

Summary of Consolidated Financial Results

For the Second Quarter of Fiscal Year Ending March 31, 2016 [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/>

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Date of filing of quarterly securities report: November 12, 2015 (tentative)

Date of commencement of dividend payment: December 4, 2015 (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 2016 (April 1, 2015 – September 30, 2015)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half ended September 2015	94,513	14.2	4,039	81.8	4,083	80.7	2,667	116.0
First half ended September 2014	82,744	5.1	2,221	13.1	2,260	10.8	1,235	(63.1)

Note: Comprehensive income: First half of FY3/2016: 3,113 million yen [75.1%], First half of FY3/2015: 1,778 million yen [-50.5%]

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First half ended September 2015	74.06		-	
First half ended September 2014	34.29		-	

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of September 30, 2015	158,902		101,472		55.6	
As of March 31, 2015	162,158		99,131		53.3	

Notes: Shareholders' equity

As of September 30, 2015: :88,353 million yen

As of March 31, 2015: 86,350 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year
	Yen				
Fiscal year ended March 2015	-	11.00	-	16.00	27.00
Fiscal year ending March 2016	-	12.00			
Fiscal year ending March 2016 (estimate)			-	15.00	27.00

Note: Change in the estimation of dividend from the latest announcement: No
FY3/15 year-end dividend includes 4 yen of special dividend

3. Forecast for the fiscal year ending March 2016 (Consolidated, April 1, 2015 to March 31, 2016)

(Percentage figures represent 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	205,000	8.3	7,600	6.2	7,600	5.4	4,500	(29.1)	124.93

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 shares)

As of September 30, 2015:	38,880,000	As of March 31, 2015:	38,880,000
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(b) Treasury shares

As of September 30, 2015:	2,861,003	As of March 31, 2015:	2,860,980
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(c) Average number of shares (quarterly consolidated cumulative period)

Period ended September 30, 2015:	36,018,997	Period ended September 30, 2014:	36,019,020
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* 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 current fiscal year, although corporate earnings improved, the economic outlook in Japan was uncertain because of the sharp drop in stock prices in August and the subsequent stock market volatility as well as other events.

In the Japanese construction industry, the level of new orders was about the same as in 2014 even as shortages of engineers and other skilled construction workers continued. Public-works investments continue to decline but private-sector expenditures remain generally strong, particularly for logistics facilities and factories.

With operations that encompass almost every category of the construction business, the Takamatsu Construction Group is a highly profitable organization. Group companies have distinctive strengths for sales activities to develop new business as well as for construction technologies. Our goal is to establish a steady and sustainable growth trajectory for sales and earnings. We will work even harder to capture market share in fields where we are competitive. We will also take on the challenge of entering emerging new markets and growing market sectors.

Takamatsu Construction Group and Aoki Asunaro Construction Group, the two primary elements of our group, are pursuing a growth strategy based on the following central goals.

Takamatsu Construction Group

1. Continue the expansion of the rental condominium building business (increase market share).
2. Strengthen comprehensive service capabilities including designing, construction, property management and renovation, and build stronger ties with our customers.
3. Start and expand distinctive business activities within the group.

Aoki Asunaro Construction Group

1. Enhance the group's profile by participating in major projects such as the Tokyo Olympics, linear-motor trains, government projects to increase the resilience of Japan to natural disasters and other projects.
2. Make a big improvement in profitability.
3. Accumulate technologies that can contribute to sustainable growth.

Due to these activities, first half orders received increased 14.8% from one year earlier to 136,821 million yen and sales increased 14.2% to 94,513 million yen. Both orders and sales set new records for the first half of a fiscal year.

Operating income was up 81.8% to 4,039 million yen, another all-time high. Ordinary income increased 80.7% to 4,083 million yen and profit attributable to owners of parent increased 116.0% to 2,667 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 12.2% to 43,323 million yen and earnings increased 71.3% to 2,139 million yen.

(Civil engineering)

Sales increased 14.3% to 44,912 million yen and earnings increased 70.2% to 2,436 million yen.

(Real estate)

Sales increased 29.1% to 6,277 million yen and earnings increased 17.0% to 600 million yen.

(2) Overview of financial condition

Assets

Assets totaled 158,902 million yen at the end of the first half, 3,256 million yen less than at the end of the previous fiscal year. This was mainly the result of a 3,701 million yen decrease in notes and accounts receivable from completed construction contracts and other.

Liabilities decreased 5,597 million yen to 57,429 million yen. The primary changes in liabilities were a 2,077 million yen increase in advances received on uncompleted construction contracts and a 5,076 million yen decrease in notes and accounts payable for construction contracts.

Net assets increased 2,340 million yen to 101,472 million yen, mainly because of first half net income of 3,217 million yen and dividend payments of 576 million yen and others.

Shareholders' equity after deducting non-controlling interests was 88,353 million yen and the equity ratio was 55.6%, 2.3 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 13, 2015.

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)

Beginning with the first quarter of the fiscal year ending on March 31, 2016, Takamatsu Construction Group is using Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), Accounting Standard for Consolidated Financial Statements (ASBJ Standard No. 22, September 13, 2013) and Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013). As a result, when ownership changes at a subsidiary where Takamatsu Construction Group retains control, this difference is included in the capital surplus. In addition, the recognition of expenses associated with acquisitions has been changed to the consolidated fiscal year in which the corresponding expense occurred. Furthermore, there is a revision in the allocation of acquisition expenses for business combinations occurring on or after the beginning of the first quarter of the fiscal year ending on March 31, 2016. The revised method reflects in the consolidated financial statements of the quarter in which the business combination occurred any changes to the amount allocated to acquisition cost resulting from the confirmation of provisional accounting methods. There are also revisions to the presentation of quarterly net income and other items and minority interests is now called non-controlling interests. To reflect these changes in the presentation of the financial statements, first half and fiscal year consolidated financial statements for the previous fiscal year have been revised. For the application of these three accounting standards, the transitional measures specified in Accounting Standard for Business Combinations No. 58-2 (4), Accounting Standard for Consolidated Financial Statements No. 44-5 (4) and Accounting Standard for Business Divestitures No. 57-4 (4) were used. These three accounting standards will continue to be applied starting with the beginning of the first quarter of the fiscal year ending on March 31, 2016. The application of these accounting standards had no effect on the consolidated financial statements for the first half of the current fiscal year.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2015 (As of March 31, 2015)	Second quarter ended September 2015 (As of September 30, 2015)
ASSETS		
Current assets		
Cash and deposits	71,762	71,167
Notes receivable, accounts receivable from completed construction contracts and other	49,785	46,083
Real estate for sale	5,213	3,892
Costs on uncompleted construction contracts	496	865
Costs on real estate business	661	1,667
Accounts receivable - other	6,214	4,803
Deferred tax assets	1,034	1,374
Other	1,400	2,422
Allowance for doubtful accounts	(197)	(183)
Total current assets	136,370	132,094
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	2,889	2,926
Machinery, vehicles, tools, furniture and fixtures, net	626	919
Vessels, net	1,120	1,037
Land	9,449	9,954
Lease assets, net	194	200
Construction in progress	-	16
Total property, plant and equipment	14,280	15,054
Intangible assets	327	337
Investments and other assets		
Investment securities	6,702	6,327
Deferred tax assets	1,150	1,561
Other	3,816	3,934
Allowance for doubtful accounts	(488)	(408)
Total investments and other assets	11,180	11,415
Total noncurrent assets	25,788	26,807
Total assets	162,158	158,902

(Million yen)

	Fiscal year ended March 2015 (As of March 31, 2015)	Second quarter ended September 2015 (As of September 30, 2015)
LIABILITIES		
Current liabilities		
Accounts payable for construction contracts	26,663	21,587
Income taxes payable	1,514	1,521
Advances received on uncompleted construction contracts	11,465	13,543
Provision for bonuses	1,971	2,380
Provision for warranties for completed construction	676	677
Provision for loss on construction contracts	113	10
Other	7,649	4,752
Total current liabilities	50,055	44,472
Noncurrent liabilities		
Deferred tax liabilities for land revaluation	331	263
Deferred tax liabilities	525	480
Net defined benefit liability	10,445	10,518
Other	1,667	1,695
Total noncurrent liabilities	12,971	12,957
Total liabilities	63,027	57,429
NET ASSETS		
Shareholder's equity		
Capital stock	5,000	5,000
Capital surplus	272	271
Retained earnings	85,805	87,897
Treasury shares	(4,296)	(4,296)
Total shareholder's equity	86,781	88,872
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	1,520	1,316
Revaluation reserve for land	(1,272)	(1,272)
Remeasurements of defined benefit plans	(678)	(562)
Total accumulated other comprehensive income	(430)	(518)
Non-controlling interests	12,780	13,119
Total net assets	99,131	101,472
Total liabilities and net assets	162,158	158,902

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
Quarterly consolidated statements of income
For the first half (April 1, 2015 – September 30, 2015)

(Million yen)

	First half ended September 2014 (April 1, 2014-September 30, 2014)	First half ended September 2015 (April 1, 2015-September 30, 2015)
Net sales		
Net sales of completed construction contracts	77,882	88,236
Sales on real estate business	4,861	6,277
Total net sales	82,744	94,513
Cost of sales		
Cost of sales of completed construction contracts	69,270	77,120
Cost of sales on real estate business	4,266	5,559
Total cost of sales	73,537	82,679
Gross profit		
Gross profit on completed construction contracts	8,611	11,116
Gross profit-real estate business	594	718
Total gross profit	9,206	11,834
Selling, general and administrative expenses	6,984	7,794
Operating income	2,221	4,039
Non-operating income		
Interest income	0	1
Dividend income	62	92
Gain on bad debts recovered	10	24
Delinquent charge earned	25	-
Other	36	41
Total non-operating income	134	158
Non-operating expenses		
Interest expense	94	100
Other	1	13
Total non-operating expenses	96	114
Ordinary income (loss)	2,260	4,083
Extraordinary income		
Gain on sales of noncurrent assets	8	6
Reversal of loss on litigation	-	10
Other	0	0
Total extraordinary income	8	18
Extraordinary losses		
Loss on litigation	31	-
Impairment loss	-	225
Other	6	2
Total extraordinary losses	37	228
Income before income taxes and minority interests	2,230	3,874
Income taxes-current	884	1,405
Income taxes-deferred	(15)	(748)
Total income taxes	869	657
Profit	1,361	3,217
Profit attributable to non-controlling interests	126	549
Profit attributable to owners of parent	1,235	2,667

Quarterly consolidated statements of comprehensive income
For the first half (April 1, 2015 – September 30, 2015)

(Million yen)

	First half ended September 2014 (April 1, 2014-September 30, 2014)	First half ended September 2015 (April 1, 2015-September 30, 2015)
Profit	1,361	3,217
Other comprehensive income		
Valuation difference on available-for-sale securities	530	(249)
Revaluation reserve for land	-	0
Remeasurements of defined benefit plans, net of tax	(112)	144
Total other comprehensive income	417	(104)
Comprehensive income	1,778	3,113
Comprehensive income attributable to owners of parent	1,674	2,578
Comprehensive income attributable to non-controlling interests	104	534

- (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 FY3/15 (Apr. 1, 2014-Sep. 30, 2014)		First half FY3/16 (Apr. 1, 2015-Sep. 30, 2015)		Changes	
		Amount (Million yen)	Comp. (%)	Amount (Million yen)	Comp. (%)	Amount (Million yen)	Pct. (%)
Orders	Building construction	47,280	39.7	68,759	50.2	21,478	45.4
	Civil engineering	67,035	56.2	61,784	45.2	(5,250)	(7.8)
	Constructions total	114,316	95.9	130,544	95.4	16,228	14.2
	Real estate	4,861	4.1	6,277	4.6	1,416	29.1
	Total	119,177	100.0	136,821	100.0	17,644	14.8
Net sales	Building construction	38,605	46.6	43,323	45.9	4,717	12.2
	Civil engineering	39,276	47.5	44,912	47.5	5,635	14.3
	Constructions total	77,882	94.1	88,236	93.4	10,353	13.3
	Real estate	4,861	5.9	6,277	6.6	1,416	29.1
	Total	82,744	100.0	94,513	100.0	11,769	14.2