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November 13, 2024

Summary of Consolidated Financial Results For the Second Quarter of the Fiscal Year Ending March 31, 2025 [Japan GAAP]

Company name: Takamatsu Construction Group Co., Ltd.
Listing: Tokyo Stock Exchange
Securities code: 1762
URL: https://www.takamatsu-cg.co.jp/
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Scheduled date to file semi-annual securities report: November 14, 2024
Scheduled date to commence dividend payments: December 9, 2024
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Financial results for the first half of the fiscal year ending March 2025 (April 1, 2024 – September 30, 2024)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half ended September 2024	162,133	13.1	2,588	(22.5)	2,141	(37.6)	531	(54.0)
First half ended September 2023	143,298	11.3	3,339	18.0	3,430	15.4	1,154	(16.2)

Note: Comprehensive income First half ended September 2024: 1,428 million yen [(30.0)%]
First half ended September 2023: 2,041 million yen [(7.1)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First half ended September 2024	15.26	–
First half ended September 2023	33.17	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Million yen	Million yen	%
As of September 30, 2024	254,491	133,578	52.5
As of March 31, 2024	245,149	134,069	54.7

Reference: Equity As of September 30, 2024: 133,536 million yen
As of March 31, 2024: 134,025 million yen

2. Cash dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year	Total
	Yen	Yen	Yen	Yen	Yen
FY3/24	–	27.00	–	55.00	82.00
FY3/25	–	41.00			
FY3/25 (Forecast)			–	41.00	82.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated forecast for the fiscal year ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(Percentages indicate year-on-year changes.)

	Orders received		Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	400,000	22.7	350,000	11.9	13,000	11.6	12,000	6.1	7,000	(23.6)	201.04

Note: Revisions to earnings forecasts most recently announced: Yes

* **Notes**

(1) Significant changes in the scope of consolidation during the period: None

Newly included – companies (—)

Excluded – companies (—)

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

(a) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2024	34,818,578 shares
As of March 31, 2024	34,818,578 shares

(b) Number of treasury shares at the end of the period

As of September 30, 2024	36 shares
As of March 31, 2024	36 shares

(c) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Period ended September 30, 2024	34,818,542 shares
Period ended September 30, 2023	34,818,554 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

(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. Analysis of Operating Results and Financial Position

(1) Overview of operating results

During the second quarter of the fiscal year ending March 2025, the Japanese economy continued a moderate recovery trajectory, with gradual improvements in employment and increases in nominal wages. However, the situation remains uncertain due to factors such as rising prices caused by the weak yen and growing global geopolitical tensions.

In this environment, the construction market has maintained a solid order environment overall. Public construction investment remains solid due to measures such as national resilience initiatives, while private construction investment shows steady corporate capital investment intentions. However, the business environment remains challenging in terms of profitability due to soaring raw material and equipment prices, as well as labor shortages.

In the detached housing market, while government support measures for home acquisition are continued and variable mortgage rates remain at low levels, we cannot be optimistic about the situation due to potential future interest rate increases, soaring housing prices caused by persistently high construction costs, and stagnant real wage growth.

During the second quarter of the fiscal year ending March 2025, orders received amounted to 192,714 million yen (a 17.8% increase compared to the same period of the previous year), and net sales were 162,133 million yen (a 13.1% increase compared to the same period of the previous year). Regarding profits, the impact of rising costs in the construction business was significant, resulting in operating profit of 2,588 million yen (a 22.5% decrease compared to the same period of the previous year), ordinary profit of 2,141 million yen (a 37.6% decrease compared to the same period of the previous year), and profit attributable to owners of parent of 531 million yen (a 54.0% decrease compared to the same period of the previous year)

Results by business segment are as follows.

Segment profit is adjusted with operating profit in the Semi-annual consolidated statement of income. The adjustment amount for segment profit includes general administrative expenses not attributable to each reporting segment of -2,691 million yen and other adjustment amounts of 34 million yen.

(Architecture)

Orders received amounted to 116,726 million yen (an 41.2% increase compared to the same period of the previous year), net sales of completed construction contracts amounted to 77,105 million yen (a 12.6% increase compared to the same period of the previous year), and segment profit was 124 million yen (a 90.6% decrease compared to the same period of the previous year) due to deteriorating profitability in large-scale projects.

(Civil Engineering)

Orders received amounted to 37,107 million yen (a 30.8% decrease compared to the same period of the previous year), net sales of completed construction contracts amounted to 48,533 million yen (a 0.1% increase compared to the same period of the previous year), and segment profit was 2,060 million yen (a 22.8% decrease compared to the same period of the previous year).

(Real Estate)

Sales in real estate business amounted to 36,493 million yen (a 38.7% increase compared to the same period of the previous year) due to the expansion of the wooden detached housing business, and segment profit was 3,060 million yen (a 68.6% increase compared to the same period of the previous year).

(2) Overview of financial position

(Assets)

Assets increased by 9,342 million yen compared to the end of the previous consolidated fiscal year, amounting to 254,491 million yen. The main factors were an increase in notes receivable, accounts receivable from completed construction contracts and other of 10,079 million yen and an increase in costs on real estate business of 4,232 million yen, while there was a decrease in real estate for sale of 4,077 million yen, accounts receivable - other of 1,657 million yen.

(Liabilities)

Liabilities increased by 9,832 million yen compared to the end of the previous consolidated fiscal year, amounting to 120,912 million yen. The main factors were an increase in short-term borrowings of 7,000 million yen and an increase in advances received on construction contracts in progress of 4,498 million yen.

(Net Assets)

Net assets decreased by 490 million yen compared to the end of the previous consolidated fiscal year, amounting to 133,578 million yen. The main factors were an increase in foreign currency translation adjustment of 989 million yen, while retained earnings decreased by 1,383 million yen due to the recording of profit attributable to owners of parent of 531 million yen and the payment of dividends of 1,915 million yen.

As a result, the amount of owner's equity, excluding non-controlling interests, was 133,536 million yen, and the equity-to-asset ratio decreased by 2.2 percentage points compared to the end of the previous consolidated fiscal year, reaching 52.5%.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

There are revisions of the consolidated performance forecast for the fiscal year ending March 31, 2025, announced on May 15, 2024.

For details, please refer to "Notice Regarding Revision of the Financial Forecasts for the Fiscal Year ending March 31, 2025" released today (November 13, 2024).

2. Semi-annual Consolidated Financial Statements and Major Notes

(1) Semi-annual consolidated balance sheet

(Million yen)

	Fiscal year ended March 2024 (As of March 31, 2024)	Second quarter ended September 2024 (As of September 30, 2024)
ASSETS		
Current assets		
Cash and deposits	26,785	27,230
Notes receivable, accounts receivable from completed construction contracts and other	97,248	107,327
Real estate for sale	28,005	23,928
Costs on construction contracts in progress	1,573	1,920
Costs on real estate business	18,209	22,442
Accounts receivable - other	4,972	3,315
Other	2,911	2,819
Allowance for doubtful accounts	(100)	(103)
Total current assets	179,605	188,880
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,702	15,721
Machinery, vehicles, tools, furniture and fixtures, net	2,353	2,153
Vessels, net	988	948
Land	27,733	27,761
Leased assets, net	88	125
Construction in progress	13	54
Total property, plant and equipment	46,880	46,764
Intangible assets		
Goodwill	676	591
Other	933	962
Total intangible assets	1,610	1,554
Investments and other assets		
Investment securities	7,982	7,632
Deferred tax assets	6,628	7,139
Other	2,640	2,717
Allowance for doubtful accounts	(198)	(196)
Total investments and other assets	17,053	17,291
Total non-current assets	65,543	65,610
Total assets	245,149	254,491

(Million yen)

	Fiscal year ended March 2024 (As of March 31, 2024)	Second quarter ended September 2024 (As of September 30, 2024)
LIABILITIES		
Current liabilities		
Accounts payable for construction contracts	29,779	29,962
Short-term borrowings	6,000	13,000
Income taxes payable	2,804	2,031
Advances received on construction contracts in progress	28,982	33,481
Provision for warranties for completed construction	730	683
Provision for bonuses	4,311	5,141
Other	8,828	6,620
Total current liabilities	81,436	90,920
Non-current liabilities		
Bonds payable	15,000	15,000
Deferred tax liabilities	505	503
Deferred tax liabilities for land revaluation	231	231
Provision for special repairs of vessels	65	55
Retirement benefit liability	11,728	12,110
Other	2,110	2,090
Total non-current liabilities	29,642	29,991
Total liabilities	111,079	120,912
NET ASSETS		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	797	797
Retained earnings	127,822	126,438
Treasury shares	(0)	(0)
Total shareholders' equity	133,619	132,235
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	275	192
Revaluation reserve for land	(1,242)	(1,242)
Foreign currency translation adjustment	1,089	2,079
Remeasurements of defined benefit plans	282	271
Total accumulated other comprehensive income	405	1,300
Non-controlling interests	43	42
Total net assets	134,069	133,578
Total liabilities and net assets	245,149	254,491

(2) Semi-annual consolidated statement of income and comprehensive income

Semi-annual consolidated statement of income

For the first half of the fiscal year ending March 2025 (April 1, 2024－September 30, 2024)

(Million yen)

	First half ended September 2023 (April 1, 2023-September 30, 2023)	First half ended September 2024 (April 1, 2024-September 30, 2024)
Net sales		
Net sales of completed construction contracts	116,991	125,639
Sales in real estate business	26,307	36,493
Total net sales	143,298	162,133
Cost of sales		
Cost of sales of completed construction contracts	101,688	111,784
Cost of sales in real estate business	22,375	31,248
Total cost of sales	124,064	143,033
Gross profit		
Gross profit on completed construction contracts	15,303	13,854
Gross profit - real estate business	3,931	5,245
Total gross profit	19,234	19,100
Selling, general and administrative expenses	15,895	16,511
Operating profit	3,339	2,588
Non-operating income		
Interest income	0	0
Dividend income	70	48
Foreign exchange gains	221	－
Rental income	48	46
Other	93	45
Total non-operating income	434	140
Non-operating expenses		
Interest expenses	98	90
Share of loss of entities accounted for using equity method	189	325
Foreign exchange losses	－	125
Other	55	46
Total non-operating expenses	343	587
Ordinary profit	3,430	2,141
Extraordinary income		
Gain on sale of non-current assets	2	0
Gain on sale of investment securities	－	46
Total extraordinary income	2	46
Extraordinary losses		
Loss on retirement of non-current assets	39	26
Office relocation expenses	508	－
Total extraordinary losses	548	26
Profit before income taxes	2,884	2,161
Income taxes - current	1,777	2,008
Income taxes - deferred	(46)	(380)
Total income taxes	1,731	1,628
Profit	1,153	533
Profit (loss) attributable to non-controlling interests	(1)	2
Profit attributable to owners of parent	1,154	531

Semi-annual consolidated statement of comprehensive income
For the first half of the fiscal year ending March 2025 (April 1, 2024– September 30, 2024)

(Million yen)

	First half ended September 2023 (April 1, 2023-September 30, 2023)	First half ended September 2024 (April 1, 2024-September 30, 2024)
Profit	1,153	533
Other comprehensive income		
Valuation difference on available-for-sale securities	523	(83)
Foreign currency translation adjustment	0	446
Remeasurements of defined benefit plans, net of tax	(9)	(10)
Share of other comprehensive income of entities accounted for using equity method	374	543
Total other comprehensive income	888	894
Comprehensive income	2,041	1,428
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,042	1,426
Comprehensive income attributable to non-controlling interests	(1)	2

(3) Notes on semi-annual consolidated financial statements

(Notes on significant change in shareholders' equity)

None

(Notes on going concern assumption)

None

3. Consolidated Orders Received and Net Sales

(Million yen, %)

		First half ended September 2023 (April 1, 2023 – September 30, 2023)		First half ended September 2024 (April 1, 2024 – September 30, 2024)		Changes	
		Amount	Share	Amount	Share	Amount	%
Orders received	Architecture	82,643	50.5	116,726	60.6	34,082	41.2
	Civil engineering	53,594	32.8	37,107	19.2	(16,487)	(30.8)
	Total construction	136,238	83.3	153,833	79.8	17,595	12.9
	Real estate	27,352	16.7	38,880	20.2	11,527	42.1
Total		163,590	100.0	192,714	100.0	29,123	17.8
Net sales	Architecture	68,486	47.8	77,105	47.6	8,619	12.6
	Civil engineering	48,505	33.8	48,533	29.9	28	0.1
	Total construction	116,991	81.6	125,639	77.5	8,647	7.4
	Real estate	26,307	18.4	36,493	22.5	10,186	38.7
Total		143,298	100.0	162,133	100.0	18,834	13.1