

Summary of Consolidated Financial Results

For the Second Quarter of Fiscal Year Ending March 31, 2017 [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: Hiroyuki Izutsu, Executive Officer and General Manager of Corporate Strategy

Email: ir@takamatsu-const.co.jp

Date of filing of quarterly securities report: November 10, 2016

Date of commencement of dividend payment: December 7, 2016

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 2017 (April 1, 2016 – September 30, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owner of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half ended September 2016	99,495	5.3	6,016	48.9	6,027	47.6	3,144	17.9
First half ended September 2015	94,513	14.2	4,039	81.8	4,083	80.7	2,667	116.0

Note: Comprehensive income: First half of FYMar. 2017: 3,571 million yen (14.7%), First half of FYMar. 2016: 3,113 million yen (75.1%)

	Earnings per share		Earnings per share	
	Yen		Yen	
First half ended September 2016	87.29		—	
First half ended September 2015	74.06		—	

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of September 30, 2016	165,509		107,136		56.4	
As of March 31, 2016	165,274		104,592		55.1	

Notes: Shareholders' equity

As of September 30, 2016: 93,297 million yen

As of March 31, 2016: 91,082 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 2016	—	12.00	—	22.00	34.00
Fiscal year ended March 2017	—	15.00			
Fiscal year ended March 2016 (estimate)			—	24.00	39.00

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

3. Forecast for the fiscal year ending March 2017 (Consolidated, April 1, 2016 to March 31, 2017)

(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	220,000	5.3	11,000	5.7	11,000	5.1	6,000	3.5	166.58

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 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 (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, 2016:	38,880,000	As of March 31, 2016:	38,880,000
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(b) Treasury shares

As of September 30, 2016:	2,861,003	As of March 31, 2016:	2,861,003
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(c) Average number of shares (quarterly consolidated cumulative period)

Period ended September 30, 2016:	36,018,997	Period ended September 30, 2015:	36,018,997
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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 in accordance with the Financial Instruments and Exchange Act is complete at the time of disclosure of this report.

* Cautionary statement regarding forecasts of operating results and special notes

(Note on forward looking statements)

Forecast statements in this material 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

During the second quarter of the current fiscal year, the Japanese construction market generally showed steady trends for both public and non-public investment sectors, while the overall Japanese economy continued to show mild recovery trend following the first quarter.

Under these circumstances, Takamatsu Construction Group will be celebrating our centenary in 2017. The Group owns companies that covers almost all of the areas related to the construction industry. Thus, we possess strong earnings power due to our unique business development capabilities and technological strengths.

With "TRY! NEXT CENTURY!" as the theme of the Group, for this fiscal year, we listed the following core initiatives;

"We will continuously sharpen our specialty and be chosen by our customers"

"We will continuously challenge to strengthen our management judgment capability and at-site capability needs"

"We will strive to become the perfect quality company by responding to social credibility needs"

With the above initiatives, we will continue our stable and sustainable growth, as well as continue to solve management issues such as securing and developing necessary workforce, improving productivity, adding values to our business, developing new business fields, and strengthening corporate governance.

Due to these activities, our H1 orders received increased to 139,278 million yen (+1.8% vs previous H1), as well as our revenue soared to 99,495 million yen (+5.3% vs previous H1), marking our record high incoming order for 4 consecutive years, as well as 3 consecutive years of record high revenue. We were also able to record good results for our profit figures, with 2 consecutive years of record high operating profit of 6,016 million yen (+48.9% vs previous H1) well as record high ordinary profit of 6,027 million yen (+47.6% vs previous H1), and net earnings of 3,144 million yen, an increase of 17.9% vs previous H1.

By-segment performance were as follows: Concerning by-segment earnings, the numbers do not include 1,530 million yen of head quarter expenses and other adjustments to match with operating profit.

(Architecture)

Orders received increased by 3.4% to 71,083 million yen, as well as revenue increase of 17.4% to 50,882 million yen and earnings increase of 134.6% to 5,018 million yen.

(Civil engineering)

Orders received increased by 0.6% to 62,156 million yen, as well as revenue decrease of 5.2% to 42,573 million yen and earnings decrease of 18.1% to 1,995 million yen.

(Real estate)

Revenue decreased by 3.8% to 6,039 million yen and earnings decreased by 11.3% to 532 million yen.

(2) Overview of financial condition

Assets

Assets totaled 165,509 million yen at the end of the second quarter, 235 million yen more than the end of the previous fiscal year. This was mainly due to 6,946 million yen decrease in notes and accounts receivable, 4,803 million yen increase in accounts receivable other, 1,906 million yen increase in real estate for sale, and 474 million yen increase of costs on uncompleted construction contracts.

Liabilities decreased 2,308 million yen to 58,373 million yen. The primary changes in liabilities were 4,068 million yen increase in advances received on uncompleted construction contracts and 4,215 million yen decrease in notes and accounts payable for construction contracts, as well as 760 million yen decrease in income taxes payable.

Net assets increased 2,543 million yen to 107,136 million yen, mainly because of first half net income of 3,144 million yen and dividend payments of 792 million yen and others.

Shareholders' equity after deducting non-controlling interests was 93,297 million yen and the equity ratio was 56.4%, 1.3 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, 2016.

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:

Due to changes in Corporate Tax Act, Takamatsu Construction Group started to adopt "Treatment for changes of depreciation methods in accordance with Tax Reform of FY 2016" (Job Response Report 32, June 17, 2016) from Q1 of this fiscal year. As the result, we have changed our depreciation method for our buildings and structures from fixed rate method to fixed amount method. The application of this accounting standard had very limited effect on the consolidated financial statements for our H1 result.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2016 (As of March 31, 2016)	Second quarter ended September 2016 (As of September 30, 2016)
ASSETS		
Current assets		
Cash and deposits	72,442	73,908
Notes receivable, accounts receivable from completed construction contracts and other	57,079	50,132
Real estate for sale	3,488	5,395
Costs on uncompleted construction contracts	641	1,116
Costs on real estate business	1,886	2,279
Accounts receivable - other	2,206	7,009
Deferred tax assets	1,611	1,481
Other	2,847	1,704
Allowance for doubtful accounts	(305)	(353)
Total current assets	141,898	142,675
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	2,387	2,323
Machinery, vehicles, tools, furniture and fixtures, net	834	842
Vessels, net	751	808
Land	9,466	9,857
Lease assets, net	177	152
Construction in progress	139	149
Total property, plant and equipment	13,756	14,133
Intangible assets	295	296
Investments and other assets		
Investment securities	5,866	5,410
Deferred tax assets	855	774
Other	3,483	3,245
Allowance for doubtful accounts	(881)	(1,025)
Total investments and other assets	9,323	8,404
Total noncurrent assets	23,375	22,834
Total assets	165,274	165,509

(Million yen)

	Fiscal year ended March 2016 (As of March 31, 2016)	Second quarter ended September 2016 (As of September 30, 2016)
LIABILITIES		
Current liabilities		
Accounts payable for construction contracts	25,852	21,637
Income taxes payable	2,668	1,907
Advances received on uncompleted construction contracts	10,337	14,405
Provision for warranties for completed construction	658	667
Provision for loss on construction contracts	—	4
Provision for bonuses	2,803	2,764
Provision for loss on litigation	81	—
Other	5,809	4,584
Total current liabilities	48,210	45,972
Noncurrent liabilities		
Deferred tax liabilities for land revaluation	256	256
Deferred tax liabilities	303	235
Provision for special repairs of vessels	75	75
Retirement allowances	10,276	10,371
Other	1,559	1,461
Total noncurrent liabilities	12,470	12,401
Total liabilities	60,681	58,373
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	271	271
Retained earnings	90,596	92,948
Treasury shares	(4,296)	(4,296)
Total shareholders' equity	91,571	93,923
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	1,022	800
Revaluation reserve for land	(1,266)	(1,266)
Remeasurements of retirement allowance plans	(244)	(159)
Total accumulated other comprehensive income	(489)	(625)
Non-controlling interests	13,510	13,839
Total net assets	104,592	107,136
Total liabilities and net assets	165,274	165,509

(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, 2017 (April 1, 2016 – September 30, 2016)

(Million yen)

	First half ended September 2015 (April 1, 2015- September 30, 2015)	First half ended September 2016 (April 1, 2016- September 30, 2016)
Net sales		
Net sales of completed construction contracts	88,236	93,455
Sales on real estate business	6,277	6,039
Total net sales	94,513	99,495
Cost of sales		
Cost of sales of completed construction contracts	77,120	79,415
Cost of sales on real estate business	5,559	5,345
Total cost of sales	82,679	84,760
Gross profit		
Gross profit on completed construction contracts	11,116	14,040
Gross profit-real estate business	718	694
Total gross profit	11,834	14,734
Selling, general and administrative expenses	7,794	8,717
Operating income	4,039	6,016
Non-operating income		
Interest income	1	0
Dividend income	92	51
Other	65	47
Total non-operating income	158	99
Non-operating expenses		
Interest expense	100	84
Other	13	3
Total non-operating expenses	114	87
Ordinary income (loss)	4,083	6,027
Extraordinary income		
Gain on sales of noncurrent assets	6	—
Gain on sales of investment securities	0	42
Reversal of loss on litigation	10	—
Total extraordinary income	18	42
Extraordinary losses		
Loss on litigation	—	121
Impairment loss	225	0
Other	2	0
Total extraordinary losses	228	122
Income before income taxes	3,874	5,947
Income taxes-current	1,405	1,991
Income taxes-deferred	(748)	253
Total income taxes	657	2,244
Profit	3,217	3,702
Profit attributable to non-controlling interests	549	558

(Million yen)

	First half ended September 2015 (April 1, 2015- September 30, 2015)	First half ended September 2016 (April 1, 2016- September 30, 2016)
Profit attributable to owners of parent	2,667	3,144

Quarterly consolidated statements of comprehensive income

For the first half of fiscal year ending March 31, 2017 (April 1, 2016 – September 30, 2016)

(Million yen)

	First half ended September 2015 (April 1, 2015- September 30, 2015)	First half ended September 2016 (April 1, 2016- September 30, 2016)
Profit	3,217	3,702
Other comprehensive income		
Valuation difference on available-for-sale securities	(249)	(243)
Revaluation reserve for land	0	—
Remeasurements of retirement allowance plans	144	112
Total other comprehensive income	(104)	(131)
Comprehensive income	3,113	3,571
Comprehensive income attributable to owners of parent	2,578	3,007
Comprehensive income attributable to noncontrolling interests	534	563

(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 FY3/16 (Apr. 1, 2015-Sep. 30, 2015)		First half FY3/17 (Apr. 1, 2016-Sep. 30, 2016)		Changes	
		Amount (Million yen)	Comp. (%)	Amount (Million yen)	Comp. (%)	Amount (Million yen)	Pct. (%)
Orders Received	Architecture	68,759	50.2	71,083	51.1	2,323	3.4
	Civil engineering	61,784	45.2	62,156	44.6	372	0.6
	Constructions total	130,544	95.4	133,239	95.7	2,695	2.1
	Real estate	6,277	4.6	6,039	4.3	(238)	(3.8)
	Total	136,821	100.0	139,278	100.0	2,457	1.8
Net sales	Architecture	43,323	45.9	50,882	51.1	7,558	17.4
	Civil engineering	44,912	47.5	42,573	42.8	(2,338)	(5.2)
	Constructions total	88,236	93.4	93,455	93.9	5,219	5.9
	Real estate	6,277	6.6	6,039	6.1	(238)	(3.8)
	Total	94,513	100.0	99,495	100.0	4,981	5.3