November 13, 2019

Summary of Consolidated Financial Results
For the Second Quarter of Fiscal Year Ending March 31, 2020 [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/
Representative: Nobuhiko Yoshitake, President and Representative Director of the Board
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Date of filing of quarterly securities report: November 14, 2019
Date of commencement of dividend payment: December 10, 2019
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 2020 (April 1, 2019 –September 30, 2019)

(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 2019	129,370	13.2	5,682	59.4	5,379	49.9	2,498	27.8
First half ended September 2018	114,311	2.0	3,564	(34.2)	3,588	(33.7)	1,954	(30.5)

Note: Comprehensive income: First half of FYMar.2020: 2,755 million yen, 19.8%, First half of FYMar.2019: 2,299 million yen, (34.9%)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
First half ended September 2019	71.75	—
First half ended September 2018	56.12	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2019	194,672	107,958	54.1
As of March 31, 2019	190,590	118,126	54.6

(Reference) Shareholders' equity:
As of September 30, 2019: 105,408 million yen As of March 31, 2019: 104,018 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
FY3/19	—	22.00	—	38.00	60.00
FY3/20	—	23.00			
FY3/20 (Est.)			—	40.00	63.00

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

3. Consolidated forecast for the fiscal year ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(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	310,000	1.6	270,000	8.1	13,300	6.9	13,300	7.0	7,300	3.9	209.66

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): 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 September 30, 2019: 38,880,000 As of March 31, 2019: 38,880,000

(b) Treasury shares

As of September 30, 2019: 4,061,303 As of March 31, 2019: 4,061,303

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

Period ended September 30, 2019 34,818,697 Period ended September 30, 2019: 34,818,697

* 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 second quarter of the fiscal year that will end in March 2020, the overall Japanese economy started to show signs of slowdown such as stagnant corporate earnings and weaker new residence construction start-ups, in comparison to continued mild growth of the previous fiscal year. in addition, the Japanese construction market showed negative growth for both private and public sectors, with minus 9.6% of negative growth vs. last year as the whole. However, although quarterly 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 kicked off its new three year Mid-Term Plan “Create! 2022”, with fiscal year March 2020 as its first year.

In this Mid-Term Plan, The Group plans to achieve goals of 300 billion yen of revenue and 18 billion yen of operating income in fiscal year March 2022, the final year of the Mid-Term Plan based on the “Five Creates”. The “Five Creates” are; “Create High-growth, High-profit Group”, “Create New Business Domain”, Create Group Culture that Respects Diversity and Compliance”, Create Synergy Effect”, and ”Create Value towards Economy, Society and Environment”. To be more concrete, Takamatsu Group will lead the growth of the Group through its real estate utilization business mainly by capturing tight market demand of Tokyo Area, while Asunaro Aoki Group will work to improve profitability while achieving stable growth.

In addition, concerning Tender Offer that we decided at our Board of Directors’ Meeting held on August 6, 2019 to purchase all ordinary shares (excluding treasury shares and shares already owned by us) of Asunaro Aoki Construction Co.,Ltd., (Stock code 1865, first section of Tokyo Stock Exchange) which is our Group company on consolidated basis, the Offer was completed successfully. Thus, on November 11, 2019, Asunaro Aoki Construction Co.,Ltd., has become 100% Group company of Takamatsu Construction Group after 19 years of double-listed status. In the future, we will further implement our management as one Group and generate further synergy effects.

With the abovementioned strategies, our Q2 orders received marked record high for 2 consequtive years of 145,998 million yen (+0.9% vs previous Q2), net sales soared to 129,370 million yen (+13.2%vs previous Q2), with 8 consecutive years of growth as well as record high for 6 consecutive years. Regarding profit, due to increased revenue through smooth progress of constructions as well as our efforts towards selective orders and efficient operation, our profit increased mainly by Takamatsu Corporation and Asunaro Aoki Construction, leading into operating income of 5,682 million yen (+59.4% vs. previous Q2), ordinary income of 5,379 million yen (+49.9% vs. previous Q2), with net earnings attributable to controlling interest of 2,498 million yen, an increase of 27.8% vs. previous Q2.

By-segment performance were as shown below, however concerning by-segment earnings, the numbers do not include 1,928 million yen of headquarter expenses and other adjustments to match with consolidated operating income.

(Architecture)

Orders received decreased by 10.1% to 76,256 million yen, net sales increased by 38.5% to 68,560 million yen and the segment operating profit increased by 82.9 % to 3,887 million yen.

(Civil engineering)

Orders received increased by 21.9% to 58,566 million yen, net sales decreased by 6.5% to 49,634 million yen and the segment operating profit increased by 24.4% to 3,061 million yen.

(Real estate)

Sales from real estate transactions, leasing and other operations decreased by 4.9% to 11,175 million yen and the segment operating profit decreased by 14.9% to 662 million yen.

(2) Overview of financial condition

(Assets)

Assets totaled 194,672 million yen at the end of the second quarter, 4,082 million yen more than the end of the previous fiscal year. This is due mainly to increases of tangible assets of 9,855 million yen, caused by purchase of land for new Tokyo Headquarter building and increase of

goodwill of 670 million yen caused by acquisition of Group company, partially offset by decrease of notes and accounts receivable of 5,060 million yen as well as cash and deposits of 2,327 million yen.

(Liabilities)

Liabilities increased by 14,250 million yen to 86,713 million yen. This is due mainly to increase of short-term borrowings of 11,200 million yen and increase of advances received on uncompleted construction contracts of 3,863 million yen.

(Net assets)

Net assets decreased by 10,168 million yen to 107,958 million yen.

The primary reason is decrease of non-controlling interests of 11,557 million yen caused by Tender Offer to purchase ordinary shares of Asunaro Aoki Construction Co., Ltd. which is our consolidated Group company, partially offset by increase of retained earnings of 1,175 million yen. As the result, net assets after deducting non-controlling interests was 105,408 million yen with the equity ratio of 54.1 %, 0.5 percentage point lower 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 13, 2019.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2019 (As of March 31, 2019)	Second quarter ended September 2019 (As of September 30, 2019)
ASSETS		
Current assets		
Cash and deposits	62,074	59,747
Notes receivable, accounts receivable from completed construction contracts and other	72,219	67,159
Real estate for sale	10,153	10,597
Costs on uncompleted construction contracts	1,594	2,991
Costs on real estate business	631	719
Accounts receivable	6,262	4,561
Other	1,369	2,197
Allowance for doubtful accounts	(106)	(108)
Total current assets	154,199	147,864
Noncurrent assets		
Tangible Assets		
Buildings and structures, net	5,429	5,669
Machinery, vehicles, tools, furniture and fixtures, net	1,273	1,266
Vessels, net	967	934
Land	13,599	23,955
Lease assets, net	185	201
Construction in progres	1,046	328
Total Tangible assets	22,502	32,357
Intangible assets		
Goodwill	1,521	2,192
Other	542	591
Total Intangible assets	2,063	2,783
Investments and other assets		
Investment securities	5,276	5,149
Deferred tax assets	3,802	4,056
Other	3,029	2,738
Allowance for doubtful accounts	(283)	(277)
Total investments and other assets	11,825	11,667
Total noncurrent assets	36,391	46,808
Total assets	190,590	194,672

(Million yen)

	Fiscal year ended March 2019 (As of March 31, 2019)	Second quarter ended September 2019 (As of September 30, 2019)
LIABILITIES		
Current liabilities		
Accounts payable for construction contracts	30,974	30,545
Short-term borrowings	—	11,200
Income taxes payable	1,737	2,338
Advances received on uncompleted construction contracts	15,341	19,204
Provision for warranties for completed construction	311	330
Provision for loss on construction contracts	79	45
Provision for bonuses	3,099	3,833
Other	8,214	6,352
Total current liabilities	59,757	73,851
Noncurrent liabilities		
Deferred tax liabilities for land revaluation	256	256
Deferred tax liabilities	14	36
Provision for special repairs of vessels	75	70
Retirement allowances	10,903	10,928
Other	1,455	1,570
Total noncurrent liabilities	12,706	12,862
Total liabilities	72,463	86,713
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	524	759
Retained earnings	107,097	108,272
Treasury shares	(7,483)	(7,483)
Total shareholders' equity	105,138	106,548
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	635	628
Revaluation reserve for land	(1,266)	(1,266)
Foreign currency translation adjustment	5	(59)
Remeasurements of retirement allowance plans	(493)	(442)
Total accumulated other comprehensive income	(1,119)	(1,140)
Non-controlling interests	14,108	2,550
Total net assets	118,126	107,958
Total liabilities and net assets	190,590	194,672

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income

Quarterly consolidated statement of income

For the first half of fiscal year ending March 31, 2020 (April 1,2019－September 30,2019)

(Million yen)

	First half ended September 2018 (April 1, 2018-September 30, 2018)	First half ended September 2019 (April 1, 2019-September 30, 2019)
Net sales		
Net sales of completed construction contracts	102,566	118,194
Sales on real estate business	11,745	11,175
Total net sales	114,311	129,370
Cost of sales		
Cost of sales of completed construction contracts	89,642	101,829
Cost of sales on real estate business	10,032	9,485
Total cost of sales	99,675	111,315
Gross profit		
Gross profit on completed construction contracts	12,924	16,365
Gross profit-real estate business	1,712	1,690
Total gross profit	14,636	18,055
Selling, general and administrative expenses	11,072	12,372
Operating income	3,564	5,682
Non-operating income		
Interest income	0	0
Dividend income	64	50
Rental income	30	38
Other	27	36
Total non-operating income	122	125
Non-operating expenses		
Interest expense	93	79
Commission expenses	0	333
Other	4	15
Total non-operating expenses	98	428
Ordinary income	3,588	5,379
Extraordinary income		
Gain on sales of fixed assets	36	3
Gain on sales of investment securities	43	－
Insurance claim income	－	15
Total extraordinary income	79	18
Extraordinary losses		
Loss on sales of investment securities	17	－
Loss on valuation of investment securities	－	92
Loss on litigation	31	61
Loss on valuation of inventories	－	305
Other	27	25
Total extraordinary losses	77	485
Income before income taxes	3,590	4,912
Income taxes-current	1,291	2,374
Income taxes-deferred	79	(236)
Total income taxes	1,370	2,137
Net earnings	2,219	2,775
Net earnings attributable to non-controlling interests	265	276
Net earnings attributable to controlling interest	1,954	2,498

Quarterly consolidated statement of comprehensive income
For the first half of fiscal year ending March 31, 2020 (April 1, 2019– September 30, 2019)

(Million yen)

	First half ended September 2018 (April 1, 2018- September 30, 2018)	First half ended September 2019 (April 1, 2019- September 30, 2019)
Net earnings	2,219	2,775
Other comprehensive income		
Valuation difference on available-for-sale securities	13	(14)
Foreign currency translation adjustment	(2)	(65)
Remeasurements of retirement allowance plans	68	60
Total other comprehensive income	79	(19)
Comprehensive income	2,299	2,755
(This splits into…)		
Comprehensive income attributable to controlling interest	1,998	2,476
Comprehensive income attributable to non-controlling interests	300	278

(3) Notes to consolidated financial statements
(Going concern assumptions)
None

(Significant change in shareholders' equity)
None

3. Additional Information

Orders Received and Net Sales (Consolidated)

(Million yen, %)

		First half FY3/19 (Apr. 1, 2018-Sep. 30,2018)		First half FY3/20 (Apr. 1, 2019-Sep. 30,2019)		Changes	
		Amount	Share	Amount	Share	Amount	%
Orders received	Architecture	84,846	58.7	76,256	52.2	(8,589)	(10.1)
	Civil engineering	48,039	33.2	58,566	40.1	10,526	21.9
	Total construction	132,886	91.9	134,822	92.3	1,936	1.5
	Real estate	11,745	8.1	11,175	7.7	(569)	(4.9)
Total		144,631	100.0	145,998	100.0	1,367	0.9
Net sales	Architecture	49,484	43.3	68,560	53.0	19,075	38.5
	Civil engineering	53,082	46.4	49,634	38.4	(3,447)	(6.5)
	Total construction	102,566	89.7	118,194	91.4	15,628	15.2
	Real estate	11,745	10.3	11,175	8.6	(569)	(4.9)
Total		114,311	100.0	129,370	100..0	15,058	13.2