

**Summary of Consolidated Financial Results
For the First 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/>

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Date of filing of quarterly securities report:

August 08, 2019

Date of commencement of dividend payment:

—

Supplementary explanatory documents:

Yes

Earnings presentation:

No

(Yen in millions, rounded down, figures in parentheses indicate negative amounts or percentages)

1. Financial results for the first quarter of the fiscal year ending March 2020 (April 1, 2019 – June 30, 2019)

(1) Consolidated result of operations

(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 quarter ended June 2019		59,810	10.4	1,322	47.7	1,348	45.5	422	(8.9)
First quarter ended June 2018		54,177	3.1	895	(55.0)	926	(54.1)	463	(56.1)

Note: Comprehensive income: First quarter of FYMar.2020: 414 million yen, (28.6%) vs. last year First quarter of FYMar.2019: 580million yen, (56.7%) vs. last year

		Earnings per share	Earnings per share (diluted)
		Yen	Yen
First quarter ended June 2019		12.14	—
First quarter ended June 2018		13.32	—

(2) Consolidated financial position

		Total assets	Net assets	Equity ratio
		Million yen	Million yen	%
As of June 30, 2019		194,547	116,941	53.0
As of March 31, 2019		190,590	118,126	54.6

(Reference) Shareholders' equity: As of June 30, 2019: 103,040 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	
FY3/19	—	Yen 22.00	—	Yen 38.00	Yen 60.00	
FY3/20	—					
FY3/20 (Est.)		23.00	—	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
First half	145,000	0.3	120,000	5.0	3,200	(10.2)	3,200	(10.8)	1,400	(28.4)	40.21
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 June 30, 2019:	38,880,000	As of March 31, 2019:	38,880,000
(b) Treasury shares			
As of June 30, 2019:	4,061,303	As of March 31, 2019:	4,061,303
(c) Average number of shares (quarterly cumulative period)			
Period ended June 30, 2019:	34,818,697	Period ended June 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 first quarter of the fiscal year that will end in March 2020, the overall Japanese economy started to show signs of slowdown such as slower export demand and stagnant corporate earnings, 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 16.6% 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.

With the abovementioned strategies, our Q1 orders received marked record high of 75,822 million yen (+ 12.2% vs previous Q1), net sales soared to 59,810 million yen (+10.4%vs previous Q1), with 8 consecutive years of growth as well as record high for 7 consecutive years. Regarding profit, operating income was 1,322 million yen (+ 47.7% vs. previous Q1), ordinary income was 1,348 million yen (+ 45.5% vs. previous Q1), however net earnings attributable to controlling interest was 422 million yen, decrease of 8.9% vs. previous Q1, due to reasons including increase of income taxes.

By-segment performance were as shown below, however concerning by-segment earnings, the numbers do not include 1,097 million yen of headquarter expenses and other adjustments to match with consolidated operating income.

(Architecture)

Orders received decreased by 7.6% to 38,724million yen, net sales increased by 30.6 % to 30,630 million yen and the segment operating profit increased by 9.9 % to 937 million yen.

(Civil engineering)

Orders received increased by 48.8 % to 32,179million yen, net sales decreased by 9.1 % to 24,261 million yen and the segment operating profit increased by 50.5 % to 1,171 million yen.

(Real estate)

Sales from real estate transactions, leasing and other operations increased by 22.4 to 4,917 million yen and the segment operating profit increased by 96.4 % to 310 million yen.

(2) Overview of financial condition

(Assets)

Assets totaled 194,547 million yen at the end of the first quarter, 3,956 million yen more than the end of the previous fiscal year. This is due mainly to increases of tangible assets of 9,735 million yen, increase of cash and deposits of 6,176 million yen and increase of costs on uncompleted construction contracts of 1,131 million yen, partially offset by decrease of notes and accounts receivable of 14,446 million yen,

(Liabilities)

Liabilities increased by 5,141 million yen to 77,605 million yen. This is due mainly to increase of advances received on uncompleted construction contracts of 6,760 million yen and provision for bonuses of 1,647 million yen, partially offset by decrease of accounts payable for construction constructs of 2,433 million yen and income taxes payable of 879 million yen.

(Net assets)

Net assets decreased by 1,185 million yen.

The primary reasons were Q1 net earning of 422 million yen offset by decrease of retained earnings of 900 million yen caused by dividend payment of 1,323 million yen. As the result, net assets after deducting non-controlling interests was 103,040 million yen with the equity ratio of 53.0 %, 1.6 percentage point lower than the end of the previous fiscal year.

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)	First quarter ended June 2019 (As of June 30, 2019)
ASSETS		
Current assets		
Cash and deposits	62,074	68,251
Notes receivable, accounts receivable from completed construction contracts and other	72,219	57,773
Real estate for sale	10,153	10,172
Costs on uncompleted construction contracts	1,594	2,726
Costs on real estate business	631	838
Accounts receivable	6,262	6,398
Other	1,369	1,901
Allowance for doubtful accounts	(106)	(121)
Total current assets	154,199	147,940
Noncurrent assets		
Tangible Assets		
Buildings and structures, net	5,429	5,747
Machinery, vehicles, tools, furniture and fixtures, net	1,273	1,310
Vessels, net	967	951
Land	13,599	24,013
Lease assets, net	185	188
Construction in progress	1,046	25
Total Tangible assets	22,502	32,237
Intangible assets		
Goodwill	1,521	2,254
Other	542	608
Total Intangible assets	2,063	2,862
Investments and other assets		
Investment securities	5,276	4,999
Deferred tax assets	3,802	4,239
Other	3,029	2,548
Allowance for doubtful accounts	(283)	(281)
Total investments and other assets	11,825	11,506
Total noncurrent assets	36,391	46,606
Total assets	190,590	194,547

(Million yen)

	Fiscal year ended March 2019 (As of March 31, 2019)	First quarter ended June 2019 (As of June 30, 2019)
LIABILITIES		
Current liabilities		
Accounts payable for construction contracts	30,974	28,540
Income taxes payable	1,737	857
Advances received on uncompleted construction contracts	15,341	22,101
Provision for warranties for completed construction	311	324
Provision for loss on construction contracts	79	65
Provision for bonuses	3,099	4,746
Other	8,214	8,306
Total current liabilities	59,757	64,942
Noncurrent liabilities		
Deferred tax liabilities for land revaluation	256	256
Deferred tax liabilities	14	28
Provision for special repairs of vessels	75	62
Retirement allowances	10,903	10,847
Other	1,455	1,468
Total noncurrent liabilities	12,706	12,662
Total liabilities	72,463	77,605
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	524	524
Retained earnings	107,097	106,197
Treasury shares	(7,483)	(7,483)
Total shareholders' equity	105,138	104,237
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	635	532
Revaluation reserve for land	(1,266)	(1,266)
Foreign currency translation adjustment	5	5
Remeasurements of retirement allowance plans	(493)	(467)
Total accumulated other comprehensive income	(1,119)	(1,196)
Non-controlling interests	14,108	13,900
Total net assets	118,126	116,941
Total liabilities and net assets	190,590	194,547

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

Quarterly consolidated statement of income

For the first quarter of fiscal year ending March 31, 2020 (April 1, 2019—June 30, 2019)

(Million yen)

	First quarter ended June, 2018 (April 1, 2018-June 30, 2018)	First quarter ended June, 2019 (April 1, 2019-June 30, 2019)
Net sales		
Net sales of completed construction contracts	50,160	54,892
Sales on real estate business	<u>4,017</u>	<u>4,917</u>
Total net sales	<u>54,177</u>	<u>59,810</u>
Cost of sales		
Cost of sales of completed construction contracts	44,394	48,188
Cost of sales on real estate business	<u>3,388</u>	<u>4,195</u>
Total cost of sales	<u>47,782</u>	<u>52,384</u>
Gross profit		
Gross profit on completed construction contracts	5,766	6,704
Gross profit-real estate business	<u>629</u>	<u>722</u>
Total gross profit	<u>6,395</u>	<u>7,426</u>
Selling, general and administrative expenses	<u>5,499</u>	<u>6,103</u>
Operating income	<u>895</u>	<u>1,322</u>
Non-operating income		
Interest income	0	0
Dividend income	61	46
Rental income	16	19
Other	9	16
Total non-operating income	<u>87</u>	<u>83</u>
Non-operating expenses		
Interest expense	52	49
Other	2	7
Total non-operating expenses	<u>55</u>	<u>57</u>
Ordinary income	<u>926</u>	<u>1,348</u>
Extraordinary income		
Gain on sales of fixed assets	3	1
Insurance claim income	—	10
Total extraordinary income	<u>3</u>	<u>12</u>
Extraordinary losses		
Loss on litigation	22	40
Loss on valuation of investment securities	—	89
Other	3	3
Total extraordinary losses	<u>25</u>	<u>132</u>
Income before income taxes	<u>904</u>	<u>1,228</u>
Income taxes-current	645	1,085
Income taxes-deferred	(208)	(372)
Total income taxes	<u>437</u>	<u>713</u>
Net earnings	<u>466</u>	<u>514</u>
Net earnings attributable to non-controlling interests	2	92
Net earnings attributable to controlling interest	<u>463</u>	<u>422</u>

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

(Million yen)

	First quarter ended June,2018 (April 1, 2018-June 30, 2018)	First quarter ended June,2019 (April 1, 2019-June 30, 2019)
Net earnings	466	514
Other comprehensive income		
Valuation difference on available-for-sale securities	83	(130)
Foreign currency translation adjustment	(5)	(0)
Remeasurements of retirement allowance plans	35	30
Total other comprehensive income	114	(100)
Comprehensive income	580	414
(This splits into···)		
Comprehensive income attributable to controlling interest	539	345
Comprehensive income attributable to non-controlling interests	40	69

(3) Notes to consolidated financial statements

(Going concern assumptions)

None

(Significant change in shareholders' equity)

None

(Important subsequent events)

Tender Offer by Takamatsu Construction Group Co., Ltd. for shares of Asunaro Aoki Construction Co., Ltd.

Takamatsu Construction Group Co.,Ltd. (hereinafter "TCG") resolved at the Board of Directors Meeting held on August 6, 2019 to implement the Tender Offer as part of a transaction to acquire all shares of Asunaro Aoki Co.,Ltd. (hereinafter "Target Company", listed in First Section of Tokyo Stock Exchange, Stock Code 1865) excluding the Target Company shares held by TCG and the treasury shares held by the Target Company with the aim of making the Target Company a wholly-owned subsidiary of TCG.

1. Objective of the Tender Offer

In order for TCG to realize sustainable growth, it is important to have clear policy to shift priorities of Group management to maximize synergy effect from respecting diversity of Group Companies. By attaining this it will be essential for TCG to become more unified and create flexible ideas and stronger management foundation to adapt to the changing environment.

However, in order for TCG and the Target Company to implement these policies, TCG and the Target Company need to unify their decision-making procedures to put in place flexible and strategic business operation systems, and for this reason TCG believes that the current conditions, in which the Target Company maintains its listing and has independent business operations and there are minority shareholders of the Target Company, are problematic in that it will not be easy to conduct timely business operations, while maintaining objectivity in transactions between TCG and the Target Company to ensure the interests of minority shareholders. In addition, in order to prepare for expected risks and challenges in the future construction market, TCG believes that it is the pressing need for TCG to resolve the current state in which both the parent company, TCG, and its subsidiary, the Target Company are listed, and to build a framework that enables timely and flexible decision-making for TCG as a whole.

TCG thus began considering taking the Target Company private, and as a result, reached the conclusion that making the Target Company a wholly-owned subsidiary of TCG will be the best means of resolving the above conflicts of interest between TCG and minority shareholders while also realizing optimal distribution of TCG's management resources and unifying the business operations of the entire TCG going forward to further enhance the feasibility of the Mid-Term Plan of TCG.

2. Outline of Target Company

- ① Company Name : Asunaro Aoki Construction Co.,Ltd.
- ② Place : 1 Kanda Mitoshiro-cho, Chiyoda-ku, Tokyo
- ③ Name and Title of the representative : Yasushi Tsujii, President and Representative Director of the Board
- ④ Type of Business : General Construction (Domestic architecture, civil engineering and related businesses)
- ⑤ Capital : 5,000 million yen
- ⑥ Date of Foundation : September 25, 1950

3. Outline of the Tender Offer

As of August 6, 2019, TCG holds 43,134,500 shares of common stock of the Target Company (ownership percentage 79.08%, rounded to the second decimal place) listed on the First Section of Tokyo Stock Exchange, Inc., and the Target Company is a consolidated subsidiary of TCG. Because Tender Offeror has set no minimum nor maximum number of shares to be purchased through the Tender Offer, TCG shall purchase all Target Company Shares tendered through the Tender Offer.

TCG resolved at the meeting of TCG Board of Directors Meeting held on August 6, 2019, that TCG aims to acquire all of the Target Company Shares (excluding the Target Company Shares held by TCG and the treasury shares held by the Target Company) with the aim of making the Target Company a wholly-owned subsidiary of TCG. Thus, if TCG fails to acquire all of the Target Company Shares through the Tender Offer, TCG intends to carry out a series of procedures (Demand for Shares Cash-Out or Share Consolidation) in order for TCG to acquire all of the Target Company Shares and make the Target Company a wholly-owned subsidiary.

- ① Number of shares intended to be purchased through the Tender Offer : 11,407,752 shares
Minimum shares to be purchased through the Tender Offer -
Maximum shares to be purchased through the Tender Offer -
(Note : Number of shares planned to be purchased (11,407,748 shares) is calculated by subtracting Target Company Shares held by TCG (43,134,500 shares) and the treasury shares held by the Target Company (4,557,748 shares) from the issued shares as of June 30, 2019 (59,100,000 shares).)
- ② Period for Purchase, etc. : From August 7, 2019 through September 19, 2019 (30 business days)
- ③ Price for Purchase, etc. : 1,210 yen per share of common stock
- ④ Aggregate Tender Offer Price : 13,803,379,920 yen
The Aggregate Tender Offer Price is calculated by multiplying the number of shares intended to be purchased through the Tender Offer (11,407,752 shares) by the Tender Offer Price per share (1,210 yen).
- ⑤ Settlement Commencement Date : September 27, 2019

⑥ Funds Required for Purchase : Loans from Banks

As of August 6, 2019, Target Company Shares are listed on the First Section of the Tokyo Stock Exchange, but since TCG has not set the maximum number to be purchased, etc. in the Tender Offer, depending on the result of the Tender Offer, Target Company Shares may be delisted pursuant to the procedures of the Tokyo Stock Exchange in accordance with the Tokyo Stock Exchange's criteria for delisting. In addition, even if the Target Company Shares do not satisfy such criteria after the success of the Tender Offer, TCG plans to carry out transactions to acquire all of the Target Company Shares in accordance with applicable laws and regulations. In such case, the Target Company Shares will be delisted in accordance with the Tokyo Stock Exchange's criteria for delisting. The Target Company Shares will no longer be traded on the First Section of the Tokyo Stock Exchange after such delisting.

3. Additional Information

Orders Received and Net Sales (Consolidated)

(Million yen, %)

		First quarter FY3/19		First quarter FY3/20		Changes	
		(Apr. 1, 2018-Jun. 30,2018)		(Apr. 1, 2019-Jun. 30,2019)			
		Amount	Share	Amount	Share	Amount	%
Orders received	Architecture	41,906	62.1	38,724	51.1	(3,181)	(7.6)
	Civil engineering	21,632	32.0	32,179	42.4	10,547	48.8
	Total construction	63,538	94.1	70,904	93.5	7,365	11.6
	Real estate	4,017	5.9	4,917	6.5	900	22.4
	Total	67,556	100.0	75,822	100.0	8,266	12.2
Net sales	Architecture	23,456	43.3	30,630	51.2	7,174	30.6
	Civil engineering	26,704	49.3	24,261	40.6	(2,442)	(9.1)
	Total construction	50,160	92.6	54,892	91.8	4,732	9.4
	Real estate	4,017	7.4	4,917	8.2	900	22.4
	Total	54,177	100.0	59,810	100.0	5,633	10.4