

Summary of Consolidated Financial Results

For the Second Quarter of Fiscal Year Ending March 31, 2019 [Japan GAAP] ("Q2/FY2018")

Company: Asunaro Aoki Construction Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange (First Section)
 Stock code: 1865
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 Date of filing of quarterly securities report: November 8, 2018
 Date of commencement of dividend payment: -
 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 second quarter of the fiscal year ending March 2018 (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		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2Q / FY 2018	70,640	(0.4)	1,883	(43.0)	1,891	(42.6)	1,202	(42.2)
2Q / FY 2017	70,923	9.0	3,302	(15.8)	3,292	(15.9)	2,080	(13.3)

Note: Comprehensive income: 2Q / FY 2018 :1,364 million yen (41.3%), 2Q / FY 2017 : 2,324 million yen (4.1%)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
2Q / FY 2018	21.77	—
2Q / FY 2017	37.23	—

(2) Consolidated financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30,2018	102,367	65,145	63.6
As of March 31,2018	108,720	65,230	60.0

(Reference) Shareholders' equity

As of September 30, 2018: 65,118million yen

As of March 31, 2018: 65,204 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
FY 3/2018	—	0.00	—	22.00	22.00
FY 3/2019	—	0.00	—	—	—
FY 3/2019 (Est.)	—	—	—	22.00	22.00

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		Profit attributable to owners of parent		Net earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	160,000	7.7	157,000	2.3	7,700	0.5	7,700	0.6	5,400	0.9	98.05

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
- (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: 59,100,000	As of March 31, 2018: 59,100,000
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 - (b) Treasury shares

As of September 30, 2018: 4,025,148	As of March 31, 2018: 3,787,946
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 - (c) Average number of shares (quarterly consolidated cumulative period)

Period ended September 30, 2018: 55,228,082	Period ended September 30, 2017: 55,879,240
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* Auditing of financial statements 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.

Index for Supplementary Information

1. Quarterly Consolidated Financial Statements.....	2
(1) Quarterly consolidated balance sheet.....	2
(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income.....	4
Quarterly consolidated statements of income.....	4
Quarterly consolidated statements of comprehensive income.....	4
2. (Reference) Non-consolidated Financial Statements	6
(1) Quarterly Non-consolidated balance sheet.....	6
(2) Quarterly Non-consolidated statements of income and comprehensive income.....	7
3. Orders received and net sales.....	8

1. Quarterly Consolidated Financial Statements

(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	21,588	23,864
Notes receivable, accounts receivable from completed construction contracts and other	61,749	52,421
Real estate for sale	2,984	2,556
Costs on uncompleted construction contracts	137	429
Costs on real estate business	603	603
Accounts receivable	6,450	6,594
Other	956	1,979
Allowance for doubtful accounts	(267)	(241)
Total current assets	94,202	88,207
Noncurrent assets		
Tangible Assets		
Buildings and structures, net	747	722
Machinery, vehicles, tools, furniture and fixtures, net	794	729
Vessels, net	1,595	1,513
Land	3,618	3,618
Lease assets, net	107	95
Construction in progress	4	45
Total Tangible assets	6,868	6,725
Intangible assets	373	372
Investments and other assets		
Investment securities	4,016	4,185
Long-term loans receivable	5	3
Deferred tax assets	2,457	2,130
Other	1,043	987
Allowance for doubtful accounts	(246)	(244)
Total investments and other assets	7,275	7,062
Total noncurrent assets	14,517	14,160
Total assets	108,720	102,367

(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	23,340	19,189
Income taxes payable	903	565
Advances received on uncompleted construction contracts	3,633	5,129
Provision for warranties for completed construction	447	444
Provision for loss on construction contracts	175	126
Provision for bonuses	1,504	1,615
Provision for loss by disaster	240	-
Other	4,342	1,404
Total current liabilities	34,586	28,474
Noncurrent liabilities		
Deferred tax liabilities for land revaluation	215	215
Retirement allowances	8,210	8,082
Provision for special repairs of vessels	52	70
Other	424	378
Total noncurrent liabilities	8,903	8,747
Total liabilities	43,489	37,221
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	23,766	23,766
Retained earnings	38,722	38,707
Treasury shares	(2,674)	(2,906)
Total shareholders' equity	64,813	64,567
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	643	746
Revaluation reserve for land	48	48
Remeasurements of retirement allowance plans	(300)	(243)
Total accumulated other comprehensive income	390	551
Non-controlling interests	26	27
Total net assets	65,230	65,145
Total liabilities and net assets	108,720	102,367

(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	70,535	70,035
Sales on real estate business	388	604
Total net sales	70,923	70,640
Cost of sales		
Cost of sales of completed construction contracts	63,011	63,459
Cost of sales on real estate business	380	566
Total cost of sales	63,392	64,025
Gross profit		
Gross profit on completed construction contracts	7,524	6,575
Gross profit-real estate business	7	38
Total gross profit	7,531	6,614
Selling, general and administrative expenses	4,229	4,731
Operating income	3,302	1,883
Non-operating income		
Interest income	1	0
Dividend income	31	35
Other	9	11
Total non-operating income	42	47
Non-operating expenses		
Interest expense	51	36
Other	0	3
Total non-operating expenses	52	39
Ordinary income (loss)	3,292	1,891
Extraordinary income		
Gain on sales of non-current assets	0	36
Gain on sales of investment securities	5	-
Total extraordinary income	5	36
Extraordinary losses		
Loss on disaster	126	-
Loss on litigation	2	21
Other	7	0
Total extraordinary losses	136	22
Income before income taxes	3,161	1,905
Income taxes-current	822	419
Income taxes-deferred	260	281
Total income taxes	1,083	701
Net earnings	2,078	1,203
Profit (loss) attributable to non-controlling interests	(1)	1
Profit (loss) attributable to owners of parent	2,080	1,202

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)
Quarterly net earnings	2,078	1,203
Other comprehensive income		
Valuation difference on available-for-sale securities	131	103
Remeasurements of retirement allowance plans	114	56
Total other comprehensive income	246	160
Comprehensive income	2,324	1,364
(This splits into...)		
Comprehensive income attributable to owners of parent	2,326	1,362
Comprehensive income attributable to non-controlling interests	(1)	1

2. Quarterly non-consolidated Financial Statements

(1) Quarterly non-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	12,492	14,103
Notes receivable, accounts receivable from completed construction contracts and other	38,458	35,153
Real estate for sale	2,641	2,212
Costs on uncompleted construction contracts	52	353
Costs on real estate business	603	603
Other	4,978	5,050
Allowance for doubtful accounts	(123)	(118)
Total current assets	59,103	57,357
Noncurrent assets		
Tangible Assets	2,392	2,353
Intangible assets	227	239
Investments and other assets		
Investment securities	9,925	10,103
Other	2,007	1,713
Allowance for doubtful accounts	(195)	(192)
Total investments and other assets	11,737	11,624
Total noncurrent assets	14,357	14,217
Total assets	73,460	71,575
LIABILITIES		
Current liabilities		
Accounts payable for construction contracts	11,821	10,972
Income taxes payable	116	114
Advances received on uncompleted construction contracts	2,649	3,353
Other	4,235	1,898
Total current liabilities	18,823	16,338
Noncurrent liabilities		
Retirement allowances	4,695	4,638
Other	183	177
Total noncurrent liabilities	4,878	4,815
Total liabilities	23,701	21,154
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	23,766	23,766
Retained earnings	23,076	23,846
Treasury shares	(2,674)	(2,906)
Total shareholders' equity	49,168	49,706
Valuation and translation adjustments		
Valuation differences on available-for-sales securities	591	714
Total valuation and translation adjustments	591	714
Total net assets	49,759	50,421
Total liabilities and net assets	75,460	71,575

(2) Quarterly Non-consolidated statements of income and 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 sales		
Net sales of completed construction contracts	40,626	39,061
Sales on real estate business	244	605
Total net sales	40,870	39,667
Cost of sales		
Cost of sales of completed construction contracts	36,404	35,752
Cost of sales on real estate business	241	560
Total cost of sales	36,646	36,313
Gross profit		
Gross profit on completed construction contracts	4,221	3,308
Gross profit-real estate business	3	44
Total gross profit	4,224	3,353
Selling, general and administrative expenses	2,269	2,629
Operating income	1,955	724
Non-operating income		
Interest income	1	0
Dividend income	1,089	1,572
Other	8	10
Total non-operating income	1,099	1,583
Non-operating expenses		
Interest expense	27	17
Other	0	0
Total non-operating expenses	28	18
Ordinary income (loss)	3,026	2,289
Extraordinary losses	4	17
Income before income taxes	3,021	2,271
Total income taxes	654	284
Quarterly net earnings	2,367	1,987

3. Orders received and net sales

(1) Consolidated

(Million yen, %)

		2Q / FY 2017		2Q / FY 2018	
		(Apr 1, 2017 - Sep 30, 2017)		(Apr 1, 2018 - Sep 30, 2018)	
		Amount	Share	Amount	Share
Orders received	Architecture	16,027	21.8	30,297	38.4
	Civil engineering	57,020	77.7	48,051	60.9
	Total construction	73,020	99.5	78,349	99.3
	Real estate	388	0.5	604	0.7
	Total	73,436	100.0	78,953	100.0
Net sales	Architecture	20,580	29.0	17,353	24.5
	Civil engineering	49,955	70.5	52,682	74.6
	Total construction	70,535	99.5	70,035	99.1
	Real estate	388	0.5	604	0.9
	Total	70,923	100.0	70,640	100.0

(2) Non-consolidated

(Million yen, %)

			2Q / FY 2017		2Q / FY 2018	
			(Apr 1, 2017 - Sep 30, 2017)		(Apr 1, 2018 - Sep 30, 2018)	
			Amount	Share	Amount	Share
Orders received	Architecture construction	Public	7,407		14,121	
		Private	7,633		15,136	
	Subtotal		15,040	37.0	29,257	60.1
	Civil engineering	Public	4,558		10,509	
		Private	20,861		8,285	
	Subtotal		25,419	62.4	18,794	38.6
	Total construction	Public	11,965		24,630	
		Private	28,494		23,421	
	Total		40,460	99.4	48,052	98.7
	Real estate	Public	-		-	
		Private	245		605	
	Total		245	0.6	605	1.3
	Total	Public	11,965	29.4	24,630	50.6
Private		28,739	70.6	24,027	49.4	
		40,460	100.0	48,658	100.0	
Net sales	Architecture	19,873	48.6	16,157	40.7	
	Civil engineering	20,752	50.8	22,903	57.8	
	Total construction	40,626	99.4	39,061	98.5	
	Real estate	244	0.6	605	1.5	
	Total	40,870	100.0	39,667	100.0	

Disclaimer: All financial information has been prepared in accordance with generally accepted accounting principles in Japan. This document is a partial English translation of the Japanese Financial Statements which were filed with Stock Exchanges in Japan on November 7, 2018. The Company provides this translation for your reference and convenience only without any warranty as to its accuracy. In case of any discrepancy between the translation and the Japanese original, the latter shall prevail