

Results for FY March 2018 Outlook for FY March 2019

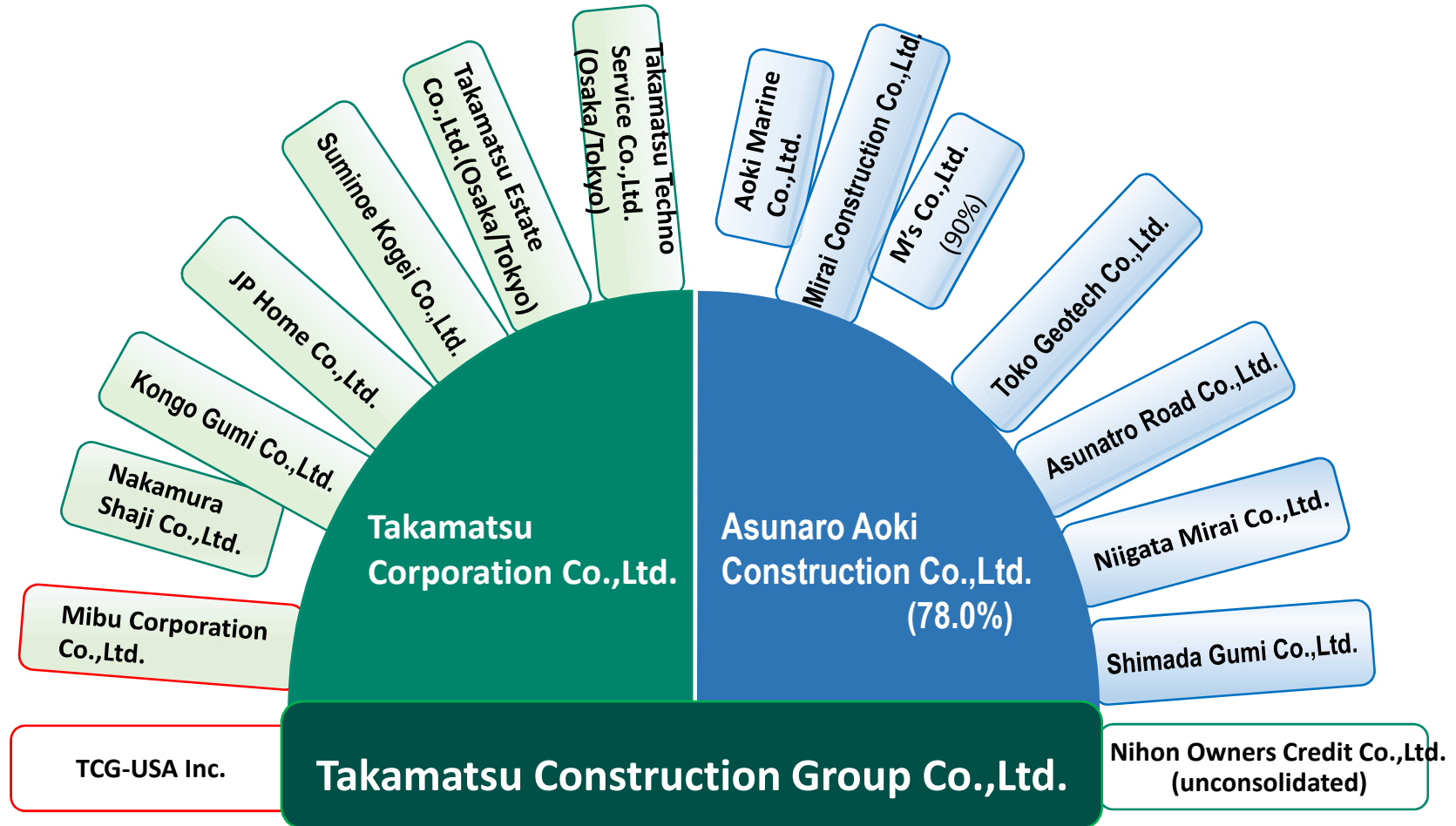
Takamatsu Construction Group Co.,Ltd.

Securities Code : 1762

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.

Takamatsu Construction Group

1. Mibu Corporation and TCG-USA have become our consolidated Group companies from FY March 2019.
2. “19 Group Companies” changed to “21 Group Companies”, comprised of “10 Takamatsu Group Companies”, “8 Asunaro Aoki Group Companies” and “a holding company and 2 other companies.



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

How Takamatsu Construction Group (TCG) Grew

* Number of Group companies and consolidated revenue as of March 31 of the year.

Grew through M&As

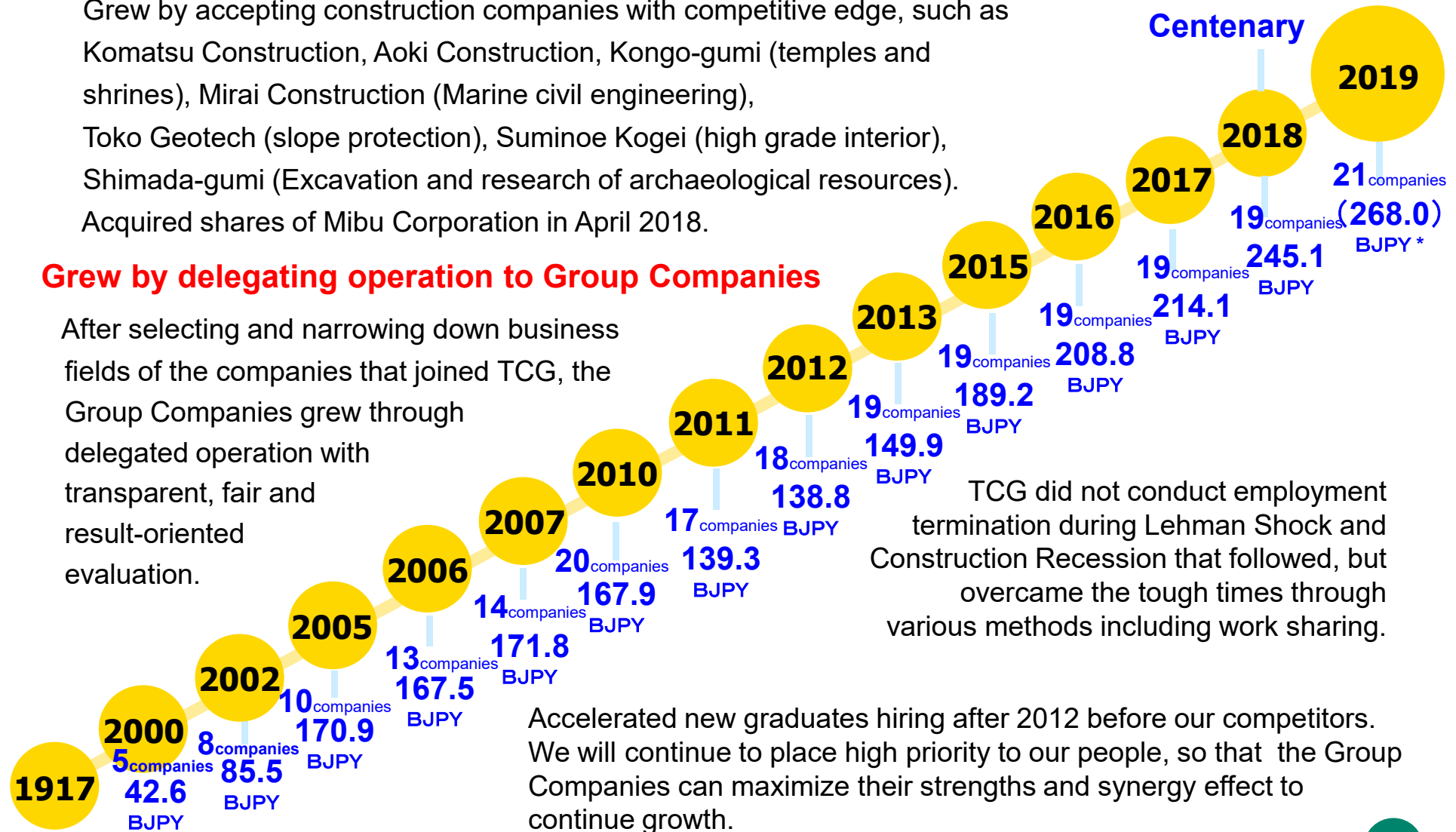
Grew by accepting construction companies with competitive edge, such as Komatsu Construction, Aoki Construction, Kongo-gumi (temples and shrines), Mirai Construction (Marine civil engineering), Toko Geotech (slope protection), Suminoe Kogei (high grade interior), Shimada-gumi (Excavation and research of archaeological resources).
Acquired shares of Mibu Corporation in April 2018.

Grew by delegating operation to Group Companies

After selecting and narrowing down business fields of the companies that joined TCG, the Group Companies grew through delegated operation with transparent, fair and result-oriented evaluation.

TCG did not conduct employment termination during Lehman Shock and Construction Recession that followed, but overcame the tough times through various methods including work sharing.

Accelerated new graduates hiring after 2012 before our competitors. We will continue to place high priority to our people, so that the Group Companies can maximize their strengths and synergy effect to continue growth.



Results for FY March 2018

Previous Records (Consolidated)

1. Orders : $\Delta 0.6\%$ vs last FY Revenue : Grew 6 consecutive years, record high for 4 consecutive years.
 2. Operating Income : Grew 5 consecutive years, record high for 3 consecutive years.
 3. Net earnings : $+20.6\%$ vs last FY
 4. Orders carries forward : 275.6BJPY, grew vs last FY

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

| Items | 2014/3FY | 2015/3FY | 2016/3FY | 2017/3FY | 2018/3FY | |
|----------------------------------|----------------|----------------|-----------------|-----------------|-----------------|--------------|
| | | | | | | %vs last FY |
| Orders | ↑ 193.8 | ↑ 225.6 | ↑ 237.7 | ↑ 256.4 | 254.8 | $\Delta 0.6$ |
| Revenue | ↑ 177.7 | ↑ 189.2 | ↑ 208.8 | ↑ 214.1 | ↑ 245.1 | 14.5 |
| Op. Income (%vs revenue) | ↑ 6.5 (3.7) | ↑ 7.1 (3.8) | ↑ 10.4 (5.0) | ↑ 12.9 (6.0) | ↑ 13.6 (5.6) | 5.4 |
| Non-op. gain/loss | 0.1 | 0.0 | 0.0 | $\Delta 0.0$ | 0.0 | - |
| Ordinary Income (%vs revenue) | ↑ 6.6 (3.8) | ↑ 7.2 (3.8) | ↑ 10.4 (5.0) | ↑ 12.9 (6.0) | ↑ 13.7 (5.6) | 6.0 |
| Extraordinary gain/loss | 2.2 | 2.0 | $\Delta 0.6$ | $\Delta 0.9$ | $\Delta 1.1$ | - |
| Net earnings (%vs revenue) | ↑ 6.1 (3.5) | ↑ 6.3 (3.4) | 5.7 (2.8) | ↑ 6.5 (3.1) | ↑ 7.9 (3.2) | 20.6 |
| Orders carries forward | 158.2 | 194.7 | 223.5 | 265.9 | 275.6 | 3.7 |

By-Segment・By-Group Split (Consolidated)

1. Orders: 254.8BJPY, $\Delta 0.6\%$ vs last FY. Civil engineering and architecture ↘, Real estate showed significant growth vs last FY.
2. Revenue: 245.1BJPY, 14.5% vs last FY. Civil engineering: $+18\%$, Asunaro Aoki Gr. Showed good results. Architecture: $+7\%$, Takamatsu Gr. Showed good results.
3. Operating Income: $+5.4\%$ vs last FY. Civil engineering $+35\%$ vs last FY due to revenue increase, while architecture decreased due to highly profitable items of the last FY.

| Takamatsu Construction Group | | | | Orders | Revenue | Op.Income |
|------------------------------------------------------------------------------------------------|--|--|--|--------------|----------------|---------------|
| | | | | 18/3 | 18/3 | 18/3 |
| | | | | (17/3) | (17/3) | (17/3) |
| | | | | 107.4 | 108.7 | 6.8 |
| | | | | (112.7) | (92.1) | (5.0) |
| | | | | $\Delta 5\%$ | $+18\%$ | $+35\%$ |
| | | | | 128.4 | 117.3 | 8.5 |
| | | | | (131.5) | (109.8) | (10.4) |
| | | | | $\Delta 2\%$ | $+7\%$ | $\Delta 18\%$ |
| | | | | 18.9 | 18.9 | 1.3 |
| | | | | (12.1) | (12.1) | (0.7) |
| | | | | $+56\%$ | $+56\%$ | $+80\%$ |
| Orders 18/3 106.4 $+11\%$ (17/3) (96.0) | | | | 254.8 | $\Delta 0.6\%$ | |
| Revenue 18/3 92.3 $+21\%$ (17/3) (76.3) | | | | 245.1 | $+14.5\%$ | |
| Op.Income 18/3 7.0 $+13\%$ (17/3) (6.2) | | | | 13.6 | $+5.4\%$ | |
| | | | | (12.9) | | |

4. Sum of Takamatsu Corp., Asunaro Aoki, Mirai Construction and Toko Geotech occupy 88%, 87% and 93% of orders, revenue and operating profit of the Group, respectively.

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

【Orders】 254.8BJPY, $\Delta 0.6\%$ vs last FY. In line with $\Delta 0.5\%$ of 96 major companies of construction industry.

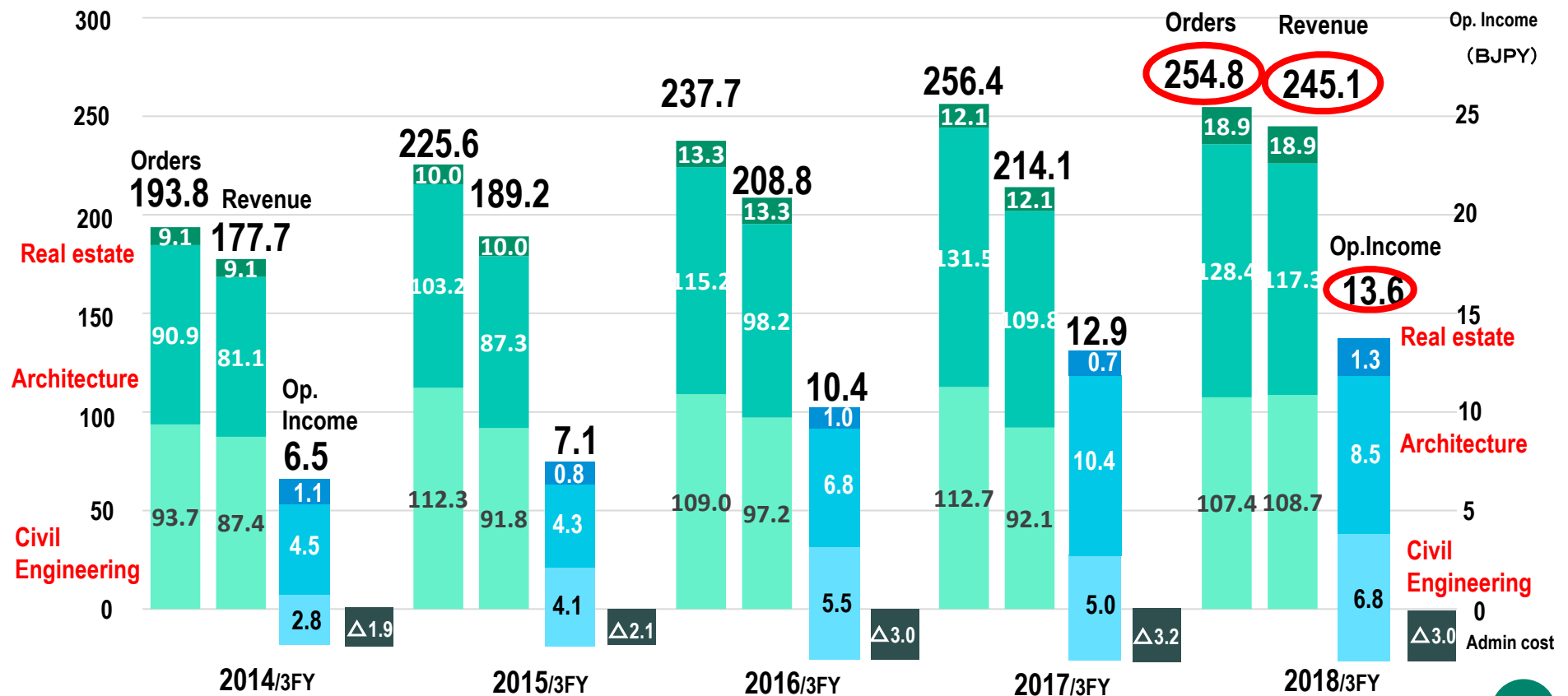
Architecture: $\Delta 3.0$ BJPY vs last FY Civil engineering: $\Delta 5.3$ BJPY vs last FY

【Revenue】 245.1BJPY. All segments \nearrow vs last year (Architecture +7.4BJPY \nearrow , Civil engineering +16.6BJPY \nearrow , Real estate +6.8BJPY \nearrow)

【Op.Income】 Architecture: 8.5BJPY, $\Delta 1.8$ BJPY vs last FY Civil engineering: 6.8BJPY (+1.7BJPY \nearrow vs last FY)

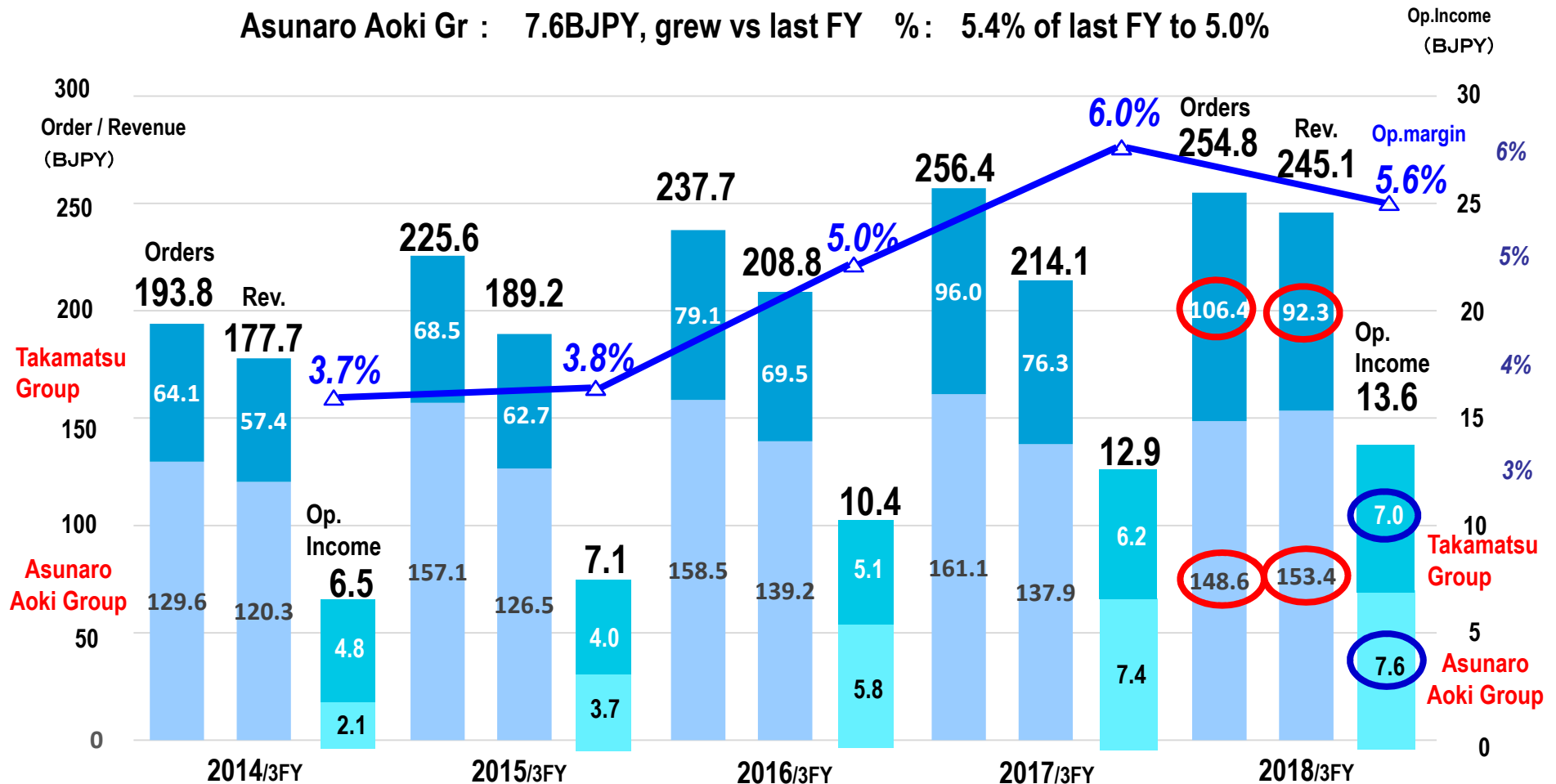
Real estate: 1.3BJPY, +0.6BJPY \nearrow vs last FY

Orders / Revenue (BJPY) % : Architecture 7.3% (Last FY=9.5%), Civil engineering 6.3% (Last FY=5.5%), Real estate 7.1% (Last FY=6.2%).



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

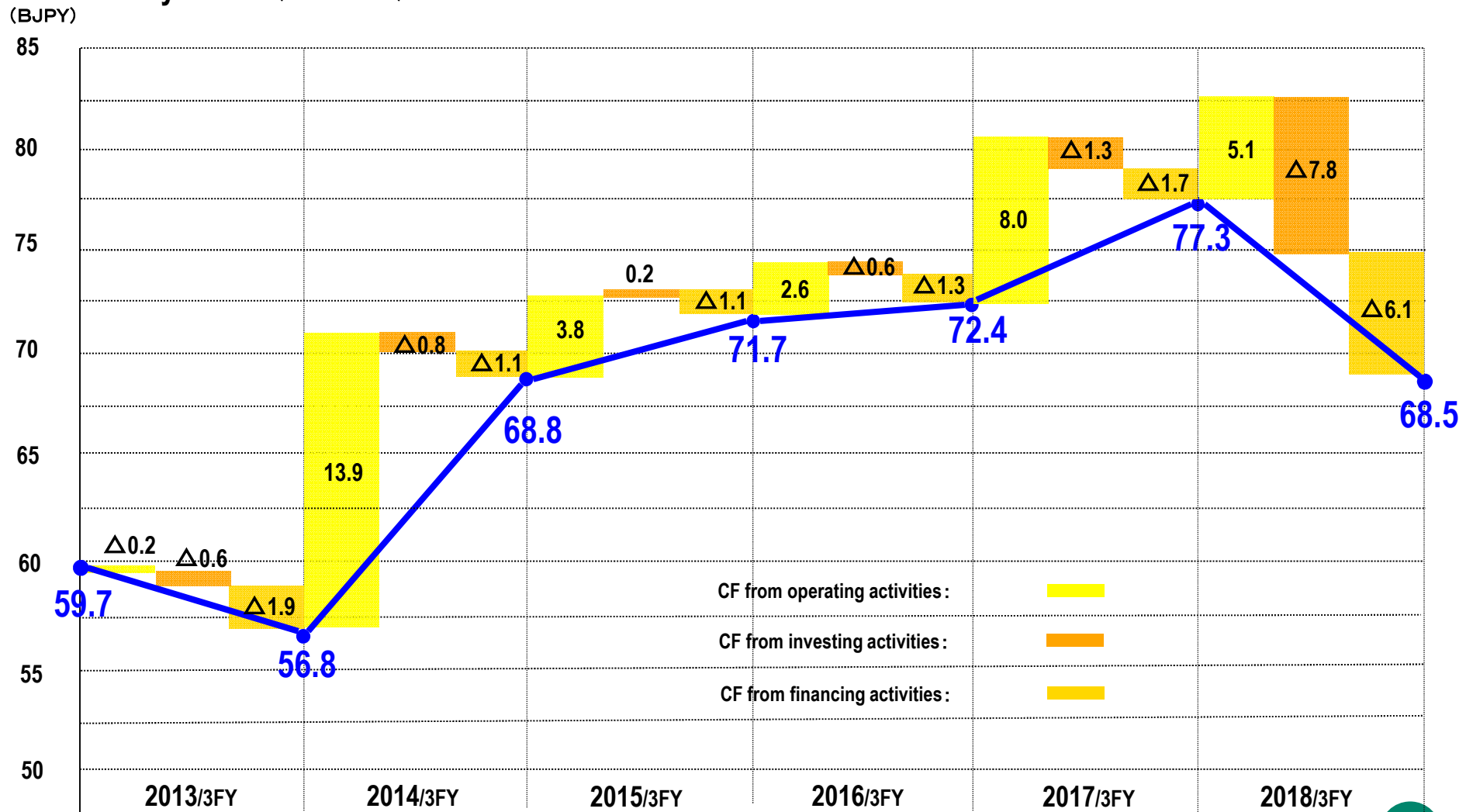
【Orders】 Takamatsu Gr : 106.4BJPY, 10.8%↗ Asunaro Aoki Gr. : 148.6BJPY, △7.8%↘
【Revenue】 Takamatsu Gr : 92.3BJPY, 20.9%↗ Asunaro Aoki Gr. : 153.4BJPY, 11.2%↗
【Op.Income】 Takamatsu Gr : 7.0BJPY %: 8.2% of last FY to 7.7%
 Asunaro Aoki Gr : 7.6BJPY, grew vs last FY %: 5.4% of last FY to 5.0%



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

Cash Flow and BS Amount (Consolidated)

1. Cash and equivalents as of March 31, 2017=77.3BJPY, March 31, 2018=68.5BJPY, $\Delta 8.8$ BJPY↘.
2. Decrease is due to purchase of fixed assets (7.1BJPY, office building in Tokyo, etc.) and purchase of treasury stocks (3.2BJPY).



Balance Sheet (Consolidated)

1. Assets ⇒ 184.9BJPY, +3.9BJPY ↗, +2.2% ↗ vs last FY. Cash ↘ Tangible fixed assets ↗

2. Shareholders' Equity ⇒ 113.9BJPY, 3.4BJPY ↗, +3.1% ↗ vs last year.

(Unit: BJPY)

| Acct Name | 2017/3 | 2018/3 | +/- |
|---------------------------------|--------------|--------------|------------|
| Current Assets | 157.7 | 154.3 | △3.4 |
| Cash and equivalents | 77.3 | 68.5 | △8.8 |
| Notes receivables, etc. | 60.2 | 68.1 | 7.8 |
| Real estate for sale | 7.1 | 7.5 | 0.4 |
| Costs on uncompleted contracts | 1.1 | 0.7 | △0.3 |
| Costs on real estate business | 3.3 | 0.7 | △2.5 |
| Accounts receivable | 6.2 | 5.2 | △0.9 |
| Deferred tax assets | 1.5 | 2.1 | 0.6 |
| Others | 1.0 | 1.2 | 0.2 |
| Allowance for doubtful accounts | △0.3 | △0.2 | 0.1 |
| Noncurrent assets | 23.1 | 30.5 | 7.4 |
| Tangible assets | 13.6 | 19.9 | 6.3 |
| Intangible assets | 0.3 | 0.4 | 0.1 |
| Investments and other assets | 9.2 | 10.1 | 0.9 |
| Investment securities | 5.6 | 6.4 | 0.7 |
| Deferred tax assets | 1.2 | 1.4 | 0.2 |
| Others | 3.1 | 2.5 | △0.6 |
| Allowance for doubtful accounts | △0.9 | △0.2 | 0.6 |
| Total Assets | 180.9 | 184.9 | 3.9 |

| Acct Name | 2017/3 | 2018/3 | +/- |
|----------------------------------------|--------------|--------------|------------|
| Current Liabilities | 57.6 | 58.2 | 0.6 |
| Accounts payable | 29.7 | 32.5 | 2.8 |
| Income tax payable | 3.5 | 2.3 | △1.1 |
| Advances of uncompleted contracts | 12.9 | 11.0 | △1.9 |
| Others | 11.4 | 12.2 | 0.8 |
| Noncurrent Liabilities | 12.7 | 12.6 | △0.1 |
| Retirement allowances | 10.6 | 10.6 | △0.0 |
| Deferred tax liabilities | 0.2 | 0.2 | 0.0 |
| Others | 1.8 | 1.7 | △0.1 |
| Total Liabilities | 70.3 | 70.9 | 0.5 |
| Shareholders Equity | 96.8 | 100.0 | 3.1 |
| Capital stock | 5.0 | 5.0 | - |
| Capital surplus | 0.2 | 0.3 | 0.1 |
| Retained earnings | 95.8 | 102.1 | 6.2 |
| Treasury shares | △4.2 | △7.4 | △3.1 |
| Accumulated Other Comprehensive Income | △0.5 | △0.3 | 0.1 |
| Non-controlling Interests | 14.2 | 14.3 | 0.1 |
| Total Shareholders Equity | 110.5 | 113.9 | 3.4 |
| Total Liabilities and SE | 180.9 | 184.9 | 3.9 |

Outlook for FY March 2019

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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.
Portions in **RED** are changed*

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.

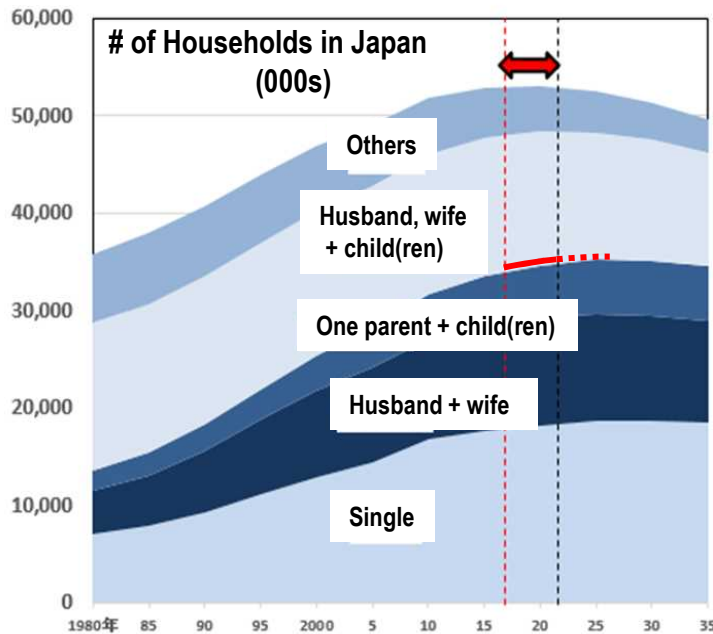


Growth Image of Takamatsu Construction Group Towards FY Mar. 2020

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.

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.



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)

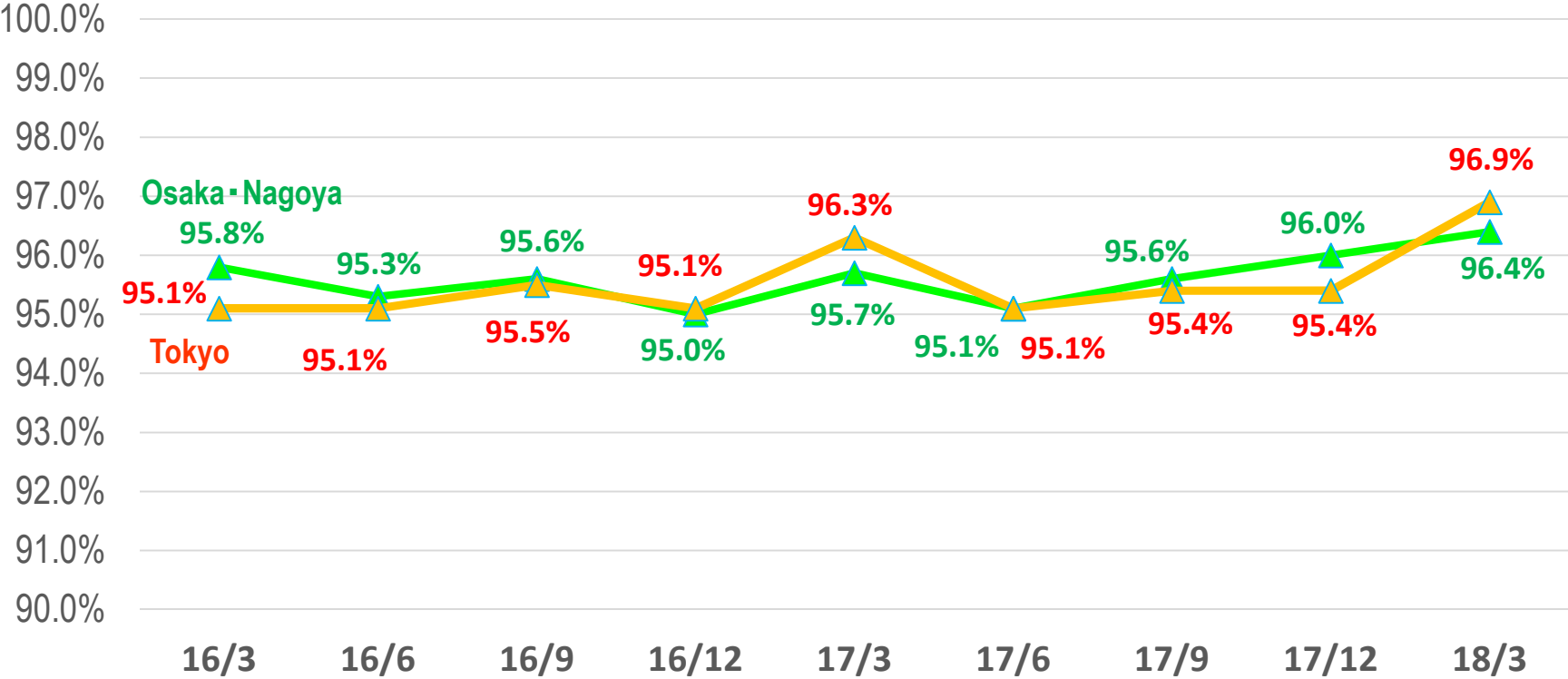
7. Tokyo Metro architecture mkt size is about three times larger than Kinki Area.

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.

Same with Mid Term Plan disclosure of May 2017. Portions in **RED** are changed

Occupancy Rate of Condominiums built by Takamatsu Corp.

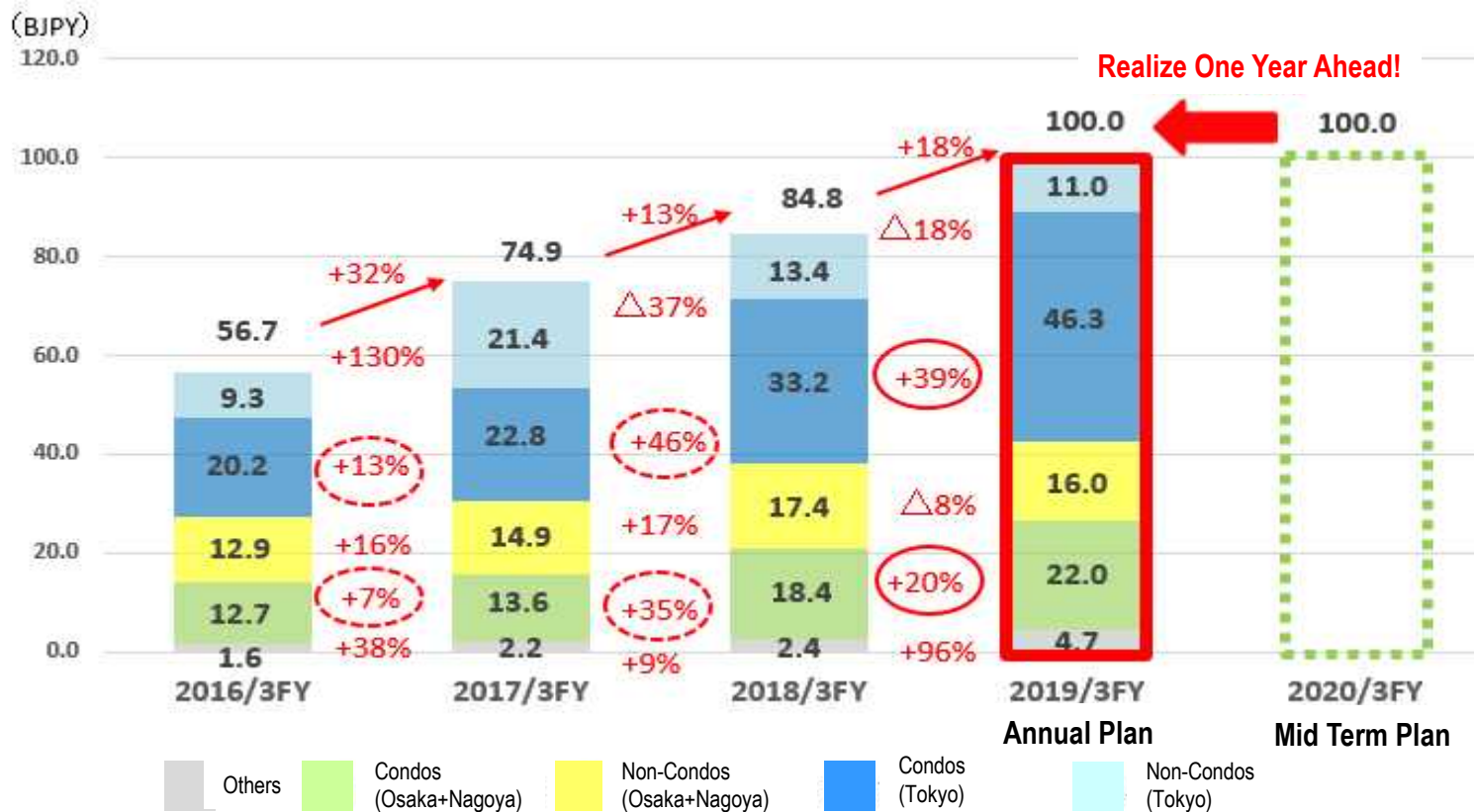
- 1. Occupancy rate is continuing to show above 95% for both Tokyo and Osaka+Nagoya for March 2018.
- 2. We believe rental condominium market is continuing to be tight for Tokyo and Osaka+Nagoya.



Definition: Osaka+Nagoya=Osaka, Kyoto, Hyogo Prefectures and Nagoya City
 Tokyo=Tokyo, Kanagawa, Saitama and Chiba Prefectures
 Occupancy rate=Number of occupied apartments constructed by Takamatsu Corp and administered by Takamatsu Estate (Osaka & Tokyo) at the end of each quarter
 \div Number of apartments constructed by Takamatsu Corp and administered by Takamatsu Estate (Osaka & Tokyo) at the end of each quarter

Direction of Takamatsu Corporation (unconsolidated) for FY March 2019

1. Takamatsu Corporation's order (unconsolidated) for FY March 2018 grew by 13% vs last FY.
2. Significant growth of condominium construction were observed for both Tokyo and Osaka+Nagoya areas.
3. The targets of Takamatsu Corporation for FY March 2019 for order and revenue are 100BJPY (+18%vs last year) and 80BJPY (+14% vs last year), respectively.
 - ⇒ These figures are equal to Takamatsu Corporation's targets of FY March 2020 of our Mid Term Plan, meaning Takamatsu Corporation is likely to achieve the Mid Term Plan one year ahead!



Mibu Corporation Co.,Ltd. and TCG-USA Inc. Joining TCG

■ Mibu Corporation Co.,Ltd.

Business : Sales and mediation of real estate in Tokyo Metropolitan Area

Revenue : 3.35BJPY, Ordinary income 280MJPY
(FY ended Sep 2017)

Focus on southern part of Tokyo, especially Meguro, Setagaya and Shibuya Wards.

Since Mibu Corporation focuses on real estate utilization business in Tokyo Metro Area, Takamatsu Corporation can use Mibu's sales information and maximize synergy effect between the two companies.

■ Takamatsu Construction Group USA Inc.

Business : Study how Takamatsu business can work outside Japan.

Founded in Manhattan, New York. Started to study how TCG business model can work outside Japan. Initial study will concentrate on real estate investment and operation.



Headquarter, Mibu Corporation



Mibu Retail Store in Gakugei Daigaku, Tokyo

Both companies will be consolidated to financial statements of our Group from FY March 2019 on full year basis and are expected to increase our revenue and profit.

Same with Mid Term Plan disclosure of May 2017. Portions in **RED** are changed

Group Vision, Mid-Term Plan and Plan for FY March 2019: 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. R&D is one of the Group's focused activities, with research themes such as studies of anti-seismic technologies to existing bridges, **anti-seismic ceiling construction procedure (AA-TEC Procedure)**, **wall crawl robot**, work guidance on unmanned remote construction.
5. **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 profit for FY March 2018, which contributed significantly to TCG's record high operating profit. Asunaro Aoki Construction Group will try to achieve revenue of 157BJPY for FY March 2019.**
6. Asunaro Aoki Group will expand its business areas and improve productivity by tackling with i-construction.

FY Mar.'18 Major Projects (1)

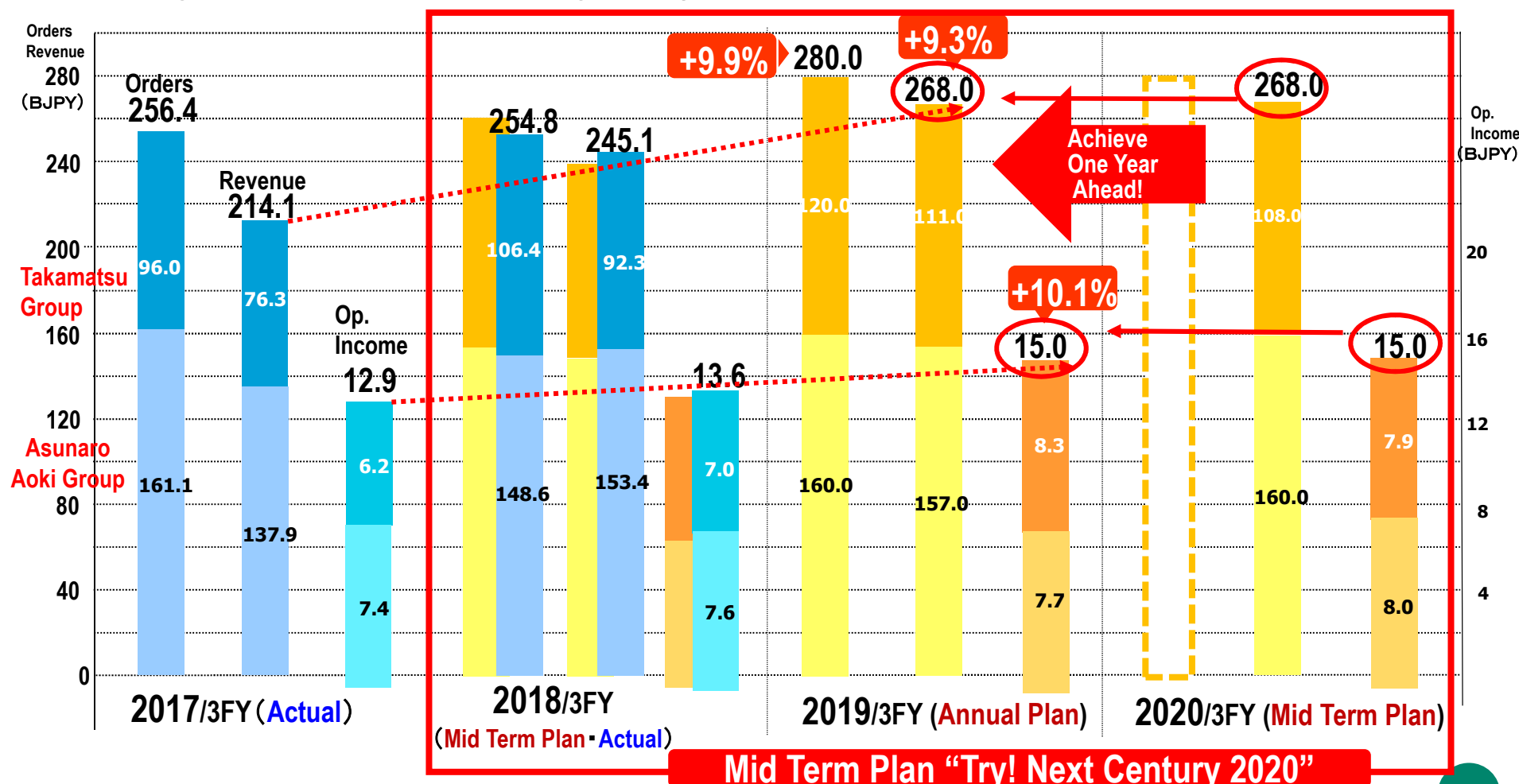


FY Mar.'18 Major Projects (2)



Mid term Plan, Results of FY March 2018 and Targets for FY March 2019

1. Revenue Mid Term Plan: FY Mar.'18=240.0BJPY, FY Mar.'20=268.0BJPY. Actual: FY Mar.'18=245.1BJPY.
With good results of Takamatsu Corp, revenue target for Mar.'19 is set at 268.0BJPY.
2. Op. Income Mid Term Plan: FY Mar.'18=13.3BJPY, FY Mar.'20=15.0BJPY. Actual: FY Mar.'18=13.6BJPY.
Considering status of SG&A, operating income target for Mar.'19 is set at 15.0BJPY.
3. Business plan for FY Mar.'19 (our 101st year after foundation) was named "Operation Next Century 101", with the goal to "achieve Mid Term Plan targets one year ahead!"



FY March 2019 : Summary

1. TCG plans to grow both revenue as well as operating income for FY March 2019 by achieving our Mid Term Plan one year ahead.
2. Target order amount is 280BJPY (+9.9%vs last FY), with 268BJPY of target revenue (+9.3%vs last FY).
3. Op. Income target of 15.0BJPY is 10.1% increase vs last FY, with 5.6% of operating margin.
4. Net earnings target is 8.3BJPY (FY March 2018=7.9BJPY, +4.3%vsLY).

(In billions of yen)

| | 2018/3 | 2019/3 | |
|------------------|---------------------------|----------------------------|------------|
| | Actuals (Consolidated) | Forecast (Consolidated) | |
| Orders | 254.8 B J P Y | 280.0 B J P Y | +9.9 % |
| Revenue | 245.1 B J P Y | 268.0 B J P Y | +9.3 % |
| Operating Income | 13.6 B J P Y | 15.0 B J P Y | +10.1 % |
| % | 5.6 % | 5.6 % | - point |
| Ordinary Income | 13.7 B J P Y | 15.0 B J P Y | +9.5 % |
| * Net earnings | 7.9 B J P Y | 8.3 B J P Y | +4.3 % |

※Net earnings = "Profit attributable to controlling interests, as shown in our Summary of Consolidated Financial Results.

Financial Position Targets for FY March 2019 (consolidated)

1. Dividend of FY Mar.2018 was 56 yen, 13 yen increase vs last FY (including commemorative dividend of 10 yen).
2. Dividend target for FY Mar.2019 is 60 yen per share, 4 yen increase vs FY Mar.2018.
→ Plan to exceed dividend payout ratio of 25%.
3. Continue to reinforce workforce by hiring new graduates. Average age continues to be younger.
of employees as of Mar. 2019 is planned to increase significantly due partly to M&A of Mibu Corporation.
→ # of new graduates hired : Apr.'15=200, Apr.'16=161, Apr.'17=176, Apr.'18=238, **Apr.'19=250**)

| Item | | 2015/3FY | 2016/3FY | 2017/3FY | 2018/3FY | 2019/3FY | |
|---------------------------|------|----------|----------|----------|----------|----------|-----------|
| | | | | | | | +/- |
| Assets | BJPY | 162.1 | 165.2 | 180.9 | ↑ 184.9 | | |
| Liabilities | BJPY | 63.0 | 60.6 | 70.3 | ↑ 70.9 | | |
| Shareholders Equity | BJPY | 99.1 | 104.5 | 110.5 | ↑ 113.9 | | |
| Share price at FY end | JPY | 2,566 | 2,426 | 2,603 | 3,015 | | |
| Dividend per share | JPY | ↑ 27 | ↑ 34 | ↑ 43 | ↑ 56 | ↑ 60 | 4JPY |
| Dividend payout ratio (%) | (%) | ↑ (15.3) | ↑ (21.1) | ↑ (23.5) | ↑ (25.1) | ↑ (25.2) | 0.1points |
| ROE | (%) | (7.6) | (6.5) | (7.0) | ↑ (8.1) | | |
| ROA | (%) | (4.6) | (6.4) | (7.5) | (7.5) | | |
| # of new graduates hired | HC | ↑ 142 | ↑ 200 | ↓ 161 | ↑ 176 | ↑ 238 | 62 |
| # of employees | HC | 3,003 | 3,196 | 3,372 | ↑ 3,577 | ↑ 4,018 | 441 |
| Average age of employees | age | ↓ 45.0 | ↓ 44.4 | ↓ 43.9 | ↓ 43.8 | | |

Corporate Governance Report : Improvements

■ Three Items of Improvement in Comparison to Previous Year Report

Principle 1 Shareholder Rights Fairness among shareholders

- Notice of Shareholders Meeting to be submitted 3 weeks in advance to the Meeting (Meeting=June 27, Sent out =June 6, Disclosure by TDnet and our Corporate Site =May 29)
- Providing internet voting platforms that enables votes by institutional investors (from FY Mar.2016)
- Providing and Disclosing Notice of Shareholders in English (from FY Mar.2017)

Principle 4-10 Usage of Various Procedures

- Established Remuneration Committee which includes 2 External Directors of the Board in order to reinforce fairness and transparency.

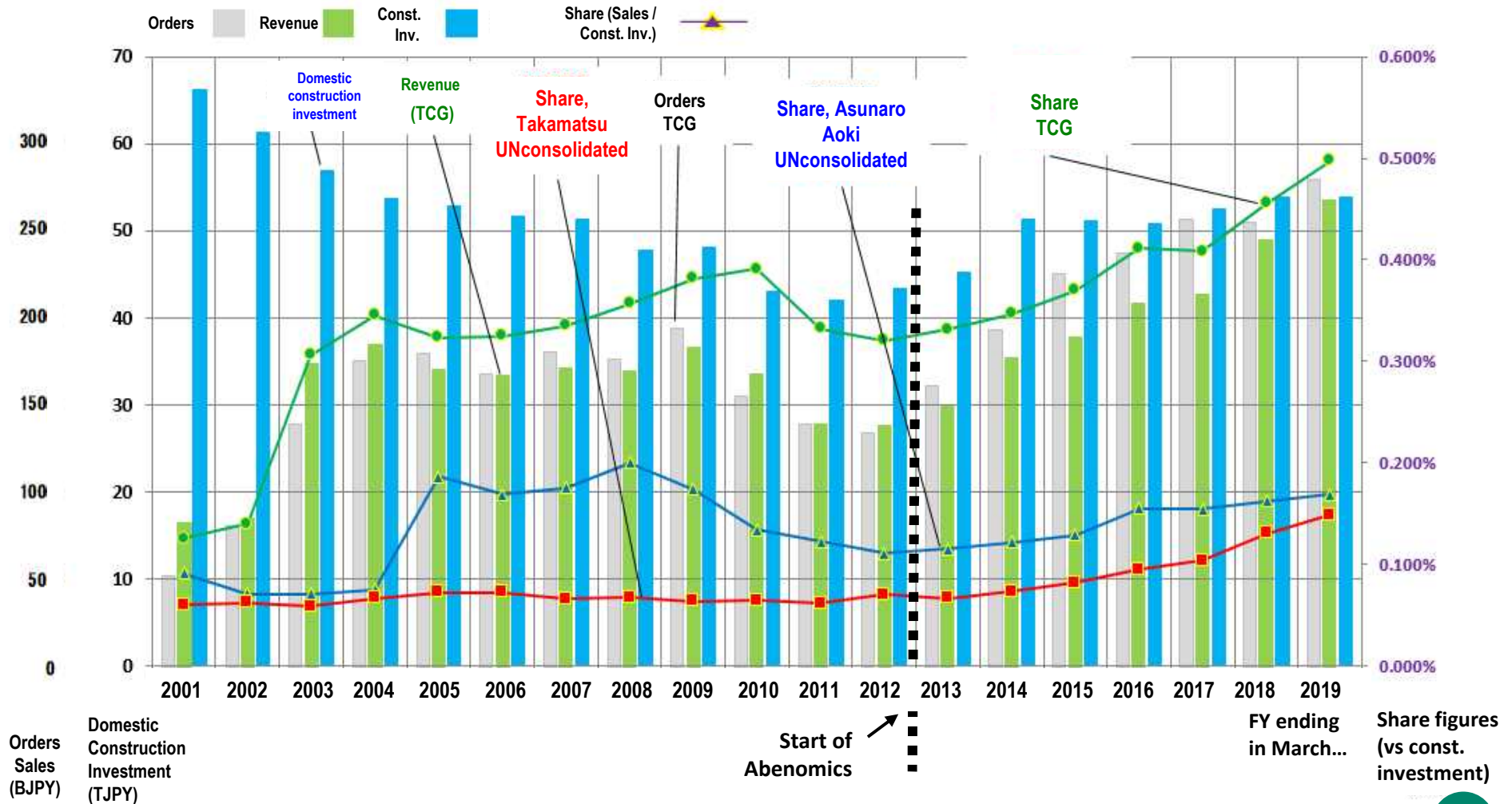
Principle 4-11 Effectiveness of BOD Meetings

- Two External Directors of the Board with abundant corporate management experience worked effectively.
- TCG provided sufficient information concerning industry environment and competitor status. TCG also provided Directors of the Board Meeting materials one week in advance and conducted pre-meeting to the External Directors of the Board.

Japan's Domestic Construction Investment and TCG

1. TCG is continuing to increase its market share in the construction industry since the start of Abenomics.
2. Takamatsu Corporation will continue to be the main engine of growth.

Takamatsu Corporation's revenue is planned to be close to that of Asunaro Aoki.



TCG Takamatsu Construction Group