment securities	5,276	5,379
Deferred tax assets	3,802	3,380
Other	3,029	2,720
Allowance for doubtful accounts	(283)	(273)
Total investments and other assets	11,825	11,207
Total noncurrent assets	36,391	46,502
Total assets	190,590	195,737

(Million yen)

	Fiscal year ended March 2019 (As of March 31, 2019)	Third quarter ended December 2019 (As of December 31, 2019)
LIABILITIES		
Current liabilities		
Accounts payable for construction contracts	30,974	27,061
Short-term borrowings	—	11,200
Income taxes payable	1,737	1,746
Advances received on uncompleted construction contracts	15,341	22,705
Provision for warranties for completed construction	311	352
Provision for loss on construction contracts	79	23
Provision for bonuses	3,099	1,678
Other	8,214	9,976
Total current liabilities	59,757	74,745
Noncurrent liabilities		
Deferred tax liabilities for land revaluation	256	256
Deferred tax liabilities	14	32
Provision for special repairs of vessels	75	64
Retirement allowances	10,903	10,965
Other	1,455	1,655
Total noncurrent liabilities	12,706	12,974
Total liabilities	72,463	87,720
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	524	797
Retained earnings	107,097	110,677
Treasury shares	(7,483)	(7,483)
Total shareholders' equity	105,138	108,991
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	635	726
Revaluation reserve for land	(1,266)	(1,266)
Foreign currency translation adjustment	5	(55)
Remeasurements of retirement allowance plans	(493)	(412)
Total accumulated other comprehensive income	(1,119)	(1,008)
Non-controlling interests	14,108	35
Total net assets	118,126	108,017
Total liabilities and net assets	190,590	195,737

(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, 2020 (April 1, 2019 – December 31, 2019)

(Million yen)

	Third quarter ended December 2018 (April 1, 2018- December 31, 2018)	Third quarter ended December 2019 (April 1, 2019- December 31, 2019)
Net sales		
Net sales of completed construction contracts	158,059	182,516
Sales on real estate business	16,833	17,306
Total net sales	174,893	199,823
Cost of sales		
Cost of sales of completed construction contracts	138,032	156,030
Cost of sales on real estate business	14,360	14,807
Total cost of sales	152,393	170,838
Gross profit		
Gross profit on completed construction contracts	20,027	26,486
Gross profit-real estate business	2,472	2,498
Total gross profit	22,499	28,985
Selling, general and administrative expenses	16,536	18,511
Operating income	5,963	10,473
Non-operating income		
Interest income	0	0
Dividend income	108	86
Rent income	43	55
Other	46	52
Total non-operating income	198	195
Non-operating expenses		
Interest expense	130	129
Commission expenses		343
Other	38	22
Total non-operating expenses	169	496
Ordinary income	5,992	10,173
Extraordinary income		
Gain on sales of fixed assets	41	72
Gain on sales of investment securities	126	22
Insurance claim income	—	34
Total extraordinary income	167	129
Extraordinary loss		
Loss on valuation of investment securities	—	87
Loss on litigation	32	62
Loss on disaster	—	305
Other	188	60
Total extraordinary loss	221	515
Income before income taxes	5,939	9,786
Income tax-current	1,549	3,415
Income tax-deferred	737	389
Total income taxes	2,286	3,804
Net earnings	3,652	5,982
Net earnings attributable to non-controlling interests	443	278
Net earnings attributable to controlling interest	3,209	5,703

Quarterly consolidated statement of comprehensive income
For the third quarter of fiscal year ending March 31, 2020 (April 1, 2019– December 31, 2019)

(Million yen)

	Third quarter ended December 2018 (April 1, 2018- December 31, 2018)	Third quarter ended December 2019 (April 1, 2019- December 31, 2019)
Net earnings	3,652	5,982
Other comprehensive income		
Valuation difference on available-for-sale securities	(364)	83
Foreign currency translation adjustment	57	(61)
Remeasurements of retirement allowance plans	102	89
Total other comprehensive income	(205)	112
Comprehensive income	3,447	6,094
(This splits into...)		
Comprehensive income attributable to controlling interest	2,988	5,814
Comprehensive income attributable to non-controlling interests	459	279

- (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 FY3/19		Third quarter FY3/20		Changes	
		(Apr. 1, 2018-Dec. 31,2018)		(Apr. 1, 2019-Dec. 31,2019)			
		Amount	Share	Amount	Share	Amount	%
Orders received	Architecture	116,810	53.6	111,078	54.2	(5,732)	(4.9)
	Civil engineering	84,411	38.7	76,746	37.4	(7,665)	(9.1)
	Total construction	201,222	92.3	187,824	91.6	(13,397)	(6.7)
	Real estate	16,833	7.7	17,306	8.4	473	2.8
	Total	218,055	100.0	205,131	100.0	(12,924)	(5.9)
Net sales	Architecture	78,539	44.9	107,012	53.5	28,472	36.3
	Civil engineering	79,520	45.5	75,504	37.8	(4,015)	(5.0)
	Total construction	158,059	90.4	182,516	91.3	24,457	15.5
	Real estate	16,833	9.6	17,306	8.7	473	2.8
	Total	174,893	100.0	199,823	100.0	24,930	14.3