

# Results for Q3, FY March 2019

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**Takamatsu Construction Group Co.,Ltd.**

**Securities Code : 1762**

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To our shareholders:

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# Results for Q3, FY 2019 March (Consolidated)

1. Orders: +17.3% vs previous Q3. Record high Q3.
2. Revenue:  $\Delta$ 0.9% vs previous Q3, mainly due to Takamatsu Corp's delays of construction start-up and procurement.
3. Op. Income: Gross profit decreased due to the above, plus Asunaro Aoki's shortfall of gross profit % caused by backrush of previous year's highly profitable architecture items. Decrease of gross profit as well as increase of SG&A resulted in  $\Delta$ 33.3% operating income shortfall vs. previous year. Shortfall vs. previous year for ordinary income and net earnings were  $\Delta$ 33.1% and  $\Delta$ 33.0%, respectively.

Unit : Billion JPY

Item (In Billion JPY)	FY2018/Mar Q3	FY2019/Mar Q3	+/- (%)
Orders	185.9	 218.0	+17.3%
Revenue	176.5	174.8	$\Delta$ 0.9%
Gross Profit (% vs Revenue)	23.6 (13.4%)	22.4 (12.9%)	$\Delta$ 4.7%
Operating Income (% vs Revenue)	8.9 (5.1%)	5.9 (3.4%)	$\Delta$ 33.3%
Ordinary Income (% vs Revenue)	8.9 (5.1%)	5.9 (3.4%)	$\Delta$ 33.1%
Net earnings attributable to controlling interest (% vs Revenue)	4.7 (2.7%)	3.2 (1.8%)	$\Delta$ 33.0%

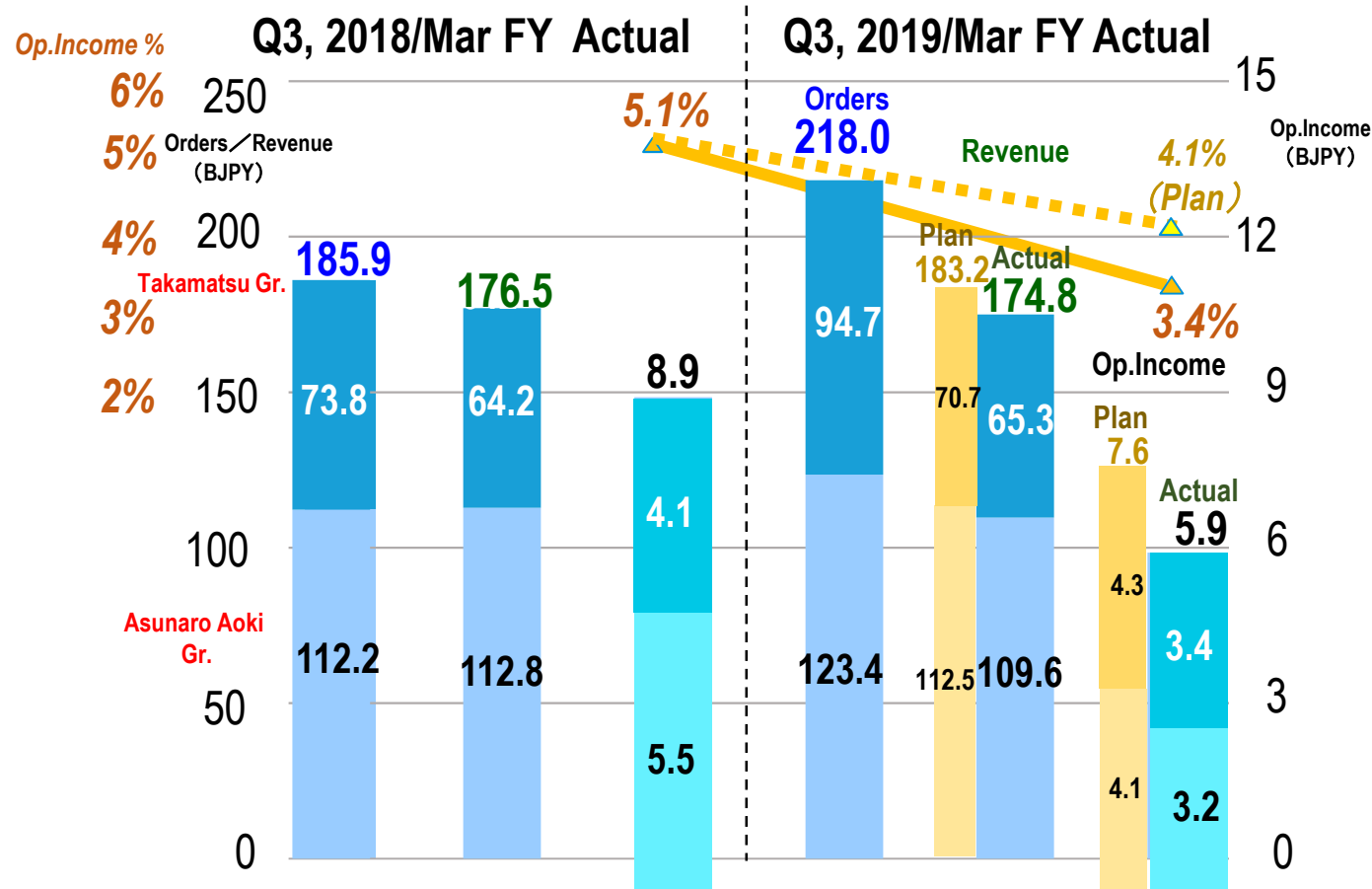
# By-Segment·By-Group Split (Consolidated)

- Orders increased by 17.3% to 218.0 BJPY. Architecture grew significantly vs last year due to strong Asunaro Aoki Gr.(large size apartments and PFI), while civil engineering came close to previous Q3.
- Revenue was 174.8BJPY, shortfall of  $\Delta 0.9\%$  vs previous Q3. Civil engineering +0.6%, architecture  $\Delta 7.7\%$  vs. previous Q3. Takamatsu G grew by +1.7% while Asunaro Aoki G was  $\Delta 2.8\%$  due to offset of increased civil engineering and decreased architecture.
- Op. income was 5.9BJPY, shortfall of 2.9BJPY vs. previous Q3, out of which, shortfall of Asunaro Aoki G was 2.3BJPY (Architecture  $\Delta 0.8$ BJPY, civil engineering  $\Delta 1.0$ BJPY, others  $\Delta 0.5$ BJPY).

Takamatsu Construction Group				Orders	Revenue	Op.Income
				18/12	18/12	18/12
				(17/12)	(17/12)	(17/12)
<b>Takamatsu Group</b>						
UTSCA	Takamatsu Corp (Osaka)	Takamatsu Techno Service (Tokyo)	Takamatsu Estate (Osaka)	70.2	43.7	2.0
	Takamatsu Techno Service (Tokyo)	Takamatsu Estate (Tokyo)	Takamatsu Corporation			
	Suminoe Kogei	JP Home	Kongo Gumi			
	Nakamura Shaji	Mibu Corporation				
<b>Asunaro Aoki Group</b>						
	Shimada Gumi	Niligata Mirai	Asunaro Road	18.5	16.1	1.1
	Toko Geotech	Aoki Marine	M's			
	Mirai Construction	Asunaro Aoki Construction		22.7	23.3	0.2
				73.8	62.9	1.5
Civil Engineering				84.4	79.5	3.9
				(84.4)	(79.0)	(4.9)
				+0.0%	+0.6%	$\Delta 21.1\%$
Architecture				116.8	78.5	3.6
				(89.0)	(85.1)	(5.5)
				+31.1%	$\Delta 7.7\%$	$\Delta 34.7\%$
Real Estate				16.8	16.8	1.0
				(12.4)	(12.4)	(0.8)
				+35.5%	+35.5%	+31.3%
Orders	94.7	123.4	218.0	18/12	18/12	18/12
	(73.8)	(112.2)	(185.9)	(17/12)	(17/12)	(17/12)
	+28.2%	+9.9%	+17.3%			
Revenue	65.3	109.6	174.8	18/12	18/12	18/12
	(64.2)	(112.8)	(176.5)	(17/12)	(17/12)	(17/12)
	+1.7%	$\Delta 2.8\%$	$\Delta 0.9\%$			
Op.Income	3.4	3.2	5.9	18/12	18/12	18/12
	(4.1)	(5.5)	(8.9)	(17/12)	(17/12)	(17/12)
	$\Delta 17.5\%$	$\Delta 41.2\%$	$\Delta 33.3\%$			

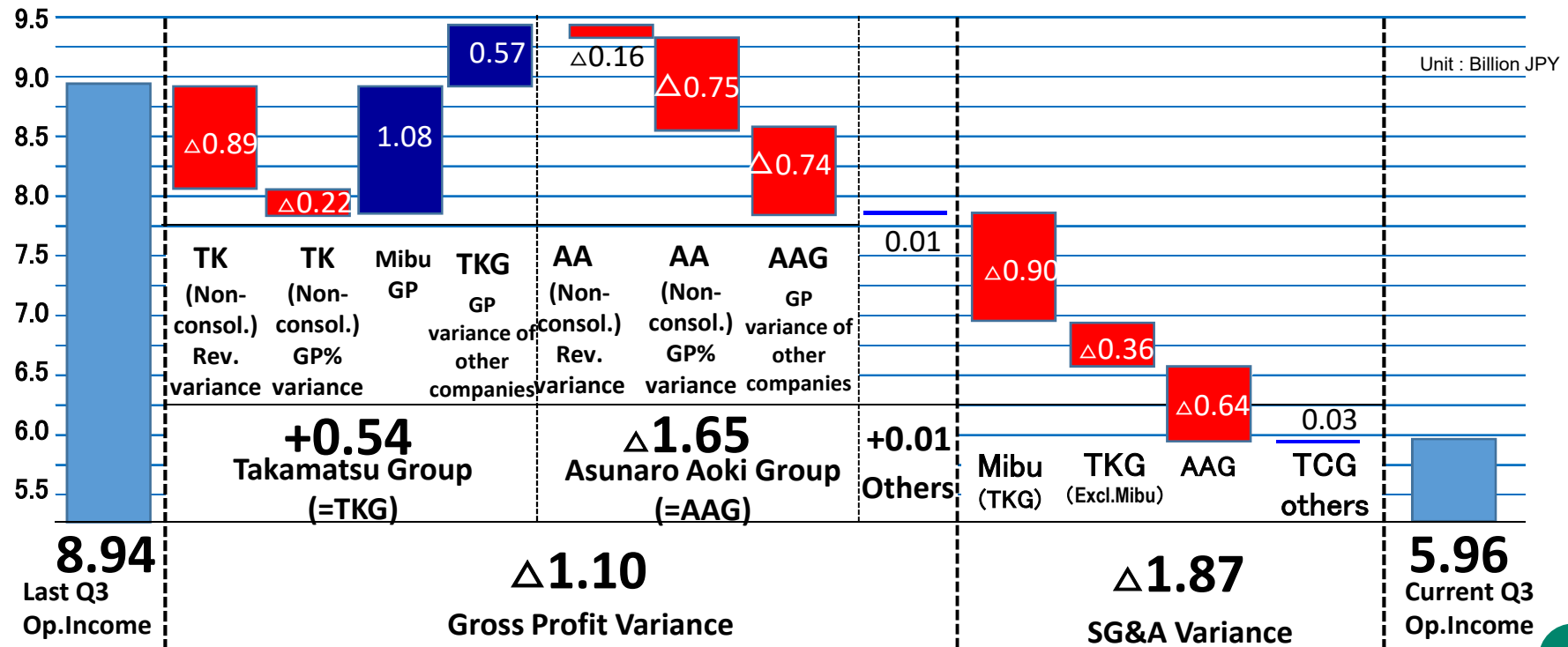
# By-Group Orders, Revenue and Operating Income (Consolidated)

1. Orders : Record high Q3 order. Both Takamatsu G and Asunaro Aoki G increased vs previous Q3.
2. Revenue : Slight shortfall vs previous Q3. Growth of Takamatsu G is due to M&A of Mibu Corporation, without Mibu, Takamatsu G also showed shortfall vs previous Q3. Asunaro Aoki G showed shortfall vs previous Q3.
3. Op.Income : Shortfall of  $\Delta 2.97$ BJPY vs previous Q3. Takamatsu G  $\Delta 0.72$ BJPY, Asunaro Aoki G  $\Delta 2.30$ BJPY. Shortfall of  $\Delta 1.7$ BJPY vs plan of 7.6BJPY. Takamatsu G  $\Delta 0.9$ BJPY, Asunaro Aoki G  $\Delta 0.9$ BJPY.
4. Op.Income % : 3.4%, shortfall vs plan of 4.1%. Shortfall of 1.7pt vs previous Q3 of 5.1%.



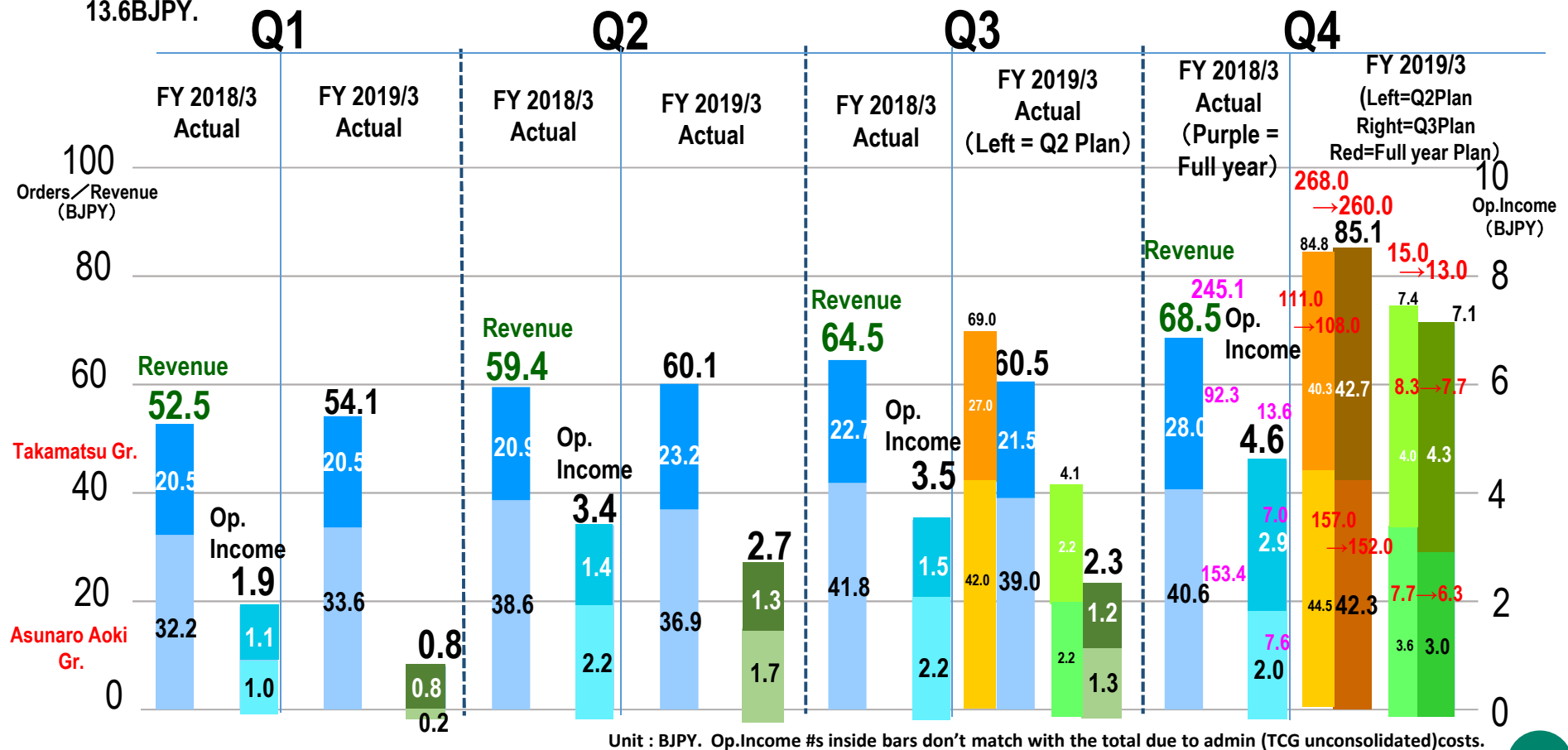
# Explanation of Shortfall of Operating Income vs. Last Year (Consolidated)

- Operating income decreased by 2.97BJPY, from previous year's 8.94BJPY to 5.96BJPY.
- Gross profit decreased by 1.1BJPY accompanied by revenue decrease of 0.9% (1.6BJPY).
- Takamatsu G's gross profit increased by 0.54BJPY. Although Takamatsu UNconsolidated's GP decreased both in terms of revenue variance as well as GP% variance, Takamatsu G increased its GP due mainly to Mibu that entered the Group through M&A.
- Asunaro Aoki G's GP decreased by 1.65BJPY. Asunaro Aoki UNconsolidated decreased its GP by 0.91BJPY due to backrush of previous year's highly profitable architectures. Concerning 0.74BJPY shortfall of AAG GP variance of "other companies", most is from shortfall of Mirai Construction vs previous year.
- SG&A increased by 1.87BJPY. Out of which....
  - SG&A of Mibu and TCG USA was 0.99BJPY, both new to the Group from this fiscal year. Excluding the two companies, the increase was 0.88BJPY vs previous year.
  - SG&A increase of Takamatsu G (excl. Mibu) = 0.36BJPY, of which, Takamatsu UNconsolidated = 0.32BJPY, of which 0.48BJPY was personnel.
  - SG&A increase of Asunatro Aoki G = 0.64BJPY, of which, Asunaro Aoki UNconsolidated was 0.42BJPY, of which, 3.0BJPY was personnel.



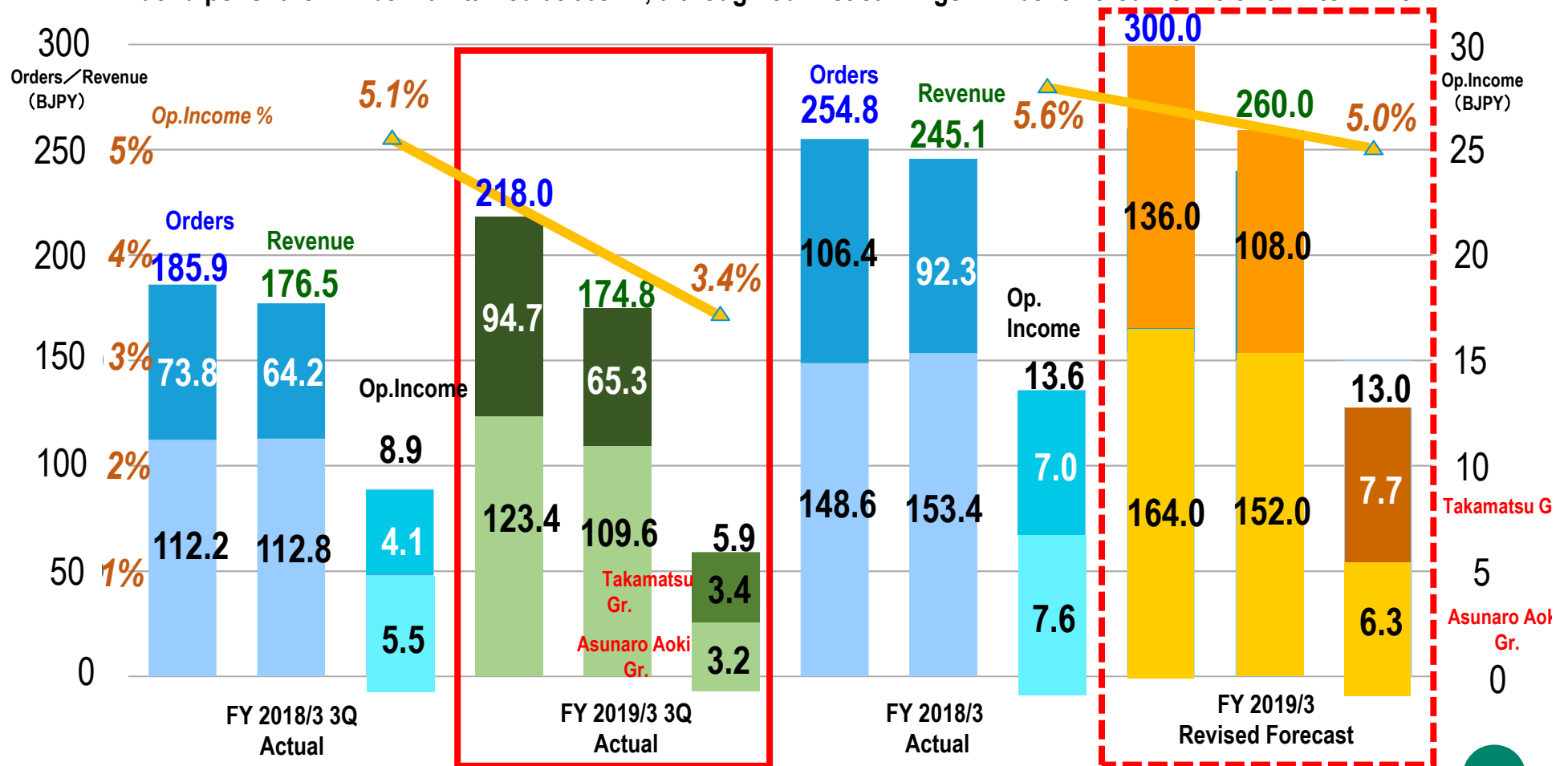
# By-Group - By-Quarter Revenue & Op.Income Outlook (Consolidated)

1. Concerning Q3, both Takamatsu G and Asunaro Aoki G showed shortfall vs previous year for revenue and op. income.
2. Takamatsu UNconsolidated's delays of construction start-up and materials procurement were the main reasons of revenue shortfall.
3. Q3 op. income showed significant shortfall vs plan due to GP shortfall and SG&A increase.
4. In Q4, we foresee significant improvement of revenue and operating income due to planned completion of many constructions.
5. However, we need to revise our annual op.income forecast of 15BJPY to 13BJPY, resulting in shortfall vs previous op.income of 13.6BJPY.



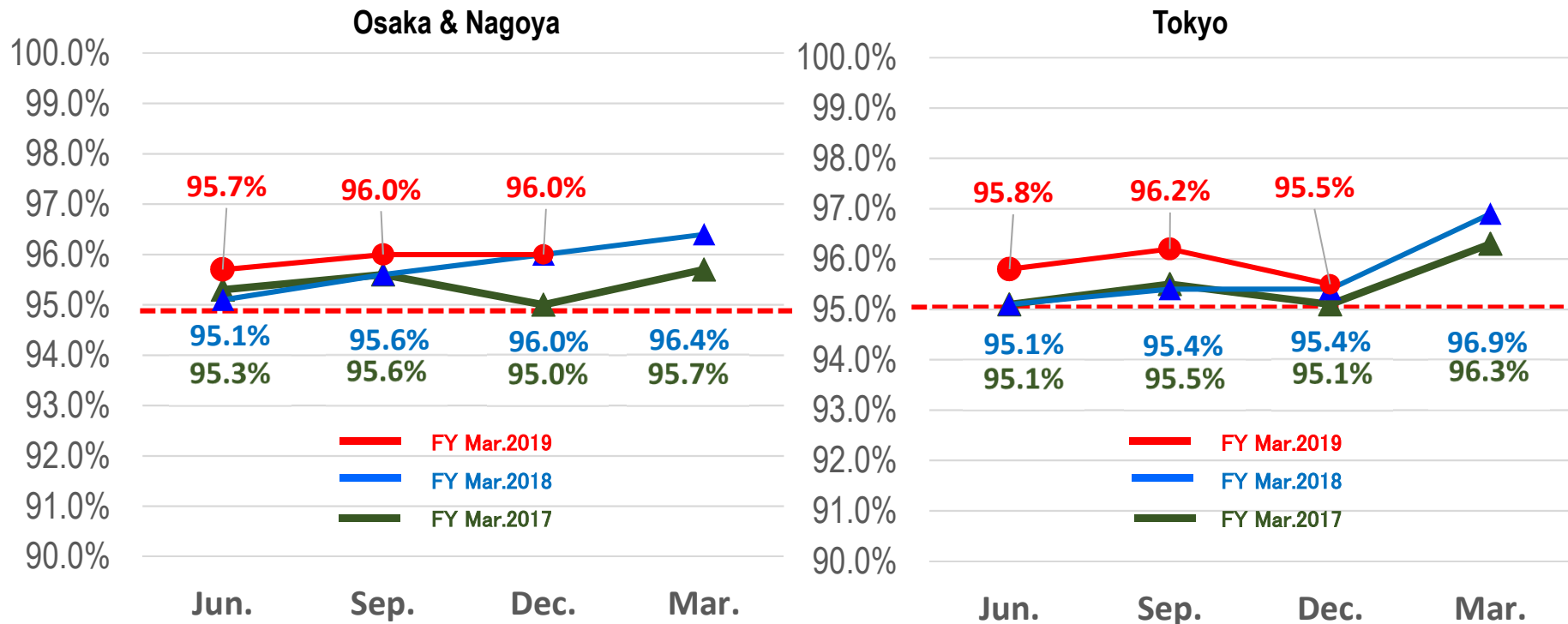
# By-Group Orders, Revenue and Operating Income and Its Outlook(Annual & Consolidated)

- Orders continue to be tight, previous forecast of 280BJPY will be raised to 300BJPY.  
Takamatsu G forecast raised from 120BJPY to 136BJPY.
- Revenue forecast will be lowered from previous forecast of 268BJPY to 260BJPY centering around Takamatsu.
- Op.income will be lowered from previous 15BJPY to 13BJPY due to Q3 shortfall.  
→ Takamatsu G op.income lowered from 8.3BJPY to 7.7BJPY, while asunaro Aoki G lowered from 7.7BJPY to 6.3BJPY.
- Dividend per share will be maintained at 60JPY, although our net earnings will be lowered from 8.3BJPY to 7.2BJPY.



# Occupancy Rate of Condominiums Built by Takamatsu Corp.

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



Definition: "Osaka and Nagoya" = Osaka, Kyoto and Hyogo Prefectures plus Nagoya City.  
 "Tokyo" = Tokyo, Kanagawa, Saitama and Chiba Prefectures  
 "Occupancy Rate" = (Number of occupied condo apartments built by Takamatsu Corp and managed by Takamatsu Estate at the end of each quarter) divided by (Number of condo apartments built by Takamatsu Corp and managed by Takamatsu Estate at the end of each quarter)