

Results for Q1, FY March 2019

Takamatsu Construction Group Co.,Ltd.

Securities Code :1762

August 8, 2018

Forward-looking statements in this material is based on the information available to management at the time this report was prepared. Actual results may differ significantly from this statement for number of reasons. In addition, this document is prepared as an information providing material to be used as a reference for investment decisions, and is not intended to ask nor to request to purchase / sell our shares.

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

Environment Recognition

*Same with Mid Term Plan disclosure of May 2017 except for portions in **RED**. Same with disclosure of May 2018.*

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, which is our final year of Mid-Term Plan. 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 Towards FY Mar. 2020

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. We will create management basis that enables realization of both of the above.

Results for Q1, FY 2019 March (Consolidated)

1. Orders: $\Delta 2.5\%$ vs last year.
2. Revenue: $+3.1\%$ vs last year. Grew 7 consecutive years, record high for 6 consecutive years as Q1.
3. Income: GP of Asunaro Aoki (unconsolidated) decreased due to last year's numerous completion of profitable architectures.
Operating income decreased by 55.0% vs last year due to increased SG&A of both Groups.
Ordinary income decreased by 54.1% vs last year as well as 56.1% decrease of Net earnings.

Item (In Billion JPY)	FY2018/Mar Q1	FY2019/Mar Q1	+/- (%)
Orders	69.3	67.5	$\Delta 2.5\%$
Revenue	52.5	 54.1	$+3.1\%$
Gross Profit (% vs Revenue)	6.5 (12.5%)	6.3 (11.8%)	$\Delta 2.7\%$
Operating Income (% vs Revenue)	1.9 (3.8%)	0.8 (1.7%)	$\Delta 55.0\%$
Ordinary Income (% vs Revenue)	2.0 (3.8%)	0.9 (1.7%)	$\Delta 54.1\%$
Net earnings attributable to controlling interest (% vs Revenue)	1.0 (2.0%)	0.4 (0.9%)	$\Delta 56.1\%$

By-Segment·By-Group Split (Consolidated)

- Orders decreased by 2.5% to 67.5BJPY. Architecture grew significantly vs last year due to strong Takamatsu Gr., but civil engineering decreased significantly.
- Revenue increased 3.1% to 54.1BJPY, Takamatsu Gr. Flat vs last year. Aoki Asunaro Gr. grew in civil engineering but decreased in architecture.
- Operating income decreased by 55.0% to 0.8BJPY. Asunaro Aoki Gr. Dropped by 0.8BJPY.

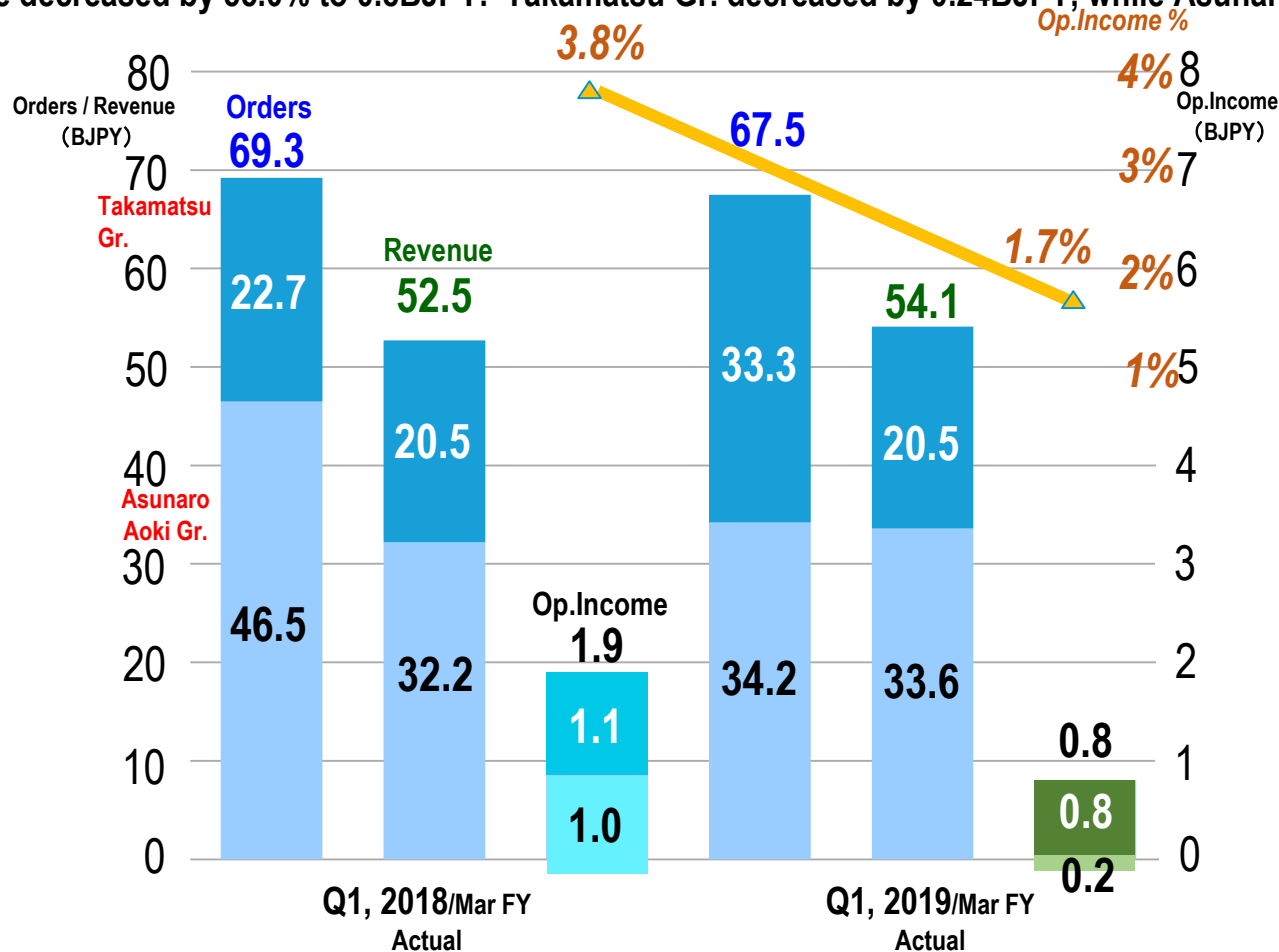
(Architecture -0.6BJPY, Civil engineering +0.0BJPY, others -0.2BJPY).

Takamatsu Construction Group				Orders	Revenue	Op.Income
				18/6	18/6	18/6
				(17/6)	(17/6)	(17/6)
				21.6	26.7	0.7
				(37.2)	(22.2)	(0.7)
				△41.9%	+20.3%	+2.6%
				41.9	23.4	0.8
				(28.8)	(27.1)	(1.7)
				+45.3%	△13.5%	△51.1%
				4.0	4.0	0.1
				(3.2)	(3.2)	(0.1)
				+23.3%	+23.3%	△1.7%
				67.5		
				(69.3)		
				△2.5%		
				34.2		
				(46.5)		
				△26.4%		
				33.6		
				(32.2)		
				+4.5%		
				54.1		
				(52.5)		
				+3.1%		
				0.8		
				(1.9)		
				△55.0%		

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

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

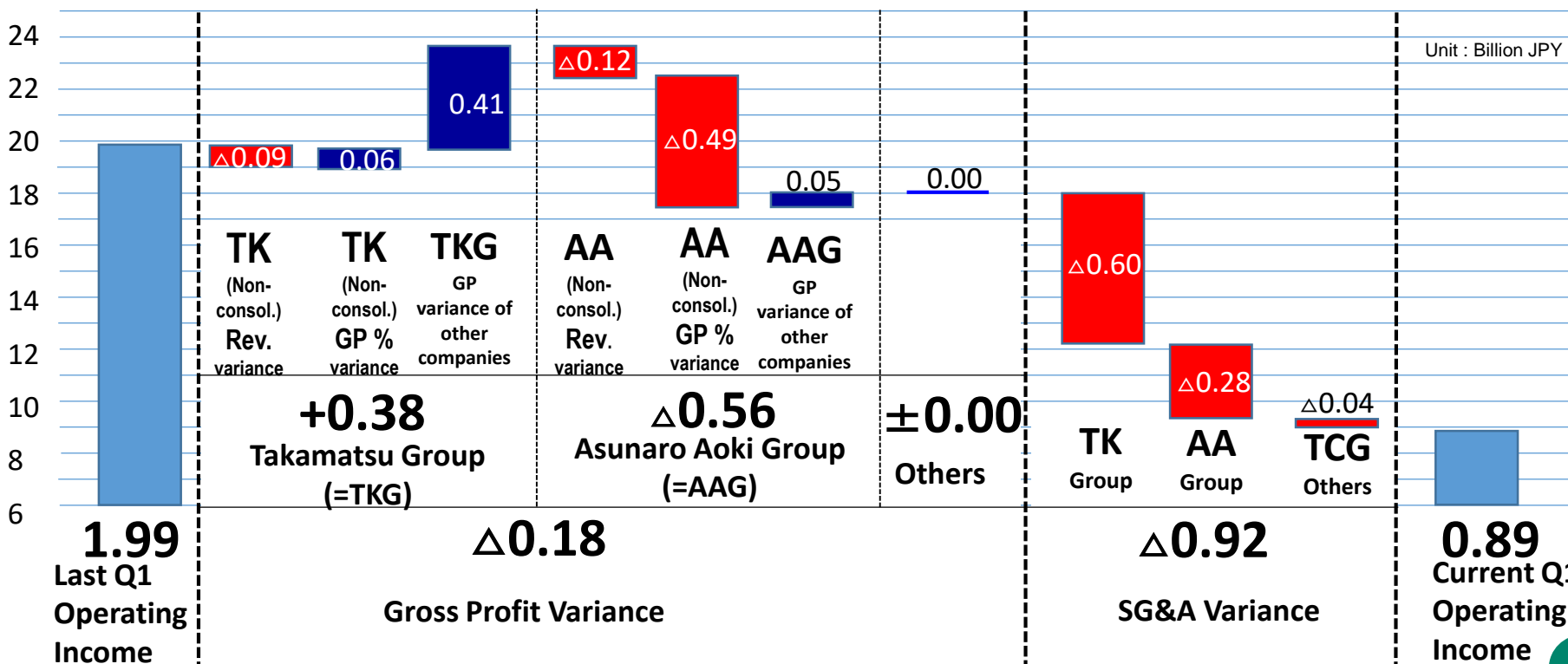
1. Orders decreased by 2.5% to 67.5BJPY. Takamatsu Gr. Remained strong and grew significantly. Asunaro Aoki Gr.'s civil engineering dropped significantly.
2. Revenue increased 3.1% to 54.1BJPY. Takamatsu Gr. Stayed flat vs last year, while Asunaro Aoki Gr. Grew to 33.6BJPY due to growth of civil engineering exceeding decrease of architecture.
3. Operating income decreased by 55.0% to 0.8BJPY. Takamatsu Gr. decreased by 0.24BJPY, while Asunaro Aoki decreased by 0.84BJPY.



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

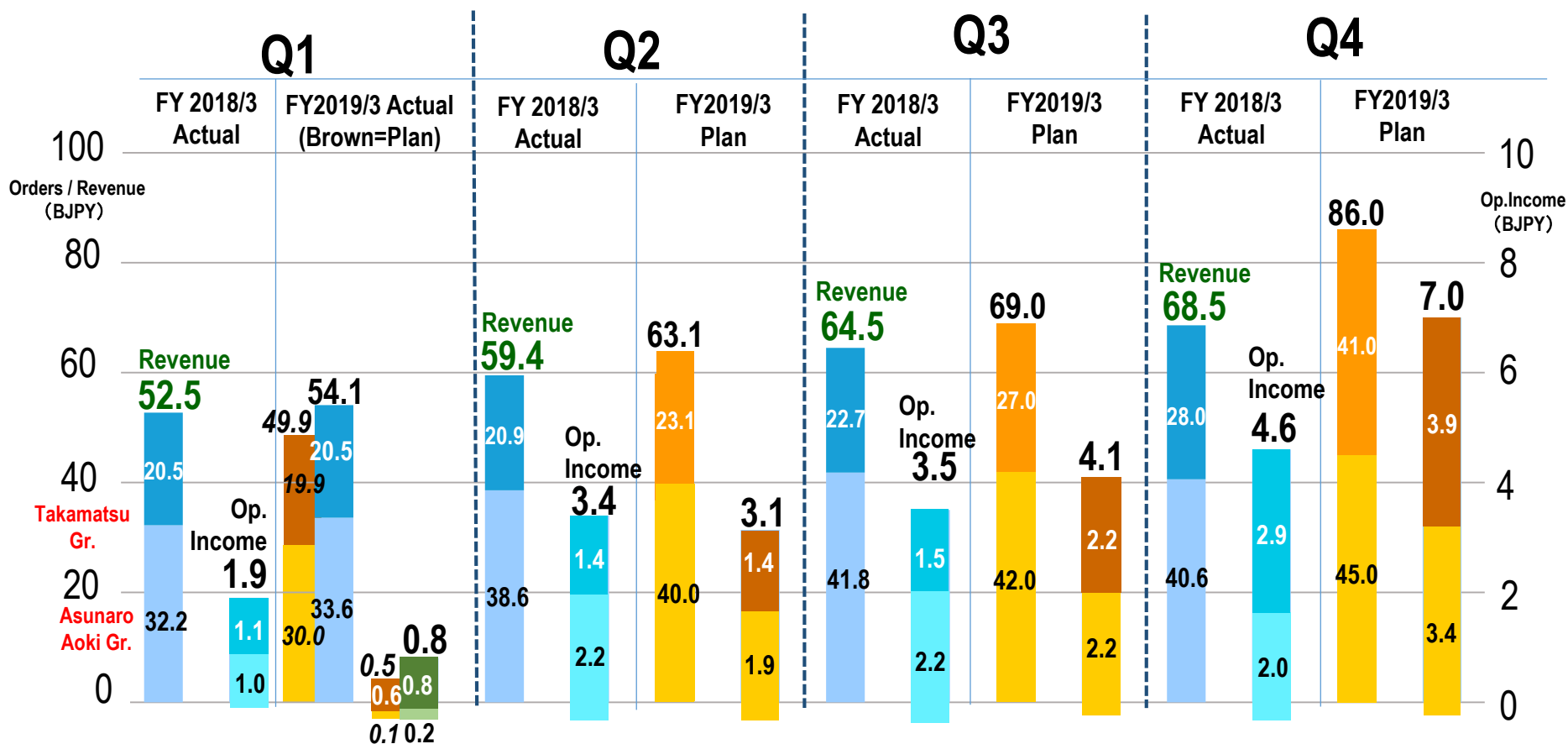
Explanation of Shortfall of Operating Income vs. Last Year (Consolidated)

1. Out of decrease of operating income from 1.99BJPY (last Q1) to 0.89BJPY (current Q1), -0.18BJPY is due to 2.7% decrease of GP, despite revenue growth of 3.1%.
2. Takamatsu Group's gross profit grew by 0.38BJPY vs last year.
Although Takamatsu Corp's gross profit % variance grew, its overall GP decreased slightly due to decrease of revenue.
3. Asunaro Aoki Group's gross profit fell by -0.56BJPY, within which Asunaro Aoki (non-consolidated) accounted for -0.61BJPY, due to backrush of last year's completion of profitable architectures.
4. The second (and the biggest) reason for the shortfall was increase of SG&A.
 - Out of TK Group's SG&A increase of 0.60BJPY, (1) 0.32BJPY is due to Mibu Corporation, our new member of the Group through M&A. (2) 0.25BJPY is due to increase of SG&A of Takamatsu Corp., out of which 0.24BJPY is personnel expense.
 - Out of AA Gr.'s SG&A increase of 0.28BJPY, 0.21BJPY is due to increase of Asunaro Aoki (non-consolidated), of which 0.19BJPY is personnel.



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

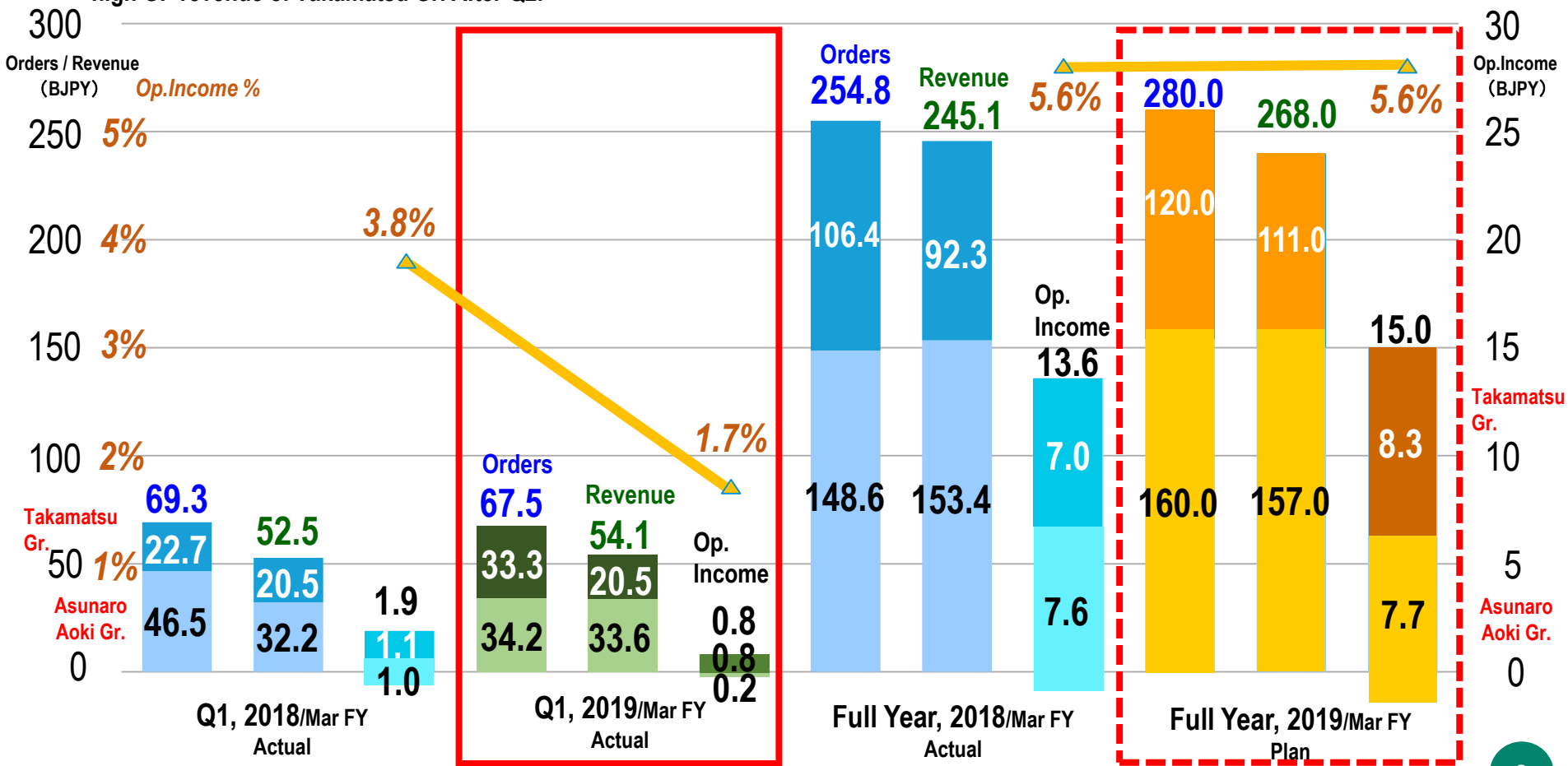
1. Although Q1 recorded lower profit figure vs last year, the Q1 profit figure was above plan.
2. Higher GP% figures are expected for Q2 and onwards, in addition to increased revenue.
Flat SG&A figures are estimated for Q2 and onwards in comparison to Q1.
3. After review of projects under progress, we will lower our Q2 Operating income forecast to 4.0BJPY due to delayed completion of Takamatsu Projects. However, we believe full year operating income of 15BJPY can be achieved.



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

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

- Concerning revenue, although Takamatsu Gr. Was expecting 20% growth vs last year, Q1 actual was flat vs last year.
 - Previous Q1 had numbers of projects carried forward to Q1 for completion.
 - Knowing previous Q1 was advantaged, current Q1 plan was flat vs last year.
 - However, annual plan expects revenue growth after Q2.
- Q1 revenue for Asunaro Aoki Gr. was also flat vs last year, however this is expected to continue throughout the year.
 - On the other hand, we expect GP% improvement of Asunaro Aoki Gr. after Q2.
- We believe annual order of 280BJPY, revenue of 268BJPY and operating income of 15BJPY can be achieved through accelerated high GP revenue of Takamatsu Gr. After Q2.

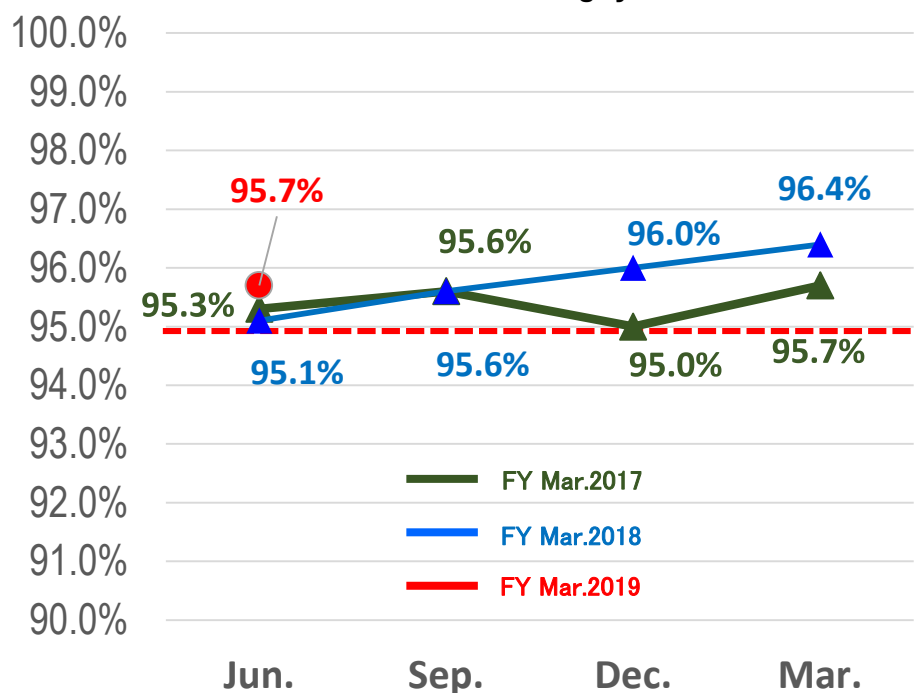


Unit : BJPY. Op.Income #s inside bars don't match with the total due to admin (TCG unconsolidated) costs.
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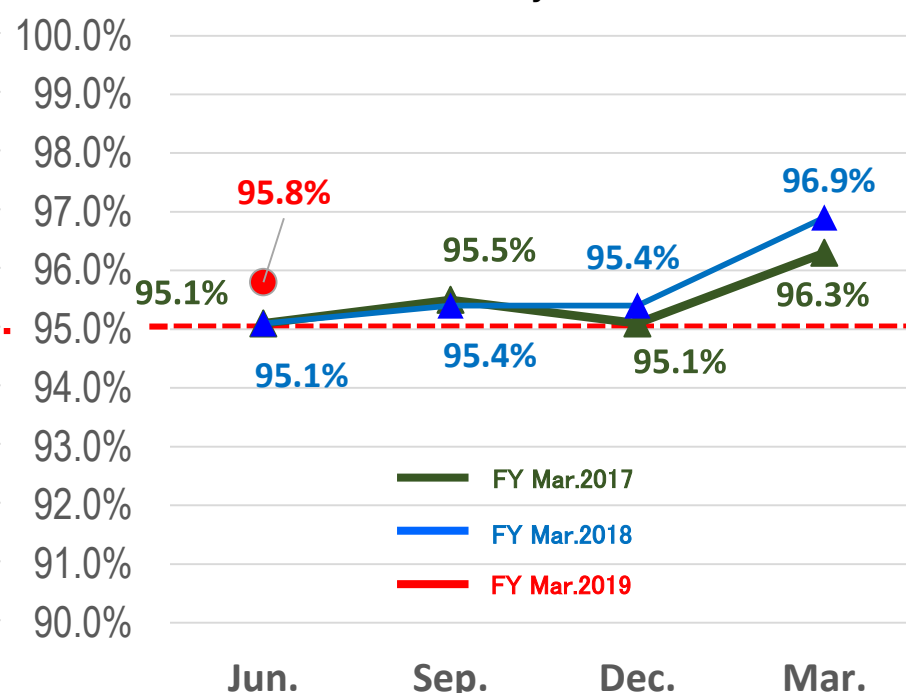
Occupancy Rate of Condominiums Built by Takamatsu Corp.

1. Occupancy rate is continuing to show above 95% for both Tokyo and Osaka+Nagoya for June 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 through aging, 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.

Osaka & 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)