TCG Takamatsu Construction Group

Results for Q2, FY March 2019

Takamatsu Construction Group Co.,Ltd.
Securities Code :1762
November 27, 2018

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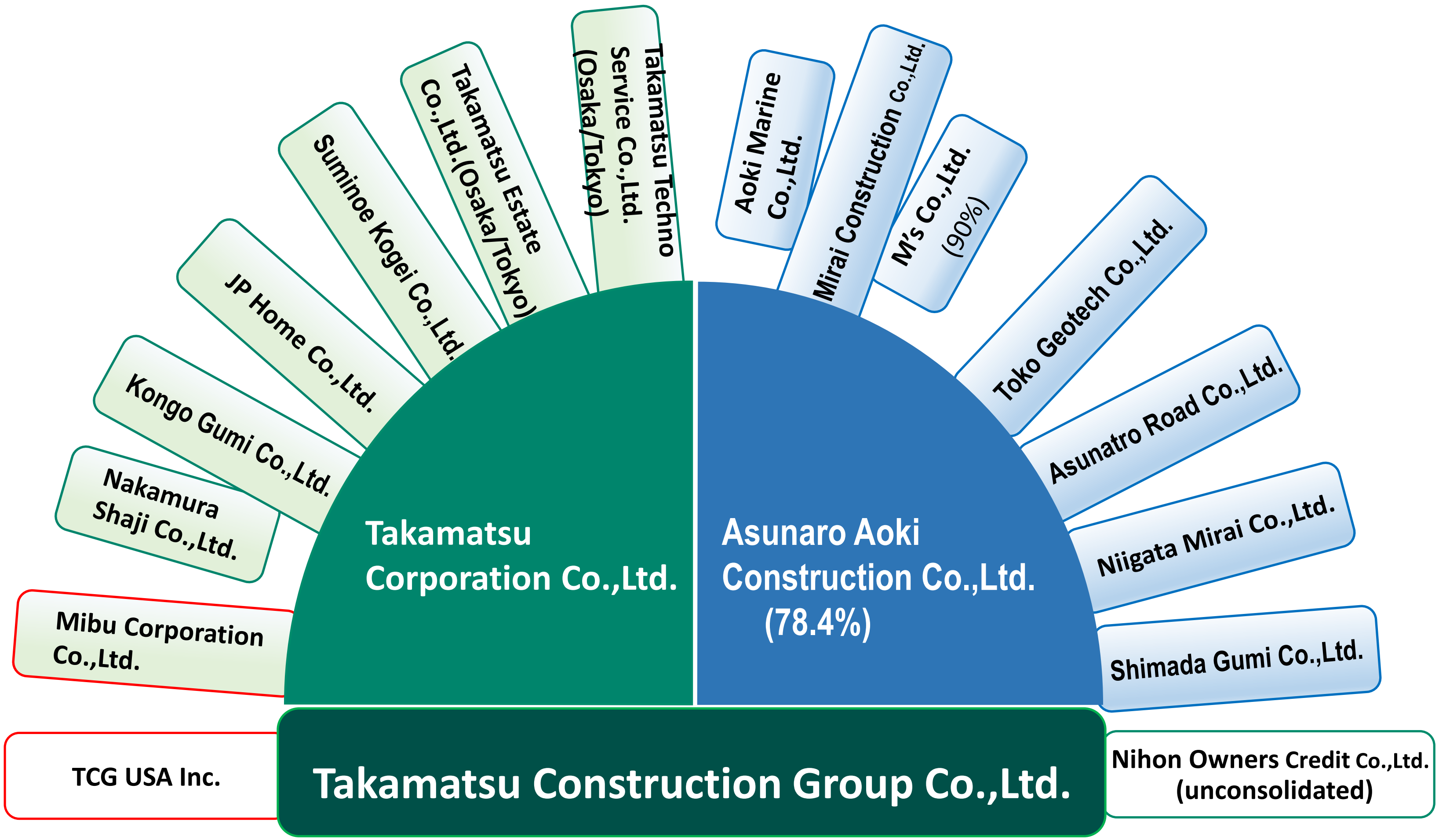
Takamatsu Construction Group

1. Takamatsu Construction Group is comprised of 21 Group companies subdivided into
   10 "Takamatsu Group Companies (Takamatsu G)",
   8 "Asunaro Aoki Group Companies (Asunaro Aoki G)"
   and "a holding company and 2 other companies".
2. Mibu Corporation and TCG USA have become our consolidated Group companies from FY March 2019.

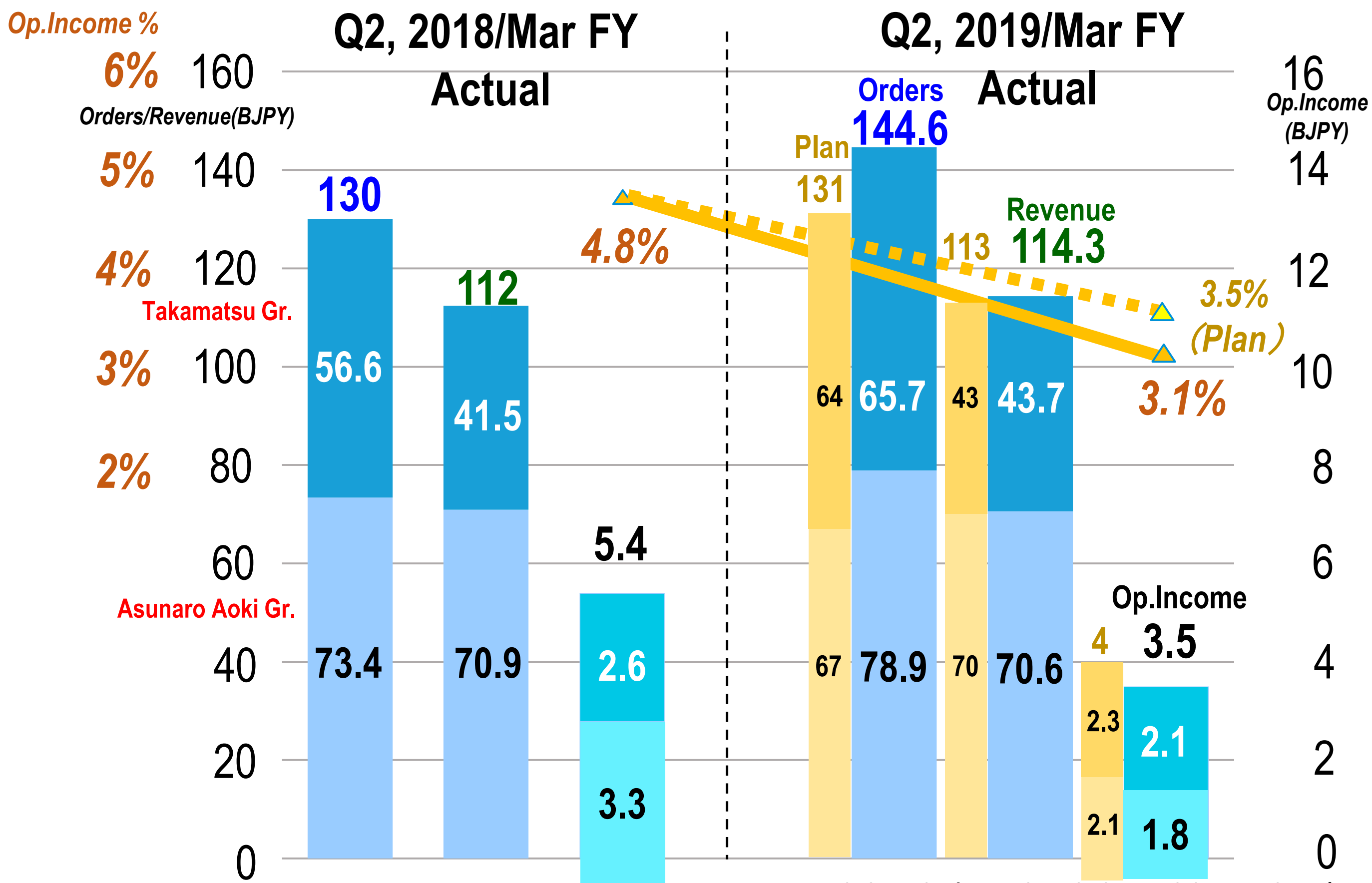


Parent company is the company that touches the label of a company. Ownership is 100% if not specifically mentioned.

Q2 Results, FY March 2019

By-Group Orders, Revenue and Operating Income (Consolidated)

1. Orders : Record high Q2. Both Groups surpassed both plan and previous year.
2. Revenue : Surpassed previous years for 7 consecutive years as well as record high for 5 consecutive years.
3. Op.Income : △0.44BJPY lower than planned 4.0BJPY. △1.86BJPY lower than previous year, △0.46BJPY for Takamatsu G, △1.42BJPY for Asunaro Aoki G.
4. Op.Income % : 3.1%, lower than the planned figure of 3.5% as well as lower than previous year of 4.8% by 1.7pt.

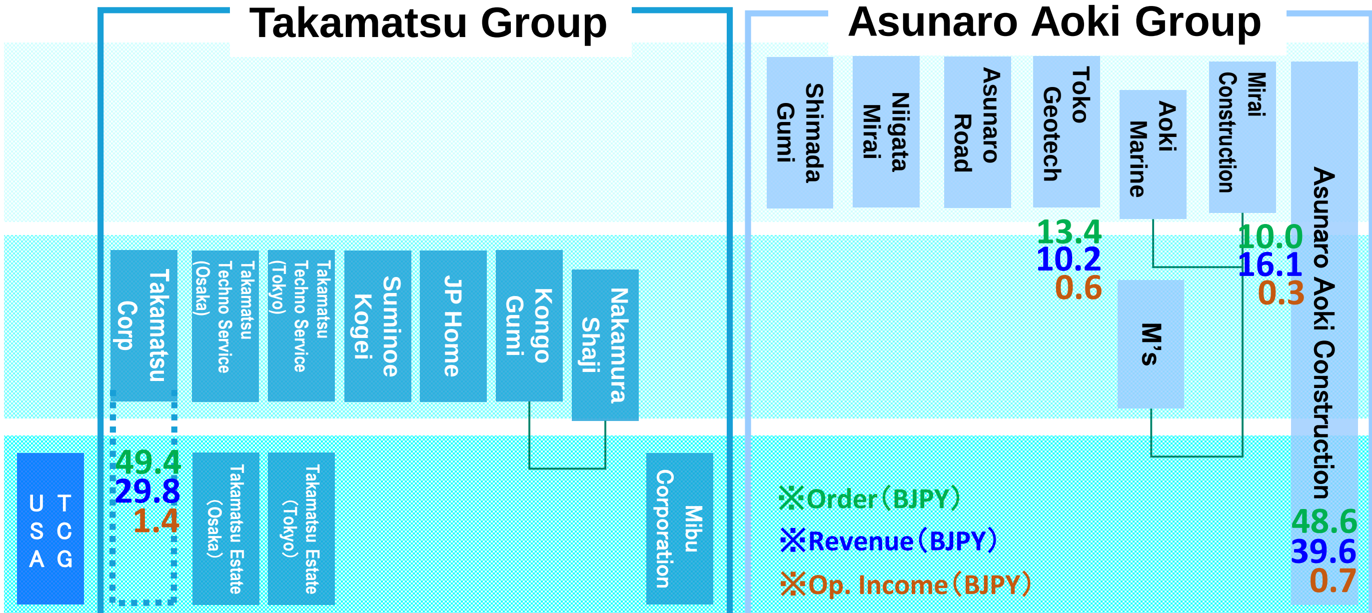


Unit : BJPY. Op.Income #s inside bars don't match with the total due to admin (TCG unconsolidated)costs.

By-Segment･By-Group Split (Consolidated)

1. Orders increased by 11.2% to 144.6BJPY. Architecture grew significantly vs last year due to strong Asunaro Aoki Gr.(large size apartments and PFI), but civil engineering decreased significantly.
2. Revenue increased by 2.0% to 114.3BJPY, +5.7% for civil engineering, △10.5 %for architecture. Takamatsu G grew by 5.4%. Aoki Asunaro G slightly decreased due to offset of increased civil engineering and decreased architecture.
3. Op. income decreased by 1.9BJPY to 3.5BJPY. Asunaro Aoki G decrease = △1.4BJPY (Architecture △0.8BJPY, Civil eng. △0.3BJPY, others △0.3BJPY).

Takamatsu Construction Group



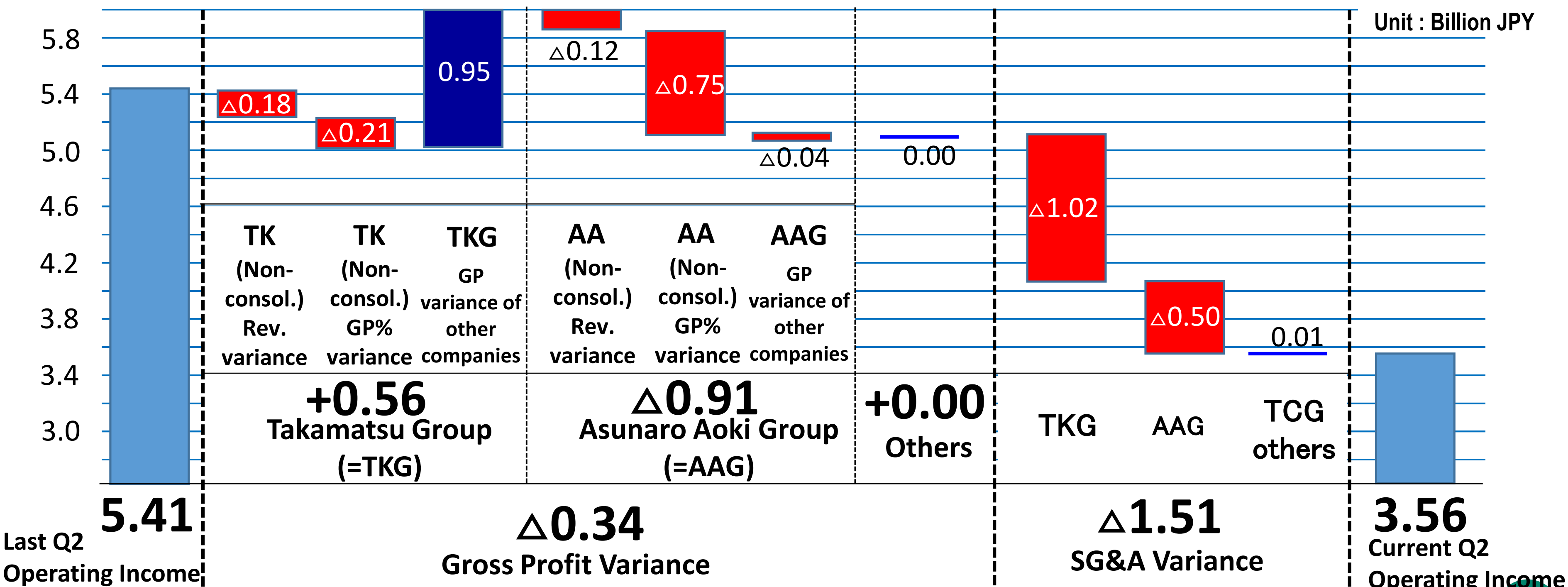
Segment	Orders 18/9 (17/9)	Revenue 18/9 (17/9)	Op.Income 18/9 (17/9)
Civil Engineering	48.0 (58.7) △18.2%	53.0 (50.2) +5.7%	2.4 (2.8) △13.6%
Architecture	84.8 (64.7) +31.1%	49.4 (55.2) △10.5%	2.1 (3.7) △43.4%
Real Estate	11.7 (6.5) +79.8%	11.7 (6.5) +79.8%	0.7 (0.3) +141.6%

	Takamatsu Group	Asunaro Aoki Group	Total
Orders 18/9 (17/9)	65.7 (56.6) ＋16.2%	78.9 (73.4) ＋7.5%	144.6 (130.0) ＋11.2%
Revenue 18/9 (17/9)	43.7 (41.5) ＋5.4%	70.6 (70.9) △0.4%	114.3 (112.0) ＋2.0%
Op.Income 18/9 (17/9)	2.1 (2.6) △17.6%	1.8 (3.3) △43.0%	3.5 (5.4) △34.2%

Unit: Billion yen. The sum of Op.Income of each segments doesn't match with the total due to admin costs.

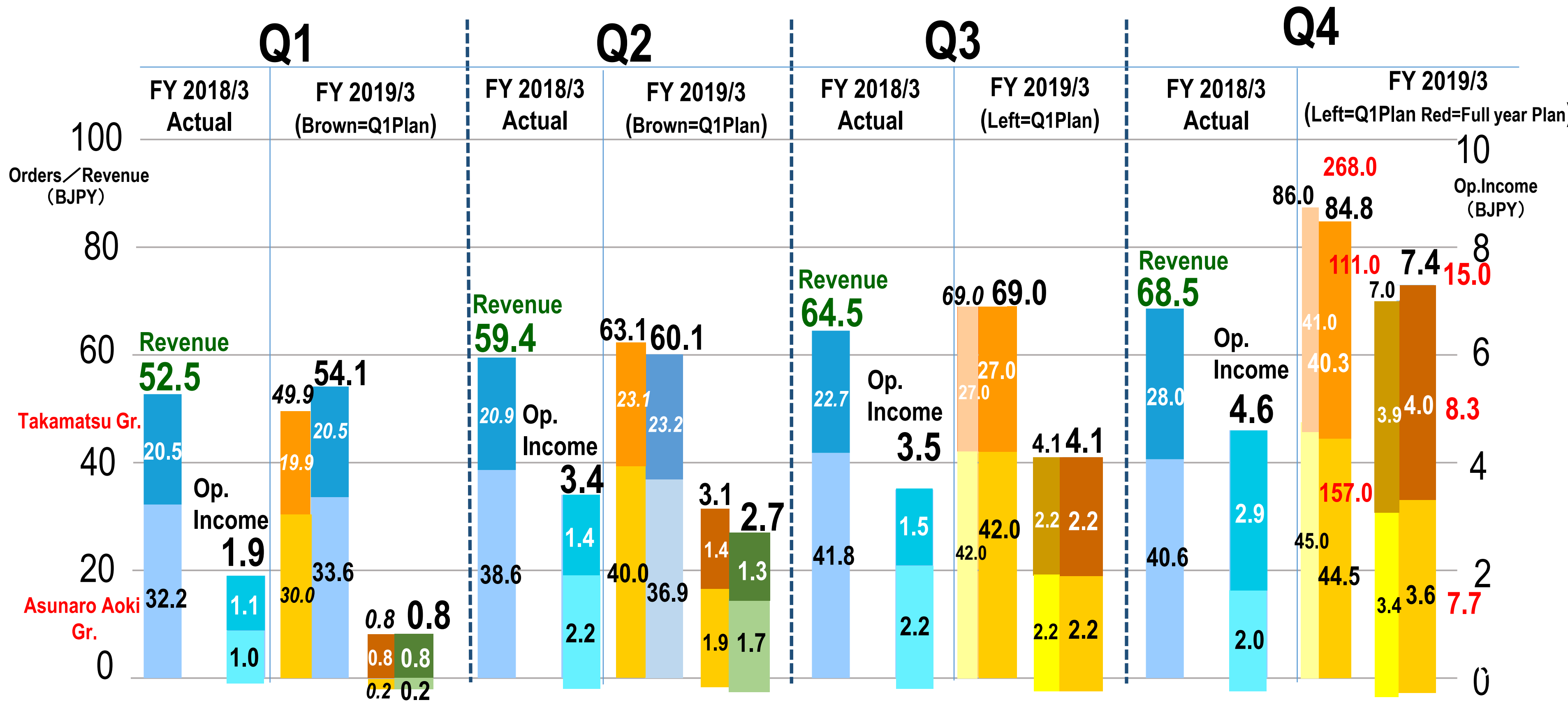
Explanation of Shortfall of Operating Income vs. Last Year (Consolidated)

1. Op. income decreased by 1.86BJPY, from 5.41BJPY to 3.56JPY.
2. First reason for shortage vs. previous year is gross profit decrease of 0.34BJPY despite revenue increased of 2.0% (2.2BJPY).
3. Gross profit of Takamatsu G increased by 0.56BJPY. Takamatsu (UNconsolidated) decreased both for revenue and GP %.
   However, Mibu Corporation, which newly joined Takamatsu G increased gross profit by 0.74BJPY.
4. Asunaro Aoki dereased its gross margin by 0.91BJPY, of which 0.87BJPY is caused by Asunaro Aoki UNconsolidated.
   This is due mainly to gross profit % down caused by backrush of previous year's highly profitable architecture items.
5. SG&A increased by 1.51BJPY vs previous year.
   → Takamatsu UNconsolidated SG&A increased by 0.33BJPY, out of which 0.36BJPY increased due to personnel expense increase.
   → Out of Asunaro Aoki G's SG&A increase of 0.50BJPY, Asunaro Aoki UNconsolidated increased by 0.35BJPY, of which 0.26BJPY is personnel expense.
   → Out of 1.51BJPY SG&A increase of TCG consolidated, 0.61BJPY is due to Mibu Corporation's entry to TCG Group, resulting in 0.90BJPY increase excluding Mibu. In Q1, increase of SG&A excluding Mibu was 0.59BJPY vs previous year, which means the increase of SG&A for Q2 was much smaller than Q1.
   → We estimate SG&A amount for Q3 & Q4 to be smaller than Q1 & 2.



By-Group･By-Quarter Revenue & Op.Income Outlook (Consolidated)

1. Q2 revenue was short vs plan but exceeded previous year. Q1+Q2's actual revenue exceeded both plan and previous year.
2. Q2 Op. income was below plan by 0.4BJPY but was not bad considering natural disasters (earthquake & typhoon).
3. For Q3 & Q4 we estimate increased revenue, improved gross profit % as well as lower SG&A to push up operating income.
4. Although hurdle to clear Q4 revenue and profit targets are high, we consider the achievement to be feasible and continue to realize operating income target of 15BJPY.



Unit : BJPY. Op.Income #s inside bars don't match with the total due to admin (TCG unconsolidated)costs.

Future Outlook

Our Market Environment Recognition towards March 2020 and Growth Image of Takamatsu Construction Group

Mid Term Plan was disclosed in May 2017.
We revised a part of the Mid Term Plan and disclosed it in May 2018.
Portions in RED are changed in November 2018.

Environment Recognition

Positive Factors

- We foresee three consecutive years of domestic construction investment exceeding 53TJPY. (FY Mar 2018 thru FY Mar 2020)
- We foresee high level of household #s to be maintained in Tokyo-Nagoya-Osaka Areas as well as continued high level of new residence construction start-ups.
- We foresee continued tight market for Tokyo Metro Area's construction of condominiums for rental purposes.

Negative Factors

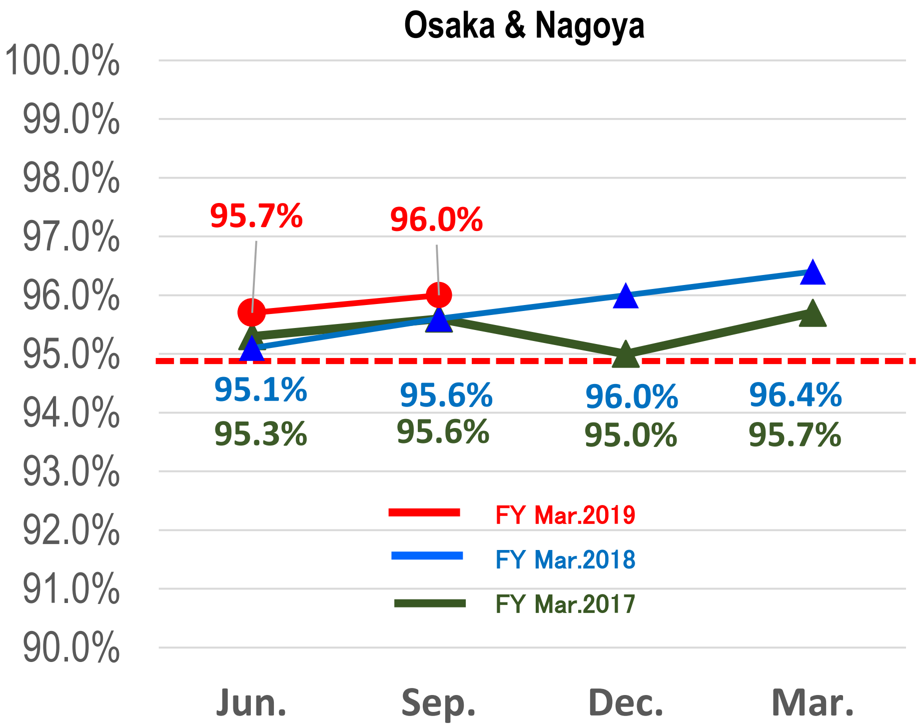
- Domestic construction investment will start to shrink after 2020. Population decrease will also accelerate.
- Construction labor cost will increase as # of workers decrease.
- There is risk of rapid decline of market for condominiums for rental purpose due to interest rate hike and / or decrease of occupancy rate.
- Decrease of overall construction start-ups

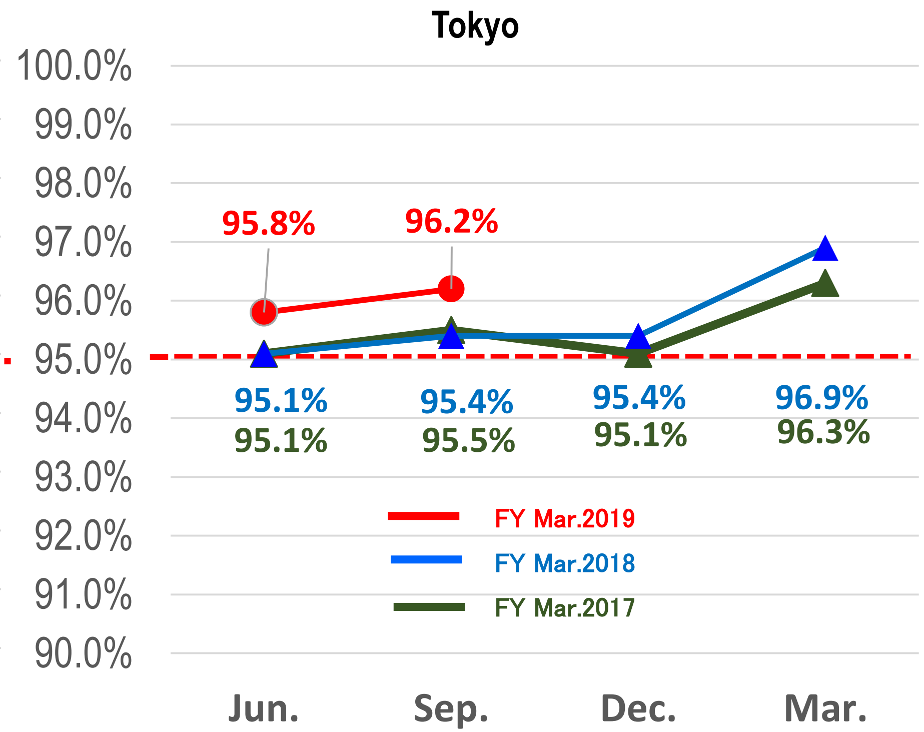
Growth Image of Takamatsu Construction Group

1. We will create an organization which realizes expansion of orders and continued growth for construction of Tokyo Metropolitan condominiums for rental purpose as our core growth segment.
2. On the other hand, for civil engineering and government related businesses where we foresee flat or negative growth for future years, we will aim to realize steady growth of market share as well as to maintain high profit margins.
3. **There is no significant change of this growth image, but now is a good chance to review.**

Occupancy Rate of Condominiums Built by Takamatsu Corp.

1. Occupancy rate is continuing to show above 95% for both Tokyo and Osaka+Nagoya for September 2018.
2. We believe rental condominium market is continuing to be tight for Tokyo and Osaka+Nagoya.
3. Although there are views that occupancy rate will drop for Tokyo, Osaka and Nagoya, we believe Takamatsu Corp. is remote from this view since Takamatsu Corp. concentrates in urban and near-station locations of the three cities, where population is still increasing.





Definition:

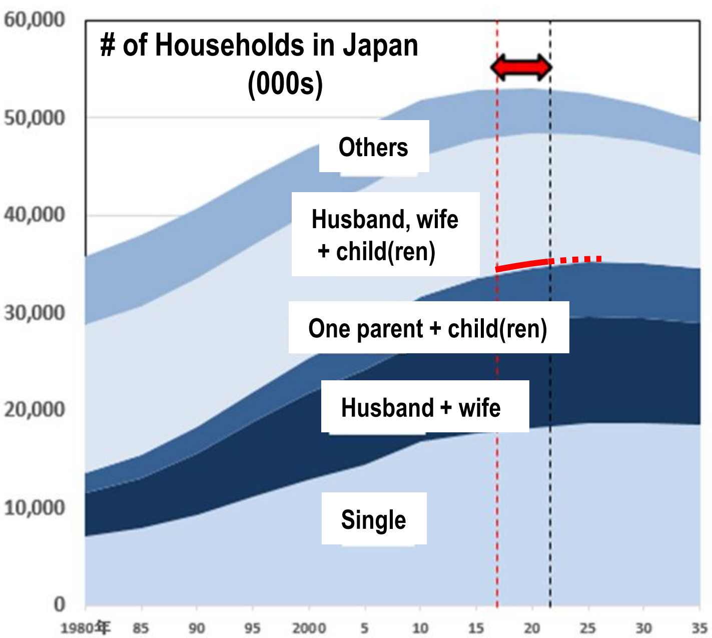
"Osaka and Nagoya" = Osaka, Kyoto and Hyogo Prefectures plus Nagoya City.

"Tokyo" = Tokyo, Kanagawa, Saitama and Chiba Prefectures

"Occupancy Rate" = (Number of occupied condo apartments built by Takamatsu Corp and managed by Takamatsu Estate at the end of each quarter) divided by (Number of condo apartments built by Takamatsu Corp and managed by Takamatsu Estate at the end of each quarter

Group Vision and Mid-Term Plan: Takamatsu Group

1. Takamatsu Corp is the foundation company as well as one of the two core companies of our Group.
2. Takamatsu Corp Grew by building condominiums for rental purpose by thoroughly responding to the needs of the clients (Consultation and Construction)
   ① One of the first companies to create real estate utilization business model (back in mid 1960s).
   ② Conducted consultation and proposal activities to wealthy real estate owners
   （Proposals include taxation, legal, inheritance, construction, real estate and management)
   ③ Built landmark condominiums in front of stations, resulting in high rental fee and occupancy rate
3. Recorded increased orders, revenue and profit for three consecutive years in FY Mar 2018.
4. Completed building totals 4,620, with 1,370 in Tokyo Metro Area and 3,250 in Kinki and Nagoya Areas (as of March 31, 2018).



5. Concerning # of households in Japan, during Mid-Term Plan years, peak is expected to continue. In addition, # of households for single, husband+wife, one parent and child(ren) are expected to still increase.
6. This increasing trend is stronger in Tokyo, Nagoya and Osaka Areas, especially for Tokyo.
   → In 2017, only four prefectures of Tokyo Metro Area, Aichi, Osaka and Fukuoka Prefectures had more inflow of population in comparison to outflow. (Population change status, Gov't statistics)
7. Tokyo Metro architecture mkt size is about three times larger than Kinki Area.
8. It is this "Toh-Mei-Han, smaller size families" that are still expected to increase, and are the main residents of rental condominiums built by Takamatsu Corp.
9. However, now is a good chance to review future growth rate and other items.

Mid Term Plan was disclosed in May 2017. Partial revision was made in May 2018.Portions in RED are changed in Nov. 2018

Group Vision and Mid-Term Plan: Asunaro Aoki Group

1. **Asunaro Aoki Group is a listed company in Tokyo Stock Exchange 1st Section, with Asunaro Aoki Construction Co.,Ltd. as the core company of the Group and 7 other Group Companies.**
2. **The ratio of civil engineering vs architecture for both orders and revenue are 50 : 50 for Asunaro Aoki UNconsolidated.**
3. **For Asunaro Aoki Consolidated, the ratio changes to 70 : 30 for civil engineering vs architecture due to Group Companies such as Mirai Construction and Aoki Marine majoring in marine engineering, Toko Geotech, Asunaro Road and Niigata Mirai majoring in slope protection and pavement, Shimada Gumi majoring in excavation / research of archaeological resources, and M's majoring in renovation.**
4. **Operating income of Asunaro Aoki Construction Co.,Ltd.(UNconsolidated) for FY March 2018 dropped slightly due to profitable architecture projects of the previous FY. However, Asunaro Aoki Construction Group (Consolidated) generated record high operating income for FY March 2018, which contributed significantly to TCG's record high operating income. Asunaro Aoki Construction Group will try to achieve revenue of 157BJPY for FY March 2019.**
5. **Asunaro Aoki Group will expand its business areas and improve productivity by tackling with i-construction.**
6. **However, now is a good chance to review focus areas such as renewable energy, maintenance of public infrastructures and other fields.**

FY Mar.'18 Major Projects (1)

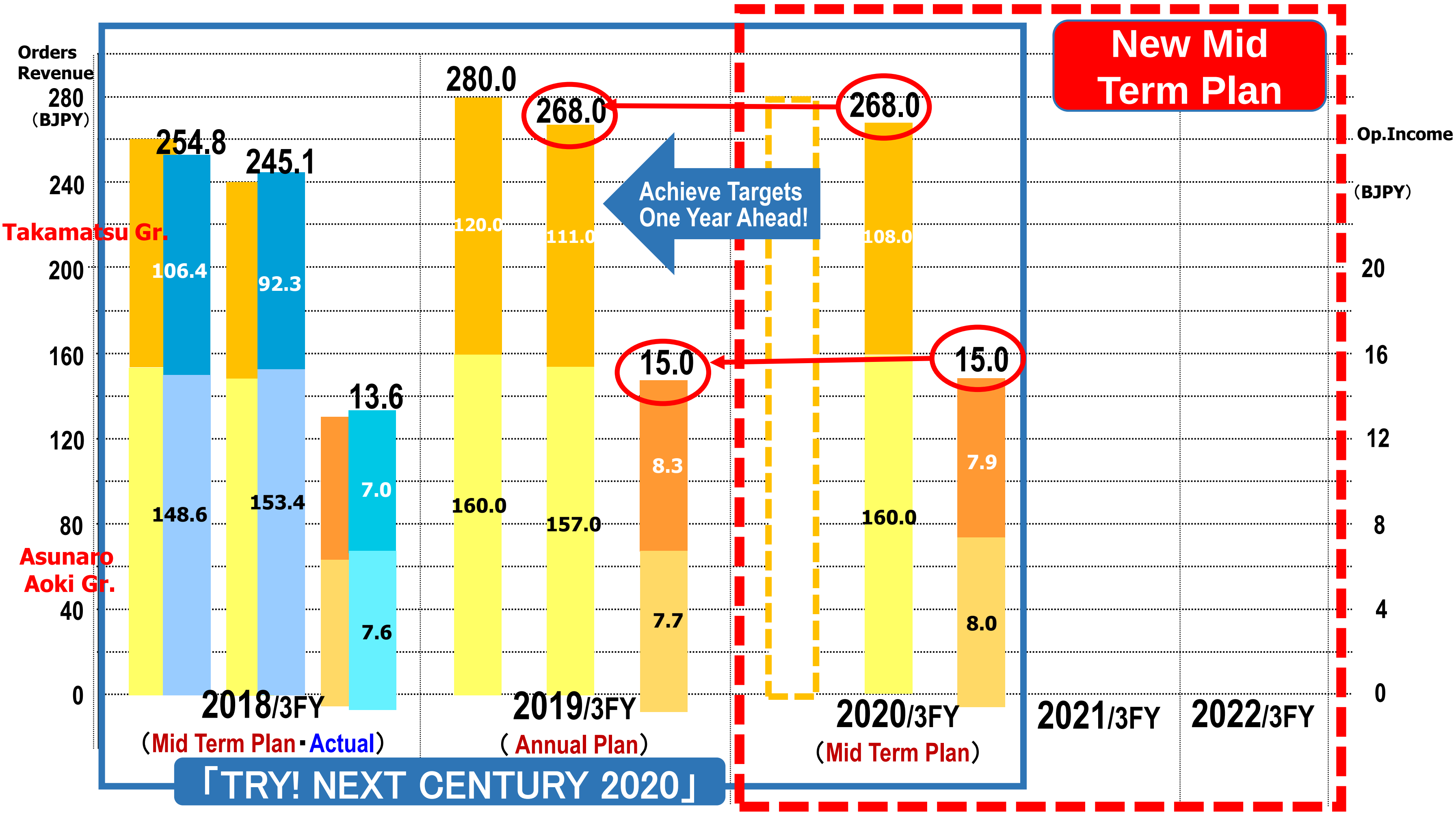
Headquater, Fukushima Prefecture Police
（Fukushima Prefecture）

FY Mar.'18 Major Projects (2)

Watarai Windfarm Construction
（Cosmo Engineering Co.,Ltd.）

FY March 2019, Current and New Mid Term Plans

1. FY March 2018 : Revenue and Op. Income exceeded Mid term plan targets.
2. FY March 2019 : Targets for FY March 2019 are set one year ahead vs. Mid Term Plan targets.
   New presidents are assigned to Takamatsu Corporation and Asunaro Aoki Construction.
   Accordingly, we decided to formulate a New Mid Term Plan with FY March 2020 as its first year.



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