

## Summary of Consolidated Financial Results

### For the Second Quarter of Fiscal Year Ending March 31, 2015 [Japan GAAP]

Company: Takamatsu Construction Group Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange (First Section)

Stock code: 1762

URL: <http://www.takamatsu-cg.co.jp/>

Representative Director: Kanji Ogawa, President

Contact: Hiroshi Goto, Managing executive officer and general manager of planning department

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Date of filing of quarterly securities report: November 13, 2014 (tentative)

Date of commencement of dividend payment: December 5, 2014 (tentative)

Supplementary explanatory documents: No

Earnings presentation: No

(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 2015 (April 1, 2014 – September 30, 2014)

(1) Result of operations (Consolidated, year-to-date) (Percentage figures represent year on year changes)

|                                 | Net sales   |      | Operating income |       | Ordinary income |       | Net income  |        |
|---------------------------------|-------------|------|------------------|-------|-----------------|-------|-------------|--------|
|                                 | Million yen | %    | Million yen      | %     | Million yen     | %     | Million yen | %      |
| First half ended September 2014 | 82,744      | 5.1  | 2,221            | 13.1  | 2,260           | 10.8  | 1,235       | (63.1) |
| First half ended September 2013 | 78,697      | 21.7 | 1,965            | 127.0 | 2,041           | 123.9 | 3,346       | 691.2  |

Note: Comprehensive income: First half of FY3/2015: 1,778 million yen [-50.5%], First half of FY3/2014: 3,595 million yen [-%]

|                                 | Net income per share |  | Net income per share fully diluted |  |
|---------------------------------|----------------------|--|------------------------------------|--|
|                                 | Yen                  |  | Yen                                |  |
| First half ended September 2014 | 34.29                |  | -                                  |  |
| First half ended September 2013 | 92.90                |  | -                                  |  |

(2) Financial Position (Consolidated)

|                          | Total assets |  | Net assets  |  | Equity ratio |  |
|--------------------------|--------------|--|-------------|--|--------------|--|
|                          | Million yen  |  | Million yen |  | %            |  |
| As of September 30, 2014 | 154,092      |  | 95,272      |  | 52.7         |  |
| As of March 31, 2014     | 154,629      |  | 94,148      |  | 51.7         |  |

Notes: Shareholders' equity

As of September 30, 2014: 81,198 million yen

As of March 31, 2014: 79,981 million yen

#### 2. Dividends

|  | Dividend per share |           |           |           |           |
|--|--------------------|-----------|-----------|-----------|-----------|
|  | End of 1Q          | End of 2Q | End of 3Q | End of FY | Full year |
|  | Yen                | Yen       | Yen       | Yen       | Yen       |
| Fiscal year ended March 2014             | -                  | 11.00     | -         | 14.00     | 25.00     |
| Fiscal year ending March 2015            | -                  | 11.00     | -         | -         | -         |
| Fiscal year ending March 2015 (estimate) | -                  | -         | -         | 14.00     | 25.00     |

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

FY3/14 year-end dividend includes 2 yen of special dividend

FY3/15 (forecast) year-end dividend includes 2 yen of special dividend

#### 3. Forecast for the fiscal year ending March 2015 (Consolidated, April 1, 2014 to March 31, 2015)

(Percentage figures represent year on year changes)

|           | Net sales   |     | Operating income |     | Ordinary income |     | Net income  |        | Net income per share |
|-----------|-------------|-----|------------------|-----|-----------------|-----|-------------|--------|----------------------|
|           | Million yen | %   | Million yen      | %   | Million yen     | %   | Million yen | %      | Yen                  |
| Full year | 185,000     | 4.1 | 6,800            | 4.5 | 6,800           | 1.7 | 4,100       | (33.4) | 113.83               |

Note: Change in the forecast from the latest announcement: No

\* **Notes**

(1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): No

(2) Use of 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: Yes

(b) Changes other than in (a): No

(c) Changes in accounting estimates: No

(d) Retrospective restatement: No

Note: For more information, please see 2. Other Information (Note), Changes in accounting principles and estimates, and retrospective restatement on page 3..

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury stock)

|                           |            |                       |            |
|---------------------------|------------|-----------------------|------------|
| As of September 30, 2014: | 38,880,000 | As of March 31, 2014: | 38,880,000 |
|---------------------------|------------|-----------------------|------------|

(b) Treasury stock

|                           |           |                       |           |
|---------------------------|-----------|-----------------------|-----------|
| As of September 30, 2014: | 2,860,980 | As of March 31, 2014: | 2,860,913 |
|---------------------------|-----------|-----------------------|-----------|

(c) Average number of shares (quarterly consolidated cumulative period)

|                                  |            |                                  |            |
|----------------------------------|------------|----------------------------------|------------|
| Period ended September 30, 2014: | 36,019,020 | Period ended September 30, 2013: | 36,019,143 |
|----------------------------------|------------|----------------------------------|------------|

\* Description of quarterly review procedure implementation status

The rule mandating a review of quarterly financial statements (under the Financial Instruments and Exchange Act) does not apply to this Summary of Financial Results. The quarterly review procedure process based upon the Financial Instruments and Exchange Act has been completed at the time of disclosure of this report.

\* Cautionary statement regarding forecasts of operating results and special notes

(Note on forward looking statements)

Forward-looking statements in these materials are based on information available to management at the time this report was prepared. Actual results may differ significantly from these statements for a number of reasons.

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## 1. Results of Operations

### (1) Overview on business performance

In the first half of the fiscal year, although there were some effects of the drop in demand following the rush to make purchases before the April 2014 consumption tax increase, the Japanese economy recovered at a moderate pace as corporate earnings improved, unemployment declined and personal income increased.

In the construction industry, there was strength in both public-works investments and private-sector construction expenditures. However, the shortage of engineers and other skilled construction workers became even more severe.

Based on the central theme of “quickly responding to changes in the environment and turbulence,” Takamatsu Construction Group is working on three goals: strengthening the business model, achieving reforms rather than improvements, and implementing rigorous risk management. At two primary subsidiaries, Takamatsu Construction and its group companies focused on the goal of breaking out for another transformation based on the central theme of “progress by establishing priorities and taking actions” and Aoki Asunaro Construction and its group companies focused on the goals of making people and the organization more powerful and becoming more profitable based on the central theme of “consistent advances to step up for sustained progress.”

First half orders received were 119,177 million yen, 17.9% higher than one year earlier, and sales increased 5.1% to 82,744 million yen.

Operating income increased 13.1% to 2,221 million yen and ordinary income increased 10.8% to 2,260 million yen. Due mainly to the inclusion one year earlier of extraordinary income for negative goodwill, net income was down 63.1% to 1,235 million yen.

Business segment performance was as follows. Segment earnings have been adjusted for consistency with operating income on the statement of income.

(Building construction)

Sales increased 4.3% to 38,605 million yen and earnings decreased 29.5% to 1,248 million yen.

(Civil engineering)

Sales increased 3.7% to 39,276 million yen and earnings increased 125.2% to 1,431 million yen.

(Real estate)

Sales increased 27.7% to 4,861 million yen and earnings increased 15.3% to 513 million yen.

### (2) Overview of financial condition

Assets

Assets totaled 154,092 million yen at the end of the first half, 537 million yen less than at the end of the previous fiscal year. This was mainly the result of a 13,486 million yen increase in cash and deposits and a 17,421 million yen decrease in notes and accounts receivable from completed construction contracts and other as payments were received.

Liabilities decreased 1,661 million yen to 58,820 million yen. The primary changes in liabilities were a 5,669 million yen increase in advances received on uncompleted construction contracts and a 5,796 million yen decrease in notes and accounts payable for construction contracts.

Net assets increased 1,123 million yen to 95,272 million yen. There was a 778 million yen increase in shareholders' equity mainly because of first half net income of 1,235 million yen and dividend payments of 504 million yen.

Shareholders' equity after deducting minority interests was 81,198 million yen and the equity ratio was 52.7%, 1 percentage point higher than at the end of the previous fiscal year.

### (3) Forecast

There is no change in the forecast for consolidated results of operations that was announced on May 14, 2014.

## 2. Other information (Note)

(1) Changes in significant subsidiaries:

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:

Changes in accounting policy

(Application of accounting standard for retirement benefits)

Beginning at the start of the first quarter of the fiscal year ending on March 31, 2015, the Company is using Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012) as prescribed in paragraph 35 of this accounting standard and paragraph 67 of this guidance. The method for setting the discount rate has been changed from a method based on determining a base value for the number of years approximating to employees' average remaining service period to a method using a simple weighted average discount rate that reflects the anticipated payment period for accrued retirement benefits and the amounts to be paid in for each period.

For the application of the accounting standard for retirement benefits, in accordance with the transitional handling prescribed in paragraph 37 of this standard, the effect of the change in the method for calculating retirement benefit liabilities and service cost as of the beginning of the first half is included in retained earnings.

As a result, at the beginning of the first half, retirement benefit liabilities decreased 89 million yen and retained earnings increased 47 million yen.

Also, first half operating income, ordinary income and income before income taxes and minority interests each increased 4 million yen.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly consolidated balance sheet

(million yen)

|  | Fiscal year ended March 2014<br>(As of March 31, 2014) | Second quarter ended<br>September 2014<br>(As of September 30, 2014) |
|--|--|--|
| <b>ASSETS</b>  |  |  |
| Current assets   |  |  |
| Cash and deposits  | 68,843   | 82,330   |
| Notes receivable, accounts receivable from<br>completed construction contracts and other | 48,991   | 31,569   |
| Real estate for sale   | 3,386  | 2,839  |
| Costs on uncompleted construction contracts<br>and other                                 | 1,239  | 1,360  |
| Costs on real estate business  | 1,408  | 1,939  |
| Deferred tax assets  | 717  | 798  |
| Other  | 4,999  | 7,703  |
| Allowance for doubtful accounts  | (195)  | (142)  |
| <b>Total current assets</b>  | <b>129,391</b>   | <b>128,399</b>   |
| Noncurrent assets  |  |  |
| Property, plant and equipment  |  |  |
| Buildings and structures, net  | 2,895  | 2,894  |
| Machinery, equipment and vehicles, and<br>tools, furniture and fixtures, net             | 611  | 668  |
| Vessels, net   | 1,220  | 1,174  |
| Land   | 9,304  | 9,074  |
| Lease assets, net  | 233  | 212  |
| Construction in progress   | 25   | 107  |
| <b>Total property, plant and equipment</b>   | <b>14,290</b>  | <b>14,131</b>  |
| Intangible assets  | 244  | 308  |
| Investments and other assets   |  |  |
| Investment securities  | 6,011  | 6,835  |
| Real estate for investment, net  | 199  | 199  |
| Deferred tax assets  | 1,330  | 1,155  |
| Other  | 3,773  | 3,620  |
| Allowance for doubtful accounts  | (611)  | (556)  |
| <b>Total investments and other assets</b>  | <b>10,703</b>  | <b>11,254</b>  |
| <b>Total noncurrent assets</b>   | <b>25,238</b>  | <b>25,693</b>  |
| <b>Total assets</b>  | <b>154,629</b>   | <b>154,092</b>   |

|  | Fiscal year ended March 2014<br>(As of March 31, 2014) | Second quarter ended<br>September 2014<br>(As of September 30, 2014) |
|--|--|--|
| <b>LIABILITIES</b>   |  |  |
| Current liabilities  |  |  |
| Notes payable, accounts payable for construction contracts and other | 26,889   | 21,093   |
| Income taxes payable   | 1,732  | 935  |
| Advances received on uncompleted construction contracts              | 10,858   | 16,527   |
| Provision for bonuses  | 1,676  | 1,924  |
| Provision for warranties for completed construction                  | 700  | 672  |
| Provision for loss on construction contracts                         | 35   | 5  |
| Other  | 5,534  | 4,145  |
| Total current liabilities  | 47,427   | 45,305   |
| Noncurrent liabilities   |  |  |
| Deferred tax liabilities for land revaluation                        | 353  | 352  |
| Net defined benefit liability  | 10,307   | 10,482   |
| Provision for special repairs of ships                               | 87   | 91   |
| Other  | 2,306  | 2,587  |
| Total noncurrent liabilities   | 13,053   | 13,514   |
| Total liabilities  | 60,481   | 58,820   |
| <b>NET ASSETS</b>  |  |  |
| Shareholder's equity   |  |  |
| Capital stock  | 5,000  | 5,000  |
| Capital surplus  | 272  | 272  |
| Retained earnings  | 80,683   | 81,462   |
| Treasury stock   | (4,296)  | (4,296)  |
| Total shareholder's equity   | 81,659   | 82,437   |
| Accumulated other comprehensive income                               |  |  |
| Valuation differences on available-for-sales securities              | 651  | 1,168  |
| Revaluation reserve for land   | (1,657)  | (1,658)  |
| Remeasurements of defined benefit plans                              | (671)  | (749)  |
| Total accumulated other comprehensive income                         | (1,677)  | (1,239)  |
| Minority interests   | 14,166   | 14,073   |
| Total net assets   | 94,148   | 95,272   |
| Total liabilities and net assets                                     | 154,629  | 154,092  |

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income  
 Quarterly consolidated statements of income  
 For the first half (April 1, 2014 – September 30, 2014)

(million yen)

|   | First half ended September 2013<br>(April 1, 2013-September 30, 2013) | First half ended September 2014<br>(April 1, 2014-September 30, 2014) |
|---|---|---|
| <b>Net sales</b>                                  |   |   |
| Net sales of completed construction contracts     | 74,891  | 77,882  |
| Sales on real estate business                     | 3,806   | 4,861   |
| Total net sales                                   | 78,697  | 82,744  |
| <b>Cost of sales</b>                              |   |   |
| Cost of sales of completed construction contracts | 67,028  | 69,270  |
| Cost of sales-real estate                         | 3,291   | 4,266   |
| Total cost of sales                               | 70,319  | 73,537  |
| <b>Gross profit</b>                               |   |   |
| Gross profit on completed construction contracts  | 7,863   | 8,611   |
| Gross profit-real estate business                 | 514   | 594   |
| Total gross profit                                | 8,378   | 9,206   |
| Selling, general and administrative expenses      | 6,413   | 6,984   |
| Operating income (loss)                           | 1,965   | 2,221   |
| <b>Non-operating income</b>                       |   |   |
| Interest income                                   | 5   | 0   |
| Dividend income                                   | 94  | 62  |
| Delinquent charge earned                          | -   | 25  |
| Other   | 49  | 46  |
| Total non-operating income                        | 149   | 134   |
| <b>Non-operating expenses</b>                     |   |   |
| Interest expense                                  | 70  | 94  |
| Other   | 3   | 1   |
| Total non-operating expenses                      | 73  | 96  |
| Ordinary income (loss)                            | 2,041   | 2,260   |
| <b>Extraordinary income</b>                       |   |   |
| Gain on sales of noncurrent assets                | 21  | 8   |
| Gain on bargain purchase                          | 1,911   | -   |
| Gain on change in equity                          | 326   | -   |
| Other   | 0   | 0   |
| Total extraordinary income                        | 2,261   | 8   |
| <b>Extraordinary losses</b>                       |   |   |
| Loss on litigation                                | 6   | 31  |
| Share exchange expenses                           | 6   | -   |
| Other   | 10  | 6   |
| Total extraordinary losses                        | 23  | 37  |
| Income (loss) before income taxes                 | 4,278   | 2,230   |
| Income taxes-current                              | 1,032   | 884   |
| Income taxes-deferred                             | (111)   | (15)  |
| Total income taxes                                | 920   | 869   |
| Income (loss) before minority interests           | 3,357   | 1,361   |
| Minority interests in income (loss)               | 11  | 126   |
| Net income (loss)                                 | 3,346   | 1,235   |



Quarterly consolidated statements of comprehensive income  
For the first half (April 1, 2014 – September 30, 2014)

|   | First half ended September 2013<br>(April 1, 2013-September 30, 2013) | First half ended September 2014<br>(April 1, 2014-September 30, 2014) |
|---|---|---|
| Income (loss) before minority interests                   | 3,357   | 1,361   |
| Other comprehensive income                                |   |   |
| Valuation difference on available-for-sale securities     | 237   | 530   |
| Remeasurements of defined benefit plans, net of tax       | -   | (112)   |
| Total other comprehensive income                          | 237   | 417   |
| Comprehensive income                                      | 3,595   | 1,778   |
| Comprehensive income attributable to owners of the parent | 3,562   | 1,674   |
| Comprehensive income attributable to minority interests   | 32  | 104   |

- (3) Notes to consolidated financial statements  
(Going concern assumptions)  
No

(Significant change in shareholders' equity)  
No

#### 4. Additional information

Orders received and net sales (consolidated)

|           |                       | First half FY3/13<br>(Apr. 1, 2013-Sep. 30, 2013) |              | First half FY3/14<br>(Apr. 1, 2014-Sep. 30, 2014) |              | Changes                 |             |
|-----------|-----------------------|---|--------------|---|--------------|-------------------------|-------------|
|           |                       | Amount<br>(Million yen)                           | Comp.<br>(%) | Amount<br>(Million yen)                           | Comp.<br>(%) | Amount<br>(Million yen) | Pct.<br>(%) |
| Orders    | Building construction | 55,384  | 54.8         | 47,280  | 39.7         | (8,103)                 | (14.6)      |
|           | Civil engineering     | 41,901  | 41.4         | 67,035  | 56.2         | 25,133                  | 60.0        |
|           | Constructions total   | 97,285  | 96.2         | 114,316   | 95.9         | 17,030                  | 17.5        |
|           | Real estate           | 3,806   | 3.8          | 4,861   | 4.1          | 1,054                   | 27.7        |
|           | Total                 | 101,092   | 100.0        | 119,177   | 100.0        | 18,084                  | 17.9        |
| Net sales | Building construction | 37,015  | 47.1         | 38,605  | 46.6         | 1,590                   | 4.3         |
|           | Civil engineering     | 37,875  | 48.1         | 39,276  | 47.5         | 1,401                   | 3.7         |
|           | Constructions total   | 74,891  | 95.2         | 77,882  | 94.1         | 2,991                   | 4.0         |
|           | Real estate           | 3,806   | 4.8          | 4,861   | 5.9          | 1,054                   | 27.7        |
|           | Total                 | 78,697  | 100.0        | 82,744  | 100.0        | 4,046                   | 5.1         |