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November 6, 2020

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2020 (Based on Japanese GAAP)

Company name: TAKAMIYA CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 2445 URL: <https://www.takamiya.co/>
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 Finance & Accounting Department TOMOYA TATSUMI TEL: 81-6-6375-3918
 Scheduled date to file Quarterly Securities Report: November 9, 2020
 Scheduled date to commence dividend payments: December 4, 2020
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes

(From the viewpoint of preventing wider spread of the new coronavirus infections, this meeting will be held by means of video streaming.)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net Sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2020	19,539	(11.6)	1,097	(42.7)	994	(43.9)	593	(51.2)
Six months ended September 30, 2019	22,097	6.6	1,913	76.0	1,773	58.2	1,217	74.2

(Note) Comprehensive income Six months ended September 30, 2020: 643 million yen [(45.0)%]
 Six months ended September 30, 2019: 1,171 million yen [106.6%]

	Earnings per share		Diluted earnings per share	
	yen		yen	
Six months ended September 30, 2020	12.75		12.40	
Six months ended September 30, 2019	28.10		27.29	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2020	59,249	18,820	30.9	393.23
As of March 31, 2020	59,282	18,497	30.5	387.68

(Reference) Shareholders equity As of September 30, 2020: 18,312 million yen
 As of March 31, 2020: 18,054 million yen

2. Cash dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen				
Year ended March 31, 2020	—	6.00	—	8.00	14.00
Year ending March 31, 2021	—	6.00	—	—	—
Year ending March 31, 2021 (forecasts)	—	—	—	8.00	14.00

(Note) Revisions to dividend forecasts published most recently: No

3. Forecast of consolidated financial results for the year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	40,750	(11.5)	2,200	(40.6)	2,000	(43.5)	1,270	(46.4)	27.27

(Note) Revisions to performance forecasts published most recently: Yes

For the forecast of consolidated financial results, please refer to “Year-on-Year Differences in Consolidated (Cumulative) Results for the Second Quarter of the Fiscal Year Ending March 31, 2021 And Notice of Full-Year Consolidated Financial Results Forecasts”, announced on November 6, 2020.

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4. Notes

- (1) Changes in significant subsidiaries during the current quarter consolidated cumulative period (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods to the preparation of quarterly consolidated financial statement: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- ① Changes in accounting policies due to revisions to accounting standards and other regulations: No
 - ② Changes in accounting policies due to other reasons: No
 - ③ Changes in accounting estimates: No
 - ④ Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

① Total number of issued shares at the end of the period (including treasury shares)			
As of September 30, 2020	46,577,000 shares	As of March 31, 2020	46,577,000 shares
② Number of treasury shares at the end of the period			
As of September 30, 2020	7,020 shares	As of March 31, 2020	7,020 shares
③ Average number of shares during the period (cumulative from the beginning of the fiscal year)			
Six months ended September 30, 2020	46,569,980 shares	Six months ended September 30, 2019	43,335,268 shares

* Quarterly summary of financial results is not included in a quarterly review by a certified public accountant or an auditing firm.

* Explanation regarding appropriate use of the earnings forecast and other special notes

(notes on descriptions about the future, etc.)

Descriptions about the future such as performance forecasts contained in this document are based on information currently available to the Company and certain presumptions considered as reasonable, and those are not intended to indicate the Company should assure that it would realize such forecasts. Meanwhile, actual performance in the future may differ substantially, influenced by a wide variety of factors. For preconditions for performance forecasts and precaution statements in using such forecasts, please see the appendix, page 3, "1. Qualitative information regarding the financial results for the current quarter: (3) Descriptions regarding future prospects such as consolidated performance forecasts".

(How to obtain supplementary references regarding quarterly results)

Supplementary references regarding the quarterly financial results will be posted on the Company's website (scheduled on November 25).

(How to obtain materials for quarterly financial results briefing)

Video streaming of the quarterly financial results briefing will be provided on the Company's website (scheduled on November 25).

○ Table of Contents: Appendix

1. Qualitative information regarding the current quarter.....	2
(1) Descriptions regarding operating results.....	2
(2) Descriptions regarding financial position	3
(3) Descriptions regarding future prospects such as consolidated performance forecasts.....	3
2. Quarterly consolidated financial statements and principal notes.....	4
(1) Quarterly consolidated balance sheets	4
(2) Quarterly consolidated statements of income and statement of comprehensive income	6
Quarterly consolidated statements of income	
For the second quarter consolidated cumulative period	6
Quarterly consolidated statement of comprehensive income	
For the second quarter consolidated cumulative period	7
(3) Quarterly Consolidated Cash Flow Statement	8
(4) Notes on quarterly consolidated financial statements	10
(Going concern assumption)	10
(Notes in case of significant changes in the amount of shareholders' equity).....	10
(Segment information)	10

1. Qualitative information regarding the current quarter

(1) Descriptions regarding operating results

During the current second quarter consolidated cumulative period, although situations and responses differ from one country to another, global economy has experienced stagnation of economic activities due to widespread of the new coronavirus infections, which led to rapidly worsening economy and very tough situations.

In the domestic construction industry in which the Group operates, public works maintained steady growth, whereas private construction sector has faced weakened trend due to, for example, interrupted or delayed construction and postponed commencement of work at some sites, so much attention should be paid to the future trend of construction work. Overseas, at the same time, in the Philippines where a sales subsidiary is located, despite gradual relaxation of curfew and restrictions on movement by the government, there still remains tough situation of uncertainty for the future.

Amid such an environment, the Group has set out, in its mid-term management plan during which the year ending March 31, 2021 would be the last period, its mid-term management vision as "Create new value through transformation and aim to become a corporate group that drives qualitative development of the industry", and putting its efforts to four objectives: Strengthen management foundations; Drive innovation in the earning base; Accelerate overseas business development; and Create new growth businesses.

As a result, consolidated performance of the current second consolidated cumulative period was as follows: net sales of 19,539,839,000 yen (decrease by 11.6% YoY); operating income of 1,097,310,000 yen (decrease by 42.7% YoY); ordinary income of 994,754,000 yen (decrease by 43.9% YoY); and quarterly net profit attributable to owners of parent of 593,890,000 yen (decrease by 51.2% YoY).

Operating results of individual business segments are as follows.

① Sales business

There is still high level of interest in the next generation scaffolding. Inquiries about the system maintained steady growth in both new and on-going projects. However, recent situations of uncertainty for the future pushed down many companies' mindset, and there was a tendency that some customers withhold their final decisions to purchase.

These operations resulted in net sales of 5,532,213,000 yen (decrease by 26.8% YoY) and operating income of 577,805,000 yen (decrease by 47.7% YoY).

② Rental business

Shipment of operational temporary equipment decreased because of interrupted or delayed construction work and postponed commencement of work. In terms of profitability, segment profit rate decreased due to, for example, increase in temporary equipment maintenance cost because of returning after completion of large-scale construction sites, and increase in transportation cost of temporary equipment associated with relocation of equipment center.

These operations resulted in net sales of 12,494,134,000 yen (decrease by 1.6% YoY) and operating income of 1,305,607,000 yen (decrease by 19.8% YoY).

③ Overseas business

DIMENSION-ALL INC. (sales subsidiary in the Philippines) has faced limitation on its business activities due to the curfew and restrictions on movement in Manila metropolitan area imposed during the first half of the current second quarter consolidated cumulative period, leading to decreased revenues. Hory Korea and Hory Vietnam, both manufacturing subsidiaries, were not given much impact on their procurement of raw materials and parts, and therefore they could achieve steady performance in manufacture and sales of temporary equipment for Japanese market.

These operations resulted in net sales of 2,651,912,000 yen (decrease by 16.8% YoY) and operating loss of 44,485,000 yen (as opposed to operating income of 48,739,000 yen in the same period of the previous year).

(2) Descriptions regarding financial position

Total assets was 59,249,536,000 yen at the end of the current second quarter consolidated fiscal period, i.e. decrease by 33,000,000 yen as compared to the end of previous consolidated fiscal year. This is mainly due to increase in cash and deposits by 2,020,130,000 yen, increase in notes and accounts receivable - trade by 1,807,021,000 yen, and decrease in assets for rent (net) by 929,358,000 yen.

Total liabilities was 40,429,078,000 yen, i.e. decrease by 355,652,000 yen as compared to the end of the previous consolidated fiscal year. This is mainly due to decrease in notes and accounts payable by 1,150,795,000 yen, increase in short-term loans payable by 2,185,620,000 yen, decrease in income taxes payable by 319,969,000 yen and decrease in long-term loans payable (including current portion) by 764,828,000 yen.

Total net assets was 18,820,457,000 yen, i.e. increase by 322,651,000 yen since the end of the previous consolidated fiscal year. This is mainly due to increase in retained earnings by 221,330,000 yen.

Each cash flow status and factors thereof in the current second quarter consolidated fiscal period consolidated fiscal year are as follows.

(Cash flows from operating activities)

Cash flows from operating activities resulted in revenue of 2,242,682,000 yen (for comparison, it was 930,216,000 yen in the same period of the previous year). This is mainly due to purchase of assets for rent of 837,821,000 yen, increase in inventories of 745,361,000 yen, and decrease in notes and accounts payable-trade of 1,155,592,000 yen, whereas profit before income taxes of 989,040,000 yen, depreciation of 2,401,520,000 yen and decrease in notes and accounts receivable – trade by 1,833,790,000 yen.

(Cash flows from investing activities)

Cash flows from investing activities resulted in expenditure of 861,096,000 yen (for comparison, it was 599,269,000 yen in the same period of the previous year). This is mainly due to purchase of property, plant and equipment of 598,849,000 yen, and purchase of intangible assets of 158,373,000 yen.

(Cash flows from financing activities)

Cash flows from financing activities resulted in revenue of 649,793,000 yen (for comparison, it was 1,480,907,000 yen in the same period of the previous year). This is mainly due to repayments of long-term loans payable of 2,941,506,000 yen, whereas increase in short-term loans payable by 2,169,300,000 yen and proceeds from long-term loans payable of 2,170,000,000 yen.

(3) Descriptions regarding future prospects such as consolidated performance forecasts

For the forecast of consolidated financial results that was previously indicated as “yet to be determined”, please refer to “Year-on-Year Differences in Consolidated (Cumulative) Results for the Second Quarter of the Fiscal Year Ending March 31, 2021 And Notice of Full-Year Consolidated Financial Results Forecasts”, announced on November 6, 2020.

It should be noted that performance forecasts have been determined by the Company based on currently available information, and actual business performance may differ from such forecasts due to various factors arising in the future.

2. Quarterly consolidated financial statements and principal notes

(1) Quarterly consolidated balance sheets

	(Thousand yen)	
	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	7,242,638	9,262,769
Notes and accounts receivable - trade	14,101,176	12,294,155
Merchandise and finished goods	2,933,259	3,120,521
Work in process	781,907	717,947
Raw materials and supplies	1,002,598	1,038,692
Other	695,502	949,477
Allowance for doubtful accounts	(348,400)	(355,407)
Total current assets	26,408,683	27,028,156
Non-current assets		
Property, plant and equipment		
Assets for rent	39,486,729	39,316,822
Accumulated depreciation-assets for rent	(24,579,285)	(25,338,736)
Assets for rent, net	14,907,443	13,978,085
Buildings and structures	7,236,727	7,316,041
Accumulated depreciation and impairment loss	(3,438,205)	(3,577,461)
Buildings and structures, net	3,798,521	3,738,579
Machinery, equipment and vehicles	2,579,935	2,732,825
Accumulated depreciation	(1,320,016)	(1,455,338)
Machinery, equipment and vehicles, net	1,259,918	1,277,486
Land	7,839,049	7,841,164
Leased assets	1,063,278	1,074,067
Accumulated depreciation	(512,240)	(572,940)
Leased assets, net	551,038	501,127
Construction in progress	132,830	358,697
Other	1,133,860	1,213,163
Accumulated depreciation	(823,339)	(885,704)
Other, net	310,521	327,458
Total property, plant and equipment	28,799,323	28,022,600
Intangible assets		
Leasehold right	327,821	327,821
Goodwill	159,124	132,315
Other	452,911	558,736
Total intangible assets	939,858	1,018,873
Investments and other assets		
Investment securities	444,763	472,074
Guarantee deposits	691,564	715,782
Net defined benefit asset	42,700	40,800
Deferred tax assets	799,903	740,995
Other	1,189,853	1,243,465
Allowance for doubtful accounts	(34,112)	(33,212)
Total investments and other assets	3,134,672	3,179,906
Total non-current assets	32,873,854	32,221,379
Total assets	59,282,537	59,249,536

(Thousand yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,427,178	5,276,382
Short-term loans payable	5,400,480	7,586,100
Current portion of bonds	421,000	921,000
Current portion of long-term loans payable	5,810,651	5,599,988
Lease obligations	359,292	364,933
Income taxes payable	766,520	446,550
Provision for bonuses	292,189	285,706
Provision for directors' bonuses	8,630	—
Notes payable - facilities	136,537	150,098
Other	2,107,963	2,117,955
Total current liabilities	21,730,443	22,748,714
Non-current liabilities		
Bonds payable	3,599,000	2,913,500
Long-term loans payable	11,823,485	11,269,320
Lease obligations	1,377,246	1,245,207
Net defined benefit liability	945,664	961,888
Asset retirement obligations	12,800	12,956
Other	1,296,091	1,277,490
Total non-current liabilities	19,054,288	17,680,364
Total liabilities	40,784,731	40,429,078
Net assets		
Shareholders' equity		
Capital stock	1,050,114	1,050,114
Capital surplus	1,908,539	1,908,539
Retained earnings	15,186,825	15,408,155
Treasury stock	(3,331)	(3,331)
Total shareholders' equity	18,142,147	18,363,478
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,282	33,801
Deferred gains or losses on hedges	(15,334)	(11,499)
Foreign currency translation adjustment	(23,183)	(10,338)
Remeasurements of defined benefit plans	(65,508)	(62,498)
Total accumulated other comprehensive income	(87,743)	(50,534)
Subscription rights to shares	306,115	357,461
Non-controlling interests	137,286	150,052
Total net assets	18,497,805	18,820,457
Total liabilities and net assets	59,282,537	59,249,536

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

(Quarterly consolidated statements of income)

(For the second quarter consolidated cumulative period)

(Thousand yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	22,097,559	19,539,839
Cost of sales	15,247,365	13,734,811
Gross profit	6,850,193	5,805,028
Selling, general and administrative expenses	4,936,603	4,707,717
Operating income	1,913,589	1,097,310
Non-operating income		
Interest income	5,757	4,690
Dividend income	6,671	6,311
Rent income	33,175	35,212
Contribution for assets for rent	7,374	2,684
Gain on sales of scrap	41,130	28,825
Other	62,587	83,825
Total non-operating income	156,696	161,549
Non-operating expenses		
Interest expenses	135,408	126,168
Commission fee	31,994	33,541
Bond issuance cost	35,394	56,386
Bad debts expenses	63,206	—
Other	30,383	48,009
Total non-operating expenses	296,387	264,106
Ordinary income	1,773,898	994,754
Extraordinary income		
Gain on sales of non-current assets	125,404	3,406
Total extraordinary income	125,404	3,406
Extraordinary losses		
Loss on sales of non-current assets	2,125	9,120
Total extraordinary losses	2,125	9,120
Profit before income taxes	1,897,177	989,040
Income taxes - current	620,648	333,284
Income taxes - deferred	44,360	49,102
Total income taxes	665,009	382,387
Profit (loss)	1,232,168	606,653
Profit (loss) attributable to non-controlling interests	14,496	12,762
Profit (loss) attributable to owners of parent	1,217,672	593,890

(Quarterly consolidated statements of income)
(For the second quarter consolidated cumulative period)

	(Thousand yen)	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit (loss)	1,232,168	606,653
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,206)	17,522
Deferred gains (losses) on hedges	5,040	3,834
Foreign currency translation adjustment	(61,983)	12,845
Remeasurements of defined benefit plans, net of tax	399	3,009
Total other comprehensive income	(60,749)	37,211
Comprehensive income	1,171,419	643,865
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,156,905	631,098
Comprehensive income attributable to non-controlling interests	14,514	12,766

(3) Consolidated statements of cash flows

	(Thousand yen)	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	1,897,177	989,040
Depreciation	2,366,401	2,401,520
Amortization of goodwill	26,808	26,809
Loss on retirement of assets for rent	44,948	48,549
Loss on sales of assets for rent	69,458	13,313
Purchase of assets for rent	(586,814)	(837,821)
Contribution for assets for rent	(7,374)	(2,684)
Increase (decrease) in allowance for doubtful accounts	16,845	3,129
Increase (decrease) in provision for bonuses	34,217	(6,483)
Increase (decrease) in net defined benefit liability	(3,957)	14,759
Share-based compensation expenses	26,347	51,346
Interest and dividend income	(12,428)	(11,001)
Interest expenses	135,408	126,168
Foreign exchange losses (gains)	49,700	53,219
Loss (gain) on sales of property, plant and equipment	(125,404)	(3,406)
Loss on retirement of property, plant and equipment	2,125	8,977
Decrease (increase) in notes and accounts receivable - trade	(1,841,155)	1,833,790
Decrease (increase) in inventories	(588,727)	(745,361)
Increase (decrease) in notes and accounts payable - trade	573,447	(1,155,592)
Bad debts expenses	63,206	—
Other	(416,858)	185,897
Subtotal	1,723,371	2,994,170
Interest and dividend income received	5,009	14,359
Interest expenses paid	(132,339)	(125,744)
Income taxes paid	(665,825)	(640,104)
Net cash provided by (used in) operating activities	930,216	2,242,682

(Thousand yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from investing activities		
Payments into time deposits	(210,000)	(210,000)
Proceeds from withdrawal of time deposits	210,000	210,000
Purchase of property, plant and equipment	(995,355)	(598,849)
Proceeds from sales of property, plant and equipment	525,584	3,974
Purchase of intangible assets	(89,412)	(158,373)
Purchase of investment securities	(38,183)	(1,693)
Purchase of memberships	(250)	—
Payments of loans receivable	(6,860)	(109,500)
Collection of loans receivable	5,209	3,356
Other	—	(10)
Net cash provided by (used in) investing activities	(599,269)	(861,096)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	686,190	2,169,300
Repayments of lease obligations	(133,073)	(189,939)
Proceeds from long-term loans payable	2,130,000	2,170,000
Repayments of long-term loans payable	(3,035,753)	(2,941,506)
Redemption of bonds	(80,000)	(185,500)
Proceeds from issuance of common stock	619,389	—
Purchase of treasury stock	(36)	—
Proceeds from disposal of treasury stock	1,594,216	—
Cash dividends paid	(300,024)	(372,559)
Net cash provided by (used in) financing activities	1,480,907	649,793
Effect of exchange rate change on cash and cash equivalents	(14,088)	(11,248)
Net increase (decrease) in cash and cash equivalents	1,797,766	2,020,130
Cash and cash equivalents at beginning of period	5,414,184	6,922,638
Cash and cash equivalents at end of period	7,211,950	8,942,769

(4) Notes on quarterly consolidated financial statements

(Going concern assumption)

Not applicable.

(Notes in case of significant changes in the amount of shareholders' equity)

Not applicable.

(Segment information)

【Segment Information】

I Previous second quarter consolidated cumulative period (from April 1, 2019 to September 30, 2019)

1. Information on amount of net sales and of income/loss for each reportable segment.

	Sales business	Rental business	Overseas business	Total	Adjustment (Note 1)	Amount allocated to the quarterly consolidated P/L statement (Note 2)
Net sales						
Sales to external customers	7,431,945	12,668,121	1,997,493	22,097,559	—	22,097,559
Inter-segment sales or transfer	124,629	24,129	1,189,877	1,338,636	(1,338,636)	—
Total	7,556,574	12,692,250	3,187,370	23,436,196	(1,338,636)	22,097,559
Segment income (loss)	1,104,321	1,628,221	48,739	2,781,282	(867,693)	1,913,589

Notes: 1. Adjusted segment income of (867,693) thousand yen includes inter-segment transaction elimination of 156,061 thousand yen and corporate expenses not allocated to individual reportable segments of (1,023,754) thousand yen. Corporate expenses comprises mainly of general and administrative expenses not attributable to reportable segments.

2. Segment income (loss) has been aligned with the operating income (loss) presented on the Quarterly consolidated statements of income.

2. Information on impairment loss of non-current assets or goodwill, etc. for each reportable segment.

Not applicable.

II Current second quarter consolidated cumulative period (from April 1, 2020 to September 30, 2020)

1. Information on amount of net sales and of income/loss for each reportable segment.

	Sales business	Rental business	Overseas business	Total	Adjustment (Note 1)	Amount allocated to the quarterly consolidated P/L statement (Note 2)
Net sales						
Sales to external customers	5,436,693	12,461,614	1,641,530	19,539,839	—	19,539,839
Inter-segment sales or transfer	95,519	32,519	1,010,382	1,138,420	(1,138,420)	—
Total	5,532,213	12,494,134	2,651,912	20,678,260	(1,138,420)	19,539,839
Segment income (loss)	577,805	1,305,607	(44,485)	1,838,928	(741,617)	1,097,310

Notes: 1. Adjusted segment income of (741,617) thousand yen includes inter-segment transaction elimination of 160,017 thousand yen and corporate expenses not allocated to individual reportable segments of (901,634) thousand yen. Corporate expenses comprises mainly of general and administrative expenses not attributable to reportable segments.

2. Segment income (loss) has been aligned with the operating income (loss) presented on the Quarterly consolidated statements of income.

2. Information on impairment loss of non-current assets or goodwill, etc. for each reportable segment.

Not applicable.