

Summary of Consolidated Financial Results For the Fiscal Year Ended March 31, 2018 [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
 Contact: Hiroyuki Izutsu, Senior Director, Group Integration Division
 Contact: 06-6303-8101, ir@takamatsu-const.co.jp
 Date of Ordinary Shareholders Meeting: June 27, 2018 (tentative)
 Date of commencement of dividend payment: June 28, 2018 (tentative)
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 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. Consolidated results of operations for the year ended March 2018 (April 1, 2017 – March 31, 2018)

(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	%
FY3/18	245,107	14.5	13,630	5.4	13,702	6.0	7,957	20.6
FY3/17	214,130	2.5	12,935	24.2	12,932	23.5	6,596	13.7

Note: Comprehensive income: FY3/18: 9,356 million yen, 24.2% FY3/17: 7,531 million yen, 13.0%

	Earnings per share	Earnings per share (diluted)	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
FY3/18	223.39	—	8.1	7.5	5.6
FY3/17	183.13	—	7.0	7.5	6.0

(Reference) Share of profit (loss) of entities accounted for using equity method: FY3/18: - million yen
 FY3/17: - million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY3/18	184,914	113,992	53.9	2,861.26
FY3/17	180,927	110,555	53.2	2,673.89

(Reference) Shareholders' equity: FY3/18: 99,625 million yen FY3/17: 96,310 million yen

(3) Consolidated cash flow position

	Net cash provided by (used by) operating activities	Net cash provided by (used by) investing activities	Net cash provided by (used by) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY3/18	5,146	(7,850)	(6,121)	68,571
FY3/17	8,061	(1,388)	(1,718)	77,396

2. Dividends

	Dividend per share					Total Dividends (Annual)	Dividend payout ratio (Consolidated)	Dividend-to-equity ratio (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of FY	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY3/17	—	15.00	—	28.00	43.00	1,548	23.5	1.7
FY3/18	—	20.00	—	36.00	56.00	1,961	25.1	2.0
FY3/19 (Est.)	—	22.00	—	38.00	60.00		25.2	

Note: 36yen of FY3/18 year-end dividend splits into 26 yen of ordinary dividend and 10 yen of commemorative dividend.

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
First half	131,000	0.8	113,000	0.9	4,500	(17.0)	4,500	(16.8)	2,500	(11.0)	71.80
Full year	280,000	9.9	268,000	9.3	15,000	10.1	15,000	9.5	8,300	4.3	238.38

* **Notes**

- (1) Changes in significant subsidiaries (Changes of specific subsidiaries that accompanies scope change of consolidation): No
- (2) 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

(3) Number of shares outstanding (ordinary shares)

(a) Shares outstanding (including treasury shares)

As of March 31, 2018:	38,880,000	As of March 31, 2017:	38,880,000
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(b) Treasury shares

As of March 31, 2018:	4,061,303	As of March 31, 2017:	2,861,003
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(c) Average number of shares

Period ended March 31, 2018:	35,618,822	Period ended March 31, 2017:	36,018,997
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* 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. Analysis of Results of Operations and Financial Condition

(1) Analysis of results of operations for fiscal year ended March 2018

During the fiscal year that ended in March 2018, the overall Japanese economy continued to show moderate growth trend due to corporate earnings and employment environment improvements. On the other hand, although the Japanese construction market showed slightly positive growth for the private sector, the public sector as well as the overall Japanese construction market shrunk slightly versus last year due to large project orders a year ago. However, though small ups and downs exist, the overall domestic construction market is continuing to show tight market trend since 2013, and this trend is estimated to continue for the next two to three years. Under these circumstances, Takamatsu Construction Group celebrated its centenary in October 2017. With this commemorative fiscal year that ended in March 2018 as the starting year, we kicked off our new Mid Term Plan "TRY! NEXT CENTURY 2020".

To achieve the new Mid Term Plan, for this fiscal year that ended in March 2018, Takamatsu Corporation, one of our core companies, strived for the growth of the 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, worked hard to realize a moderate but steady growth to maintain its high level of profit achieved in the last fiscal year.

Due to these activities, although our orders received for the fiscal year slightly dropped to 254,857 million yen (-0.6% vs last year), our revenue soared to 245,107 million yen (+14.5% vs last year) marking our record high for 4 consecutive years as well as 6 years of consecutive growth. We were also able to record good results for our profit figures, with 3 consecutive years of record high as well as 5 consecutive years of growth for our operating profit of 13,630 million yen (+5.4%, vs last year) as well as 5 consecutive years of growth for our ordinary profit of 13,702 million yen (+6.0%, vs last year), and net earnings attributable to controlling interest of 7,957 million yen, an increase of 20.6% vs last year.

By-segment performance were as described below, however concerning by-segment earnings, the numbers do not include 3,074 million yen of headquarter expenses and other adjustments to match with consolidated operating profit.

(Architecture)

Orders received decreased by 2.3% to 128,461 million yen, net sales increased by 6.8% to 117,347 million yen and the segment operating profit decreased by 18.0% to 8,528 million yen due to profitable large projects of the last year.

(Civil engineering)

Orders received decreased by 4.8% to 107,406 million yen, net sales increased by 18.1% to 108,770 million yen and the segment operating profit increased by 34.9% to 6,823 million yen.

(Real estate)

Sales from real estate transactions, leasing and other operations increased by 56.0% to 18,989 million yen and the segment operating profit was up by 80.2% to 1,353 million yen.

(2) Analysis of financial condition for fiscal year ended March 2018

(Assets)

Assets totaled 184,914 million yen at the end of the fiscal year, which is 3,986 million yen more than the end of the previous fiscal year. This is due mainly to increases of notes & accounts receivable from completed construction contracts and other of 7,891 million yen, and noncurrent assets of 7,459 million yen, offset by decrease of cash & deposits of 8,825 million yen, due to purchase of treasury shares and an office building to respond to expansion of business in Tokyo, as well as decrease in costs on real estate business of 2,562 million yen.

(Liabilities)

Liabilities increased by 550 million yen to 70,921 million yen vs last year. The primary reasons were increase of 2,854 million yen of accounts payable for construction contracts offset by decrease of 1,906 million yen in advances received on uncompleted construction contracts.

(Net assets)

Net assets increased by 3,436 million yen to 113,992 million yen vs last year.

This is due main by to net earing attributable to controlling interest of 7,957 million yen minus paid dividend of 1,716 million yen as well as purchase of treasury shares of 3,186 million yen. As the result, shareholders' equity after deducting non-controlling interests was 99,625 million yen and the equity ratio was 53.9%, 0.7 percentage point higher than the end of the previous fiscal year.

(3) Cash flows for fiscal year ended March 2018

Consolidated cash and cash equivalents (hereinafter 'cash') at the end of the fiscal year totaled 68,571 million yen, 8,825 million yen less than the year before. Details are as follows.

(Operating cash flow)

Net cash provided by operating activities was 5,146 million yen compared to 8,061 million yen one year earlier. This is due mainly to increase of 7,891 million yen of notes and accounts receivable from completed construction, 5,625 million yen of income tax payments and decrease of 1,906 million yen of advances received on uncompleted construction contracts, offset by income before income taxes of 12,527 million yen, increase in notes and accounts payable of 2,854 million yen, decrease in inventories of 2,509 million yen, and a decrease of 1,258 million yen in accounts receivable.

(Investing cash flow)

Net cash outflow for investing activities was 7,850 million yen compared to cash outflow of 1,388 million yen in the previous fiscal year. This is due mainly to proceeds from sales of investment securities of 73 million yen and 52 million yen of proceeds from sales of tangible assets, offset by purchase of tangible fixed assets by purchasing office buildings as a measure to expand the Tokyo office of 7,151 million yen, and purchase of investment securities acquisition of 594 million yen.

(Financing cash flow)

Net cash outflow for financing activities was 6,121 million yen compared to cash outflow of 1,718 million yen in the previous fiscal year. This is due mainly to 3,218 million yen of purchase of treasury shares, 1,715 million yen of cash dividends paid and Asunaro Aoki's purchase of their shares of 754 million yen.

(Reference) Cash flow index trends

	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Equity ratio (%)	51.7	53.3	55.1	53.2	53.9
Equity ratio based on market cap (%)	42.7	57.0	52.9	51.8	56.8
Interest-bearing debt /Annual Cash flow	0.0	0.1	0.2	0.1	0.1
Interest coverage ratio	102.8	23.1	14.5	49.2	31.6

- Notes: 1. Equity ratio: Shareholders' equity / Total assets
2. Equity ratio based on market cap: Market capitalization / Total assets
3. Interest-bearing debt / Annual Cash flow: Interest-bearing debt / Annual operating cash flows
4. Interest coverage ratio: Operating cash flows / Interest expenses
(1) All indicators are based on figures in the consolidated financial statements.
(2) Market capitalization is calculated by share price times the number of shares outstanding (excluding treasury shares) as of the end of the fiscal year.
(3) Interest-bearing debt is the sum of all liabilities on the consolidated balance sheet on which the Company is obligated to pay interest.

(4) Outlook for the future

Concerning the Japanese domestic construction investment, we are starting to hear that the current optimistic trend will continue for a few years after the Olympic Games of 2020, but we are of the opinion that we cannot expect the expansion of the overall construction market. In addition, we also foresee the rapid decline of overall construction workers to be an inevitable trend in the future.

On the other hand, the current market trend for the construction of condominiums for rental purpose is continuing to be tight due to low interest rates. This trend especially applies for the three big cities of Japan (Osaka, Nagoya and especially Tokyo) where population is expected to increase continuously. We estimate this trend to continue in the near future as well.

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 our Mid Term Plan, Takamatsu Corporation, one of our core companies, will drive the growth of the Group by focusing on winning construction orders of condominiums for rental purpose in the Tokyo Metropolitan area. On the other hand, Asunaro Aoki Construction, the other core company of the Group as well as mid-sized general contractor, plans to grow at a moderate but steady rate to maintain its currently high level of profit, by considering rather pessimistic future market outlook of the overall construction market.

In our Mid Term Plan, Takamatsu Construction Group was targeting to achieve the revenue of 268 billion JPY and the operating profit of 15 billion JPY in the fiscal year ending March 2020, under the key words "Challenge 268" and "Quality 15", as well as "Specialty 18 alpha" to aim for further growth of our 18 Group Companies through organic growth as well as aggressive M&A.

However, after considering our strong results 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 final goals one year in advance. In addition, we plan to change our third key word "Specialty 18 alpha" to "Specialty 20 alpha" by taking into account that Mibu Corporation Co., Ltd. and TCG-USA Inc. joined our Group from this fiscal year through M&A and new foundation, respectively, through which, we expect further expansion of our business.

We plan further growth in all major items listed below for the FY March 2019 as follows.

(Million yen, %)

	Consolidated forecast	Y on Y percentage change vs. FY3/18
Orders received	280,000	9.9%
Net sales	268,000	9.3%
Operating income	15,000	10.1%
Ordinary income	15,000	9.5%
Net earnings attributable to controlling interest	8,300	4.3%

- (5) Basic policy for earnings distributions and dividends for the current and the next fiscal year
 Distributing earnings to shareholders is one of our highest priorities. Our basic policy is to maintain stable and consistent dividend payments while distributing earnings in a manner that reflects the results of operations. At the same time, retained earnings will be used effectively from a medium to long-term perspective with the primary objectives of strengthening and upgrading operations of the entire Group and building a sound base for future operations. At the start of the fiscal year, we planned 53 yen per share of dividend, which includes commemorative dividend of 10 yen to celebrate our centenary in October 2017. However, after considering stronger results of the Group operations, dividend payout ratio and total shareholder return ratio, we decided to pay 56 yen per share for the fiscal year that ended in March 2018. For the fiscal year ending March 2019, we plan to continue more than 25% of dividend payout ratio with annual dividend of 60 yen per share, which is further increase in comparison to the fiscal year ended March 2018.

Dividend per share	(Yen)			
	FY3/16	FY3/17	FY3/18	FY3/19 (Est.)
Dividends (Total of ordinary and commemorative dividends)	34	43	56	60

2. Selection of Accounting Principles

Takamatsu Construction Group uses Japanese Accounting Principle to prepare consolidated financial statements. Using this standard allows comparing our financial data with the other Japanese companies as well as with our previous results.

We will take appropriate actions to study the possibility of adopting International Financial Reporting Standards (IFRS) by considering trends and events in Japan and the other countries, with the current view that the possibility to switch the standard before April 2020 is very limited.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheet

(Million yen)

	Fiscal year ended March 2017 (As of March 31, 2017)	Fiscal year ended March 2018 (As of March 31, 2018)
ASSETS		
Current assets		
Cash and deposits	77,396	68,571
Notes receivable, accounts receivable from completed construction contracts and other	60,255	68,146
Real estate for sale	7,177	7,592
Costs on uncompleted construction contracts	1,143	781
Costs on real estate business	3,327	764
Accounts receivable	6,242	5,263
Deferred tax assets	1,564	2,197
Other	1,069	1,275
Allowance for doubtful accounts	(381)	(270)
Total current assets	157,794	154,322
Noncurrent assets		
Tangible Assets		
Buildings and structures, net	2,454	4,016
Machinery, vehicles, tools, furniture and fixtures, net	821	1,199
Vessels, net	651	1,595
Land	8,961	12,916
Lease assets, net	179	152
Construction in progress	555	58
Total Tangible assets	13,623	19,938
Intangible assets	302	473
Investments and other assets		
Investment securities	5,692	6,436
Deferred tax assets	1,227	1,474
Other	3,188	2,563
Allowance for doubtful accounts	(902)	(295)
Total investments and other assets	9,206	10,178
Total noncurrent assets	23,132	30,591
Total assets	180,927	184,914

(Million yen)

	Fiscal year ended March 2017 (As of March 31, 2017)	Fiscal year ended March 2018 (As of March 31, 2018)
LIABILITIES		
Current liabilities		
Accounts payable for construction contracts	29,710	32,565
Income taxes payable	3,527	2,373
Advances received on uncompleted construction contracts	12,961	11,055
Provision for warranties for completed construction	767	690
Provision for loss on construction contracts	58	175
Provision for bonuses	2,846	2,797
Provision for directors retirement benefits	—	50
Provision for loss by disaster	385	240
Other	7,366	8,326
Total current liabilities	57,624	58,274
Noncurrent liabilities		
Deferred tax liabilities for land revaluation	256	256
Deferred tax liabilities	264	271
Provision for special repairs of vessels	91	52
Retirement allowances	10,667	10,660
Other	1,466	1,405
Total noncurrent liabilities	12,747	12,646
Total liabilities	70,371	70,921
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	271	391
Retained earnings	95,860	102,100
Treasury shares	(4,296)	(7,483)
Total shareholders' equity	96,835	100,008
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	1,010	1,129
Revaluation reserve for land	(1,266)	(1,266)
Remeasurements of retirement allowance plans	(267)	(245)
Total accumulated other comprehensive income	(524)	(382)
Non-controlling interests	14,245	14,367
Total net assets	110,555	113,992
Total liabilities and net assets	180,927	184,914

(2) Consolidated statements of income and comprehensive income
Consolidated statements of income

(Million yen)

	Fiscal year ended March 2017 (April 1, 2016-March 31, 2017)	Fiscal year ended March 2018 (April 1, 2017-March 31, 2018)
Net sales		
Net sales of completed construction contracts	201,959	226,117
Sales on real estate business	12,171	18,989
Total net sales	214,130	245,107
Cost of sales		
Cost of sales of completed construction contracts	172,024	194,903
Cost of sales on real estate business	11,007	17,128
Total cost of sales	183,031	212,032
Gross profit		
Gross profit on completed construction contracts	29,935	31,213
Gross profit-real estate business	1,163	1,861
Total gross profit	31,099	33,075
Selling, general and administrative expenses	18,163	19,444
Operating income (loss)	12,935	13,630
Non-operating income		
Interest income	0	1
Dividend income	90	100
Proceeds from compensation income	—	81
Rent income	33	46
Other	71	45
Total non-operating income	196	276
Non-operating expenses		
Interest expense	163	163
Expenses for purchase of treasury stocks	—	31
Other	35	9
Total non-operating expenses	199	204
Ordinary income (loss)	12,932	13,702
Extraordinary income		
Gain on sales of fixed assets	1	18
Gain on sales of investment securities	42	5
Total extraordinary income	44	23
Extraordinary losses		
Dispute settlement	—	950
Loss on disaster	403	126
Impairment loss	310	—
Other	246	121
Total extraordinary losses	960	1,198
Income before income taxes	12,016	12,527
Income taxes-current	4,789	4,289
Income taxes-deferred	(311)	(927)
Total income taxes	4,477	3,361
Net earnings	7,538	9,165
Net earnings attributable to non-controlling interests	942	1,208
Net earnings attributable to controlling interest	6,596	7,957

Consolidated statements of comprehensive income

(Million yen)

	Fiscal year ended March 2017 (April 1, 2016-March 31, 2017)	Fiscal year ended March 2018 (April 1, 2017-March 31, 2018)
Net earnings	7,538	9,165
Other comprehensive income		
Valuation difference on available-for-sale securities	(8)	150
Remeasurements of retirement allowance plans	0	41
Total other comprehensive income	(7)	191
Comprehensive income	7,531	9,356
(This splits into...)		
Comprehensive income attributable to controlling interest	6,560	8,098
Comprehensive income attributable to non-controlling interests	970	1,257

(3) Consolidated statement of changes in equity

Previous fiscal year (April 1, 2016 –March 31, 2017)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	5,000	271	90,596	(4,296)	91,571
Changes of items during the period					
Dividends			(792)		(792)
Dividends (interim)			(540)		(540)
Net earnings attributable to controlling interest			6,596		6,596
Purchase of treasury shares of consolidated subsidiaries		(0)			(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(0)	5,263	—	5,263
Balance at the end of the period	5,000	271	95,860	(4,296)	96,835

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of retirement allowance plans	Total accumulated other comprehensive income		
Balance at the beginning of the period	1,022	(1,266)	(244)	(489)	13,510	104,592
Changes of items during the period						
Dividends						(792)
Dividends (interim)						(540)
Net earnings attributable to controlling interest						6,596
Purchase of treasury shares of consolidated subsidiaries						(0)
Net changes of items other than shareholders' equity	(12)	—	(22)	(35)	734	699
Total changes of items during the period	(12)	—	(22)	(35)	734	5,962
Balance at the end of the period	1,010	(1,266)	(267)	(524)	14,245	110,555

Current fiscal year (April 1, 2017 –March 31, 2018)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	5,000	271	95,860	(4,296)	96,835
Changes of items during the period					
Dividends			(1,008)		(1,008)
Dividends (interim)			(708)		(708)
Net earnings attributable to controlling interest			7,957		7,957
Treasury stocks				(3,186)	(3,186)
Purchase of treasury shares of consolidated subsidiaries		119			119
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	119	6,240	(3,186)	3,173
Balance at the end of the period	5,000	391	102,100	(7,483)	100,008

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of retirement allowance plans	Total accumulated other comprehensive income		
Balance at the beginning of the period	1,010	(1,266)	(267)	(524)	14,245	110,555
Changes of items during the period						
Dividends						(1,008)
Dividends (interim)						(708)
Net earnings attributable to controlling interest						7,957
Treasury stocks						(3,186)
Purchase of treasury shares of consolidated subsidiaries						119
Net changes of items other than shareholders' equity	119	—	22	141	122	263
Total changes of items during the period	119	—	22	141	122	3,436
Balance at the end of the period	1,129	(1,266)	(245)	(382)	14,367	113,992

(4) Consolidated statement of cash flow

(Million yen)

	Fiscal year ended March 2017 (April 1, 2016-March 31, 2017)	Fiscal year ended March 2018 (April 1, 2017-March 31, 2018)
Cash flows from operating activities		
Income before income taxes	12,016	12,527
Depreciation	821	906
Impairment loss	310	—
Increase (decrease) in allowance for doubtful accounts	96	(718)
Increase (decrease) in provision for warranties for completed construction	109	(76)
Increase (decrease) in provision for loss on construction contracts	58	116
Increase (decrease) in provision for bonuses	42	(49)
Increase (decrease) in provision for executive officers' retirement benefits	—	50
Increase (decrease) in provision for loss on disaster	385	112
Loss on disaster	17	14
Increase (decrease) in provision for special repairs of vessels	16	(39)
Increase (decrease) in retirement allowance plans	352	17
Interest and dividend income	(91)	(102)
Interest expenses	163	163
Loss (gain) on sales of fixed assets	61	(7)
Loss (gain) on sales of investment securities	(42)	(5)
Decrease (increase) in notes and accounts receivable from completed construction	(3,176)	(7,891)
Decrease (increase) in long term accounts receivable	131	603
Decrease (increase) in inventories	(4,803)	2,509
Decrease (increase) in accounts receivable	(3,902)	1,258
Increase (decrease) in notes and accounts payable	3,858	2,854
Increase (decrease) in advances received on uncompleted construction contracts	2,624	(1,906)
Decrease/increase in consumption taxes receivable/payable	1,315	(116)
Others, net	2,263	935
Subtotal	12,631	11,158
Interest and dividend income received	91	102
Interest expenses paid	(163)	(163)
Payments for loss on litigation	(223)	(53)
Payments for loss on disaster	(17)	(272)
Income taxes paid	(4,256)	(5,625)
Cash flows from operating activities	8,061	5,146
Cash flows from investing activities		
Purchase of tangible assets	(1,614)	(7,151)
Proceeds from sales of tangible assets	142	52
Purchase of intangible assets	(104)	(231)
Purchase of investment securities	(9)	(594)
Proceeds from sales of investment securities	206	73
Others, net	(8)	0
Cash flows from investing activities	(1,388)	(7,850)
Cash flows from financing activities		
Repayments of lease obligations	(152)	(171)
Purchase of treasury shares	—	(3,218)
Purchase of treasury stock of subsidiaries consolidation	(0)	(754)
Cash dividends paid	(1,331)	(1,715)
Cash dividends paid to minority shareholders	(234)	(262)
Cash flows from financing activities	(1,718)	(6,121)
Net increase (decrease) in cash and cash equivalents	4,954	(8,825)
Cash and cash equivalents at the beginning of period	72,442	77,396
Cash and cash equivalents at the end of period	77,396	68,571

(5) Notes to consolidated financial statements

(Going concern assumptions)

None

(Segment information)

1. Overview of reportable segment information

Reportable business segments are the constituent business units of the Takamatsu Construction Group companies for which separate financial information is available and that the board of directors examines periodically to determine the allocation of resources and to evaluate performance.

Activities of the group are divided into the construction business and the real estate business. In the construction business, there are consolidated subsidiaries engaged solely in either architecture or civil engineering business and consolidated subsidiaries that engage in both of these businesses. For consolidated subsidiaries that engage in both architecture and civil engineering operations, offices are organized with separate sections for these two businesses. For these reasons, there are three reportable segments: architecture, civil engineering and real estate.

2. Calculation methods for sales and income (loss) by reportable segments

The accounting methods used for the reportable segments are basically the same as the methods used to present the consolidated financial statements.

Operating income is used for reportable segment earnings.

3. Information of sales and income (loss) by reportable segments

Previous fiscal year (April 1, 2016 - March 31, 2017)

(Million yen)

	Reportable segments				Adjustment (Note1)	Amount on statements of income (Note 2)
	Architecture	Civil engineering	Real estate	Total		
Net sales (of which to outside customers)	109,853	92,106	12,171	214,130	—	214,130
(of which inter-segment or transfers)	502	25	367	894	(894)	—
Total	110,355	92,131	12,538	215,025	(894)	214,130
Segment income	10,406	5,058	751	16,216	(3,281)	12,935

Notes:

- 3,281 million yen negative adjustment for segment income is the sum of 3,263 million yen of selling, general and administrative expenses that cannot be allocated to a reportable segment and 17 million yen of other adjustments.
- Reportable segment income is adjusted to match with operating income on the consolidated statement of income.

Current fiscal year (April 1, 2017 - March 31, 2018)

(Million yen)

	Reportable segments				Adjustment (Note1)	Amount on statements of income (Note 2)
	Architecture	Civil engineering	Real estate	Total		
Net sales (of which to outside customers)	117,347	108,770	188,989	245,107	—	245,107
(of which inter-segment or transfers)	753	17	385	1,156	(1,156)	—
Total	118,100	108,787	19,375	246,264	(1,156)	245,107
Segment income	8,528	6,823	1,353	16,705	(3,074)	13,630

Notes:

- 3,074 million yen negative adjustment for segment income is the sum of 3,028 million yen of selling, general and administrative expenses that cannot be allocated to a reportable segment and 46 million yen of other adjustments.
- Reportable segment income is adjusted to match with operating income on the consolidated statement of income.

(Per share information)

(Yen)

	Previous fiscal year (April 1, 2016 – March 31, 2017)	Current fiscal year (April 1, 2017 – March 31, 2018)
Net assets per share	2,673.89	2,861.26
Earnings per share	183.13	223.39
Earnings per share (diluted)	Not presented since the company has no potential stock	Not presented since the company has no potential stock

Note 1. The bases for calculating net assets per share are as follows.

	Previous fiscal year (April 1, 2016 – March 31, 2017)	Current fiscal year (April 1, 2017 – March 31, 2018)
Total net assets (million yen)	110,555	113,992
Amount deducted from total net assets (million yen)	14,245	14,367
of which non-controlling interests (million yen)	14,245	14,367
Net assets attributable to ordinary shares (million yen)	96,310	99,625
Number of shares at the end of fiscal year (thousand shares)	36,018	34,818

Note 2. The bases for calculating earnings per share are as follows.

	Previous fiscal year (April 1, 2016 – March 31, 2017)	Current fiscal year (April 1, 2017 – March 31, 2018)
Comprehensive income attributable to controlling interest (million yen)	6,596	7,957
Amount not attributable to ordinary shareholders (million yen)	—	—
Comprehensive income attributable to controlling interest attributable to ordinary shares (million yen)	6,596	7,957
Average number of ordinary shares during the fiscal year (thousand shares)	36,018	35,618

(Subsequent events)

(Subsidiary acquisition through share purchase)

Takamatsu Corporation, a subsidiary of Takamatsu Construction Group Co.,Ltd., has purchased all shares of Mibu Corporation Co.,Ltd. as of April 2, 2018, and thus, Mibu Corporation Co.,Ltd. has become a subsidiary of Takamatsu Corporation.

(1) Outline of Acquisition

① Name of acquired company and its business

Name of acquired company: Mibu Corporation Co.,Ltd.

Business: Real estate sales, purchase and mediation, real estate rental, rent administration and rent mediation

② Main reason of acquisition

Takamatsu Corporation, a subsidiary of Takamatsu Construction Group Co.,Ltd., conducts construction of condominiums for rental purpose as its main pillar of business. However, in recent years, it has extended its consulting capabilities outside both residential market as well as rental purpose building market and expanded its business fields. In addition, Takamatsu Corporation's revenue in Tokyo Metropolitan Area exceeded that of Kansai Area for several years where Takamatsu Corporation's headquarter is located and the company is looking forward to further expand its business in Tokyo Metropolitan Area. Mibu Corporation Co.,Ltd., since its foundation in 1980, has conducted its business of responding to wide range of real estate needs focusing on Southern Tokyo Area, and possesses an overwhelming brand recognition, customer lists and real estate information of the area. Through this acquisition, we will make sure the synergy effect will be generated by both companies such as Takamatsu Corporation being able to increase its order by utilizing Mibu Corporation's information, as well as Mibu Corporation being able to expand its business scale by enhancing its financial basis through joining our Group.

③ Date of acquisition

April 2, 2018

④ Legal structure of acquisition

Share acquisition

⑤ Name of acquired company after acquisition

No change

⑥ Acquired percentage of voting rights

100%

⑦ Basis of acquisition

Purchase of Mibu Corporation shares by our subsidiary, Takamatsu Corporation.

(2) Amount of acquisition and its payment method

Amount of acquisition	Cash	2,500 million yen
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Total amount of acquisition		2,500 million yen
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(3) Related cost of acquisition and its content

Advisory fee	65 million yen
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(4) Amount of goodwill, its reason of generation, depreciation method and period

Not specified as of now.

(5) Amount of accepted asset and liabilities and their main items at the date of acquisition

Not specified as of now.

4. Orders Received and Net Sales

(Consolidated)

(Million yen, %)

		Fiscal year ended March 2017		Fiscal year ended March 2018	
		(April 1,2016 - March 31,2017)		(April 1,2017 - March 31,2018)	
		Amount	Share	Amount	Share
Orders received	Architecture	131,551	51.3	128,461	50.4
	Civil engineering	112,765	44.0	107,406	42.1
	Total construction	244,316	95.3	235,867	92.5
	Real estate	12,171	4.7	18,989	7.5
	Total	256,488	100.0	254,857	100.0
Net sales	Architecture	109,853	51.3	117,347	47.9
	Civil engineering	92,106	43.0	108,770	44.4
	Total construction	201,959	94.3	226,117	92.3
	Real estate	12,171	5.7	18,989	7.7
	Total	214,130	100.0	245,107	100.0