

Analyst Meeting Material of May 29, 2019

Results for FY March 2019

Outlook for FY March 2020

Mid-Term Plan March 2022

Takamatsu Construction Group Co.,Ltd.

Securities Code :1762

Asunaro Aoki Construction Co.,Ltd.

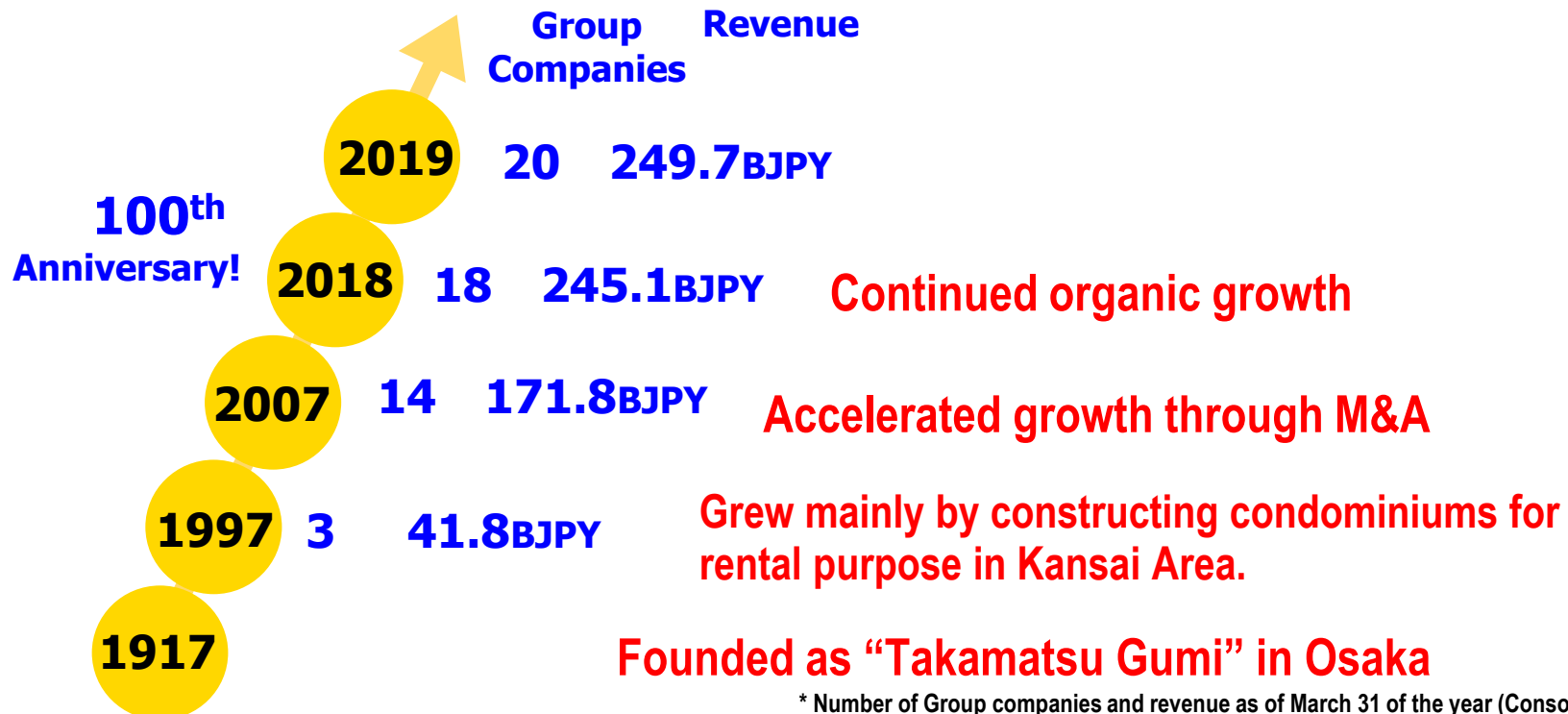
Securities Code :1865

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Agenda	Page	Time
Introduction		10:00 ~ 10:05
1. Takamatsu Construction Group		10:05 ~ 10:25
1-1. Results for FY March 2019	5 ~ 10	
1-2. Outlook for FY Mar.2020 & Mid-Term Plan	11 ~ 23	
2. Takamatsu Group		10:25 ~ 10:45
2-1. Results for FY March 2019	24 ~ 28	
2-2. Outlook for FY Mar.2020 & Mid-Term Plan	29 ~ 39	
3. Asunaro Aoki Group		10:45 ~ 11:05
3-1. Results for FY March 2019	40 ~ 63	
3-2. Outlook for FY Mar.2020	64 ~ 68	
3-3. & Mid-Term Plan	69 ~ 81	
Q&A		11:05 ~ 11:30

1-0-1. How Takamatsu Construction Group (TCG) Grew

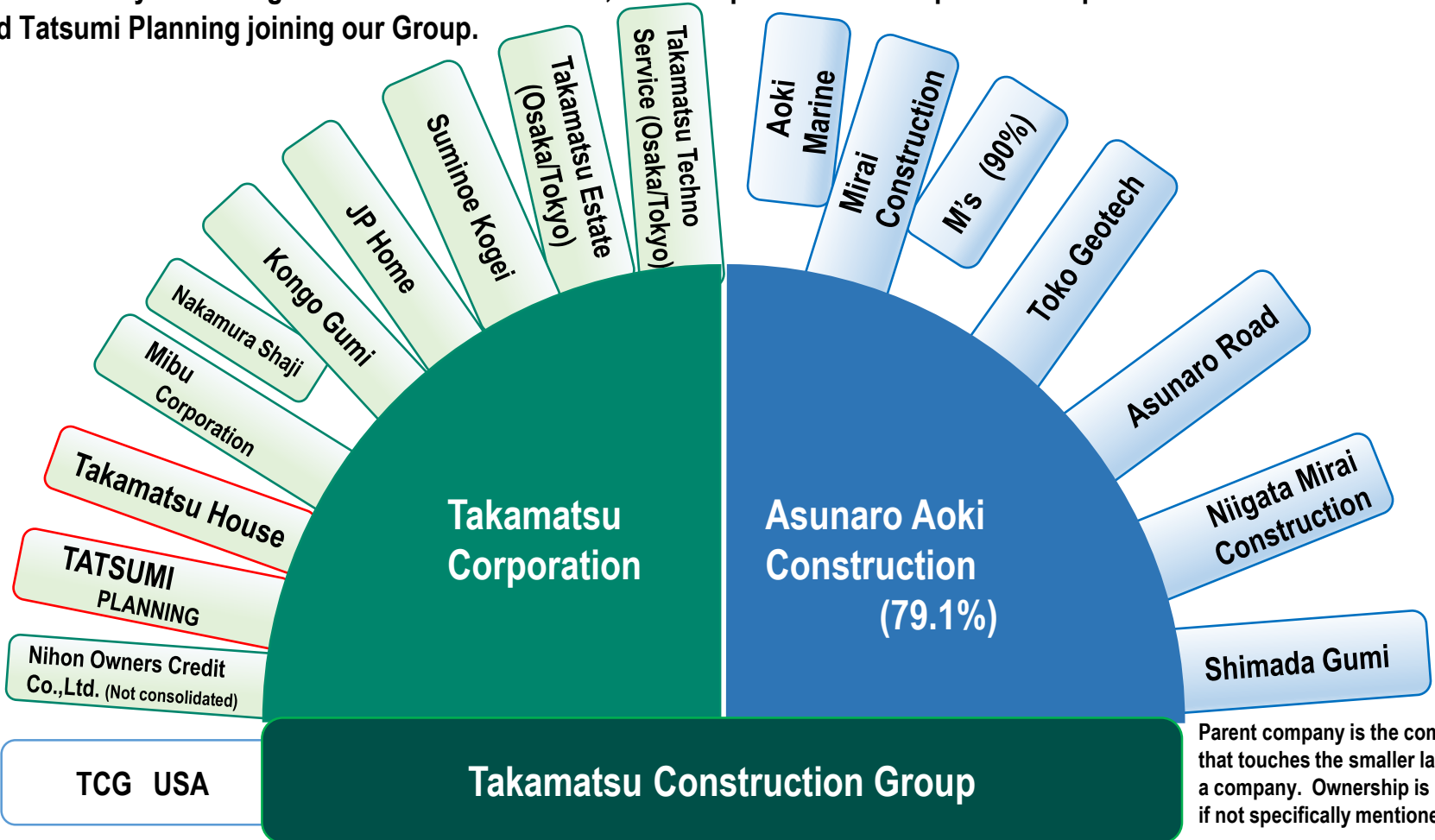
1. Founded as “Takamatsu Gumi” in Osaka, grew mainly by constructing condominiums for rental purpose.
2. When earthquake hit Kansai Area in 1995, 108 condos built by Takamatsu Corporation were severely hit by the earthquake. None were structurally damaged, resulting in accelerated revenue afterwards.
3. Conducted multiple M&As after 2000, enlarged revenue and business domain.
Grew as one of the rare construction companies in Japan that expanded through M&As.
4. After 2011, grew organically due to improved economy
5. Celebrated centenary in 2017



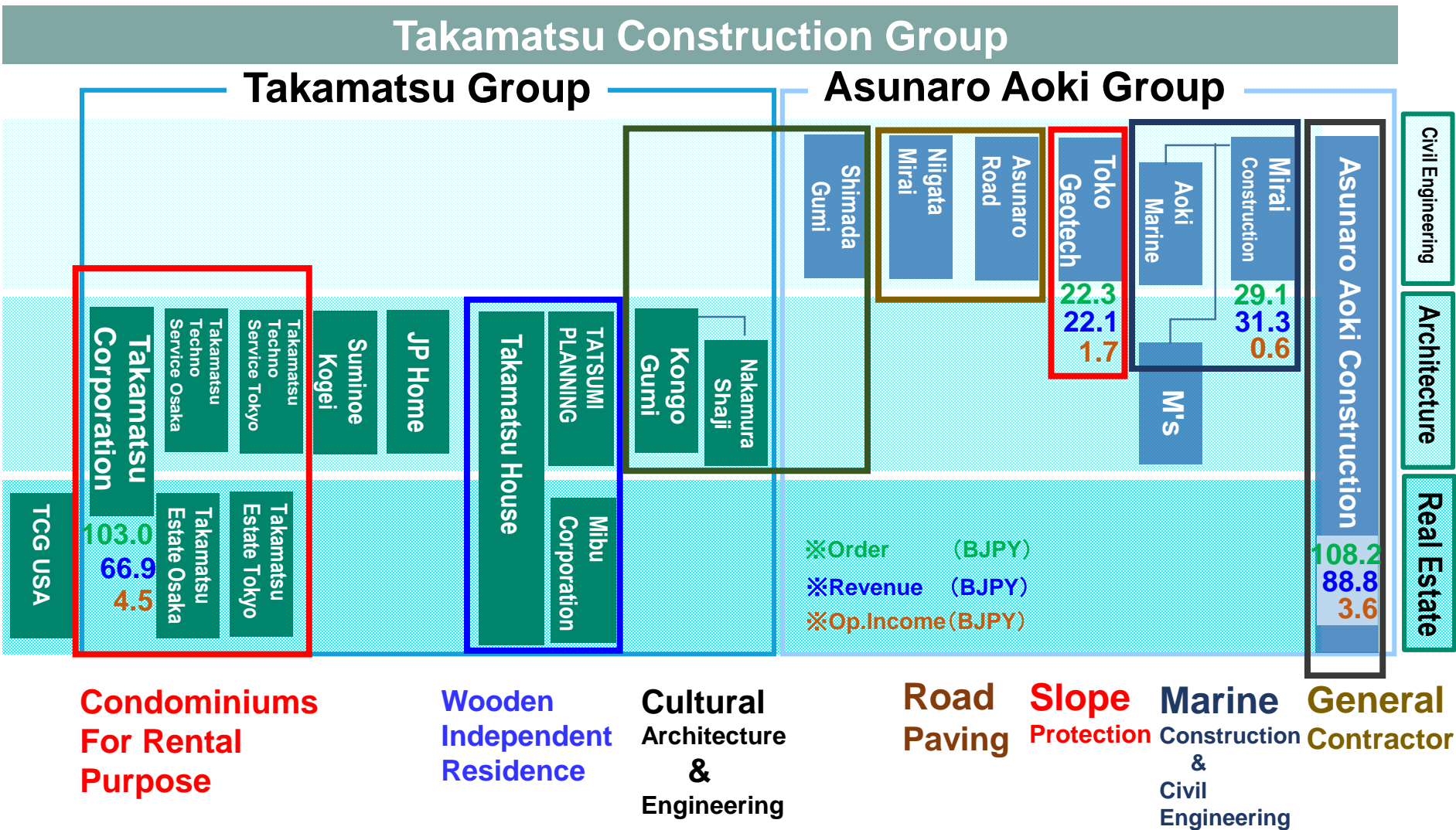
* Number of Group companies and revenue as of March 31 of the year (Consolidated).

1-0-2. TCG : Our Group Companies

- As of March, 2019, Takamatsu Construction Group is comprised of 20 Group Companies, within which 10 are Takamatsu Group Companies with Takamatsu Corporation, our founding company, as the core, 8 Asunaro Aoki Group companies with Asunaro Aoki Construction, a mid-sized general contractor as the core, and Takamatsu Construction Group Co.,Ltd., the holding company positioned as the “Platform Company”, and TCG USA,Inc. (Nihon Owners Credit is not consolidated).
- For the fiscal year ending March 2020 and onwards, the Group will be made up of 22 companies due to Takamatsu House and Tatsumi Planning joining our Group.



1-0-3. Takamatsu Construction Group : Business Domain Map



● Sum of Takamatsu Corp., Asunaro Aoki, Mirai Construction and Toko Geotech occupy 86%, 84% and 85% of orders, revenue and operating income of the Group, respectively.

1-1. Takamatsu Construction Group Results for FY March 2019

Takamatsu Construction Group Co.,Ltd.
Nobuhiko YOSHITAKE
**Representative Director and Director of the
Board**

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1-1-1. TCG Previous Records (Consolidated)

1. Orders : Record high, +19.8% vs last FY
2. Revenue : Increased for seven consecutive years and record high for five consecutive years.
3. Operating income : $\Delta 8.7\%$ vs last FY
4. Net earnings : $\Delta 11.7\%$ vs last FY
5. Orders carried forward : Increased for seven consecutive years and record high for four consecutive years.

Record High →
 Billion JPY,
 rounded
 down at 1 digit
 below presented #s

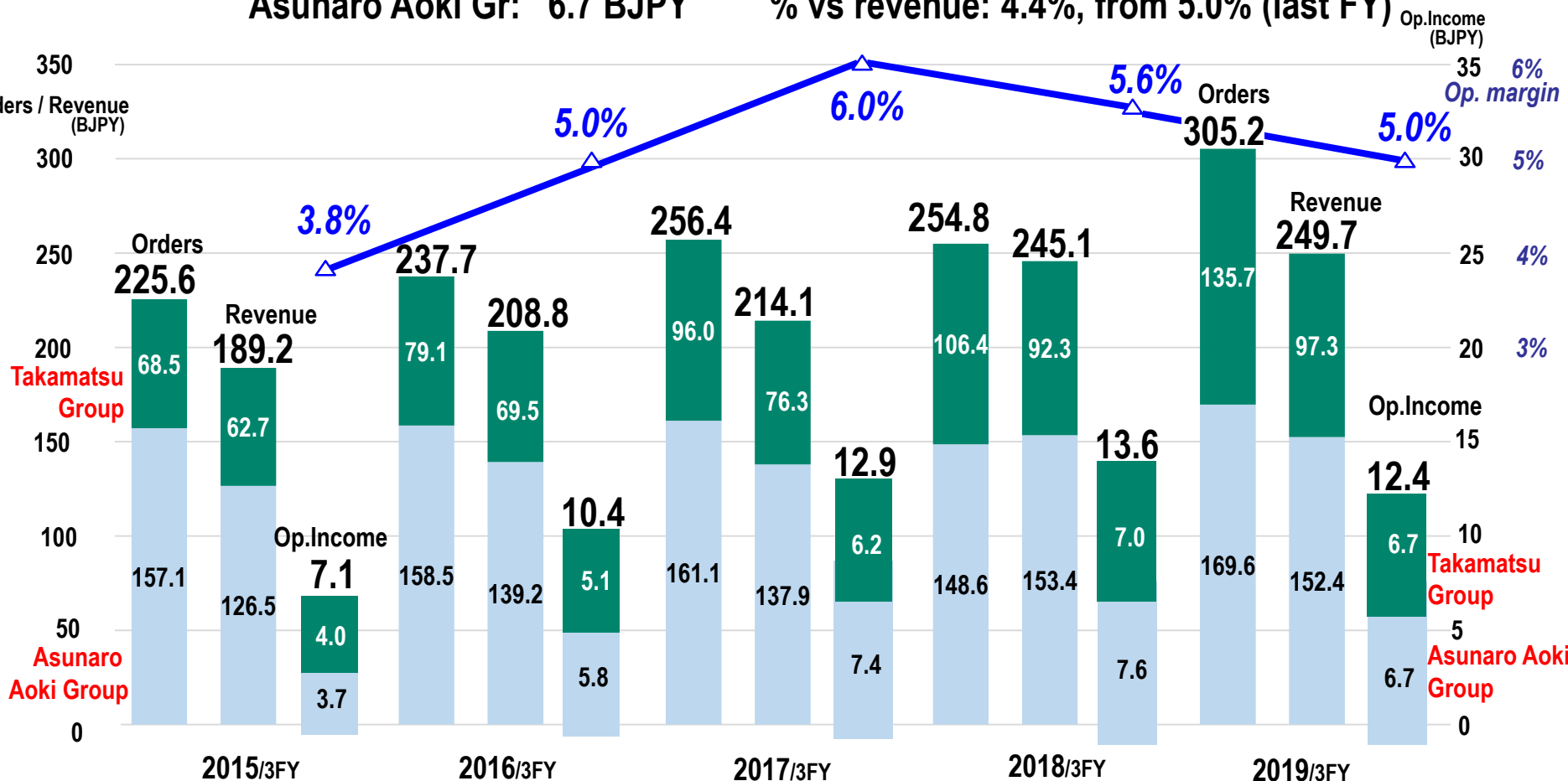
Items	15/3FY	16/3FY	17/3FY	18/3FY	19/3FY	
						%vs last FY
Orders	↗ 225.6	↗ 237.7	↗ 256.4	↘ 254.8	↗ 305.2	+19.8%
Revenue	↗ 189.2	↗ 208.8	↗ 214.1	↗ 245.1	↗ 249.7	+1.9%
Op. Income (%vs revenue)	↗ 7.1 (3.8)	↗ 10.4 (5.0)	↗ 12.9 (6.0)	↗ 13.6 (5.6)	↘ 12.4 (5.0)	$\Delta 8.7\%$
Ordinary income (%vs revenue)	↗ 7.2 (3.8)	↗ 10.4 (5.0)	↗ 12.9 (6.0)	↗ 13.7 (5.6)	↘ 12.4 (5.0)	$\Delta 9.3\%$
Extraordinary gain/loss	2.0	$\Delta 0.6$	$\Delta 0.9$	$\Delta 1.1$	$\Delta 0.8$	-
Net earnings (%vs revenue)	↗ 6.3 (3.4)	↘ 5.7 (2.8)	↗ 6.5 (3.1)	↗ 7.9 (3.2)	↘ 7.0 (2.8)	$\Delta 11.7\%$
Dividend / share (yen)	↗ 27	↗ 34	↗ 43	↗ 56	↗ 60	+7.1%
Dividend Payout Ratio (%)	↗ 15.3	↗ 21.1	↗ 23.5	↗ 25.1	↗ 29.7	-
Orders carried forward	↗ 194.7	↗ 223.5	↗ 265.9	↗ 275.6	↗ 331.2	+20.1%

1-1-3. TCG : By-Group Orders, Revenue and Op.Income (Consolidated)

【Orders】 Takamatsu Gr: 135.7 BJPY, +27.5%, Asunaro Aoki Gr : 169.6 BJPY, +14.1%

【Revenue】 Takamatsu Gr: 97.3 BJPY, +5.5%, Asunaro Aoki Gr : 152.4 BJPY, Δ 0.6%

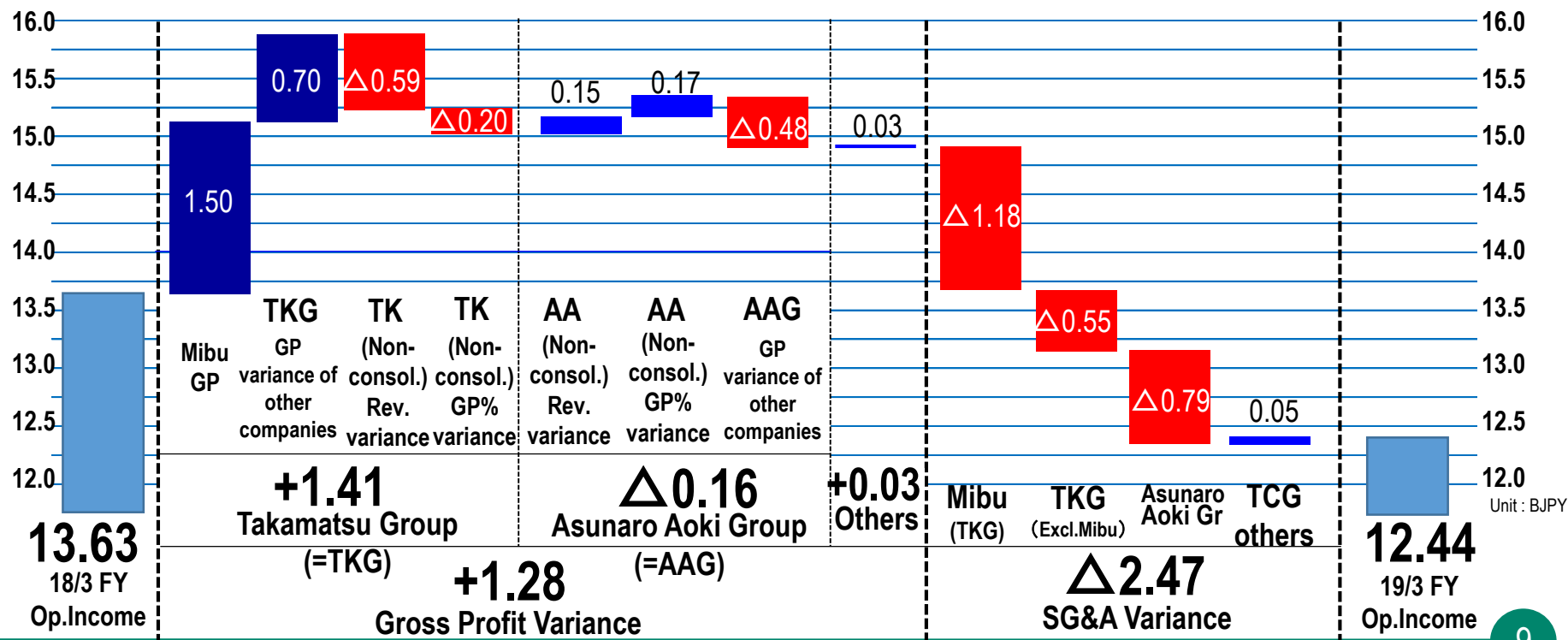
【Op.Income】 Takamatsu Gr: 6.7 BJPY % vs revenue: 6.9% , from 7.7% (last FY)
Asunaro Aoki Gr: 6.7 BJPY % vs revenue: 4.4%, from 5.0% (last FY)



The portion of each figure that does not add up to the total is due to consolidated offsetting and headquarters expenses.

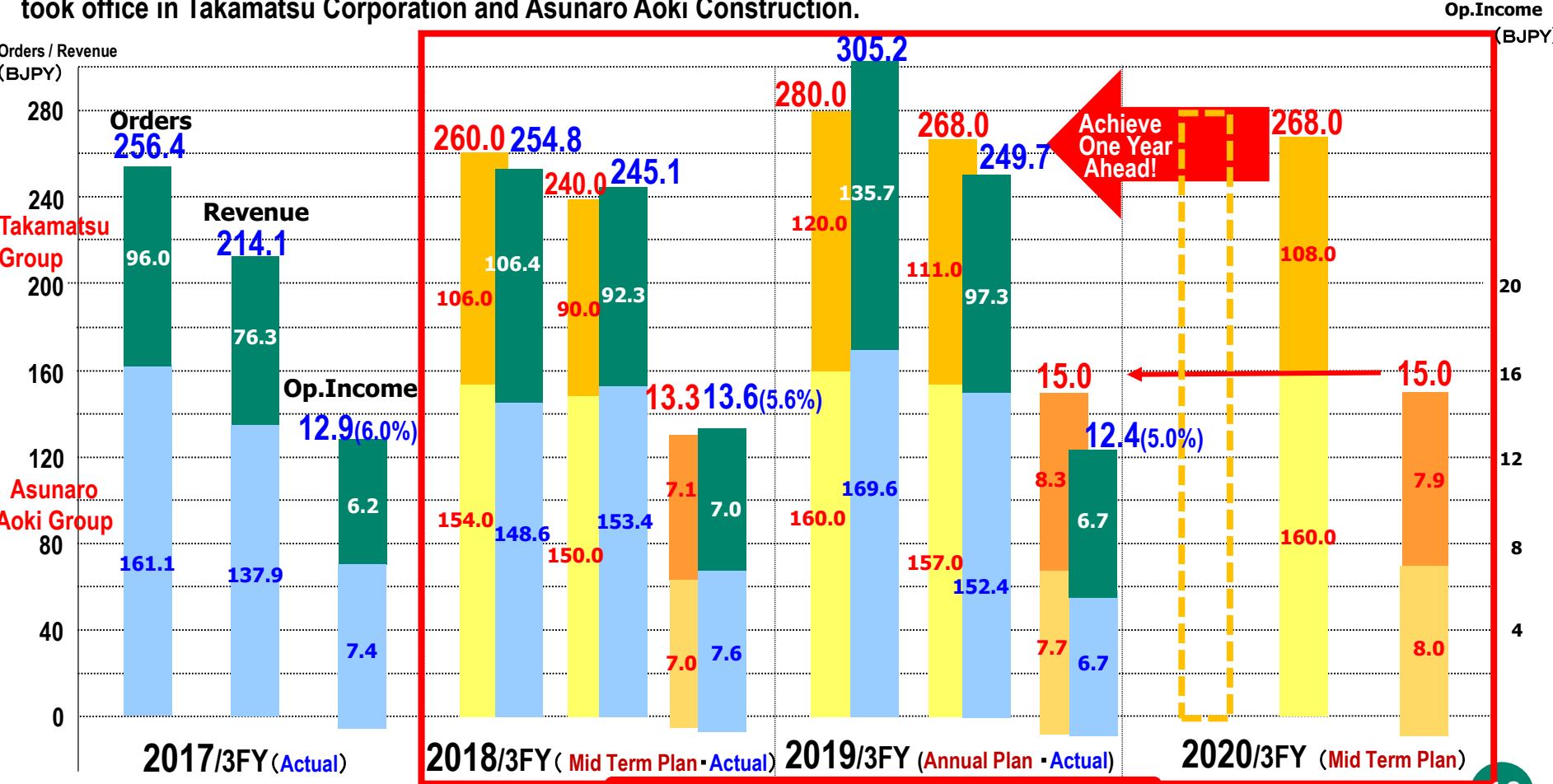
1-1-4. Explanation of Changes in Operating Income (Consolidated)

- Operating income was 12.44 BJPY, a decrease of 1.19 BJPY from previous year's 13.63 BJPY.
 - Gross profit increase of 1.28 BJPY was significantly less than SG&A increased of 2.47BJPY.
- Out of Takamatsu Gr.'s gross profit increase of 1.41BJPY, gross profit of Mibu Corporation, a new member of the Group, was 1.5BJPY.
- Takamatsu Corporation (Non-consolidated)'s revenue and gross profit % both decreased vs last year, with greater decrease of GP ($\Delta 0.59$ BJPY) through revenue variance caused by prolonged period before start of construction.
- Asunaro Aoki Gr 's GP declined by 0.16BJPY. Revenue amount and GP% of Asunaro Aoki (Non-consolidated) increased slightly vs last year. The main reason for gross profit decrease of 0.48 BJPY of "Asunaro Aoki Gr other companies" is due to GP decrease of Mirai Construction.
- SG&A increased by 2.47 BJPY vs last year.
 - New companies of the Group, Mibu Corporation was 1.18 BJPY as well as 0.11BJPY for TCG USA. Excluding them, the increase was 1.18BJPY.
 - Takamatsu Corporation (Non-consolidated) increased SG&A by 0.59 BJPY.
 - Out of Asunaro Aoki Group's increased SG&A of 0.79BJPY, 0.67BJPY is due to increase of Asunaro Aoki non-consolidated.



1-1-5. Summary of Previous Mid-Term Plan, and on to New-Mid Term Plan “Create! 2022”

1. TCG exceeded Mid-Term Plan targets for FY2018/3, and the final goal of Mid-Term Plan was set one year in advance, to be achieved in FY2019/3.
2. For FY2019/3, orders were strong (mainly Takamatsu Corp), and surpassed Mid-Term Plan by 25.2BJPY. On the other hand, revenue was short by 18.3BJPY due to prolonged period before construction (Takamatsu Corp.). Operating income was short by 2.6BJPY due to Takamatsu corp’s revenue shortfall as well as decreased profitability of Mirai Construction projects.
3. Nevertheless, TCG decided to formulate a new Mid Term Plan “Create! 2022” partially because the new Presidents took office in Takamatsu Corporation and Asunaro Aoki Construction.



「TRY! NEXT CENTURY 2020」

1-2. Takamatsu Construction Group Outlook for FY March 2020 Mid-Term Plan FY March 2022

Takamatsu Construction Group Co.,Ltd.
Nobuhiko YOSHITAKE
**Representative Director and Director of the
Board**

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1-2-1. Our Market Environment Recognition towards March 2022 and New Mid-Term Plan “Create! 2022”

Market environment does not allow optimistic views...

Positive Factors

- We foresee domestic construction investment exceeding 50 trillion yen level for next three years.
- We foresee high level of household #s to be maintained in Tokyo-Nagoya-Osaka Areas.
- We foresee continued tight market for real estate utilization business of Tokyo-Nagoya-Osaka Areas. We also foresee more growth of non-condominium buildings in comparison to condominiums for rental purpose.

Negative Factors

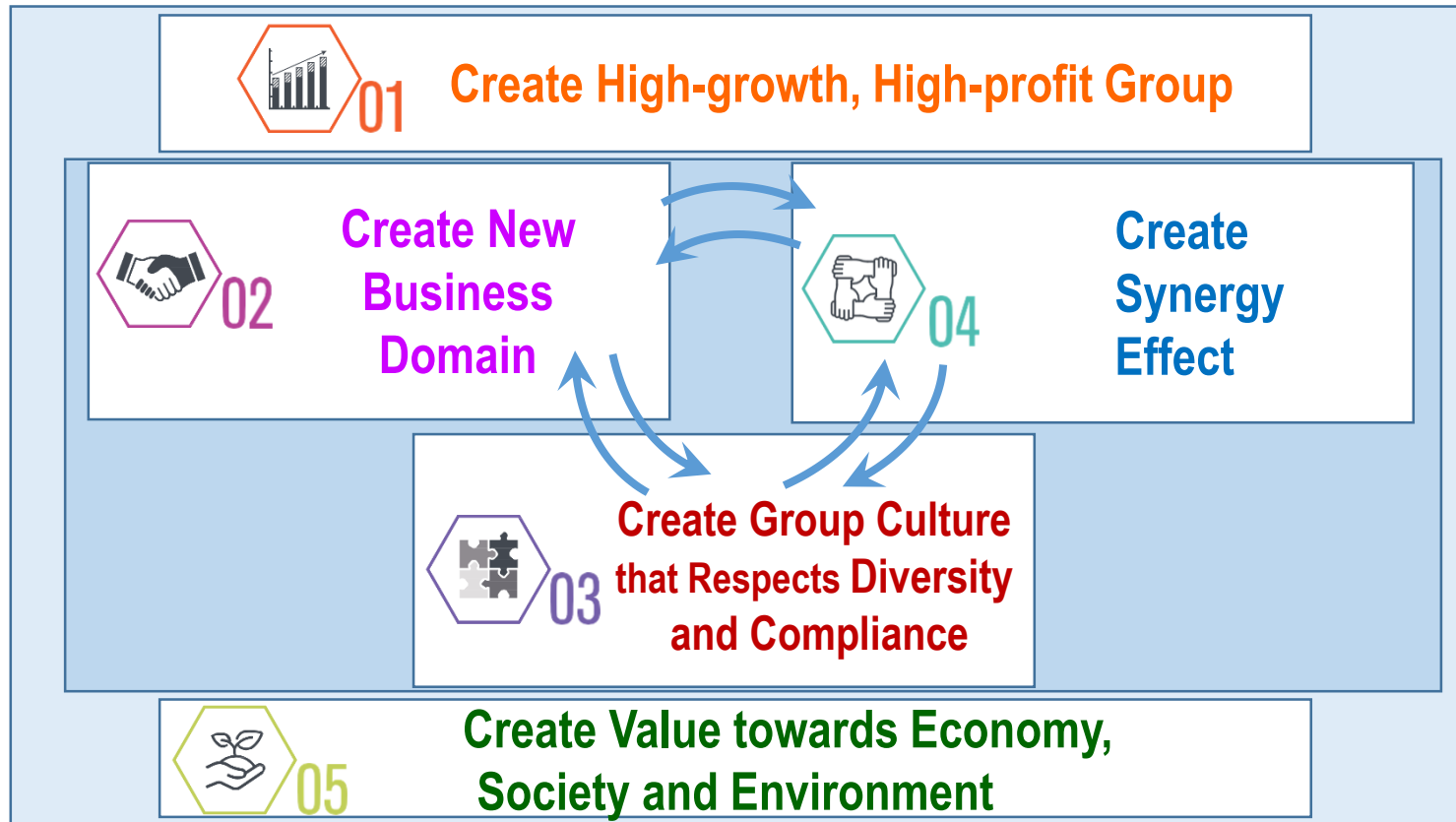
- Domestic construction investment will start to shrink after 2022, which is our final year of Mid-Term Plan. Population decrease will also accelerate.
- Decrease of overall construction start-ups
- Prolonged time before start of construction in urban areas.
- There is risk of rapid decline of market for condominiums for rental purpose due to interest rate hike.

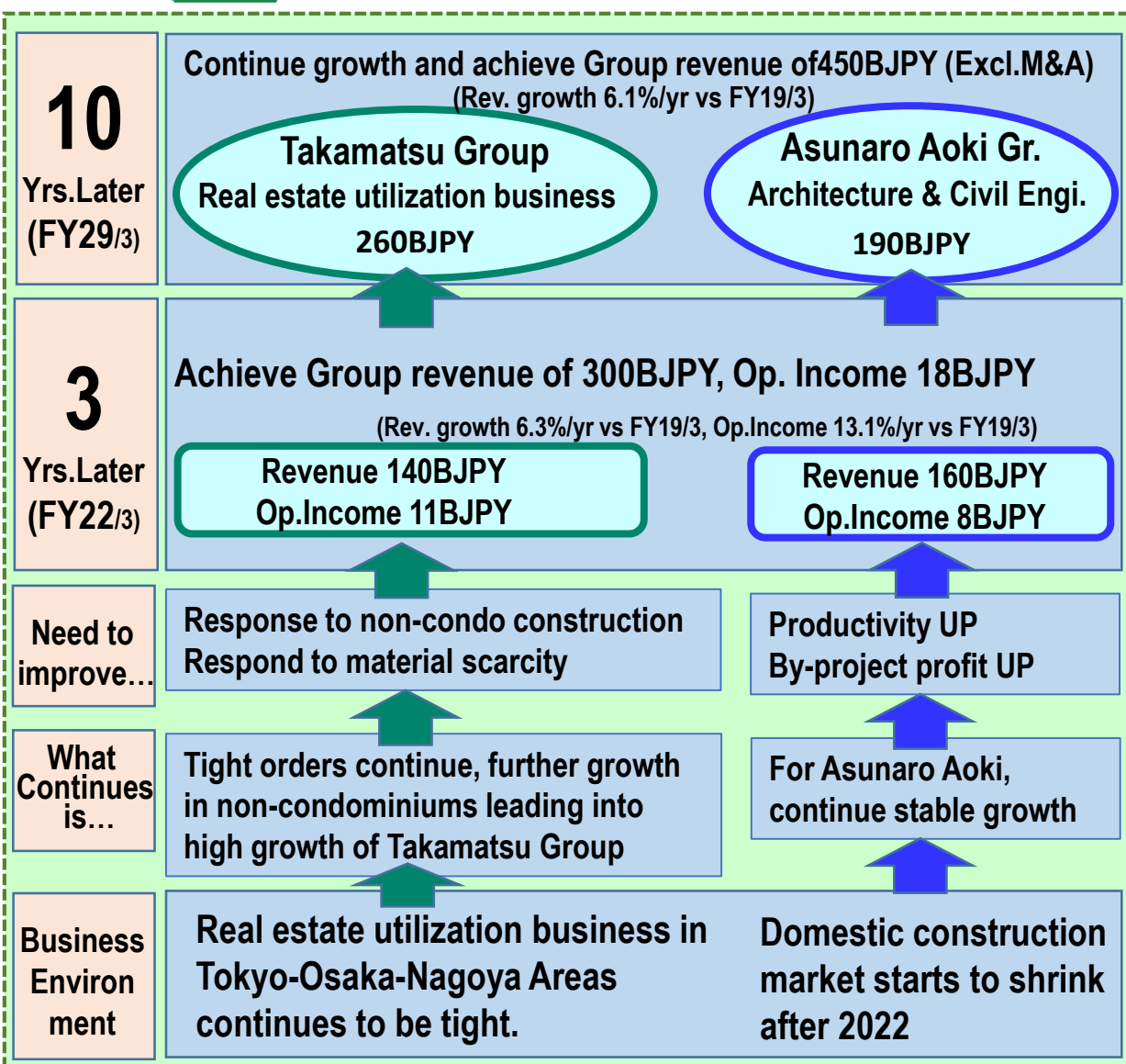
Nevertheless, Takamatsu Construction Group will continue to grow with five pillars of “Create”!



1-2-2. “Create ! 2022” : The Five “Creates”

1. Takamatsu Corporation continues to be the main engine to realize “High-growth”, while all Group companies strive to realize “High profit”.
 2. To realize the above, “Create Group Culture that Respects Diversity and Compliance” will be continued, while maximizing “Creation of Synergy Effect” in the Group and “Create New Business Domain” mainly by conducting M&As.
 3. Through the above, “Create Value towards Economy, Society and Environment” will be continued.
- ⇒ To realize sustainable growth, quality of design, construction and maintenance after construction will be secured, resulting in higher customer trust and satisfaction, leading into sharper competitive edge.





Vision

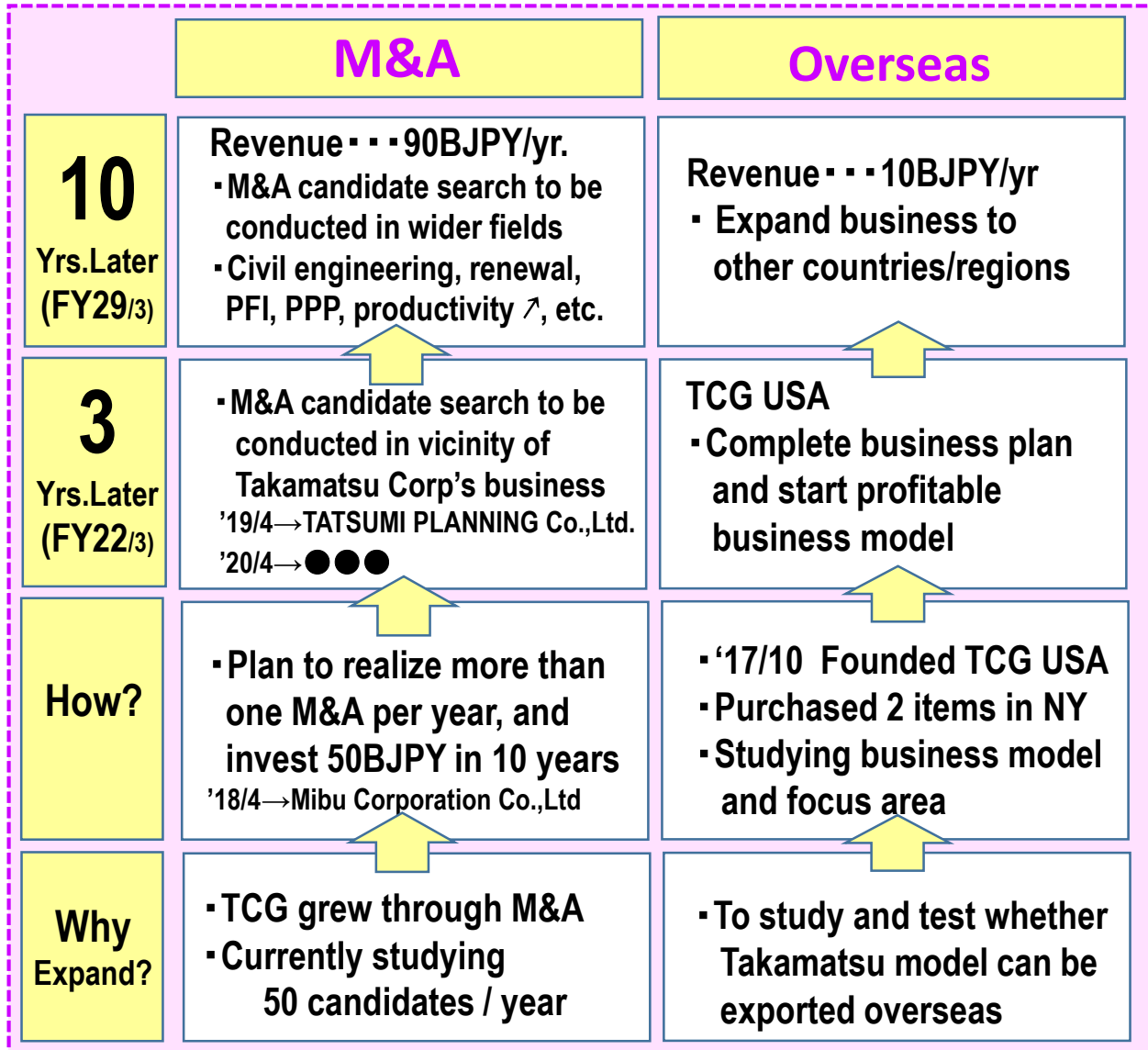
Continued growth is important mission. TCG will sharpen competitiveness through quality and trust of design, construction and maintenance. Continue revenue growth of more than 6% per year, recapture operating margin of 6%, and be counted as one of the large size contractors in 10 years.

Takamatsu Group

- Continue high growth in central Tokyo-Osaka-Nagoya where demand remains tight, with focus on non-condominiums.
- Need to note on...
 - ① Smooth handling of non-condos
 - ② Avoid prolonged construction period

Asunaro Aoki Group

- Continue stable growth.
- Need to raise profitability through productivity increase and by-project profitability monitoring and control.



Vision

- Aggressively conduct M&A and overseas expansion to further accelerate growth. Aim to increase revenue of 100BJPY/yr 10 years ahead, while adding more “uniqueness” to the Group.
- Enter into wooden independent residence market with Takamatsu House as the core.

M&A

- Search candidates mainly in the vicinity of Takamatsu Corp business domain.
- Also look into vertical and horizontal expansion.

Overseas

- Set up profitable business model in New York, USA.
- Use the model and conduct M&A for further expansion.



Diversity

Diversity among Group Companies

TCG will respect diversity, and expand through M&A while accepting new cultures in the future as well,

TCG has grown by individual Group companies organically expanding their business domains, strengths and corporate cultures.

TCG already owns corporate culture and evaluation system that respects diversity and independence of Group companies with varied foundations, growth and business domains.

TCG is one of the rare construction companies in Japan that expanded through multiple M&As.

Diversity among Employees

Promote Work Style Innovation

Promote Women Workforce

Promote Senior Workforce

Basic Thinking

TCG believes diversity is the foundation of growth, change and innovation. We will optimize our Group strength while asking each Group companies to enhance their capability and presence in their business domains. At the same time, we will also respect the diversity of our employees, and aim to realize the Group in which individual employee can fully project their varied individual strength.

Compliance

One of our Management Credo is “to refuse to overly prioritize profitability, and never use improper or fraudulent methods nor seek speculative profits”. We have faithfully kept this Credo for a long time and sincerely believe this is the key to maintain good relationship with our customers for generations. We will live with this Credo in the future through employee training and daily activities.



Synergy Effect	Measures & Examples
Revenue↗	<ul style="list-style-type: none"> ■ JV among Group Companies → Logistics Center (Takamatsu and Asunaro Aoki) ■ Joint sales activities (Takamatsu and Kongo Gumi) ■ Higher rate of renovation and administration of Takamatsu-built condos (Takamatsu Estate and Takamatsu Techno Service)
Gross Profit↗	<ul style="list-style-type: none"> ■ Integrated purchasing of materials ■ Share construction know-hows
Efficiency↗ (Cost↘)	<ul style="list-style-type: none"> ■ Unify personnel policies (Recruiting, promotion and evaluation) ■ Promote personnel exchange ■ Integrate administration methods
Technology↗	<ul style="list-style-type: none"> ■ Collaborative research and result sharing at TCG Institute of Technology at Tsukuba (Example: "TAS (Takamatsu Asunaro-Aoki Support) Method" for quick form-timbering removal, Long Span methods, etc.)





1. In parallel with diversity and independence, generation of further synergy effect among Group companies is very important.
2. The current level of synergy generation is far from sufficient.
3. To prepare for economical downturn, measures listed in the chart will be conducted.
4. When integrating policies and procedures, need to take cautious steps not to damage work procedures and characters of each company.



1. TCG will tackle seriously with SDGs to enable our long term growth.
2. Currently, 25% of our revenue is clearly contributing to SDGs Goals.
3. TCG will strive to maintain and enlarge the ratio during “Create! 2022” period and onwards.


SDGs Contribution Revenue




(Unit : Billion JPY)

	Item	Definition	Revenue			
			FY March 19	%	FY March 22	%
E	 Contribution to Environment Reservation	Civil engineering revenue directly linked to renewable energy Construction revenue using ecological materials and methods	12.4	5%	16.2	5%
	 ① Promote renewable energy ② Ecological materials and methods					
S	 Contribute to Sustainable Cities and Communities	Architectures with its strength exceeding Buildings Standards Act by more than 15% Large scale reform and maintenance of condominiums, etc. Architecture of shrines and temples, preservation of archaeological resources Provide elderly housing with service	51.1	20%	78.0	26%
	 ① Present safe and long life residence ② Sustain safe, comfortable & high quality living standard ③ Succeed traditional architecture culture ④ Provide living support for senior citizens					
Group Revenue Contributing to Environment Reservation and Society			63.5	25%	94.2	31%
TCG Total Revenue			249.7	100%	300.0	100%

1-2-3. 05 ② Create Value towards Economy, Society and Environment

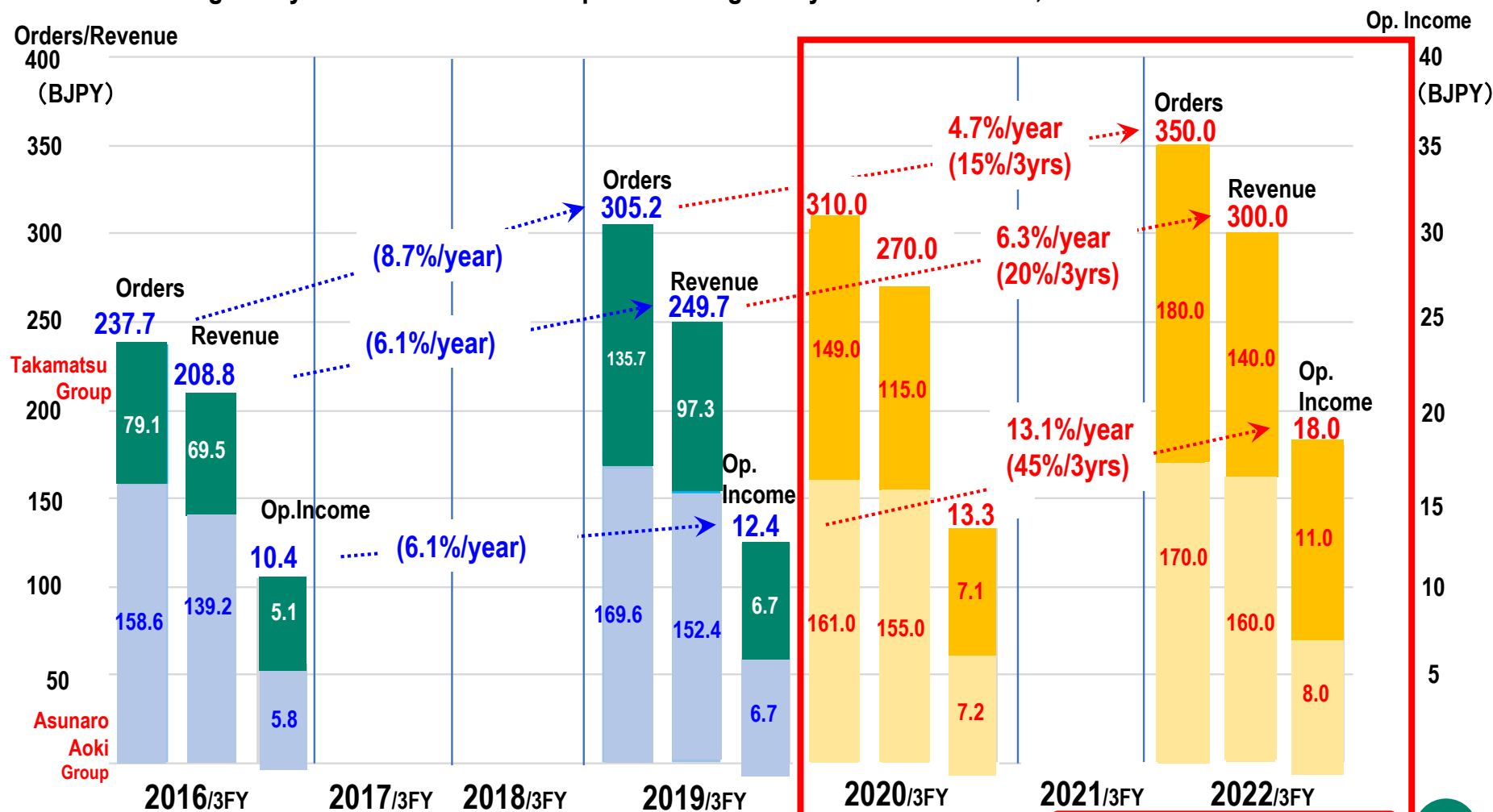
4. Promotion of women workforce to be tackled by all TCG with the goal to raise female workforce ratio to 17%.
5. Work Style Innovation will also be tackled by all TCG, but goals will be set on “by-company” basis.
6. Strengthening governance will focus on “strategic review of internal audit” and “enhance training programs”

Item		FY March 19	FY March 22
S	 Promote Women Workforce ① % of Female Workforce	15%	17%
	② % of Female New Graduates Hired	25%	30%

Item		What to Tackle
S	 Promote Work Style Innovation ① Shut-down days target – Takamatsu Corp. 8 days in 4 weeks	<ul style="list-style-type: none"> ▪ Promote usage of ICT equipments at sites ▪ Promote adoption of efficient construction procedure ▪ Gain understanding from clients to set construction terms including targeted shut-down days ▪ Gain understanding and cooperation from our cooperating companies
	 ② Shut-down days target – Asunaro Aoki 8 days in 4 weeks	
G	 Strengthen Governance and Compliance ① Strengthen management monitoring ② Increase transparency of management ③ Improve ethical thinking and sense of social mission	①-1. Strengthen co-working with Board of Audit, Internal Audit Team and CPA firms and and increase manpower ②-1. Enhance information flow towards external board members and auditors ②-2. Enhance information providing meetings to outside stakeholders ③-1. Enhance training program contents and volume to directors and senior employees.

1-2-4. Target Figures of New Mid-Term Plan "Create! 2022"

1. Orders : 350BJPY, 15% growth during 3 years. Takamastu Group to grow by 33% while small growth for Asunaro Aoki Group.
2. Revenue: 300BJPY, 20% growth during 3 years. Takamastu Group to grow by 44% while 5% growth for Asunaro Aoki Group.
3. Op. Income: 18BJPY, +45% during 3 years. Takamatsu Gr. to increase from 6.7→11BJPY, Asunaro Aoki Gr. 6.7→8.0BJPY.
4. Concerning FY 2020/3, order growth is set at a mild growth to 310BJPY due to abundant carryover orders of FY2019/3, while revenue to grow by 8.1% to 270BJPY and op.income to grow by 6.9% to 13.3BJPY, and this is a MUST.



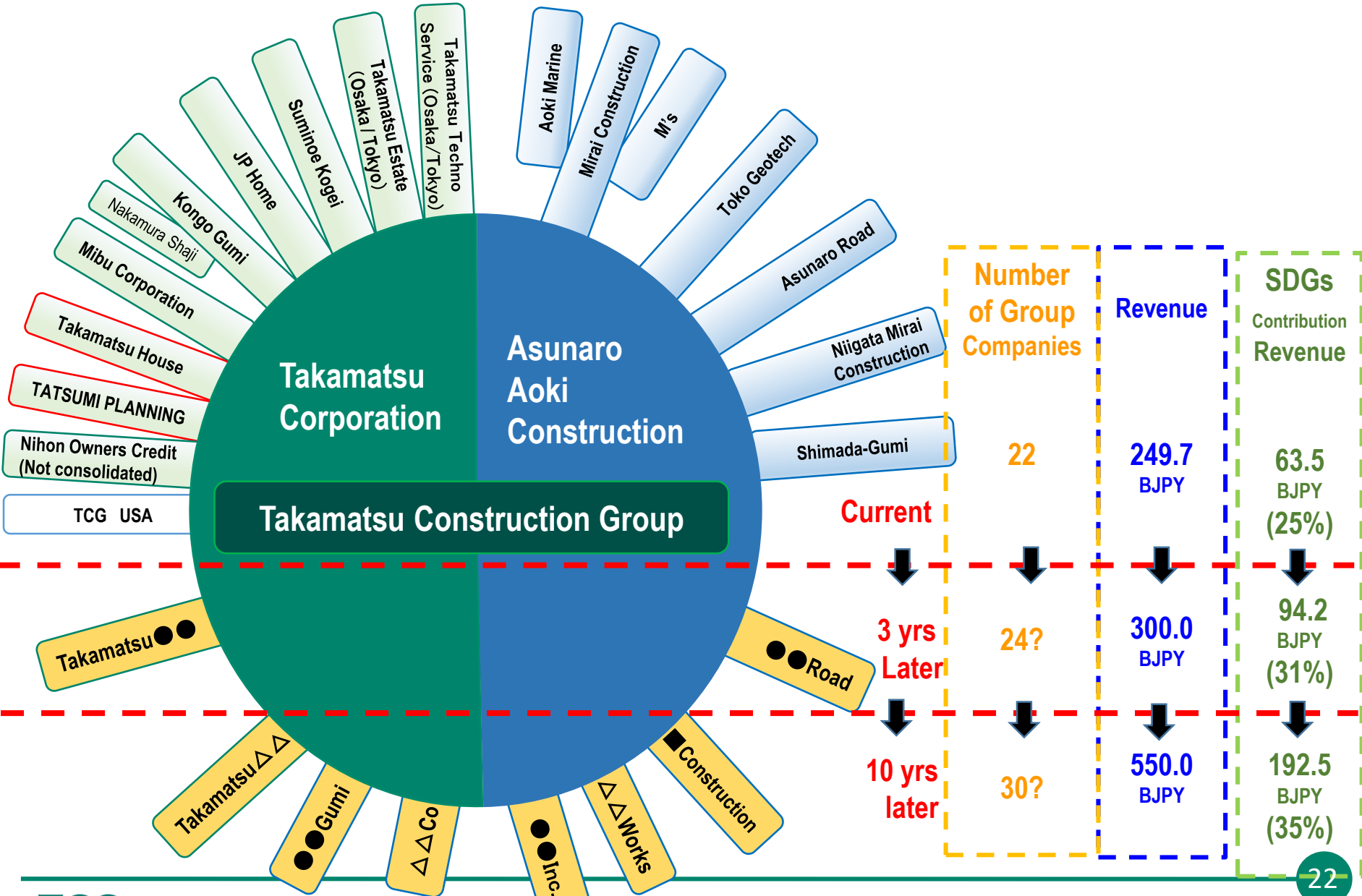
The portion of each figure that does not add up to the total is due to consolidated offsetting and headquarters expenses.

1-2-5. FY March 2020 and New Mid-Term Plan "Create! 2022"

1. Aggressive recruiting of new graduates will continue to lead into continuous growth.
2. Operating income per employee will remain at the same level for FY March 2020 vs last year, but will turnaround afterwards and be back at previous high level in FY March 2022 (final year of Mid Term Plan).
3. ROE for FY March 2020 will also remain last year's level, but aims to reach 9.0% in FY March 2022.
4. Dividend payout ratio hiked to 29.7% from the previous target of 25% in FY 2019/3.
This 30% level will be maintained in future years.

Item			2017/3	2018/3	2019/3	2020/3	2022/3	
			Actual	Actual	Actual	Target	Target	Change vs 19/3
Personnel	Number of employees	Headcount	3,372	3,577	3,915	4,200	4,800	22.6%
	New graduates hired	Headcount	161	178	238	218	256	7.6%
Productivity	Op. income per employee	MJPY	3.8	3.8	↘ 3.2	3.2	↗ 3.8	18.0%
Efficiency	ROE	%	7.0	↗ 8.1	↘ 6.9	6.9	↗ 9.0	+2.1p
	Net earnings per share (excluding treasury stock)	JPY	183	↗ 223	↘ 202	↗ 210	↗ 310	53.5%
Return	Dividend payout ratio	%	23.5	25.1	29.7	30.0	30.0	
	Dividend per share	JPY	43	56	60	63	93	55.0%

1-2-6. Takamatsu Construction Group : Mid to Long Term Growth Image



1-2-7. Takamatsu Construction Group : 3 Years and 10 Years Later



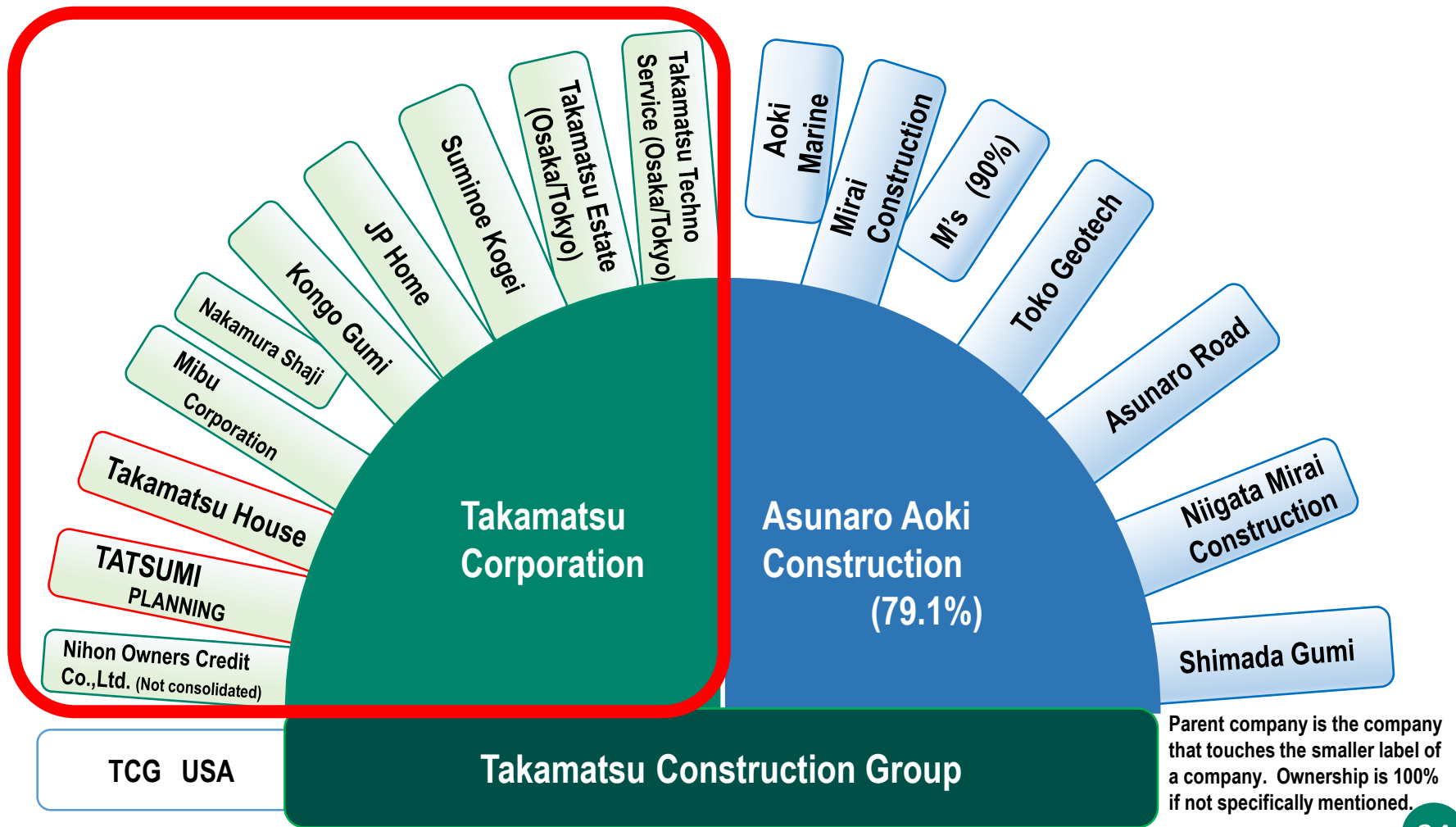
* Number of Group companies and revenue as of March 31 of the year (Consolidated).

2. Takamatsu Corporation

Results for FY March 2019

Outlook for FY March 2020

Mid-Term Plan FY March 2022



2-1. Takamatsu Group Results for FY March 2019

Takamatsu Corporation Co.,Ltd.

Takatoshi TAKAMATSU

Representative Director and Director of the Board

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2-1-1. Takamatsu Corporation : Major Completed Architectures (Unconsolidated)



2-1-2. Takamatsu Corporation : FY March 2019 (Unconsolidated)

【Theme for FY March 2019】

First Step towards next Century “Achieve 100BJPY Order towards New Growth Strategy”



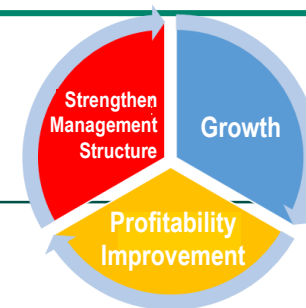
<Keywords> Inspect·Improve·Innovate

(Unit: BJPY)

Review & Results ①		Actual			FY March 2019	
		FY Mar.'16	FY Mar.'17	FY Mar.'18	Actual	Plan
Orders		56.7	74.9	84.8	103.0	100.0
	% vs last year		32.1%	13.2%	21.5%	17.9%
Revenue		48.3	54.3	70.2	66.9	80.0
	% vs last year		12.5%	29.1%	△4.6%	14.0%
Gross Profit		9.6	11.6	13.6	12.8	14.5
	% vs last year		20.6%	17.3%	△5.9%	6.6%
	(GP %)	(19.9%)	(21.3%)	(19.4%)	(19.1%)	(18.1%)
Op. Income		3.9	4.9	5.9	4.5	6.5
	% vs last year		26.2%	20.2%	△23.5%	10.2%
	(Op.Income%)	(8.1%)	(9.1%)	(8.4%)	(6.8%)	(8.1%)
Headcount, End of FY		952	1,060	1,159	1,327	1,323

Review & Results

②



【Strategy towards Growth】

- Recruiting : Hired more than 100 new graduates (Headcount as of March end, 2019=1,327)
- New Business Fields : Acquired first PFI (Project Finance Initiative) business order (Citizen's Total Interaction Center, Kusatsu, Gunma)
Multiple business talks proceeding with real estate owned by customers

【Strategy towards Profitability Improvement】

- Decreased revenue and profit due to longer time required to start and complete the construction, caused by larger orders.
- Experienced temporary margin decrease due to large scale recruiting conducted as an investment for the future.

【Strategy towards Strengthening Management Structure】

- IT Enhancement : Started study of structural information system, purchasing & ordering system, new accounting system.

2-2. Takamatsu Group

Outlook for FY March 2020

Mid-Term Plan for FY March 2022

Takamatsu Corporation Co.,Ltd.
Takatoshi TAKAMATSU
Representative Director and Director of the
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2-2-1. Takamatsu Group : Market Environment Recognition and Issues

Positive	Negative
<ul style="list-style-type: none">• Population of central portion of Tokyo (ward-section) still growing, peaking in 2035• Increase of one-person household = Increase of demand for condos for rental purpose• Increased need for inheritance tax countermeasures due to increase of senior citizens• Shift of population from suburban area to urban area (From suburban individual residence to urban condominiums)• Tight market due to Tokyo Olympic• Tight market due to Osaka EXPO• Tight market for condos for rental purpose to continue• Increase of renewal constructions	<ul style="list-style-type: none">• Future decrease of households• Decrease of residence construction• Price hike due to demand increase caused by Tokyo Olympics• Price hike due to demand increase caused by Osaka EXPO• Increase of competitors

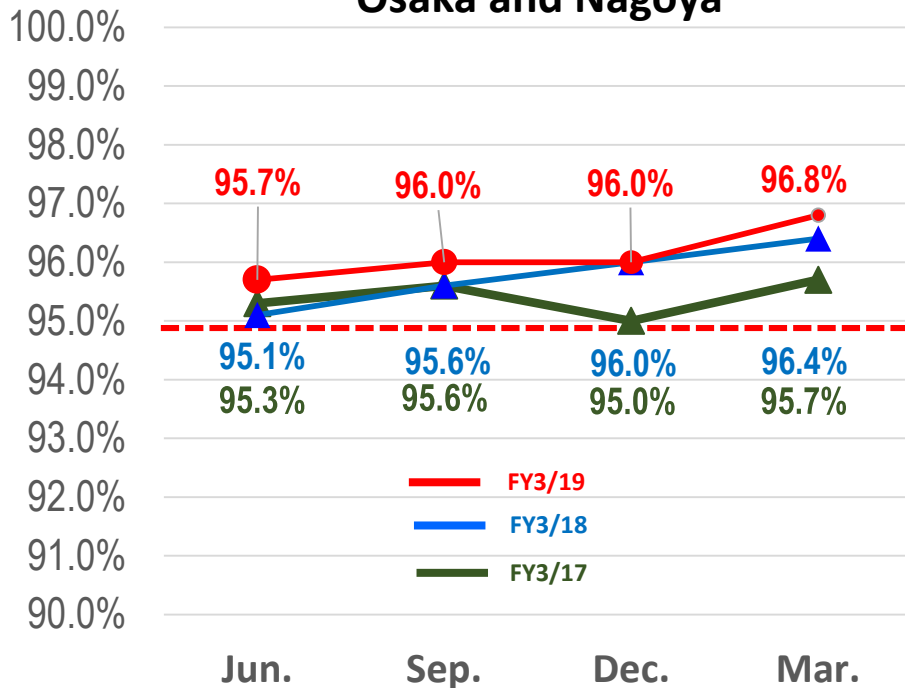


Takamatsu Corporation is not easily affected by negative factors since its target area is nearby station locations of Tokyo-Nagoya-Osaka Areas. We expect strong demand to continue for approximately ten years and can expect stable growth during the period.

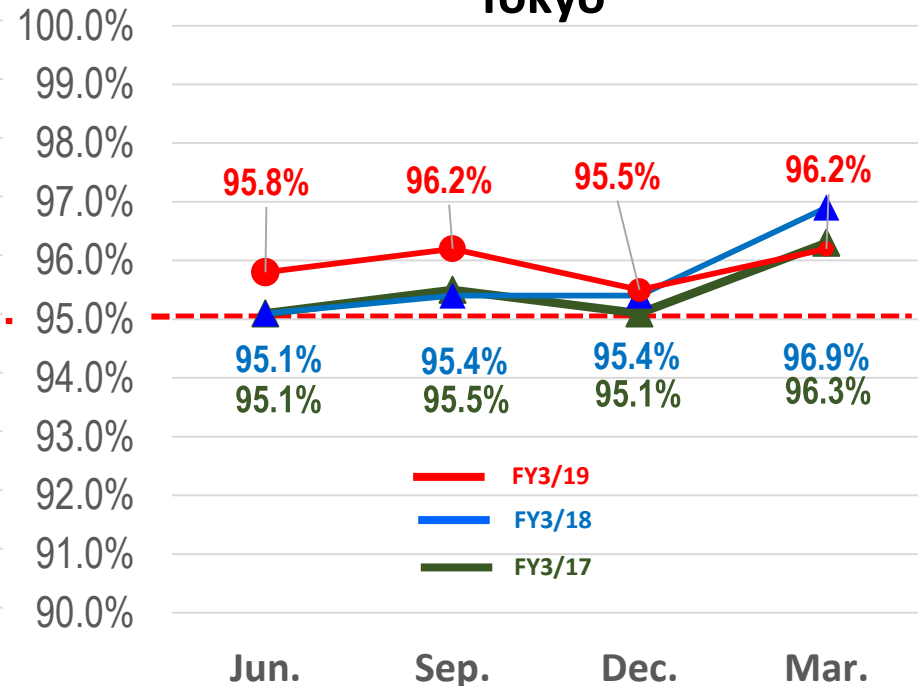
2-2-2. Occupancy Rate of Condominiums Built by Takamatsu Corp.

1. Occupancy rate is continuing to show above 95% for both Tokyo and Osaka+Nagoya for March 2019.
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 demand towards Takamatsu Corp. is remote from this view since Takamatsu Corp. concentrates in near-station locations of the three cities.

Osaka and Nagoya



Tokyo



Definition:

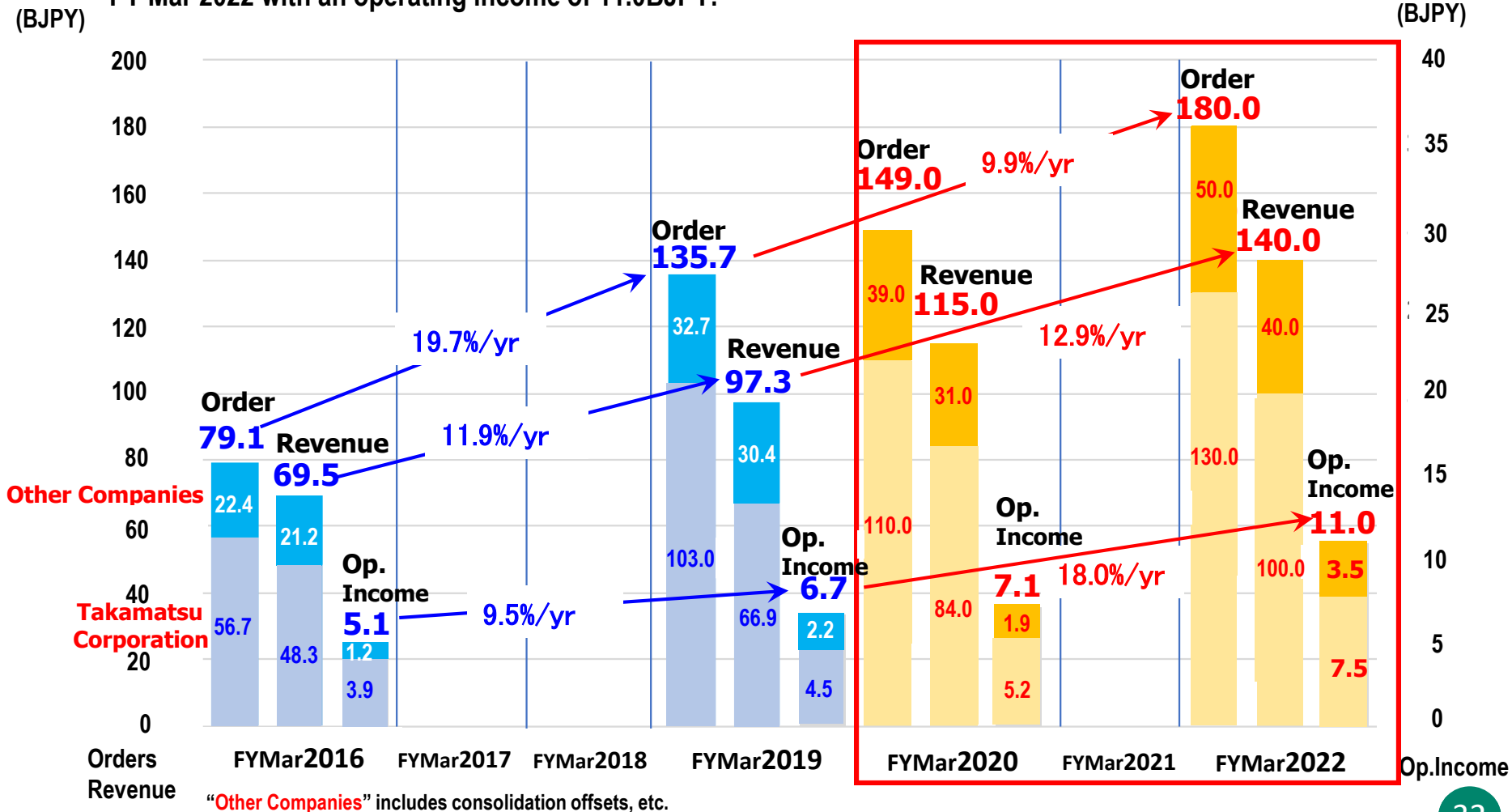
“Osaka and Nagoya” = Osaka, Kyoto and Hyogo Prefectures plus Nagoya City.

“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)

2-2-3. Takamatsu Group : Quantitative Targets of Mid Term Plan

1. Orders: Expects growth of 9.9% per year.
2. Revenue: Expects growth of 12.9% per year.
3. Operating Income % : Although operating income raised to 6.7BJPY in FY Mar 2019, operating income % decreased from 7.4% of FY March 2016 to 6.9% of FY March 2019. However, the margin expects to come back to 7.9% in FY Mar 2022 with an operating income of 11.0BJPY.



Mid Term Plan Principle

Set Up Sound Base for Stable Growth

① Growth Strategy

② Profitability Improvement Strategy

③ Strengthen Management Structure Strategy

Residential

Non-residential
(Existing domain)

Non-residential
(New domain)

Improve cost efficiency towards new domain

Thorough cost reduction of condo construction

Maximize organization strength with cross functional response

Thorough risk control

2-2-5. Takamatsu Corporation : Mid Term Plan Strategy (Unconsolidated)

Takamatsu Corporation : Strategy and Measures ①

1) Growth Strategy

<Measures>

Residential

- Increase orders in Tokyo, Nagoya & Osaka
- In addition to C&C (Consult & Construct), increase cost competitiveness

- Acquire competitor share by leveraging cost competitiveness
- Enhance sales capability in urban areas and acquire more re-build orders

Non-residential (Existing domain)

- Increase large scale orders
- Strengthen consulting, designing and constructing capabilities on by-use basis (Storage, Clinics, Offices)

- Establish sales method to corporate customers by twisting established sales method towards individual customers.
- Train employees to acquire structural design and facility study knowledge to lead into superior sales capability of steel frame buildings.

Non-residential (New domain)

- Aggressively expand into Proposals / PFI fields
- Further increase real estate sales / purchase
- Enter / conduct M&A to sightseeing related business (eg. Hotels)

- Establish sales scheme of PFI projects, as well as establish sales force specializing in government orders.

<Focus Area>

- ☑ Expand non-residential buildings with focused target uses
- ☑ Increase share with cost competitiveness

- ☑ Acquire PFI projects to accumulate know-hows
- ☑ Conduct strategical real estate purchasing
- ☑ Construct hotels to respond towards increasing in-bound demands

2-2-6. Takamatsu Corporation : Mid Term Plan Strategy (Unconsolidated)

Takamatsu Corporation : Strategy and Measures ②

2) Profitability Improvement Strategy

<Measures>

Thorough cost reduction towards condos and non-residential buildings

- Establish firm relationship with design offices
- Develop and apply new building procedures (eg. BIM, Long-span, etc.)

3) Strengthen Management Structure Strategy

<Measures>

- Maximize organization strength with cross functional response
- Thorough risk control

- Cross functional cooperation between technology & development departments and product planning departments.
- Control various risks that grow in accordance with business expansion (labor, legal, inspection, compliance, personnel training, etc.)

2-2-7. Takamatsu Group Companies : Mid Term Plan Strategies



Takamatsu Techno Service

Tokyo : Mid term Plan Principle

Proceed from physical satisfaction to internal satisfaction

<Keywords>

Strengthen responsiveness (Speed, Proposal, Quality, Cost)

Osaka : Mid term Plan Principle

Proceed towards specialized company of large scale renovation

<Keywords>

Improve 3 capabilities : Proposal, Technology and Sales

<Measures>

Enhance large scale renovation, repairs and conversion capabilities

Aggressively participate in large scale bids and condos in addition to Takamatsu Corp. buildings



Takamatsu Estate

Tokyo : Mid term Plan Principle

Enhance growth by maximizing synergy with other TCG companies

<Keywords>

Increase number of apartments in charge, improve satisfaction level of both real estate owners and residents

Osaka : Mid term Plan Principle

Increase number of apartments in charge

<Keywords>

Innovate organization to contribute to all stakeholders

<Measures>

Enhance service towards real estate owners and residents

Other Group Companies

Suminoe Kogei

- ❑ Promote its quality and technology, establish position as high end interior construction company

Takamatsu House / Mibu Corporation

- ❑ Start up wooden independent residence business
- ❑ Realize stable growth of real estate intermediary business

Kongo Gumi / Nakamura Shaji

- ❑ Further enhance brand power

2-2-8. Foundation of Takamatsu House and M&A of TATSUMI PLANNING

Takamatsu House and Tatsumi Planning, together with Mibu Corporation that joined our Group in April 2018, will concentrate in independent house construction.

We develop this new line of business to be the third pillar of business following Takamatsu Corp. and Asunaro Aoki.

■ Takamatsu House Co.,Ltd.

Established: Apr. 2019

Business : Wooden independent residence business, planning and administration of real estate

■ TATSUMI PLANNING Co., Ltd.

Group Participation: May 2019

Established: May 2019

(Planned to be established on May 31 as the result of corporate split from the former TATSUMI PLANNING Co., Ltd. owned by Rizap Group)

Business : Design and construction of wooden independent residence and renovation



TATSUMI PLANNING Headquarters



Residence designed and constructed by TATSUMI PLANNING

Both companies will be consolidated to our Group for fiscal year ending March 2020, and will contribute to the increased order and revenue.

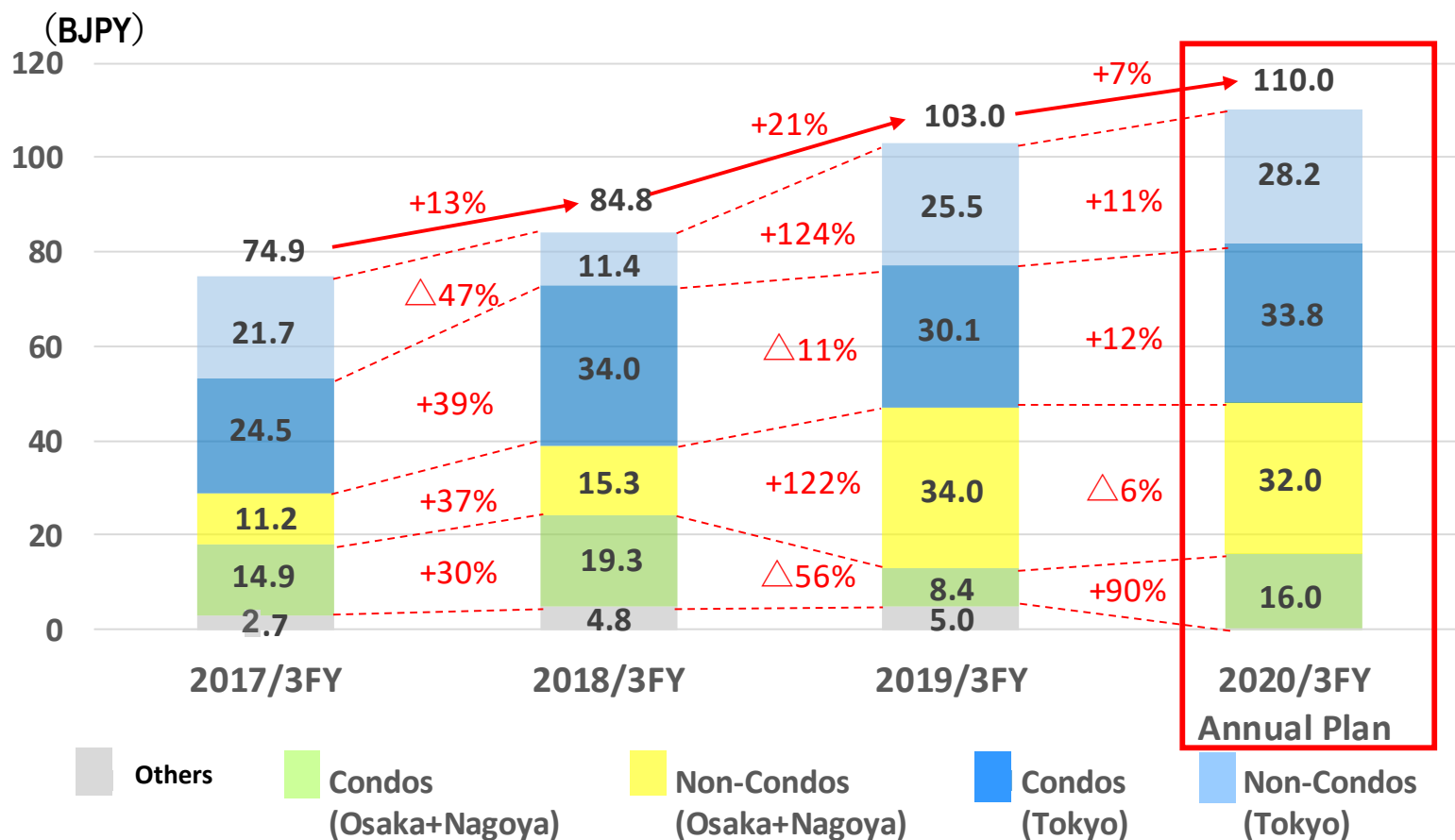
2-2-9. Takamatsu Corporation : Orders and Outlook (Unconsolidated)

FY Mar.2020 Targets

- Order : 110.0BJPY
- Revenue : 84.0BJPY
- Op.Income : 5.2BJPY

Order Break-down

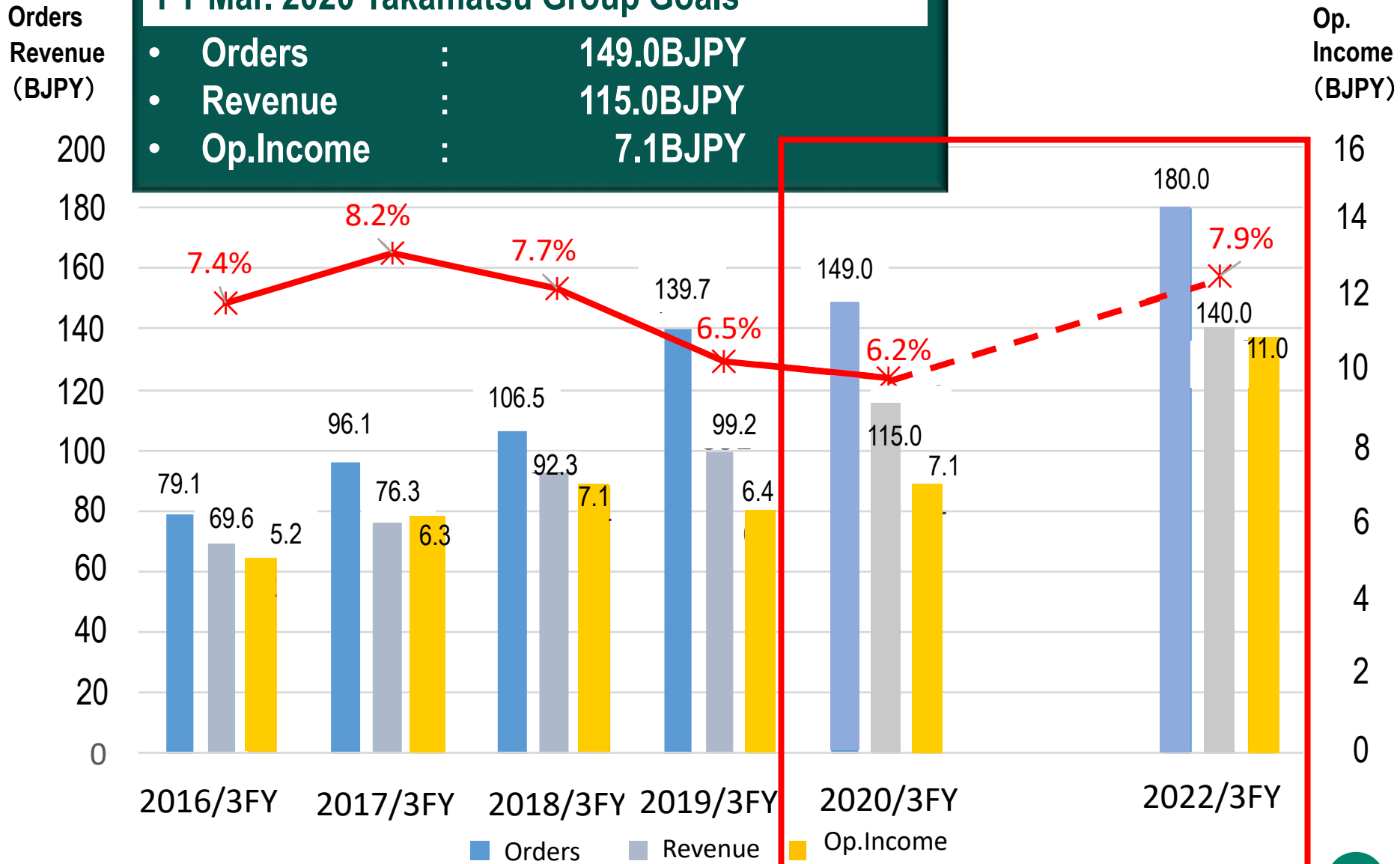
- Residential : 49.8BJPY (45.3%)
- Non-residential : 60.2BJPY (54.7%)



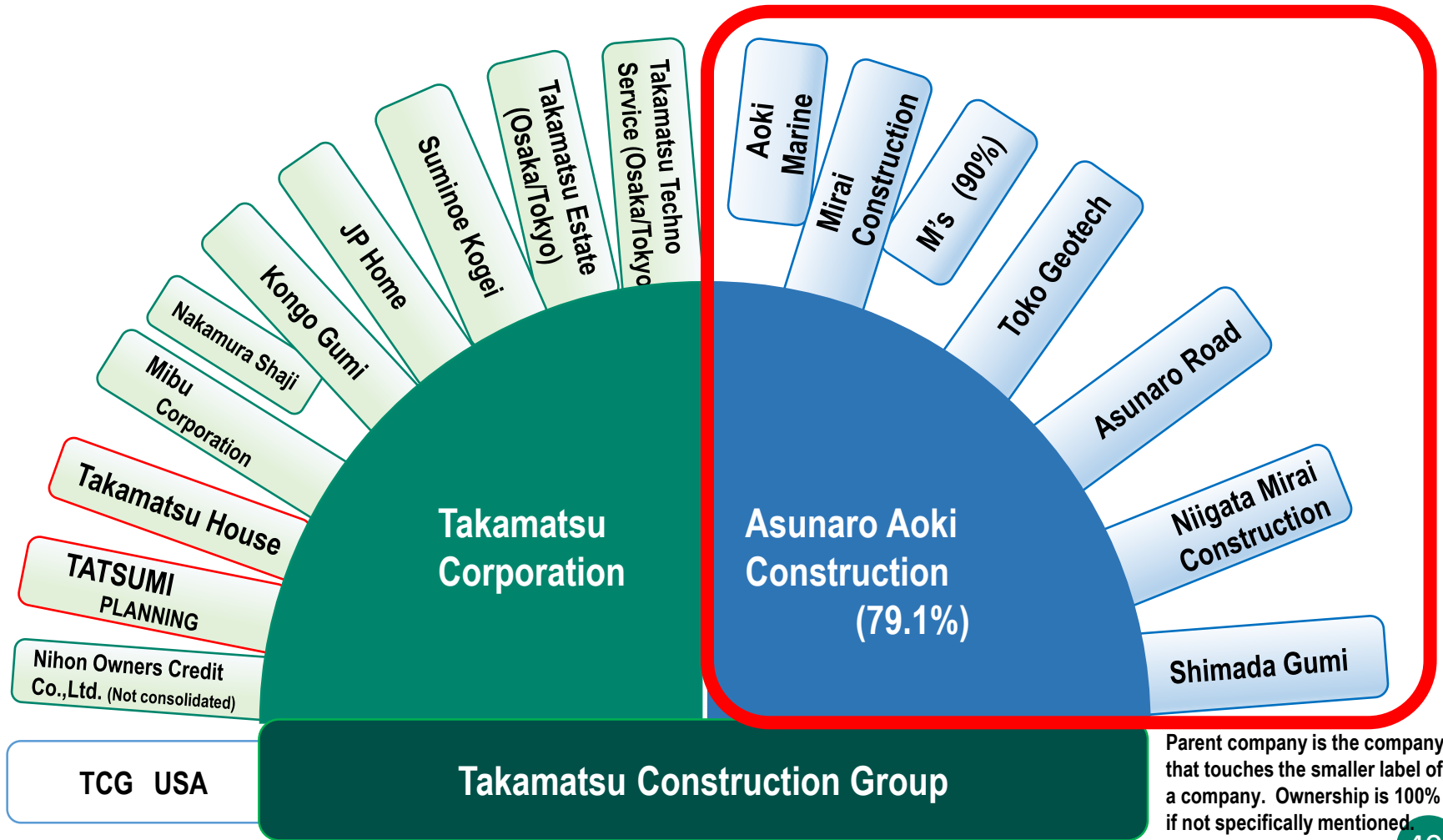
2-2-10. Takamatsu Group : Mid term Plan Goals

FY Mar. 2020 Takamatsu Group Goals

- Orders : 149.0BJPY
- Revenue : 115.0BJPY
- Op.Income : 7.1BJPY

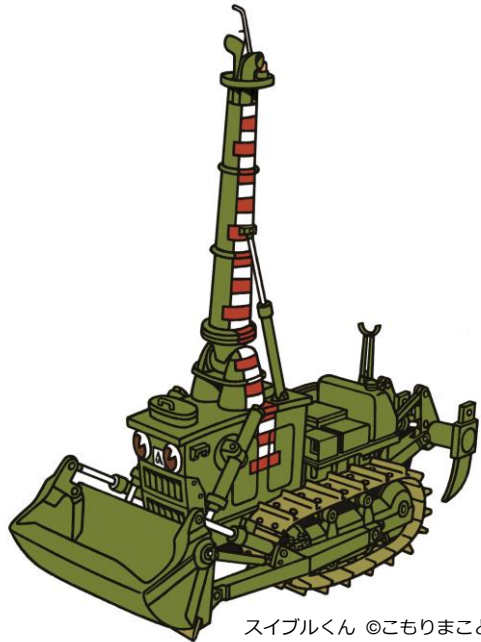


3. Asunaro Aoki Construction Group Results for FY March 2019 Outlook for FY March 2020 Mid-Term Plan FY March 2022



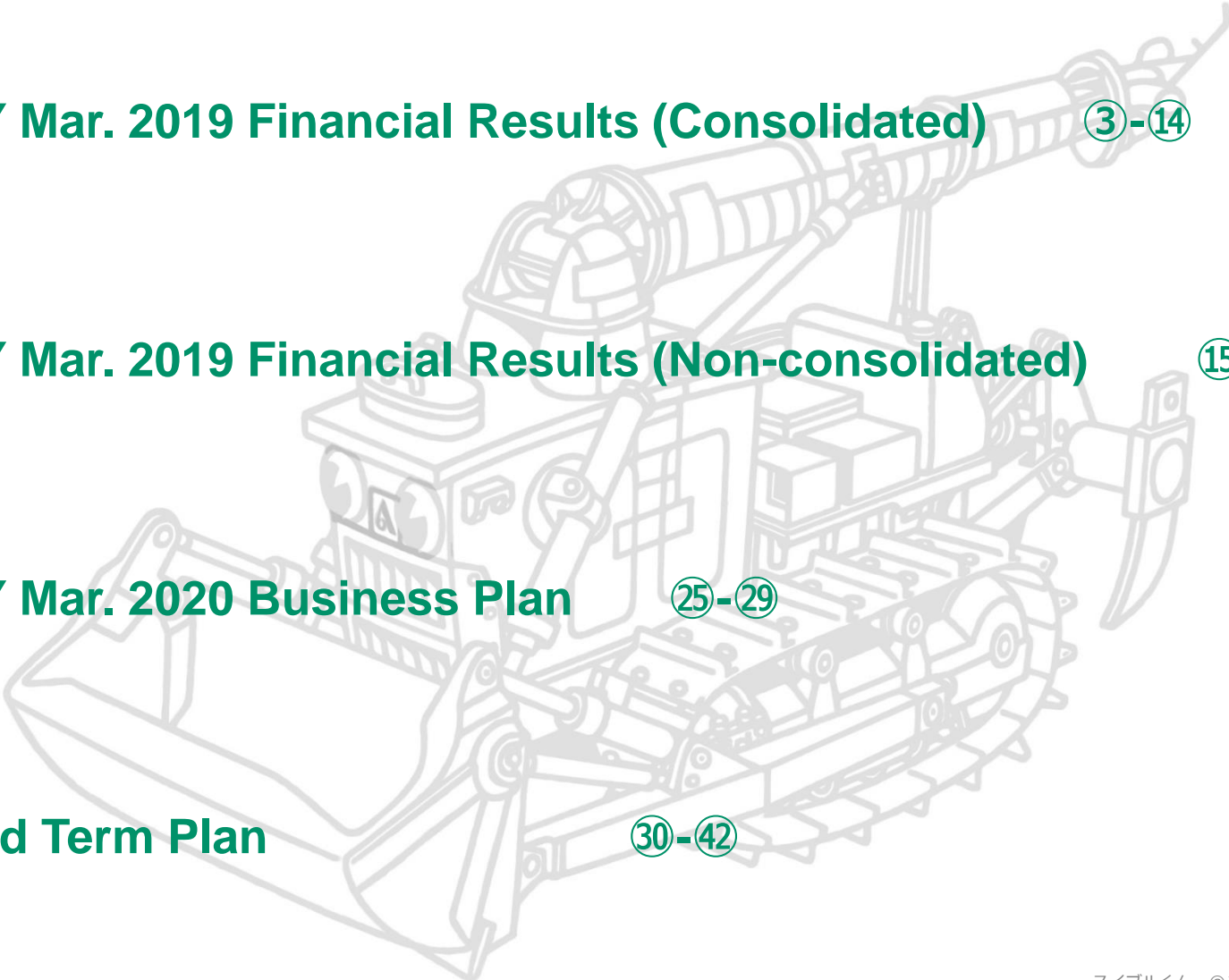
Parent company is the company that touches the smaller label of a company. Ownership is 100% if not specifically mentioned.

FY Mar. 2019 Financial Results & FY Mar. 2020 Business Plan



Asunaro Aoki Construction Co., Ltd.
Securities Code: 1865
May 29, 2019

Contents

- **FY Mar. 2019 Financial Results (Consolidated)** ③-⑭
 - **FY Mar. 2019 Financial Results (Non-consolidated)** ⑮-⑳
 - **FY Mar. 2020 Business Plan** ㉕-㉙
 - **Mid Term Plan** ㉓-㉔
- 

FY Mar. 2019 Financial Results (Consolidated)

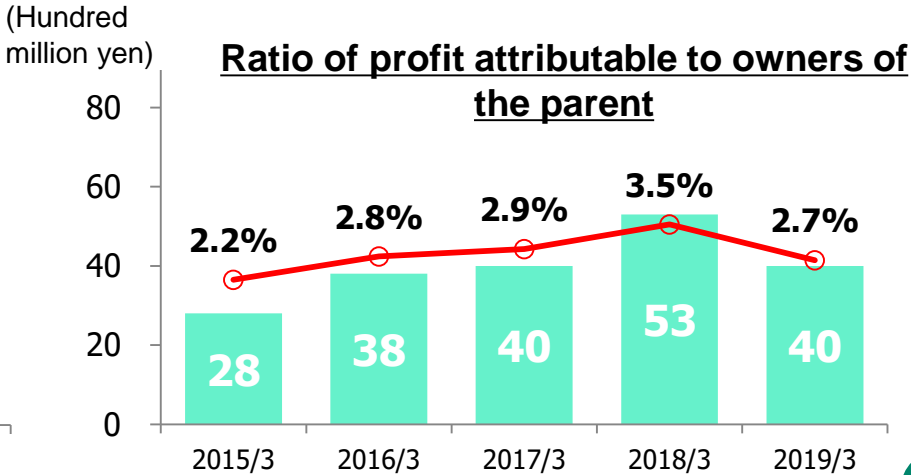
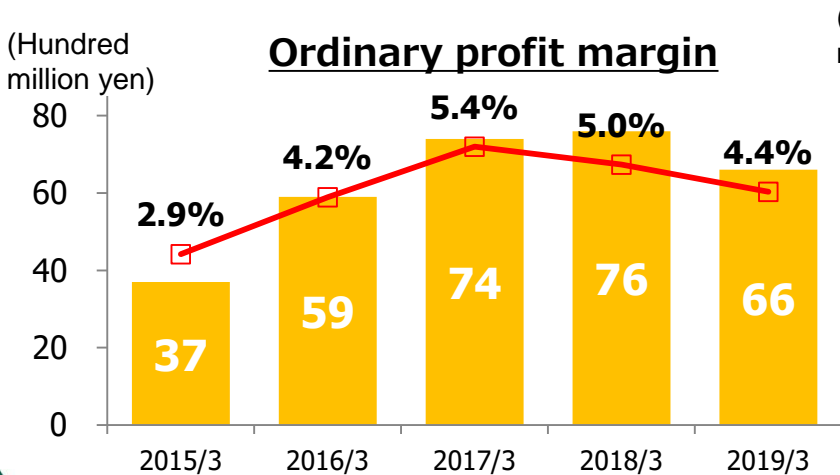
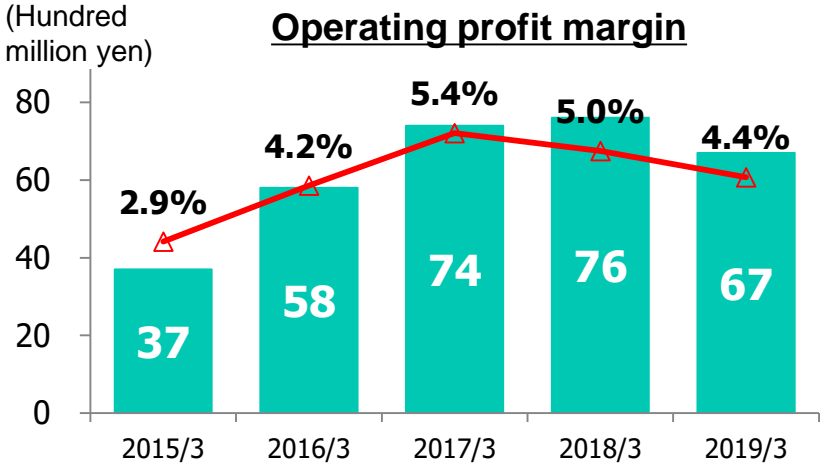
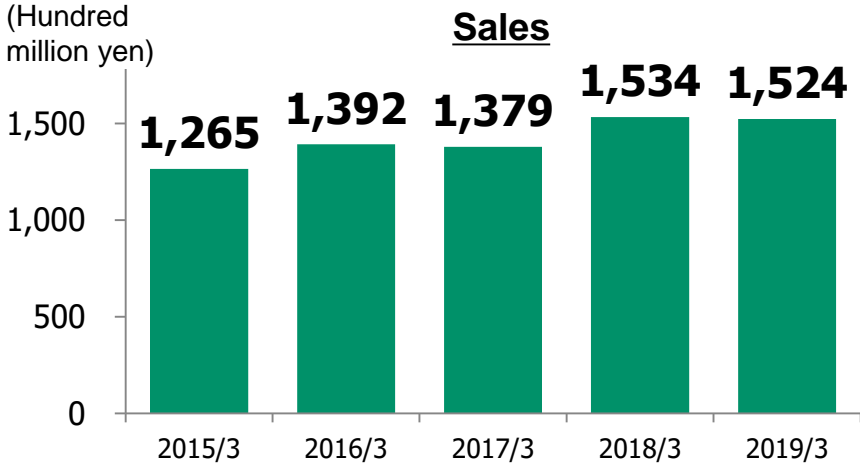
Our group of companies

- Our group of companies is comprised of [Asunaro Aoki Construction Co., Ltd.](#) and [eight other group companies](#). Our business is mainly in [construction and real estate](#).

	Architecture	Civil engineering	Real estate	Main business area
Our company	Asunaro Aoki Construction Co., Ltd.			Japan
Subsidiaries	Mirai Construction Co., Ltd.			Japan
		Toko Geotech Co., Ltd.		Japan
		Aoki Marine Co., Ltd.		Japan
		Asunaro Road Co., Ltd.		Hokkaido
	M's Co., Ltd.			Tokyo area
		Niigata Mirai Co., Ltd.		Niigata Prefecture
		Shimada Gumi Co., Ltd.		Japan
		Access Co., Ltd.		Kansai area

Performance overview (consolidated)

■ Our sales **decreased** year-on-year from the new record high set last fiscal year, as did operating profit, ordinary profit, and profit attributable to owners of the parent which had also reached new record highs last fiscal year.



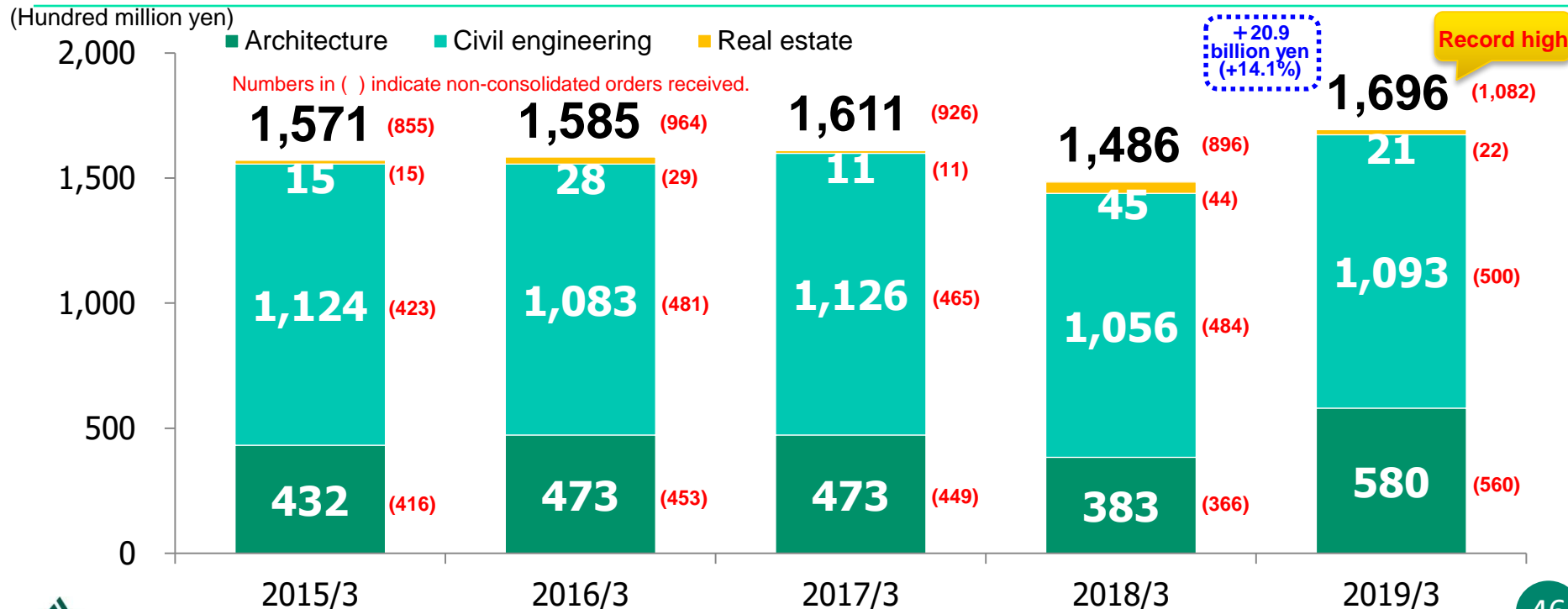
Orders received (consolidated)

(Rounded down to the nearest hundred million yen)

- Architecture **increased** as orders were received in non-residential business including large distribution facility and government building projects, and in (residential) Private Finance Initiative (PFI) projects. Civil engineering **increased** as orders were received for base projects such as for railroads and roads and in renewable energy projects including mega solar. Overall, orders **increased by 20.9 billion yen (+14.1%)** year-on-year **and established a new record high**.

Consolidated/non-consolidated orders received ratio

Overall	1.8 times	1.6 times	1.7 times	1.7 times	1.6 times
Civil engineering	2.7 times	2.2 times	2.4 times	2.2 times	2.2 times
Architecture	1.0 times	1.0 times	1.1 times	1.0 times	1.0 times



Sales (consolidated)

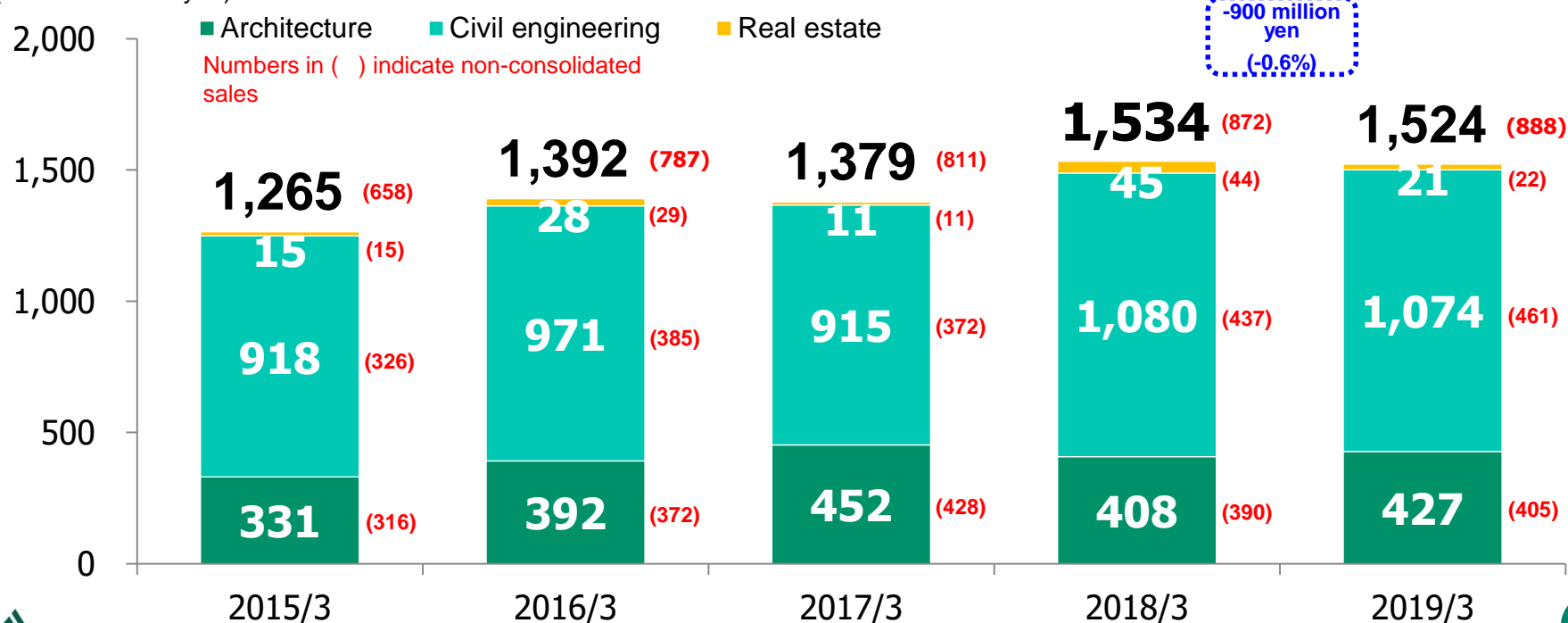
(Rounded down to the nearest hundred million yen)

- Sales revenue in architecture **increased** as current projects progressed smoothly, among other factors. In civil engineering current projects progressed smoothly, but sales **decreased** as some group companies were unable to get more orders for projects during the fiscal year. Overall, sales **decreased by 900 million yen (-0.6%)** year-on-year.

Consolidated/non-consolidated sales ratio

	2015/3	2016/3	2017/3	2018/3	2019/3
Total	1.9 times	1.8 times	1.7 times	1.8 times	1.7 times
Civil engineering	2.8 times	2.5 times	2.5 times	2.5 times	2.3 times
Architecture	1.0 times	1.1 times	1.1 times	1.0 times	1.1 times

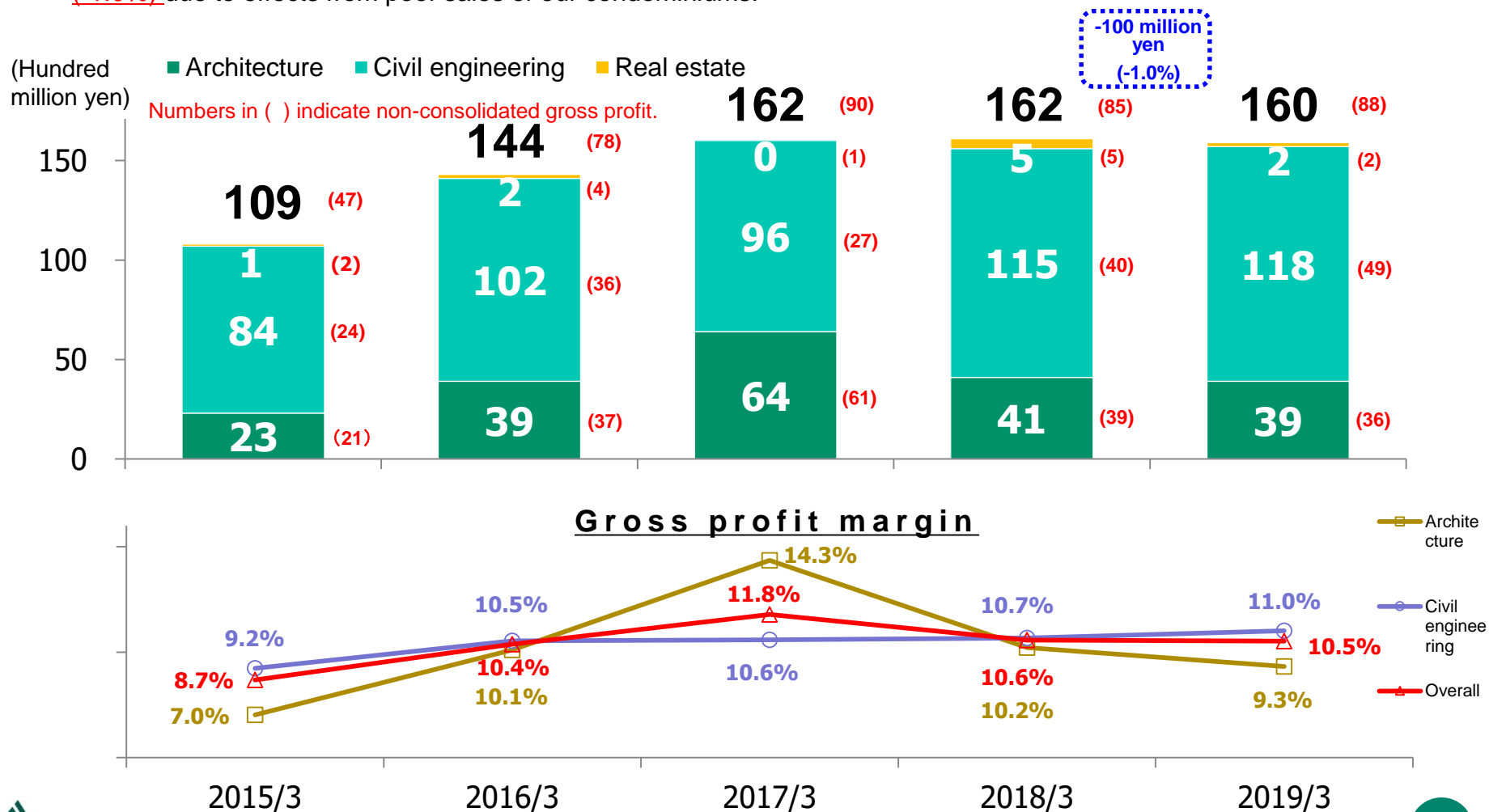
(Hundred million yen)



Gross profit (consolidated)

(Rounded down to the nearest hundred million yen)

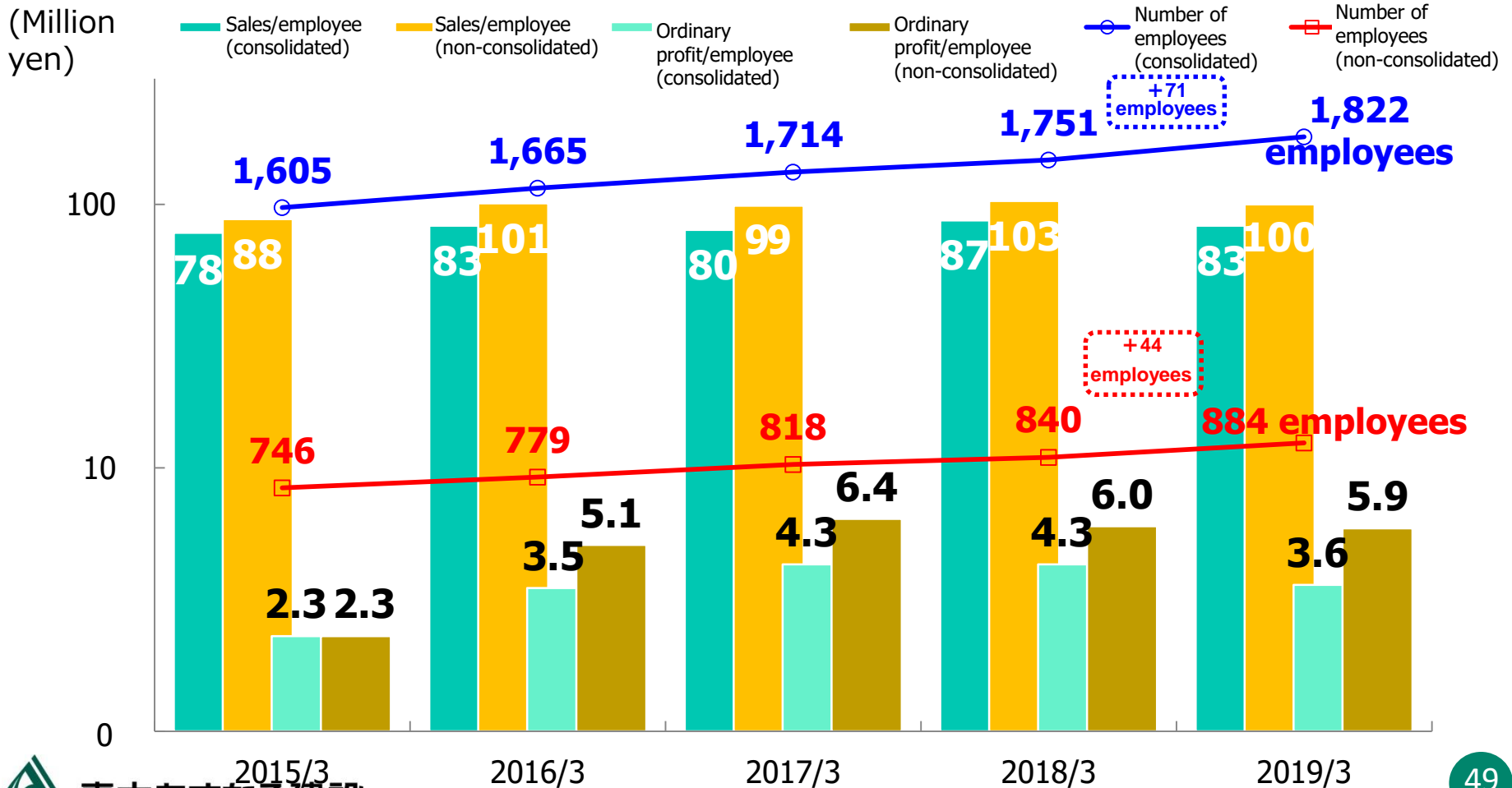
- In architecture, gross profit **decreased** due to decreased profit margin resulting from less highly profitable projects, while gross profit in civil engineering **increased** as our overall sales increase and progress in highly profitable projects overcame effects from low-profitability projects at group companies. Overall, gross profit **decreased by 100 million yen (-1.0%)** due to effects from poor sales of our condominiums.



Number of employees and productivity

(Sales/employee: rounded down to the nearest million yen)
 (Ordinary profit/employee: rounded down to the nearest 100,000 yen)

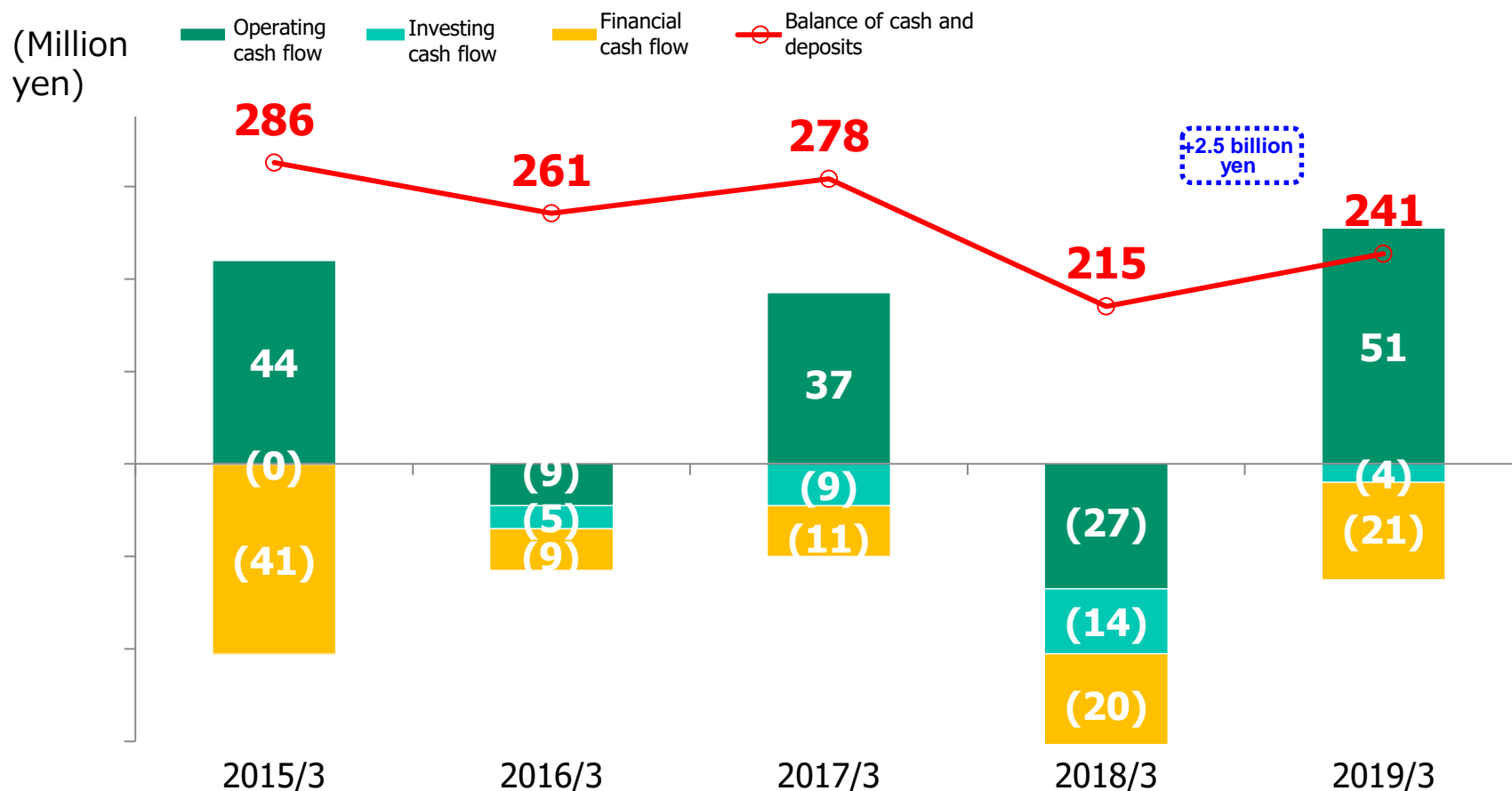
- The number of employees at the end of the fiscal year was **trending upwards** due to ongoing new graduate hiring and similar efforts. Consolidated ordinary profit per employee **decreased** year-on-year as higher general and administrative costs from improved working conditions and larger numbers of staff could not be fully absorbed.



Cash flow (consolidated)

(Rounded down to the nearest hundred million yen)

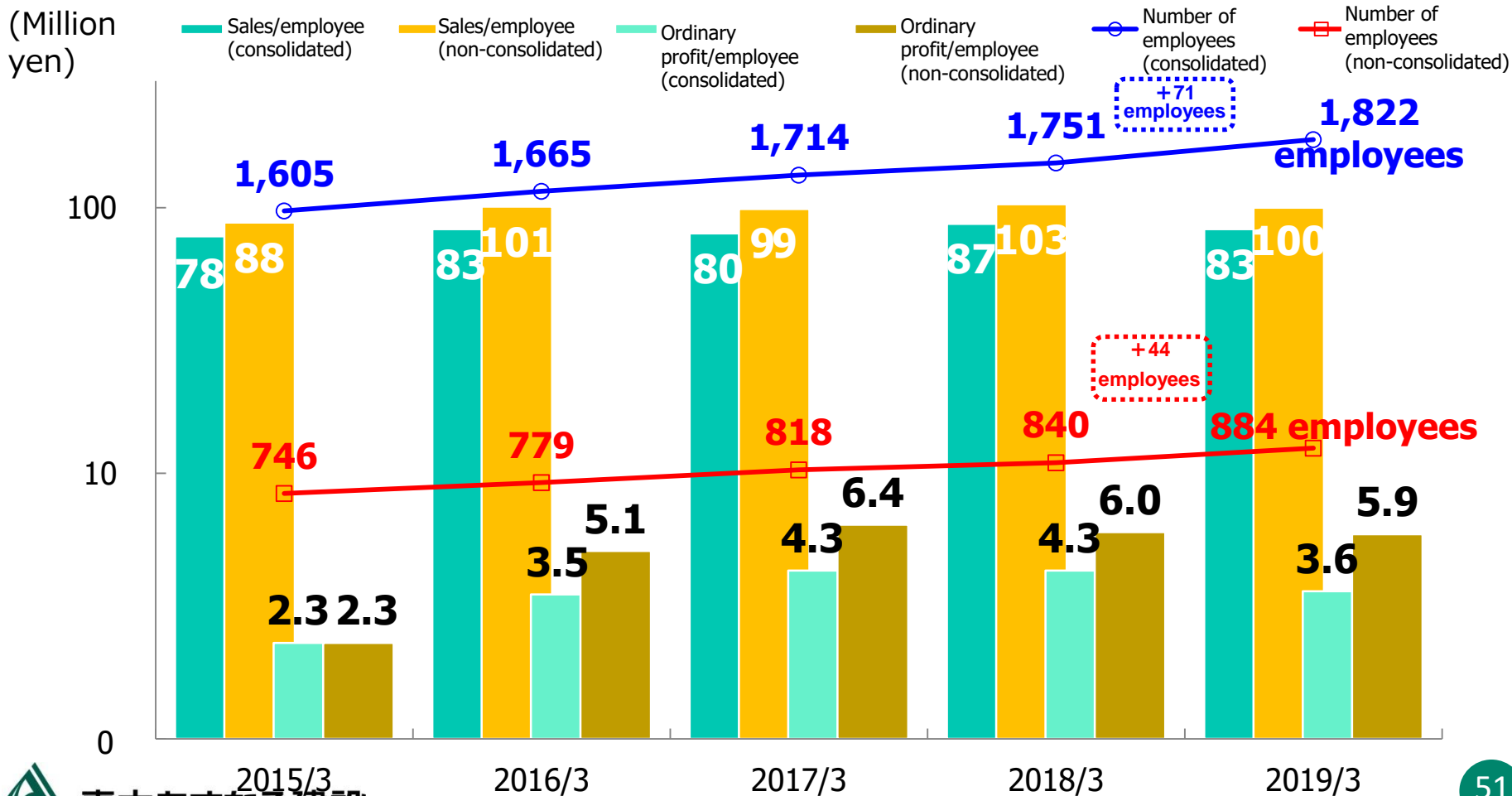
- Cash flows from operating activities balanced out to **a net cash inflow of 5.1 billion yen** due to factors such as net income before taxes and other adjustments. Cash flows from investing activities recorded a **net cash outflow of 400 million yen** due to acquisitions of tangible assets. Cash flows from financing activities recorded a **net cash outflow of 2.1 billion yen** due to payments of dividends, acquisition of treasury shares, etc. This resulted in an overall year-on-year **increase of 2.5 billion yen** in the balance of cash and deposits.



Number of employees and productivity

(Sales/employee: rounded down to the nearest million yen)
 (Ordinary profit/employee: rounded down to the nearest 100,000 yen)

- The number of employees at the end of the fiscal year was **trending upwards** due to ongoing new graduate hiring and similar efforts. Consolidated ordinary profit per employee **decreased** year-on-year as higher general and administrative costs from improved working conditions and larger numbers of staff could not be fully absorbed.



Balance sheet (consolidated)

(Rounded down to the nearest hundred million yen)

	2018/3	2019/3	+/-
Current assets	942	964	22
Cash and deposits	215	241	25
Notes receivable, accounts receivable from completed projects, other	617	625	8
Real estate for sale	29	18	(11)
Costs from projects in progress	1	4	3
Costs from real estate business	6	—	(6)
Accounts receivable	64	64	0
Other	9	9	0
Allowance for doubtful accounts	(2)	(1)	1
Noncurrent assets	145	138	(6)
Tangible assets	68	63	(5)
Intangible assets	3	3	(0)
Investments and other assets	72	71	(1)
Investment securities	40	41	1
Deferred tax assets	24	22	(2)
Long-term accounts receivable	0	0	(0)
Other	9	8	(0)
Allowance for doubtful accounts	(2)	(2)	0
Total assets	1,087	1,102	15

Current ratio:
200% or more

	2018/3	2019/3	+/-
Current liabilities	345	341	(4)
Accounts payable for construction contracts	233	208	(24)
Advances received on uncompleted construction contracts	36	68	32
Provision for bonuses	15	15	0
Other	61	48	(12)
Noncurrent liabilities	89	86	(2)
Retirement allowances	82	80	(2)
Other	6	6	(0)
Total liabilities	434	428	(6)
Shareholders' equity	648	669	21
Capital	50	50	—
Capital surplus	237	237	—
Retained earnings	387	415	28
Treasury shares	(26)	(34)	(7)
Total accumulated other comprehensive income	3	4	0
Non-controlling interests	0	0	0
Total net assets	652	674	21
Equity ratio	60.0%	61.1%	1.1pt
Total liabilities and net assets	1,087	1,102	15

Zero notes payable balance

Zero loan balance

(Hundred million yen)

Group company performance (1)

(Rounded down to the nearest hundred million yen)



Mirai Construction Co., Ltd.

Main business areas: Offshore construction, port construction, civil engineering, building construction



Construction zone #13 for new passenger boat wharf, quay, and parking area, etc.



Nakagusuku Bay Port sediment disposal zone embankment construction



Kwaragi District channel anchorage dredging project at Hattaro, Port of Hachinohe
(Hundred million yen)

	2015/3	2016/3	2017/3	2018/3	2019/3	
	Actual	Actual	Actual	Actual	Actual	Change %
Orders received	403	306	371	272	291	6.8%
Sales	288	297	263	336	313	(6.7%)
Operating profit	8	10	11	12	6	(48.2%)
Ordinary profit	8	10	11	12	6	(49.1%)
Net income	7	12	8	15	4	(71.7%)
Employees at year end	272	289	306	310	324	

* Orders received and sales are calculated excluding transactions within the group.

Group company performance (2)

(Rounded down to the nearest hundred million yen)



Toko Geotech Co., Ltd.

Main business areas: Construction for slope protection and ground improvement, blasting, heat retention and fire resistance



Construction at Tsuru Land Restoration Zone (Slope protection)



Haneda Airport land infrastructure development construction (Foundation improvement)



Koishwaragawa Dam construction (Blasting)













Hofu Biomass Power Plant construction (Heat retention, fire resistance)

(Hundred million yen)

	2015/3	2016/3	2017/3	2018/3	2019/3	
	Actual	Actual	Actual	Actual	Actual	Change %
Orders received	210	218	218	226	223	(1.3%)
Sales	212	214	208	222	221	(0.4%)
Operating profit	13	13	13	15	17	9.5%
Ordinary profit	13	13	12	15	17	9.7%
Net income	7	6	8	9	14	45.7%
Employees at year end	378	386	392	396	390	

Other group companies

(Rounded down to the nearest hundred million yen)

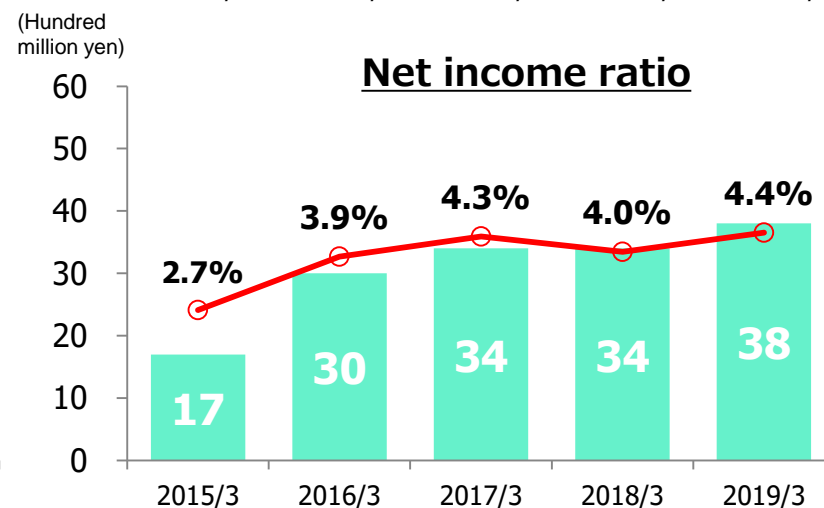
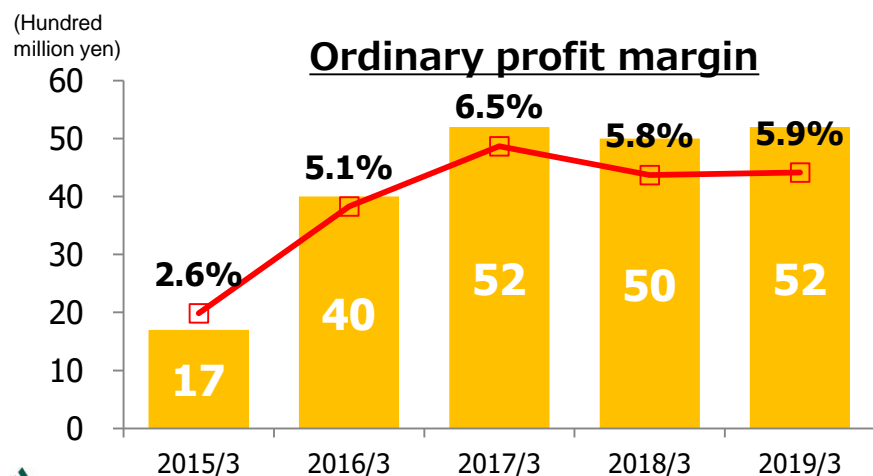
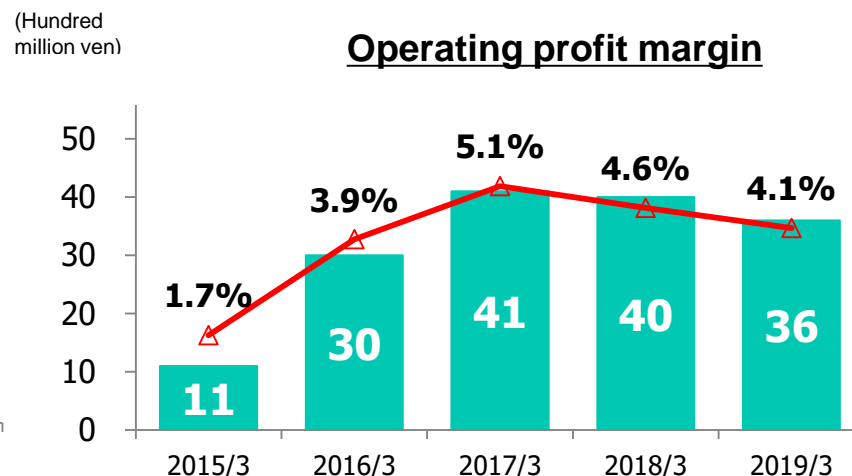
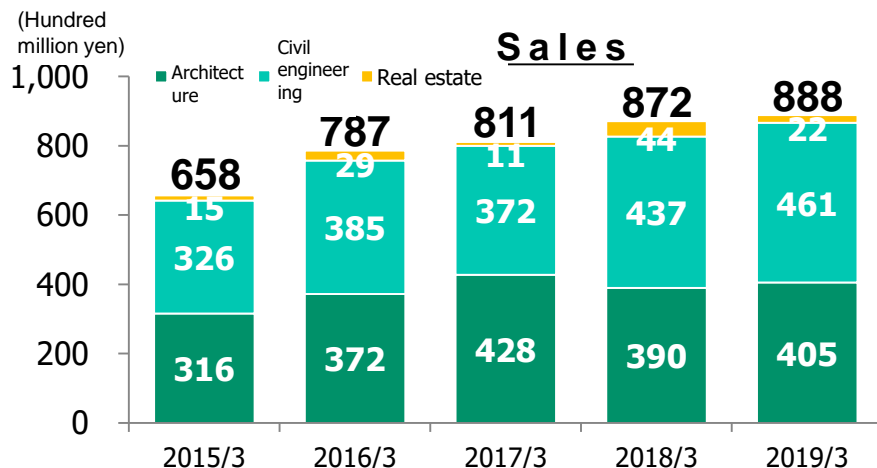
Company	Head office location	Main business areas	2019/3 sales	Number of employees (end March 2019)	
 Shimada Gumi Co., Ltd. Access Co., Ltd.	Yao, Osaka Pref.	Archaeological excavations, civil engineering	37 hundred million yen	101	
 Aoki Marine Co., Ltd.	Higashinada Ward, Kobe	Landfills, dredging, sea transport	31 hundred million yen	59	
 M's Co., Ltd.	Chuo Ward, Tokyo	Architectural renovation	24 hundred million yen	29	
 Asunaro Road Co., Ltd.	Chuo Ward, Sapporo	Road construction, paving, civil engineering, asphalt sales	20 hundred million yen	26	
 Niigata Mirai Co., Ltd.	Yuzawa, Minamiuonuma County, Niigata Pref.	Road construction, paving, civil engineering, asphalt sales	7 hundred million yen	9	

FY Mar. 2019 Financial Results (Non-Consolidated)

Performance overview (non-consolidated)

(Rounded down to the nearest hundred million yen)

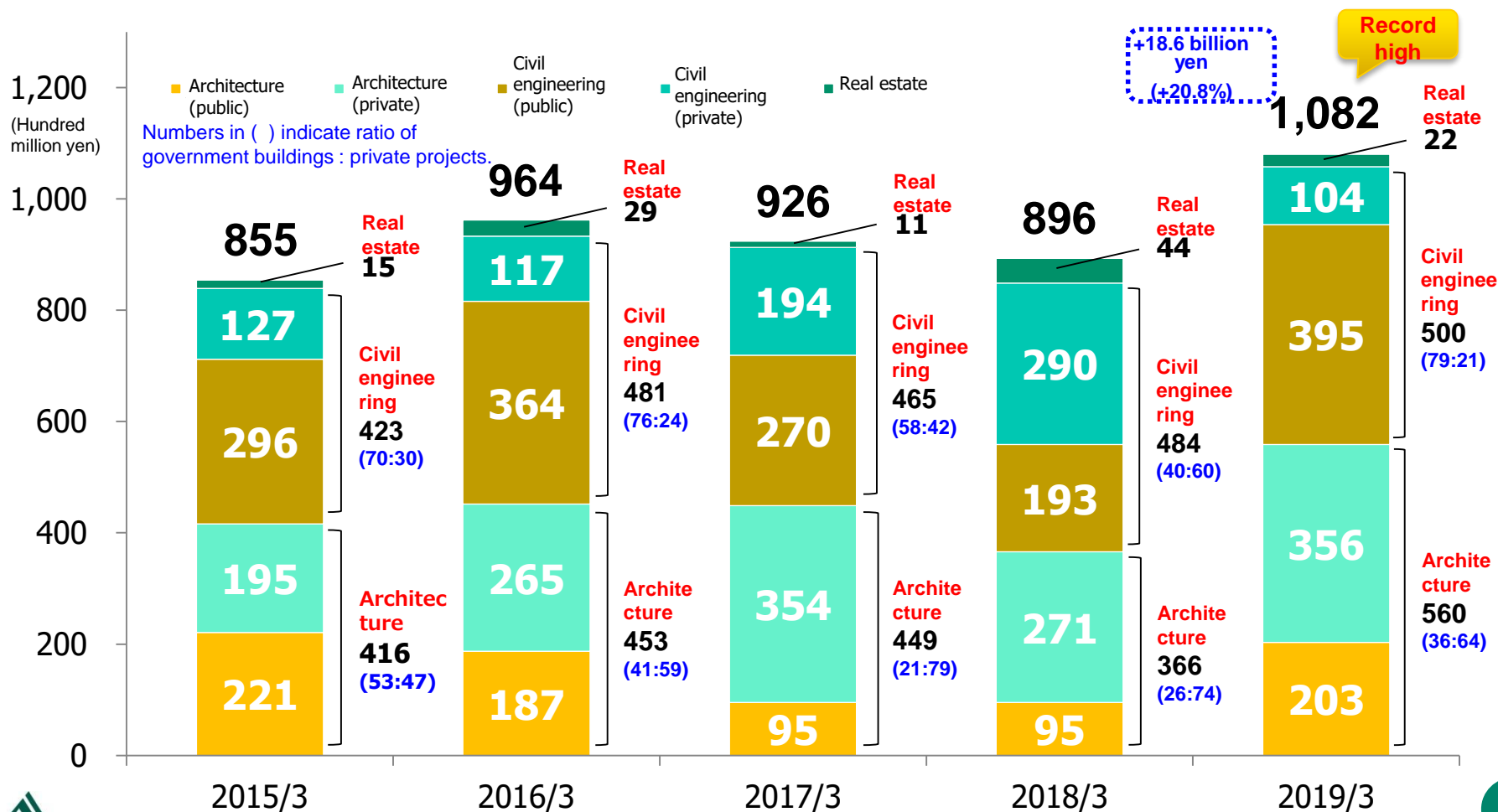
- Sales **increased for the seventh consecutive fiscal year**. Operating profit **decreased** year-on-year due to lower gross profit margin resulting from less highly profitable projects in architecture, poor sales of our condominiums, rising general and administrative costs from improvements to working conditions and larger numbers of staff, and other factors. Ordinary profit **increased** year-on-year due to increased dividend income.



Orders received (non-consolidated)

(Rounded down to the nearest hundred million yen)

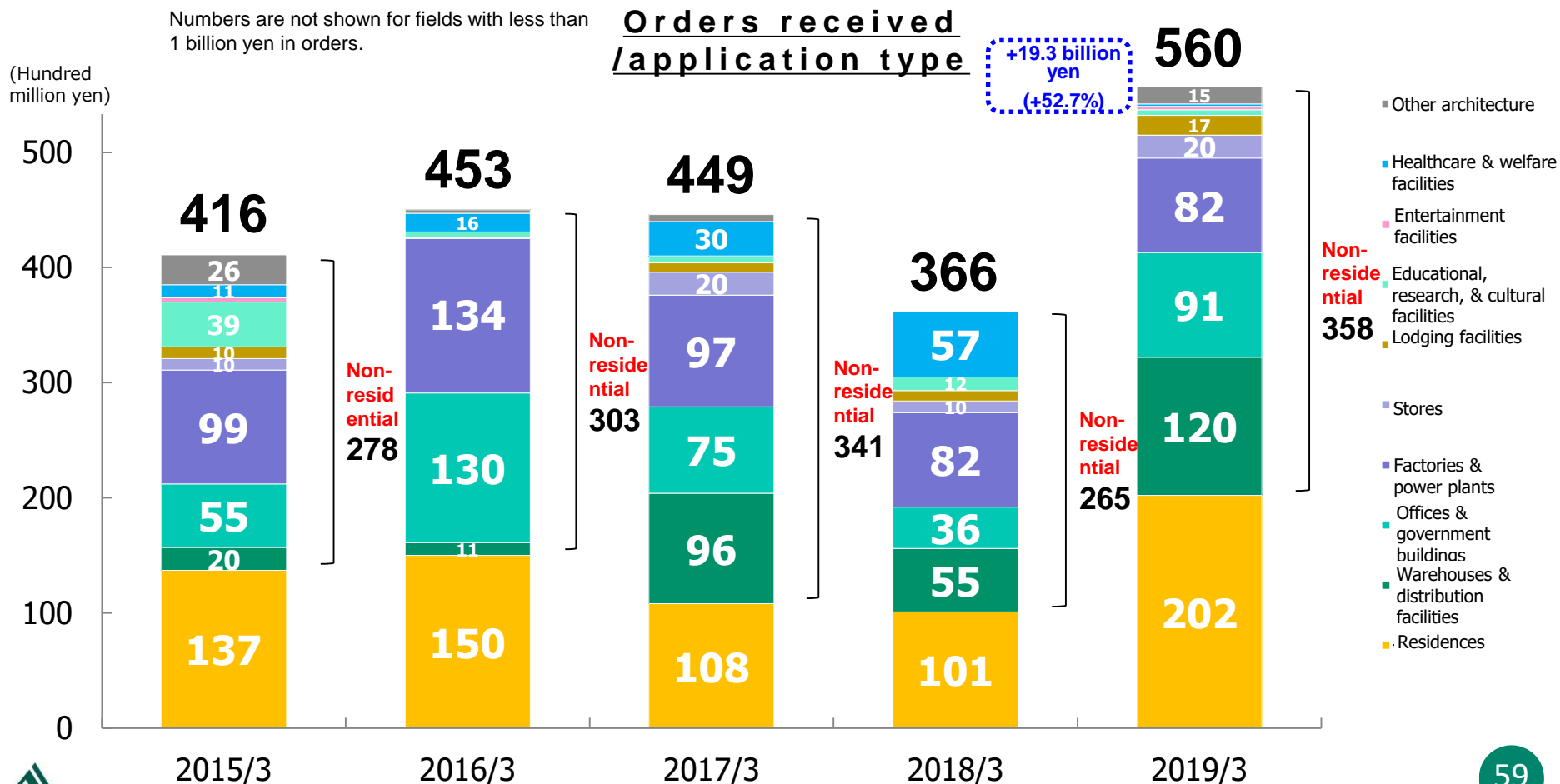
- Orders in architecture overall **increased by 19.3 billion yen (+52.7%)** year-on-year due to **increases** for both public and private sector projects. Private sector orders in civil engineering **decreased** due to fallback to normal levels after orders received the previous fiscal year for major renewable energy-related projects, but public sector orders **increased** with both national and local agencies, and civil engineering overall thus experienced a year-on-year **increase in orders of 1.5 billion yen (+3.2%)**. Overall, orders **increased 18.6 billion yen (+20.8%)** year-on-year, **setting a new record high**.



Orders received in architecture (non-consolidated)

(Rounded down to the nearest hundred million yen)

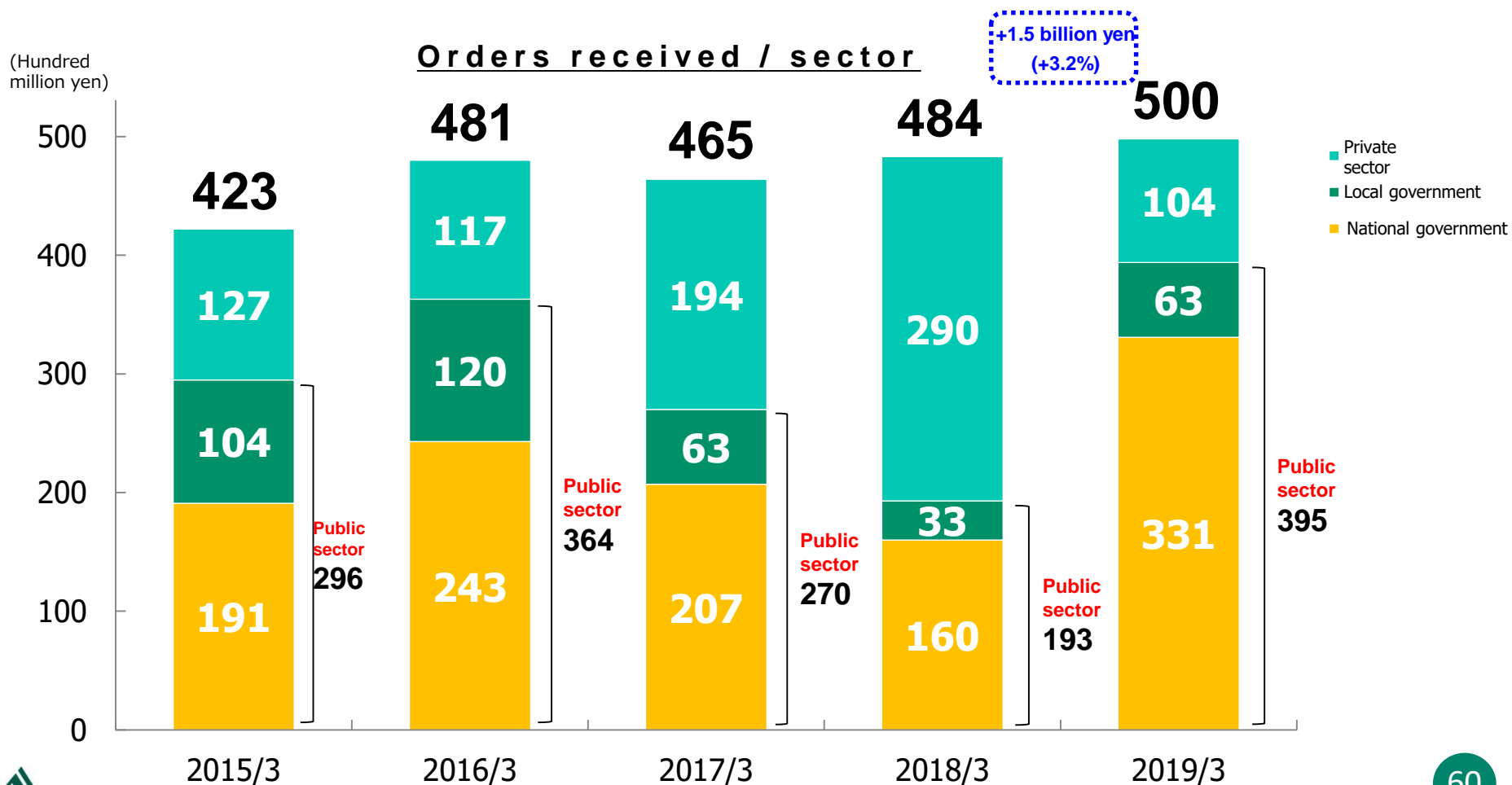
- Orders **increased** in non-residential due to increases in orders for warehouses and distribution facilities and for orders such as government buildings. Orders in residential **increased** due to increases in orders for government-owned housing (including PFI), private condominiums, etc. Overall, orders received in architecture **increased by 19.3 billion yen (+52.7%)** year-on-year.



Orders received in civil engineering (non-consolidated)

(Rounded down to the nearest hundred million yen)

- Orders in the private sector **decreased** due to fallback to normal levels after orders received the previous fiscal year for major renewable energy-related works, but orders from the public sector **increased** due to more orders received from national agencies for railroads and roads (tunnels, bridge supports, etc.). Overall, orders received in civil engineering **increased by 1.5 billion yen (+3.2%)** year-on-year, **setting a new record high**.



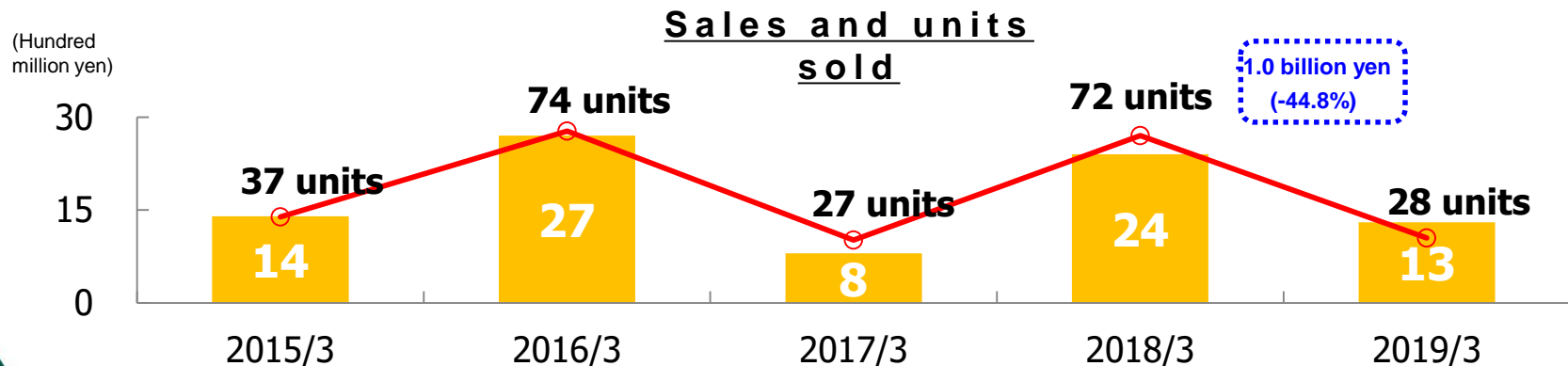
Real estate sales (non-consolidated)

(Rounded down to the nearest hundred million yen)

- The **ABDS (pronounced "Abidas")** business to support everything from land acquisition to planning & design, construction, sales, and after-sales service **for our condominiums** was launched in FY2012. The Tissage brand also began sales in 2018.

Condo complexes available for sale (as of the end of May 2019)

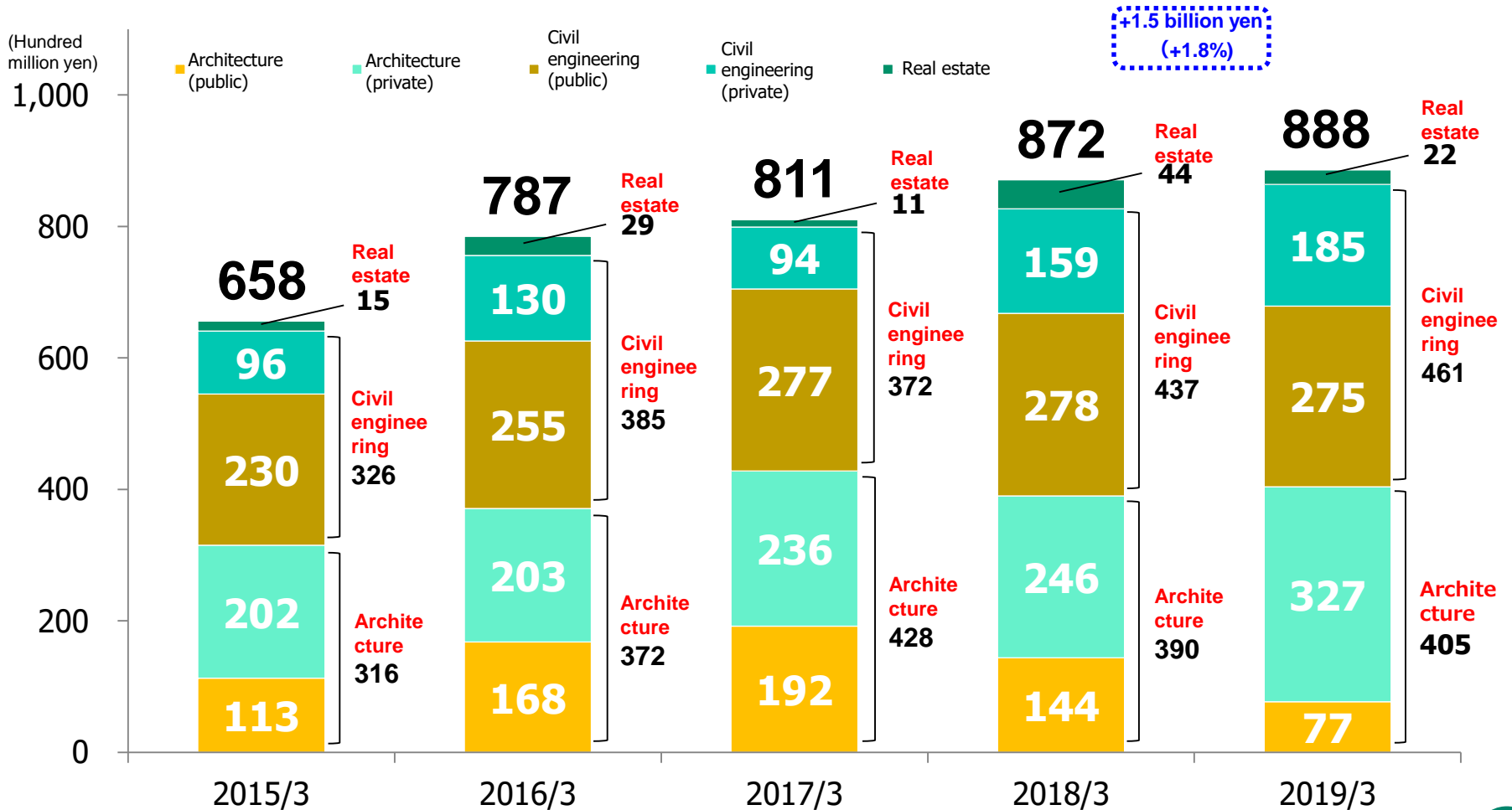
Name of complex	Location	Total units
ABDS Nishikokubunji	Kokubunji City, Tokyo	27
Tissage Ogikubo	Suginami-Ku, Tokyo	37



Sales (non-consolidated)

(Rounded down to the nearest hundred million yen)

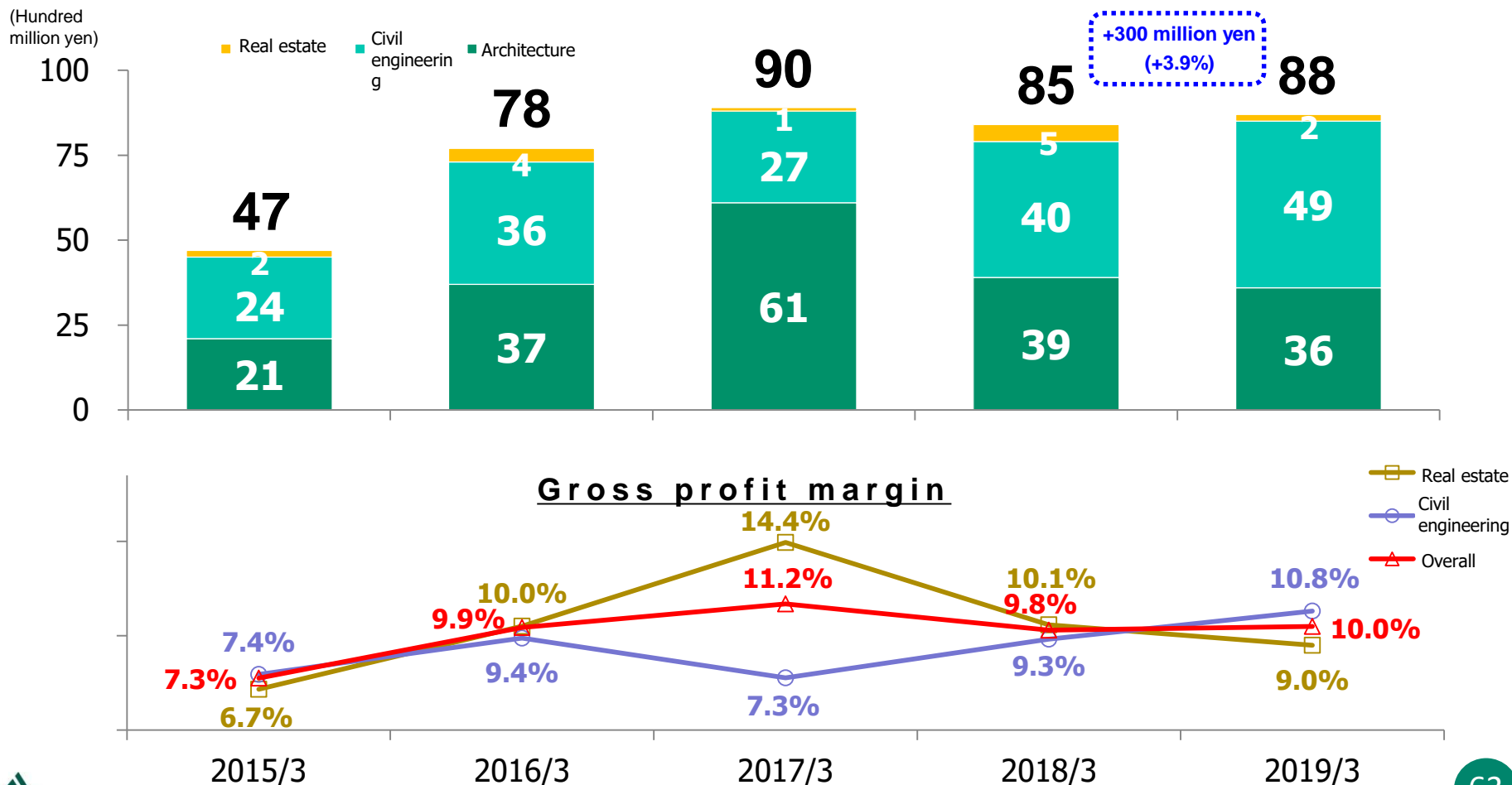
- Sales **increased** as current projects progressed smoothly in both architecture and civil engineering. Overall, sales **increased by 1.5 billion yen (+1.8%)**, which was the **seventh consecutive year** of increases.



Gross profit (non-consolidated)

(Rounded down to the nearest hundred million yen)

- Gross profit **decreased** in architecture due to lower profit margins resulting from a decrease in highly profitable projects, but **increased** in civil engineering due to increased sales and better profit margins resulting from progress in highly profitable projects. Overall gross profit **increased by 300 million yen (+3.9%)** year-on-year.



Major projects completed (architectural works)



New building construction for the Nozomino Complex (tentative name)
(Sakibana Hospital)



New building construction for the Kesenuma government office complex
(Miyagi Prefecture)



Design and construction of the new Sugakawa Region waste treatment facility
(Sugakawa Region Health and Environment Association)



New building construction for Maruai Head Office and Kanno Store (tentative name)
(Maruai Inc.)

Major projects completed (civil engineering works)



Civil engineering land development for SGET Usa Mega Solar Power Station (Hitachi Ltd.)



East road construction for the Hiromi District of Tokai-Kanjo in FY 2015 (Chubu Regional Development Bureau)



Takano Numakawa town road (tentative name: Takagi Tunnel) road improvement project (Minabe, Wakayama Prefecture)



Mutsugaura Fishing Port seaside disaster recovery construction (Iwate Prefecture)

FY Mar. 2020 Business Plan

Overall performance

(Rounded down to the nearest hundred million yen)

- Orders received are forecasted to **decrease** on both a consolidated and non-consolidated basis as the completion of current projects is prioritized.
- Sales are forecast to **increase (revenue increase)** on a consolidated and non-consolidated basis due to progress in current projects, efficient operations, and other factors.
- Profits are forecast to **increase (profit increase)** on both a consolidated and non-consolidated basis due to improved gross profit margin and increased sales.

	Consolidated					Non-consolidated				
	2019/3	2020/3				2019/3	2020/3			
	Actual	Mid term plan	Forecast	% change year-on-year	% differential from mid term plan	Actual	Mid term plan	Forecast	% change year-on-year	% differential from mid term plan
Orders received	1,696 Hundred million yen	1,610 Hundred million yen	1,610 Hundred million yen	(5.1) %	— %	1,082 Hundred million yen	960 Hundred million yen	960 Hundred million yen	(11.3) %	— %
Sales	1,524 Hundred million yen	1,550 Hundred million yen	1,550 Hundred million yen	+1.7 %	— %	888 Hundred million yen	920 Hundred million yen	920 Hundred million yen	+3.5 %	— %
Operating profit	67 Hundred million yen	72 Hundred million yen	72 Hundred million yen	+7.4 %	— %	36 Hundred million yen	40 Hundred million yen	40 Hundred million yen	+9.2 %	— %
Operating profit margin	4.4 %	4.6 %	4.6 %	+0.2 pt	— %	4.1 %	4.3 %	4.3 %	+0.2 pt	— %
Ordinary profit	66 Hundred million yen	72 Hundred million yen	72 Hundred million yen	+8.3 %	— %	52 Hundred million yen	52 Hundred million yen	52 Hundred million yen	(0.6) %	— %
Net profit for the fiscal year	40 Hundred million yen	48 Hundred million yen	48 Hundred million yen	+17.3 %	— %	38 Hundred million yen	39 Hundred million yen	39 Hundred million yen	+0.4 %	— %

Performance forecast by segment (consolidated)

(Rounded down to the nearest hundred million yen)

(Hundred million yen)

	2019/3 Actual	2020/3	
		Forecast	% change year-on-year
Orders received	169,601	161,000	(5.1%)
Architecture	58,099	50,500	(13.1%)
Civil engineering	109,303	110,500	+1.1%
Real estate	2,198	—	(100.0%)
Sales	152,452	155,000	+1.7%
Architecture	42,784	47,000	+9.9%
Civil engineering	107,469	108,000	+0.5%
Real estate	2,198	—	(100.0%)
Gross profit	16,048	17,000	+5.9%
	*10.5%	*11.0%	*+0.4pt
Architecture	3,990	4,800	+20.3%
	*9.3%	*10.2%	*+0.9pt
Civil engineering	11,840	12,200	+3.0%
	*11.0%	*11.3%	*+0.3pt
Real estate	217	—	(100.0%)
	*9.9%	*—%	* (9.9pt)

Performance forecast by segment (non-consolidated)

(Rounded down to the nearest hundred million yen)

(Hundred million yen)

	2019/3 Actual	2020/3	
		Forecast	% change year-on-year
Orders received	108,278	96,000	(11.3%)
Architecture	56,023	48,000	(14.3%)
Civil engineering	50,039	48,000	(4.1%)
Real estate	2,215	—	(100.0%)
Sales	88,866	92,000	+3.5%
Architecture	40,549	45,000	+11.0%
Civil engineering	46,102	47,000	+1.9%
Real estate	2,215	—	(100.0%)
Gross profit	8,875	9,400	+5.9%
	*10.0%	*10.2%	*+0.2pt
Architecture	3,649	4,500	+23.3%
	*9.0%	*10.0%	*+1.0pt.
Civil engineering	4,981	4,900	(1.6%)
	*10.8%	*10.4%	*(0.4pt)
Real estate	245	—	(100.0%)
	*11.1%	* —%	*(11.1pt)

Business indexes

	2015/3 Actual	2016/3 Actual	2017/3 Actual	2018/3 Actual	2019/3 Actual	2020/3 Forecast
Dividend per share	15.0 yen	18.0 yen	20.0 yen	22.0 yen	24.0 yen	24.0 yen
Payout ratio (consolidated)	31.9 %	26.2 %	27.7 %	22.9 %	32.3 %	27.3 %
ROE (consolidated)	5.1 %	6.8 %	6.8 %	8.4 %	6.2 %	6.0 % range
Operating profit margin (consolidated)	2.9 %	4.2 %	5.4 %	5.0 %	4.4 %	4.6 %
Capital adequacy ratio (consolidated)	56.4 %	60.0 %	56.8 %	60.0 %	61.1 %	60.0 % range
Number of employees (consolidated)	1,605	1,665	1,714	1,751	1,822	just above 1,800

■ Basic policy on profit sharing

We consider shareholder returns to be a key management issue. Our policy is to strive to **improve shareholders' equity needed** in order to bolster our financial standing, while maintaining a **stable dividend** and providing **returns from our profits according to our business performance**.

Mid Term Plan

- Adapt to our surroundings and aim for sustainable growth -

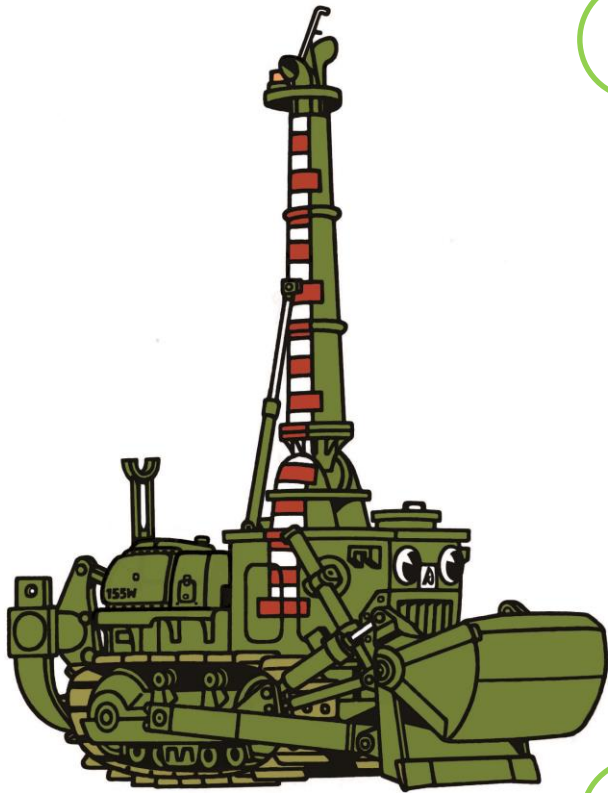
Mid Term Plan

May 2019



青木あすなる建設

Contents



スイブルくん ©こもりまこと

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- 2 Recognizing our surroundings and key points going forward
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1. Roundup of the previous mid term plan

■ Achievements and challenges in the previous mid term plan

(1) Orders received, sales

Orders were received in well-balanced fashion between base projects such as railroads and roads, renewable energy projects such as mega solar facilities, non-residential projects such as large distribution facilities and government buildings, and Private Finance Initiative projects. Challenges were expanding earthquake-resistance business and sales strategy for our condominiums.

(2) Operating profit

Consolidated operating profit reached a new record high in FY2017 but it decreased in FY2018 due to a decline in gross profit margin from fewer highly profitable projects in our architecture department, poor sales of our condominiums resulting from a slump in the apartment/condominium market, rising general and administrative costs due to improved working conditions and increased numbers of staff, and effects from low-profitability projects at group companies.

■ Consolidated performance by fiscal year

	2018/3 Mid term plan	2018/3 Actual	% difference from plan	2019/3 Mid term plan	2019/3 Actual	% difference from plan
Orders received	1,540 hundred million yen	1,486 hundred million yen	(3.5) %	1,600 hundred million yen	1,696 hundred million yen	+6.0 %
Sales	1,500 hundred million yen	1,534 hundred million yen	+2.3 %	1,560 hundred million yen	1,524 hundred million yen	(2.3) %
Operating profit	70 hundred million yen	76 hundred million yen	+9.5 %	77 hundred million yen	67 hundred million yen	(13.0) %
Operating profit margin	4.7 %	5.0 %	+0.3 pt	4.9 %	4.4 %	(0.5) %

2. Recognizing our surroundings and key points going forward

Recognizing our surroundings

Positive factors

- Investments for building infrastructure are continuing for now
- More social infrastructure updates
- Promoting “National Resilience” measures
- Growth of the renovations market
- Technological innovations such as AI and robots

- Less new construction projects
- Less construction workers
- Less households overall
- Economic contraction from declining population
- Post-Olympic economic uncertainty

Negative factors

Key points

Positive factors

- Our own proprietary technology for disaster prevention and mitigation construction
 - Extensive track record in renewable energy-related construction
 - Industry-academia collaborative joint research
- Our performance in public sector construction where we have competitive advantage

- i-Construction must progress quickly
- On-site engineers still stretched too thin
- Productivity improvement is absolutely essential
- Work style improvement initiatives are essential

Negative factors

3. Basic policy & basic strategy, keywords


Basic policy

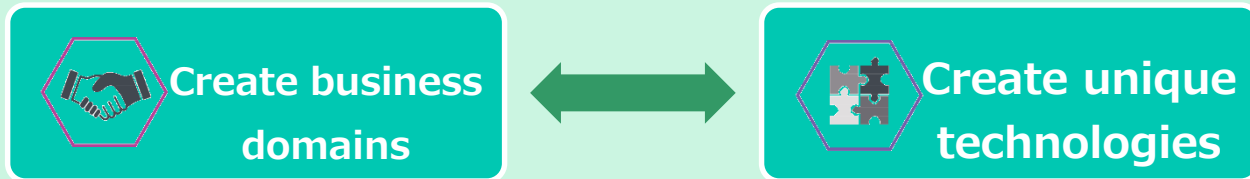
- **Outside-the-box thinking and strong fundamentals – Adapt to our surroundings and aim for sustainable growth**

Basic strategy

- ❑ **Further bolster efforts toward renovation-related projects**
- ❑ **Get more projects and expand in private non-residential and private civil engineering**
- ❑ **Develop the next new business after ABDS**
- ❑ **Advance into new business (contract) categories (PFI, EPC, etc.)**

3. Basic policy & basic strategy, keywords


 Adapt to our surroundings and aim for sustainable growth



Creation



 Create work styles

 Outside-the-box thinking and strong fundamentals

4. Priority measures and initiatives to improve productivity

- ❑ Bolster efforts in transportation infrastructure
- ❑ Enter the market in earthquake-resistance, and in public facilities management utilizing Public Private Partnership and Private Finance Initiative business
- ❑ Bolster efforts in construction, including replacements, for wind power generation, micro-hydroelectric power generation, and mega solar
- ❑ Develop and bolster business that utilizes real estate
- ❑ Achieve at least an 80% rate of 8 days of facilities not in operation every four weeks, and 100% rate of 8 days off every four weeks for individuals

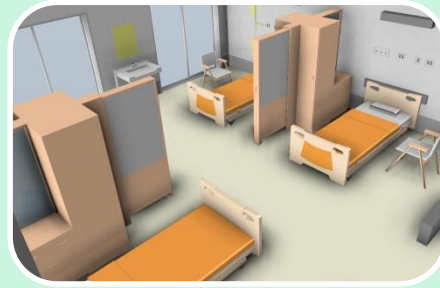
- ❑ Improve productivity by embracing and actively implementing ICT, BIM, CIM, and AI technologies
- ❑ Boost cost competitiveness through collaborative and cooperative efforts with partner companies
- ❑ Pursue thorough compliance and strengthen corporate governance
- ❑ Bolster efforts that take ESG, SDGs, and capital cost into consideration

5. Strategies to enhance business capabilities

Construction business



PFI business in Yokosuka



Using BIM model data for construction
(VR model room)

- ❑ Enhance precision and productivity in construction by expanding our use of BIM and CIM
- ❑ Boost productivity through AI, ICT, work done by robots, etc.
- ❑ Strengthen relationships with partner companies by employing the MEISTER System, etc.
- ❑ Advance into new business (contract) categories such as PFI and EPC

Other



And Hostel Kanda

- ❑ Working through ABDS to secure land sites near stations in Tokyo, etc.
- ❑ Working on real estate renovation projects such as hostels

6. Business strategies of group companies

Mirai Construction



- ❑ Engage in “National Resilience” and maintenance and repair, bolster technological capability
- ❑ Embrace business use of i-Construction
- ❑ Bolster efforts toward new offshore energy

Toko Geotech



- ❑ Develop next generation construction methods that the market desires
- ❑ Build community-based sales systems
- ❑ Add more automation, mechanization, and use of robots in construction work

Other group companies

Aoki Marine

- ❑ Ensure the vessels they own are in operation to ensure profitability

Asunaro Road

- ❑ Utilize ICT technologies and improve productivity

M's

- ❑ Boost proposal capabilities in conversion business

Niigata Mirai

- ❑ Boost construction capabilities in civil engineering projects

Shimada Gumi

- ❑ Strengthen business base in Kanto and Kyushu

7. ESG and work style improvement initiatives

ESG & SDGs



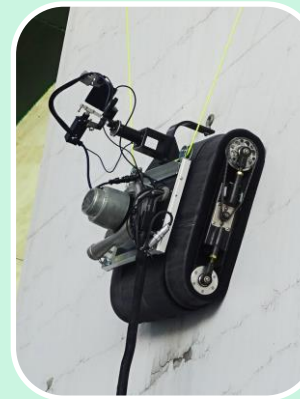
Renewable energy-related construction projects



Hands-on learning for children during summer vacation

- ❑ **Measures to counter global warming: Bolster efforts toward renewable energy-related construction projects, etc.**
- ❑ **Social contributions: Facility tours and hands-on learning with construction technology for preschool and school age children, etc.**
- ❑ **Governance: Improve the effectiveness of the Board of Directors and strengthen governance, etc.**

Work Style Improvements



Developing wall-climbing robots



Safety patrols by female employees

- ❑ **Improve productivity through the use of ICT, AI, unitization, robot construction, etc.**
- ❑ **Achieve at least an 80% rate of 8 days of facilities not in operation every four weeks, and 100% rate of 8 days off every four weeks for individuals by March 2022**
- ❑ **Designate Wednesday and Friday every week as “No Overtime Work Days”**
- ❑ **Promote the advancement of women**

8. Business goals (numerical targets)

	Non-consolidated		Consolidated	
	2020/3	2022/3	2020/3	2022/3
Orders received	960 Hundred million yen	1,020 Hundred million yen	1,610 Hundred million yen	1,700 Hundred million yen
Sales	920 Hundred million yen	950 Hundred million yen	1,550 Hundred million yen	1,600 Hundred million yen
Operating profit	40 Hundred million yen	45 Hundred million yen	72 Hundred million yen	80 Hundred million yen
Operating profit margin	4.3 %	4.7 %	4.6 %	5.0 %
Ordinary profit	52 Hundred million yen	57 Hundred million yen	72 Hundred million yen	80 Hundred million yen
Net profit for the fiscal year	39 Hundred million yen	42 Hundred million yen	48 Hundred million yen	50 Hundred million yen
Sales by segment	<p>Civil engineering 47 billion yen Architecture 45 billion yen</p>	<p>Civil engineering 47.5 billion yen Architecture 45 billion yen Real estate 2.5 billion yen</p>	<p>Civil engineering 108 billion yen Architecture 47 billion yen</p>	<p>Civil engineering 110 billion yen Architecture 47.5 billion yen Real estate 2.5 billion yen</p>

Consolidated net profit for the fiscal year indicates net profit attributable to owners of the parent.

9. Capital Policy

■ Basic policy on profit sharing

We consider shareholder returns to be a key management issue. Our policy is to strive to **improve shareholders' equity needed** to bolster our financial standing, while maintaining a **stable dividend** and providing **returns from our profits according to our business performance**.

■ Dividend by year

	2016/3 Actual	2017/3 Actual	2018/3 Actual	2019/3 Actual	2020/3 Forecast
Dividend per share	18 yen	20 yen	22 yen	24 yen	24 yen
Payout ratio (non-consolidated)	33.3 %	32.2 %	35.5 %	34.0 %	33.6 %
Payout ratio (consolidated)	26.2 %	27.7 %	22.9 %	32.3 %	27.3 %