

Summary of Consolidated Financial Results For the Second 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: November 14, 2018
 Date of commencement of dividend payment: December 11, 2018
 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 2019 (April 1, 2018 – September 30, 2018)

(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 2018	114,311	2.0	3,564	(34.2)	3,588	(33.7)	1,954	(30.5)
First half ended September 2017	112,022	12.6	5,419	(9.9)	5,410	(10.2)	2,810	(10.6)

Note: Comprehensive income: First half of FYMar.2019:2,299 million yen (34.9%) ,First half of FYMar.2018:3,531million yen (1.1%)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
First half ended September 2018	56.12	—
First half ended September 2017	78.24	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2018	177,666	114,532	56.5
As of March 31, 2018	184,895	113,992	53.9

(Reference) Shareholders' equity

As of September 30, 2018:100,401 million yen

As of March 31, 2018: 99,625 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
FY3/18	—	20.00	—	36.00	56.00
FY3/19	—	22.00	—	—	—
FY3/19 (Est.)	—	—	—	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
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: No

* **Notes**

(1) Changes in significant subsidiaries (Changes of specific subsidiaries that accompanies scope change of consolidation): Yes

Included 1 (company name) Takamatsu Construction Group USA, Inc.

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 (common stock)

(a) Shares outstanding (including treasury shares)

As of September 30, 2018: 38,880,000 As of March 31, 2018: 38,880,000

(b) Treasury shares

As of September 30, 2018: 4,061,303 As of March 31, 2018: 4,061,303

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

Period ended September 30, 2018: 34,818,697 Period ended September 30, 2017: 35,918,947

* 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 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.

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1. Results of Operations

(1) Overview of business performance

During the second quarter of the fiscal year that will end in March 2019, the overall Japanese economy continued to show moderate recovery trend due to favorable corporate earnings and recovery of individual spending. On the other hand, the Japanese construction market turned into slightly negative growth for the private sector, in addition to public sector shrinking versus last year due to backrush of large project orders a year ago. These resulted in -5.7 % vs. April through September 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.

With the abovementioned strategies, our Q2 (accumulated) orders soared to record high of 144,631 million yen (+11.2% vs previous Q2(accumulated), with net sales reaching 114,311 million yen (+2.0%vs previous Q2 (accumulated)), which surpassed Q2 (accumulated) of previous years for 7 consecutive years as well as record high for 5 consecutive years.

Regarding profit, operating income was 3,564 million yen (-34.2% vs. previous Q2 (accumulated)), ordinary income was 3,588 million yen (-33.7% vs. previous Q2 (accumulated)), and net earnings attributable to controlling interest was 1,954 million yen, a decrease of 30.5% vs. previous Q2 (accumulated) due to backrush of last year's Q2 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 described below, however concerning by-segment earnings, the numbers do not include 1,800 million yen of headquarter expenses and other adjustments to match with consolidated operating income.

(Architecture)

Orders received increased by 31.1% to 84,846 million yen, net sales decreased by 10.5% to 49,484 million yen and the segment operating profit decreased by 43.4% to 2,125 million yen.

(Civil engineering)

Orders received decreased by 18.2% to 48,039 million yen, net sales increased by 5.7% to 53,082 million yen and the segment operating profit decreased by 13.6% to 2,460 million yen.

(Real estate)

Sales from real estate transactions, leasing and other operations increased by 79.8% to 11,745 million yen and the segment operating profit increased by 141.6% to 778 million yen.

(2) Overview of financial condition

(Assets)

Assets totaled 177,666 million yen at the end of the second quarter, 7,229 million yen less than the end of the previous fiscal year. This is due mainly to decreases of notes and accounts receivable of 8,847 million yen as well as cash and deposits of 5,664 million yen, partially offset by increase of real estate for sale of 1,502 million yen and increase of noncurrent assets of 2,947 million yen (mainly goodwill), both caused by new Group companies that joined our Group as well as increase of accounts receivable of 1,076 million yen.

(Liabilities)

Liabilities decreased by 7,768 million yen to 63,134 million yen. The main reasons were decrease of 6,772 million yen of accounts payable and decrease of 853 million yen of income taxes payable.

(Net assets)

Net assets increased by 539 million yen to 114,532 million yen.

The primary reason was increase of retained earnings of 694 million yen due to offset of Q2 net earnings (accumulated) of 1,954 million yen and 1,253 million yen of dividend payout. As the result, net assets after deducting non-controlling interests was 100,401 million yen with the equity ratio of 56.5%, 2.6 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, 2018

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)	Second quarter ended September 2018 (As of September 30, 2018)
ASSETS		
Current assets		
Cash and deposits	68,571	62,906
Notes receivable, accounts receivable from completed construction contracts and other	68,146	59,298
Real estate for sale	7,592	9,095
Costs on uncompleted construction contracts	781	1,326
Costs on real estate business	764	888
Accounts receivable	5,263	6,339
Other	1,275	2,338
Allowance for doubtful accounts	(270)	(244)
Total current assets	152,125	141,948
Noncurrent assets		
Tangible Assets		
Buildings and structures, net	4,016	5,489
Machinery, vehicles, tools, furniture and fixtures, net	1,199	1,158
Vessels, net	1,595	1,513
Land	12,916	13,062
Lease assets, net	152	140
Construction in progress	58	47
Total Tangible assets	19,938	21,412
Intangible assets	473	2,097
Investments and other assets		
Investment securities	6,436	6,288
Deferred tax assets	3,653	3,541
Other	2,563	2,673
Allowance for doubtful accounts	(295)	(295)
Total investments and other assets	12,357	12,208
Total noncurrent assets	32,770	35,717
Total assets	184,895	177,666

(Million yen)

	Fiscal year ended March 2018 (As of March 31, 2018)	Second quarter ended September 2018 (As of September 30, 2018)
LIABILITIES		
Current liabilities		
Accounts payable for construction contracts	32,565	25,792
Income taxes payable	2,373	1,520
Advances received on uncompleted construction contracts	11,055	13,851
Provision for warranties for completed construction	690	680
Provision for loss on construction contracts	175	126
Provision for bonuses	2,797	3,378
Provision for directors retirement benefits	50	—
Provision for loss by disaster	240	—
Other	8,326	5,222
Total current liabilities	58,274	50,572
Noncurrent liabilities		
Deferred tax liabilities for land revaluation	256	256
Deferred tax liabilities	253	219
Provision for special repairs of vessels	52	70
Retirement allowances	10,660	10,617
Other	1,405	1,398
Total noncurrent liabilities	12,628	12,562
Total liabilities	70,903	63,134
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	391	428
Retained earnings	102,100	102,794
Treasury shares	(7,483)	(7,483)
Total shareholders' equity	100,008	100,740
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	1,129	1,120
Revaluation reserve for land	(1,266)	(1,266)
Foreign currency translation adjustment	—	(2)
Remeasurements of retirement allowance plans	(245)	(189)
Total accumulated other comprehensive income	(382)	(338)
Non-controlling interests	14,367	14,130
Total net assets	113,992	114,532
Total liabilities and net assets	184,895	177,666

(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, 2019 (April 1, 2018 – September 30, 2018)

(Million yen)

	First half ended September 2017 (April 1, 2017- September 30, 2017)	First half ended September 2018 (April 1, 2018- September 30, 2018)
Net sales		
Net sales of completed construction contracts	105,489	102,566
Sales on real estate business	6,532	11,745
Total net sales	112,022	114,311
Cost of sales		
Cost of sales of completed construction contracts	91,060	89,642
Cost of sales on real estate business	5,984	10,032
Total cost of sales	97,044	99,675
Gross profit		
Gross profit on completed construction contracts	14,429	12,924
Gross profit-real estate business	548	1,712
Total gross profit	14,977	14,636
Selling, general and administrative expenses	9,557	11,072
Operating income	5,419	3,564
Non-operating income		
Interest income	1	0
Dividend income	59	64
Rent income	24	30
Other	19	27
Total non-operating income	104	122
Non-operating expenses		
Interest expense	93	93
Other	20	5
Total non-operating expenses	114	98
Ordinary income	5,410	3,588
Extraordinary income		
Gain on sales of fixed assets	0	36
Gain on sales of investment securities	5	43
Total extraordinary income	5	79
Extraordinary losses		
Loss on sales of investment securities	–	17
Loss on retirement of noncurrent assets	2	25
Loss on litigation	52	31
Loss on disaster	126	–
Other	6	2
Total extraordinary losses	188	77
Income before taxes	5,227	3,590
Income taxes-current	1,754	1,291
Income taxes-deferred	188	79
Total income taxes	1,942	1,370
Net earnings	3,284	2,219
Net earnings attributable to non-controlling interests	474	265
Net earnings attributable to controlling interest	2,810	1,954

Quarterly consolidated statements of comprehensive income
 For the first half of fiscal year ending March 31, 2019 (April 1, 2018– September 30, 2018)

(Million yen)

	First half ended September 2017 (April 1, 2017- September 30, 2017)	First half ended September 2018 (April 1, 2018- September 30, 2018)
Net earnings	3,284	2,219
Other comprehensive income		
Valuation difference on available-for-sale securities	123	13
Foreign currency translation adjustment	—	(2)
Remeasurements of retirement allowance plans	123	68
Total other comprehensive income	246	79
Comprehensive income	3,531	2,299
(This splits into···)		
Comprehensive income attributable to controlling interest	3,000	1,998
Comprehensive income attributable to non-controlling interests	531	300

(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 half FY3/18		First half FY3/19		Changes	
		(Apr. 1, 2017-Sep. 30, 2017)		(Apr. 1, 2018-Sep. 30, 2018)			
		Amount	Share	Amount	Share	Amount	Pct.
Orders received	Architecture	64,725	49.8	84,846	58.7	20,120	31.1
	Civil engineering	58,750	45.2	48,039	33.2	(10,710)	(18.2)
	Total construction	123,476	95.0	132,886	91.9	9,409	7.6
	Real estate	6,533	5.0	11,745	8.1	5,212	79.8
	Total	130,009	100.0	144,631	100.0	14,621	11.2
Net sales	Architecture	55,280	49.4	49,484	43.3	(5,796)	(10.5)
	Civil engineering	50,208	44.8	53,082	46.4	2,873	5.7
	Total construction	105,489	94.2	102,566	89.7	(2,923)	(2.8)
	Real estate	6,532	5.8	11,745	10.3	5,212	79.8
	Total	112,022	100.0	114,311	100.0	2,289	2.0