

Summary of Consolidated Financial Results For the Second Quarter of Fiscal Year Ending March 31, 2018 [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: November 14, 2017
 Date of commencement of dividend payment: December 12, 2017
 Supplementary explanatory documents: Yes (for analysts)
 Earnings presentation: Yes (for analysts)

(Yen in millions, rounded down, figures in parentheses indicate negative amounts or percentages)

1. Financial results for the first half of the fiscal year ending March 2018 (April 1, 2017 – September 30, 2017)

(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 | % |
| First half ended September 2017 | 112,022 | 12.6 | 5,419 | (9.9) | 5,410 | (10.2) | 2,810 | (10.6) |
| First half ended September 2016 | 99,495 | 5.3 | 6,016 | 48.9 | 6,027 | 47.6 | 3,144 | 17.9 |

Note: Comprehensive income: First half of FYMar.2018:3,531million yen (1.1%), First half of FYMar.2017:3,571million yen 14.7%

| | Earnings per share | Earnings per share (diluted) |
|---------------------------------|--------------------|------------------------------|
| | Yen | Yen |
| First half ended September 2017 | 78.24 | — |
| First half ended September 2016 | 87.29 | — |

(2) Consolidated financial Position

| | Total assets | Net assets | Equity ratio |
|--------------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of September 30, 2017 | 174,839 | 110,864 | 55.4 |
| As of March 31, 2017 | 180,927 | 110,555 | 53.2 |

(Reference) Shareholders' equity

As of September 30, 2017: 96,874million yen

As of March 31, 2017: 96,310 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 |
| FY3/17 | — | 15.00 | — | 28.00 | 43.00 |
| FY3/18 | — | 20.00 | — | — | — |
| FY3/18 (Est.) | — | — | — | 33.00 | 53.00 |

Note: Change in the estimation of dividend from the latest announcement: No

Note: 33yen of FY3/18 year-end dividend splits into 23 yen of ordinary dividend and 10 yen of commemorative dividend.

3. Consolidated forecast for the fiscal year ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(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 | 260,000 | 1.4 | 240,000 | 12.1 | 13,300 | 2.8 | 13,300 | 2.8 | 7,300 | 10.7 | 203.24 |

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
- (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 (common stock)
 - (a) Shares outstanding (including treasury shares)

| | |
|--------------------------------------|----------------------------------|
| As of September 30, 2017: 38,880,000 | As of March 31, 2017: 38,880,000 |
|--------------------------------------|----------------------------------|
 - (b) Treasury shares

| | |
|-------------------------------------|---------------------------------|
| As of September 30, 2017: 3,461,303 | As of March 31, 2017: 2,861,003 |
|-------------------------------------|---------------------------------|
 - (c) Average number of shares (quarterly consolidated cumulative period)

| | |
|---------------------------------------------|---------------------------------------------|
| Period ended September 30, 2017: 35,918,947 | Period ended September 30, 2016: 36,018,997 |
|---------------------------------------------|---------------------------------------------|

* Auditing of financial statements 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 these materials 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.

Index for Supplementary Information

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1. Results of Operations

(1) Overview of business performance

During the second quarter of the current fiscal year, the Japanese economy continued moderate growth trend due to improvements such as corporate earnings and employment environment. On the other hand, although the Japanese construction market showed slightly positive growth vs LY for the private sector, the public sector as well as the overall Japanese construction market shrunk partly due to large project orders in the previous year. However, the general outlook of the Japanese construction market for the next two to three years remains rather optimistic.

Under these circumstances, Takamatsu Construction Group announced its new Mid Term Plan "TRY! NEXT CENTURY 2020" and celebrated its centenary in October 2017 with three key words; "Challenge 268" to target revenue of 268 billion yen for the fiscal year ending March 2020, "Specialty 18 alpha" to aim for further growth and expand our 18 Group Companies through organic growth as well as aggressive M&A, and "Quality 15" to achieve an operating income of 15 billion yen in fiscal year ending March 2020 by improving the quality and the efficiency of our business.

In our Mid Term Plan, Takamatsu Corporation, one of our core companies, will drive the growth of the Group by focusing on winning real estate utilization orders in the Tokyo Metropolitan area, while Asunaro Aoki Construction, the other core company of the Group plans to grow at a moderate but steady rate to maintain its currently high level of profit. In addition, we will promote projects to maximize Group strength, HR development and Group governance and to optimize our capital policies to strengthen management basis.

As the result, our H1 orders received decreased to 130,009 million yen (-6.7% vs. previous H1), but our net sales soared to 112,022 million yen (+12.6% vs. previous H1), which surpassed H1 of previous years for 6 consecutive years as well as record high for 4 consecutive years. Regarding profit, operating income was 5,419 million yen (-9.9% vs. previous H1), ordinary income was 5,410 million yen (-10.2% vs. previous H1), and net earnings attributable to controlling interest was 2,810 million yen, decrease of 10.6% vs. previous H1.

By-segment performance were as shown below, however concerning by-segment earnings, the numbers do not include 1,508 million yen of headquarter expenses and other adjustments to match with consolidated operating income.

(Architecture)

Orders received decreased by 8.9% to 64,725 million yen, net sales increased by 8.6% to 55,280 million yen, however the segment operating income decreased by 25.1% to 3,757 million yen due to high profitability projects of previous H1.

(Civil engineering)

Orders received decreased by 5.5% to 58,750 million yen, net sales increased by 17.9% to 50,208 million yen and the segment operating income increased by 42.8% to 2,848 million yen.

(Real estate)

Sales from real estate transactions, leasing and other operations increased by 8.2% to 6,532 million yen and the segment operating income was down by 39.5% to 322 million yen.

(2) Overview of financial condition

(Assets)

Assets totaled 174,839 million yen at the end of the second quarter, 6,087 million yen less than the end of the previous fiscal year. This is due mainly to 4,756 million yen decreases of notes & accounts receivable and 2,544 million yen decrease of cash and deposits.

(Liabilities)

Liabilities decreased by 6,395 million yen to 63,975 million yen. The primary reasons were decrease of 1,772 million yen of income taxes payable, decrease of 1,768 million yen of accounts payable, decrease of 1,190 million yen of payables in "Other" liabilities, and 1,006 million yen decrease of advances received on uncompleted construction contracts.

(Net assets)

Net assets increased by 308 million yen to 110,864 million yen. The main reasons were increase of retained earnings of 1,801 million yen due to H1 net earnings of 2,810 million yen, offset by 1,008 million yen of dividend payout as well as share buyback of 1,508 million yen. As the result, net assets after deducting non-controlling interests was 96,874 million yen with the equity ratio of 55.4%, 2.2 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 11, 2017

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Million yen)

| | Fiscal year ended March 2017(As of March 31, 2017) | Second quarter ended September 2017 (As of September 30, 2017) |
|---------------------------------------------------------------------------------------------|-------------------------------------------------------|----------------------------------------------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 77,396 | 74,851 |
| Notes receivable, accounts receivable from completed construction contracts and other | 60,255 | 55,498 |
| Real estate for sale | 7,177 | 7,727 |
| Costs on uncompleted construction contracts | 1,143 | 1,054 |
| Costs on real estate business | 3,327 | 3,670 |
| Accounts receivable | 6,242 | 4,247 |
| Deferred tax assets | 1,564 | 1,428 |
| Other | 1,069 | 1,851 |
| Allowance for doubtful accounts | (381) | (358) |
| Total current assets | 157,794 | 149,972 |
| Noncurrent assets | | |
| Tangible Assets | | |
| Buildings and structures, net | 2,454 | 2,514 |
| Machinery, vehicles, tools, furniture and fixtures, net | 821 | 1,107 |
| Vessels, net | 651 | 1,688 |
| Land | 8,961 | 9,016 |
| Lease assets, net | 179 | 169 |
| Construction in progress | 555 | 614 |
| Total Tangible assets | 13,623 | 15,110 |
| Intangible assets | 302 | 390 |
| Investments and other assets | | |
| Investment securities | 5,692 | 6,009 |
| Deferred tax assets | 1,227 | 1,109 |
| Other | 3,188 | 3,144 |
| Allowance for doubtful accounts | (902) | (897) |
| Total investments and other assets | 9,206 | 9,366 |
| Total noncurrent assets | 23,132 | 24,867 |
| Total assets | 180,927 | 174,839 |

(Million yen)

| | Fiscal year ended March 2017(As of March 31, 2017) | Second quarter ended September 2017 (As of September 30, 2017) |
|---------------------------------------------------------|-------------------------------------------------------|----------------------------------------------------------------------|
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable for construction contracts | 29,710 | 27,941 |
| Income taxes payable | 3,527 | 1,755 |
| Advances received on uncompleted construction contracts | 12,961 | 11,955 |
| Provision for warranties for completed construction | 767 | 764 |
| Provision for loss on construction contracts | 58 | 120 |
| Provision for bonuses | 2,846 | 2,992 |
| Provision for loss by disaster | 385 | 443 |
| Other | 7,366 | 5,610 |
| Total current liabilities | 57,624 | 51,583 |
| Noncurrent liabilities | | |
| Deferred tax liabilities for land revaluation | 256 | 256 |
| Deferred tax liabilities | 264 | 262 |
| Provision for special repairs of vessels | 91 | 79 |
| Retirement allowances | 10,667 | 10,352 |
| Other | 1,466 | 1,441 |
| Total noncurrent liabilities | 12,747 | 12,392 |
| Total liabilities | 70,371 | 63,975 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Capital stock | 5,000 | 5,000 |
| Capital surplus | 271 | 351 |
| Retained earnings | 95,860 | 97,661 |
| Treasury shares | (4,296) | (5,805) |
| Total shareholders' equity | 96,835 | 97,208 |
| Accumulated other comprehensive income | | |
| Valuation differences on available-for-sales securities | 1,010 | 1,103 |
| Revaluation reserve for land | (1,266) | (1,266) |
| Remeasurements of retirement allowance plans | (267) | (170) |
| Total accumulated other comprehensive income | (524) | (333) |
| Non-controlling interests | 14,245 | 13,990 |
| Total net assets | 110,555 | 110,864 |
| Total liabilities and net assets | 180,927 | 174,839 |

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
Quarterly consolidated statements of income
For the first half of fiscal year ending March 31, 2018 (April 1, 2017 – September 30, 2017)

(Million yen)

| | First half ended September 2016 (April 1, 2016- September 30, 2016) | First half ended September 2017 (April 1, 2017- September 30, 2017) |
|----------------------------------------------------------|---------------------------------------------------------------------------|---------------------------------------------------------------------------|
| Net sales | | |
| Net sales of completed construction contracts | 93,455 | 105,489 |
| Sales on real estate business | 6,039 | 6,532 |
| Total net sales | 99,495 | 112,022 |
| Cost of sales | | |
| Cost of sales of completed construction contracts | 79,415 | 91,060 |
| Cost of sales on real estate business | 5,345 | 5,984 |
| Total cost of sales | 84,760 | 97,044 |
| Gross profit | | |
| Gross profit on completed construction contracts | 14,040 | 14,429 |
| Gross profit-real estate business | 694 | 548 |
| Total gross profit | 14,734 | 14,977 |
| Selling, general and administrative expenses | 8,717 | 9,557 |
| Operating income | 6,016 | 5,419 |
| Non-operating income | | |
| Interest income | 0 | 1 |
| Dividend income | 51 | 59 |
| Rent income | 16 | 24 |
| Other | 31 | 19 |
| Total non-operating income | 99 | 104 |
| Non-operating expenses | | |
| Interest expense | 84 | 93 |
| Other | 3 | 20 |
| Total non-operating expenses | 87 | 114 |
| Ordinary income (loss) | 6,027 | 5,410 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | — | 0 |
| Gain on sales of investment securities | 42 | 5 |
| Total extraordinary income | 42 | 5 |
| Extraordinary losses | | |
| Loss on litigation | 121 | 52 |
| Impairment loss | 0 | — |
| Loss on disaster | — | 126 |
| Other | 0 | 8 |
| Total extraordinary losses | 122 | 188 |
| Income before income taxes | 5,947 | 5,227 |
| Income taxes-current | 1,991 | 1,754 |
| Income taxes-deferred | 253 | 188 |
| Total income taxes | 2,244 | 1,942 |
| Net earnings | 3,702 | 3,284 |
| Net earnings attributable to non-controlling interests | 558 | 474 |
| Net earnings attributable to controlling interest | 3,144 | 2,810 |

Quarterly consolidated statements of comprehensive income
 For the first half of fiscal year ending March 31, 2018 (April 1, 2017– September 30, 2017)

(Million yen)

| | First half ended September 2016 (April 1, 2016- September 30, 2016) | First half ended September 2017 (April 1, 2017- September 30, 2017) |
|----------------------------------------------------------------|---------------------------------------------------------------------------|---------------------------------------------------------------------------|
| Net earnings | 3,702 | 3,284 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (243) | 123 |
| Remeasurements of retirement allowance plans | 112 | 123 |
| Total other comprehensive income | (131) | 246 |
| Comprehensive income | 3,571 | 3,531 |
| (This splits into...) | | |
| Comprehensive income attributable to controlling interest | 3,007 | 3,000 |
| Comprehensive income attributable to non-controlling interests | 563 | 531 |

(3) Notes to consolidated financial statements

(Going concern assumptions)

No

(Significant change in shareholders' equity)

Based on the resolution of the Board of Directors held on July 19, 2017, the Company has acquired 600,300 treasury shares. As the result, our treasury stock increased by 1,508 million yen during the second quarter and our treasury shares increased to 5,805 million yen at the end of H1.

3. Additional information

Orders received and net sales (consolidated)

(Million yen, %)

| | | First half FY3/17 | | First half FY3/18 | | Changes | |
|-----------------|--------------------|-----------------------------|-------|-----------------------------|-------|---------|-------|
| | | (Apr. 1, 2016-Sep. 30,2016) | | (Apr. 1, 2017-Sep. 30,2017) | | | |
| | | Amount | Share | Amount | Share | Amount | Pct. |
| Orders received | Architecture | 71,083 | 51.1 | 64,725 | 49.8 | (6,357) | (8.9) |
| | Civil engineering | 62,156 | 44.6 | 58,750 | 45.2 | (3,405) | (5.5) |
| | Total construction | 133,239 | 95.7 | 123,476 | 95.0 | (9,763) | (7.3) |
| | Real estate | 6,039 | 4.3 | 6,533 | 5.0 | 493 | 8.2 |
| | Total | 139,278 | 100.0 | 130,009 | 100.0 | (9,269) | (6.7) |
| Net sales | Architecture | 50,882 | 51.1 | 55,280 | 49.4 | 4,398 | 8.6 |
| | Civil engineering | 42,573 | 42.8 | 50,208 | 44.8 | 7,635 | 17.9 |
| | Total construction | 93,455 | 93.9 | 105,489 | 94.2 | 12,033 | 12.9 |
| | Real estate | 6,039 | 6.1 | 6,532 | 5.8 | 493 | 8.2 |
| | Total | 99,495 | 100.0 | 112,022 | 100.0 | 12,527 | 12.6 |