

## Summary of Consolidated Financial Results For the First Quarter of Fiscal Year Ending March 31, 2019 [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: August 09, 2018  
 Date of commencement of dividend payment: —  
 Supplementary explanatory documents: Yes  
 Earnings presentation: No

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

### 1. Financial results for the first quarter of the fiscal year ending March 2019 (April 1, 2018 – June 30, 2018)

(1) Consolidated result of operations (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 quarter ended June 2018	54,177	3.1	895	(55.0)	926	(54.1)	463	(56.1)
First quarter ended June 2017	52,566	14.7	1,990	2.7	2,017	2.0	1,057	30.9

Note: Comprehensive income: First quarter of FYMar.2019: 580million yen, (56.7%) vs. last year First quarter of FYMar.2018: 1,340million yen, 84.9% vs. last year

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
First quarter ended June 2018	13.32	—
First quarter ended June 2017	29.35	—

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2018	176,414	113,008	56.1
As of March 31, 2018	184,895	113,992	53.9

(Reference) Shareholders' equity:

As of June 30, 2018: 98,910 million yen As of March 31, 2018: 99,625million yen

### 2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual
	Yen	Yen	Yen	Yen	Yen
FY3/18	—	20.00	—	36.00	56.00
FY3/19	—				
FY3/19 (Est.)		22.00	—	38.00	60.00

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

### 3. Consolidated forecast for the fiscal year ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(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
First half	131,000	0.8	113,000	0.9	4,000	(26.2)	4,000	(26.1)	2,200	(21.7)	63.18
Full year	280,000	9.9	268,000	9.3	15,000	10.1	15,000	9.5	8,300	4.3	238.38

Note: Change in the forecast from the latest announcement: Yes

\* **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 June 30, 2018:	38,880,000	As of March 31, 2018:	38,880,000
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(b) Treasury shares

As of June 30, 2018:	4,061,303	As of March 31, 2018:	4,061,303
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(c) Average number of shares (quarterly cumulative period)

Period ended June 30, 2018:	34,818,697	Period ended June 30, 2018:	36,018,997
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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 first quarter of the fiscal year that will end in March 2019, the overall Japanese economy continued to show moderate growth trend due to favorable corporate earnings and recovery of individual spending. On the other hand, although the Japanese construction market showed slightly positive growth for the private sector, the public sector shrunk versus last year due to backrush of large project orders a year ago including interim storage facility in the Tohoku Region. These resulted in minus 7.1% vs. April through June of 2017 for overall Japanese domestic construction market. However, although small ups and downs exist, the overall domestic construction market is estimated to show continued tight market trend for the next two to three years.

Under these circumstances, Takamatsu Construction Group celebrated its centenary in October 2017. With this commemorative fiscal year of 2017 as the starting year, we kicked off our new Mid Term Plan "TRY! NEXT CENTURY 2020".

In the new Mid Term Plan, Takamatsu Corporation, one of our core companies, plans to be the main engine for the growth of the TCG Group by focusing on winning orders to construct condominiums for rental purpose in the Tokyo Metropolitan area, while Asunaro Aoki Construction, the other core company of the Group as well as mid-sized general contractor, will work hard to realize a moderate but steady growth to maintain its high level of profit achieved in the last fiscal year.

However, after considering our strong results of the last fiscal year as well as our aggressive hiring status to secure future growth, for the fiscal year ending March 2019, which is our 101st fiscal year after foundation, we decided our theme for this fiscal year to be "NEXT CENTURY 101! Let's Achieve our Mid Term Plan Goals One Year Ahead!" to achieve our Mid Term Plan revenue and profit goals one year in advance. In addition, we plan to change one of our key words of the Plan, "Specialty 18 alpha" to "Specialty 20 alpha" by taking into account that Mibu Corporation Co.,Ltd. and TCG-USA Inc. joined our consolidated Group from this fiscal year through M&A and new foundation, respectively, through which, we expect further expansion of our business. Even with the abovementioned strategies, our Q1 (accumulated) orders received dropped to 67,556 million yen (-2.5% vs previous Q1(accumulated)), but our net sales soared to 54,177 million yen (+3.1%vs previous Q1 (accumulated)), which surpassed Q1 (accumulated) of previous years for 7 consecutive years as well as record high for 6 consecutive years. Regarding profit, operating income was 895 million yen (- 55.0% vs. previous Q1 (accumulated)), ordinary income was 926 million yen (-54.1% vs. previous Q1 (accumulated)), and net earnings attributable to controlling interest was 463 million yen, decrease of 56.1% vs. previous Q1 (accumulated) due to backrush of last year's Q1 in which we had numbers of high margin completed architectures, as well as increase of selling, general and administrative expenses due to increased numbers of employees and new Group companies joining our Group.

By-segment performance were as shown below, however concerning by-segment earnings, the numbers do not include 893 million yen of headquarter expenses and other adjustments to match with consolidated operating income.

(Architecture)

Orders received increased by 45.3% to 41,906 million yen, net sales decreased by 13.5% to 23,456 million yen and the segment operating profit decreased by 51.1% to 852 million yen.

(Civil engineering)

Orders received decreased by 41.9% to 21,632 million yen, net sales increased by 20.3% to 26,704 million yen and the segment operating profit increased by 2.6% to 778 million yen.

(Real estate)

Sales from real estate transactions, leasing and other operations increased by 23.3% to 4,017 million yen and the segment operating profit decreased by 1.7% to 158 million yen.

(2) Overview of financial condition

(Assets)

Assets totaled 176,414 million yen at the end of the first quarter, 8,481 million yen less than the end of the previous fiscal year. This is due mainly to decreases of notes and accounts receivable of 16,307 million yen, partially offset by increase of real estate for sale of 3,693 million yen and increase of noncurrent assets of 2,060 million yen (mainly goodwill), both caused by new Group companies that joined our Group as well as increase of accounts receivable of 1,565 million yen.

(Liabilities)

Liabilities decreased by 7,496 million yen to 63,406 million yen. The main reasons were decrease of 6,324 million yen of accounts payable and decrease of 1,633 million yen of income taxes payable.

(Net assets)

Net assets decreased by 984 million yen to 113,008 million yen.

The primary reason was decrease of retained earnings of 795 million yen due to offset of Q1 net earnings (accumulated) of 463 million yen and 1,253 million yen of dividend payout. As the result, net assets after deducting non-controlling interests was 98,910 million yen with the equity ratio of 56.1%, 2.2 percentage point higher than the end of the previous fiscal year.

(3) Forecast

Based on the results of the consolidated first quarter cumulative results and the outlook of business performance for second quarter and onwards, we have revised our earnings forecast for the fiscal year ending March 31, 2019 announced on May 11, 2018 (April 1, 2018 to March 31, 2019) as follows:

Revision for the consolidated Q2 (accumulated) forecasts (April 1, 2018 through September 30, 2018)

	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
Previously announced forecast (A) (May 11, 2018)	131,000	113,000	4,500	4,500	2,500	71.80
This revision(B)	131,000	113,000	4,000	4,000	2,200	63.18
Change(B-A)	—	—	(500)	(500)	(300)	
Change%	—	—	(11.1)	(11.1)	(12.0)	
(Reference) Results for Q2 of fiscal year ended March 2018	130,009	112,022	5,419	5,410	2,810	78.24

Reason for modification

Regarding the revision of the consolidated earnings forecast, we conducted examination of individual projects with the understanding that there are more projects that will end after the beginning of the third quarter than was previously forecasted. With this delayed forecast, we will lower our earning estimate for the second quarter (accumulated). However, the forecast for the full fiscal year ending March 31, 2012 will remain as previously announced.

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2018 (As of March 31, 2018)	First quarter ended June 2018 (As of June 30, 2018)
<b>ASSETS</b>		
Current assets		
Cash and deposits	68,571	68,173
Notes receivable, accounts receivable from completed construction contracts and other	68,146	51,838
Real estate for sale	7,592	11,286
Costs on uncompleted construction contracts	781	1,196
Costs on real estate business	764	672
Accounts receivable	5,263	6,829
Other	1,275	1,806
Allowance for doubtful accounts	(270)	(220)
<b>Total current assets</b>	<b>152,125</b>	<b>141,583</b>
Noncurrent assets		
Tangible Assets		
Buildings and structures, net	4,016	4,019
Machinery, vehicles, tools, furniture and fixtures, net	1,199	1,178
Vessels, net	1,595	1,561
Land	12,916	12,902
Lease assets, net	152	152
Construction in progress	58	261
<b>Total Tangible assets</b>	<b>19,938</b>	<b>20,076</b>
Intangible assets	473	2,135
Investments and other assets		
Investment securities	6,436	6,435
Deferred tax assets	3,653	3,814
Other	2,563	2,668
Allowance for doubtful accounts	(295)	(299)
<b>Total investments and other assets</b>	<b>12,357</b>	<b>12,619</b>
<b>Total noncurrent assets</b>	<b>32,770</b>	<b>34,830</b>
<b>Total assets</b>	<b>184,895</b>	<b>176,414</b>

(Million yen)

	Fiscal year ended March 2018 (As of March 31, 2018)	First quarter ended June 2018 (As of June 30, 2018)
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable for construction contracts	32,565	26,240
Income taxes payable	2,373	740
Advances received on uncompleted construction contracts	11,055	11,985
Provision for warranties for completed construction	690	675
Provision for loss on construction contracts	175	140
Provision for bonuses	2,797	4,378
Provision for directors retirement benefits	50	—
Provision for loss by disaster	240	—
Other	8,326	6,719
<b>Total current liabilities</b>	<b>58,274</b>	<b>50,880</b>
Noncurrent liabilities		
Deferred tax liabilities for land revaluation	256	256
Deferred tax liabilities	253	227
Provision for special repairs of vessels	52	61
Retirement allowances	10,660	10,582
Other	1,405	1,397
<b>Total noncurrent liabilities</b>	<b>12,628</b>	<b>12,525</b>
<b>Total liabilities</b>	<b>70,903</b>	<b>63,406</b>
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	391	395
Retained earnings	102,100	101,304
Treasury shares	(7,483)	(7,483)
<b>Total shareholders' equity</b>	<b>100,008</b>	<b>99,216</b>
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	1,129	1,181
Revaluation reserve for land	(1,266)	(1,266)
Foreign currency translation adjustment	—	(5)
Remeasurements of retirement allowance plans	(245)	(216)
<b>Total accumulated other comprehensive income</b>	<b>(382)</b>	<b>(306)</b>
Non-controlling interests	14,367	14,098
<b>Total net assets</b>	<b>113,992</b>	<b>113,008</b>
<b>Total liabilities and net assets</b>	<b>184,895</b>	<b>176,414</b>

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income  
Quarterly consolidated statement of income  
For the first quarter of fiscal year ending March 31, 2019 (April 1,2018 – June 30,2018)

(Million yen)

	First quarter ended June,2017 (April 1, 2017-June 30, 2017)	First quarter ended June,2018 (April 1, 2018-June 30, 2018)
<b>Net sales</b>		
Net sales of completed construction contracts	49,308	50,160
Sales on real estate business	3,258	4,017
<b>Total net sales</b>	<b>52,566</b>	<b>54,177</b>
<b>Cost of sales</b>		
Cost of sales of completed construction contracts	42,983	44,394
Cost of sales on real estate business	3,008	3,388
<b>Total cost of sales</b>	<b>45,991</b>	<b>47,782</b>
<b>Gross profit</b>		
Gross profit on completed construction contracts	6,325	5,766
Gross profit-real estate business	250	629
<b>Total gross profit</b>	<b>6,575</b>	<b>6,395</b>
<b>Selling, general and administrative expenses</b>	<b>4,584</b>	<b>5,499</b>
<b>Operating income</b>	<b>1,990</b>	<b>895</b>
<b>Non-operating income</b>		
Interest income	0	0
Dividend income	57	61
Other	20	25
<b>Total non-operating income</b>	<b>77</b>	<b>87</b>
<b>Non-operating expenses</b>		
Interest expense	49	52
Other	0	2
<b>Total non-operating expenses</b>	<b>50</b>	<b>55</b>
<b>Ordinary income</b>	<b>2,017</b>	<b>926</b>
<b>Extraordinary income</b>		
Gain on sales of fixed assets	0	3
Gain on sales of investment securities	5	—
<b>Total extraordinary income</b>	<b>5</b>	<b>3</b>
<b>Extraordinary losses</b>		
Loss on litigation	50	22
Other	8	3
<b>Total extraordinary losses</b>	<b>58</b>	<b>25</b>
<b>Income before income taxes</b>	<b>1,964</b>	<b>904</b>
Income taxes-current	757	645
Income taxes-deferred	(8)	(208)
<b>Total income taxes</b>	<b>749</b>	<b>437</b>
<b>Net earnings</b>	<b>1,215</b>	<b>466</b>
Net earnings attributable to non-controlling interests	158	2
<b>Net earnings attributable to controlling interest</b>	<b>1,057</b>	<b>463</b>



Quarterly consolidated statement of comprehensive income  
 For the first quarter of fiscal year ending March 31, 2019 (April 1, 2018– June 30, 2018)

(Million yen)

	First quarter ended June,2017 (April 1, 2017-June 30, 2017)	First quarter ended June,2018 (April 1, 2018-June 30, 2018)
Net earnings	1,215	466
Other comprehensive income		
Valuation difference on available-for-sale securities	63	83
Foreign currency translation adjustment	—	(5)
Remeasurements of retirement allowance plans	61	35
Total other comprehensive income	125	114
Comprehensive income	1,340	580
(This splits into···)		
Comprehensive income attributable to controlling interest	1,163	539
Comprehensive income attributable to non-controlling interests	177	40

(3) Notes to consolidated financial statements

(Going concern assumptions)

None

(Significant change in shareholders' equity)

None

(Additional information)

(Application of "Partial Amendment to 'Accounting Standard for Tax Effect Accounting', etc.")

"Partial Amendment to 'Accounting Standard for Tax Effect Accounting' (ASBJ Statement No. 28, February 16, 2018), etc." were applied from the first quarter of this fiscal year.

Under this application, deferred tax assets are shown in "Investments and other assets" classification, while deferred tax liabilities are shown in Noncurrent Liabilities.

**3. Additional Information**  
**Orders Received and Net Sales (Consolidated)**

(Million yen, %)

		First quarter FY3/18		First quarter FY3/19		Changes	
		(Apr. 1, 2017-Jun. 30,2017)		(Apr. 1, 2018-Jun. 30,2018)			
		Amount	Share	Amount	Share	Amount	%
Orders received	Architecture	28,832	41.6	41,906	62.1	13,073	45.3
	Civil engineering	37,222	53.7	21,632	32.0	(15,589)	(41.9)
	Total construction	66,054	95.3	63,538	94.1	(2,516)	(3.8)
	Real estate	3,258	4.7	4,017	5.9	759	23.3
	Total	69,313	100.0	67,556	100.0	(1,756)	(2.5)
Net sales	Architecture	27,106	51.6	23,456	43.3	(3,650)	(13.5)
	Civil engineering	22,202	42.2	26,704	49.3	4,501	20.3
	Total construction	49,308	93.8	50,160	92.6	851	1.7
	Real estate	3,258	6.2	4,017	7.4	759	23.3
	Total	52,566	100.0	54,177	100.0	1,610	3.1