

**TCG** Takamatsu Construction Group

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

Financial Results Briefing for the Fiscal Year Ended March 2020

May 27, 2020

## Event Summary

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<b>[Company Name]</b>	Takamatsu Construction Group Co., Ltd.	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Financial Results Briefing for the Fiscal Year Ended March 2020	
<b>[Fiscal Period]</b>	FY2019 Annual	
<b>[Date]</b>	May 27, 2020	
<b>[Number of Pages]</b>	42	
<b>[Time]</b>	15:00 – 15:47 (Total: 47 minutes, Presentation: 47 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Venue Size]</b>		
<b>[Participants]</b>		
<b>[Number of Speakers]</b>	3	
	Nobuhiko Yoshitake	Representative Director & President
	Takatoshi Takamatsu	Representative Director & President , Takamatsu Corporation
	Yasushi Tsujii	Representative Director & President, Asunaro Aoki Construction Co., Ltd.

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## Presentation

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**Moderator:** Thank you for watching. We would like to now start the video of the financial results briefing of the Takamatsu Construction Group for the fiscal year ended March 2020.

To avoid redundancy in the explanation, we will describe the Takamatsu Construction Group as TCG, Takamatsu CORPORATION as TK, Takamatsu CORPORATION Group as TK Group, Asunaro Aoki Construction as AA, and Asunaro Aoki Construction Group as AA Group.

We will start with the presentation of financial results by Yoshitake, President & Representative Director of the Board, Takamatsu Construction Group.

**Yoshitake:** This is Yoshitake from the Takamatsu Construction Group. Thank for watching this video on the financial results briefing for the fiscal year ended March 2020 and presentation of management plan for this fiscal year.

First, I would like to express my sincere condolences to those who have passed away due to the new coronavirus. I would also like to express my sympathy to those still living in quarantine at hospitals and accommodations, as well as their families. I would also like to take this opportunity to express my sincere gratitude to medical practitioners, who have been facing the dangers of COVID-19 on the frontline and have been too busy to eat or sleep. For the impact of COVID-19 on our business performance, I would like to explain later.

Now, I would like to explain the outline of TCG's financial results.

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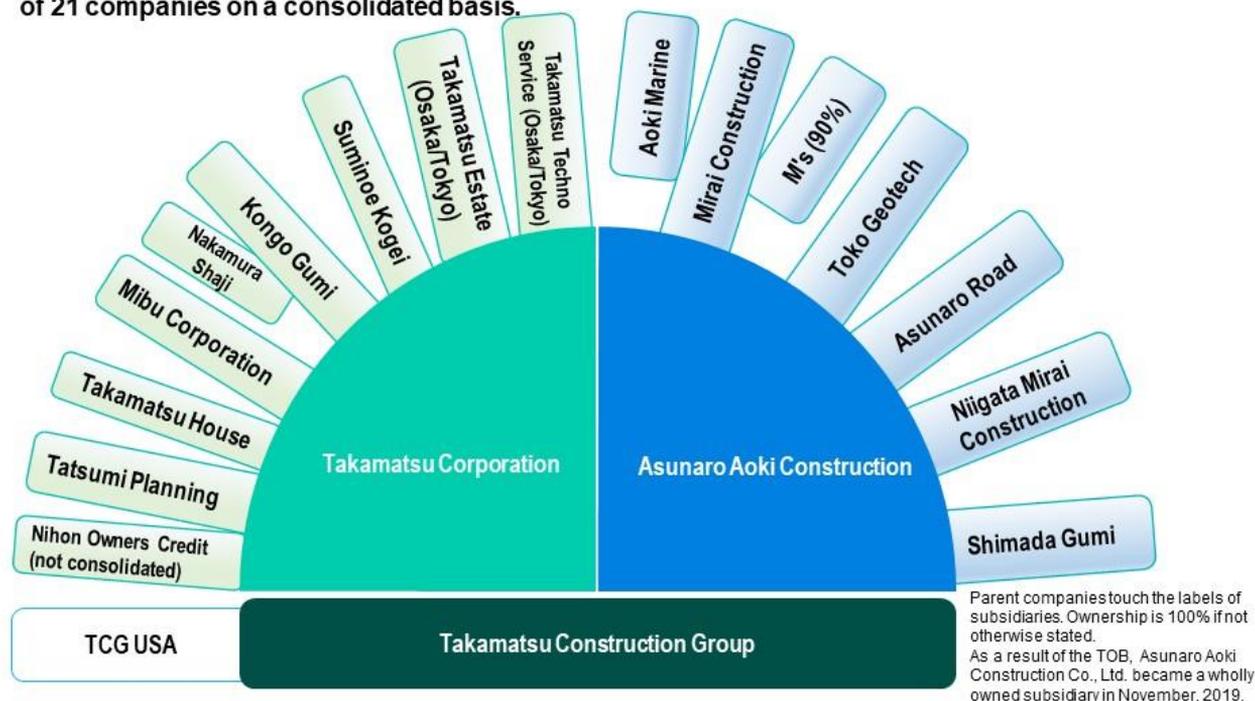
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## Takamatsu Construction Group: About the Group Companies

The Takamatsu Construction Group is composed of Takamatsu Construction Group Co., Ltd., a pure holding company, and Takamatsu Corporation Co., Ltd. and 10 other companies, Asunaro Aoki Construction Co., Ltd. and 7 other companies, and TCG USA, Inc., an overseas subsidiary, for a total of 21 companies on a consolidated basis.



**TCG** Takamatsu Construction Group

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Please turn to page 2 of the financial results briefing materials. I will explain the Group formation of TCG.

The left half of the page shows the TK Group, which consists of 11 companies, with TK as the parent company. As of the end of the previous fiscal year, the business of JP Home, which had been engaged in RC detached houses, was transferred to TK.

The right half of the page shows AA Group, which consists of eight companies, with AA as the parent company. AA was listed on the First Section of the Tokyo Stock Exchange, but on November 11 of last year, we made it our 100% subsidiary through the TOB conducted by TCG in the previous fiscal year, in consideration of future tightening of regulations on parent-subsidiary listing and Group governance. Consequently, AA's non-controlling interests, which had not been included in our consolidated results in the past, are now included in our consolidated results.

TCG Group is comprised of 21 companies, which are these two corporate Groups and TCG USA, our 100% subsidiary, and a pilot company engaged in overseas business, in order to explore the possibilities of future overseas business.

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## TCG Performance for FY Ended March 2020 (Consolidated)

• Revenue increased for the 8th consecutive fiscal year, hitting a record high for the 6th consecutive fiscal year, and operating income also hit a record high

• Orders at Takamatsu Corporation decreased by 8.7 billion yen due to stricter recording criteria

• Orders at Asunaro Aoki Construction decreased by 11.9 billion yen as a reaction to the multiple large highway construction projects received for FY ended March 2019

• Construction orders carried forward hit a record high

(Record high = 2,823 )

Item	FY ended Mar 2016	FY ended Mar 2017	FY ended Mar 2018	FY ended Mar 2019	FY ended Mar 2020	
						% year-on-year
1. Orders (100 million yen)	👉 2,377	👉 2,564	👎 2,548	👉 3,052	👎 2,967	-2.8
2. Revenue (100 million yen)	👉 2,088	👉 2,141	👉 2,451	👉 2,497	👉 2,823	13.1
3. Operating income (100 million yen) (operating income %)	👉 104 (5.0)	👉 129 (6.0)	👉 136 (5.6)	👎 124 (5.0)	👉 147 (5.2)	18.3 (0.2)
Ordinary income (100 million yen) (ordinary income %)	👉 104 (5.0)	👉 129 (6.0)	👉 137 (5.6)	👎 124 (5.0)	👉 143 (5.1)	15.5 (0.1)
Extraordinary gain/loss (100 million yen)	-6	-9	-11	-8	-4	—
4. Net earnings attributable to the owners of the parent (100 million yen) (net earnings %)	👎 57 (2.8)	👉 65 (3.1)	👉 79 (3.2)	👎 70 (2.8)	👉 86 (3.1)	16.7 (0.3)
Dividend per share (yen)	👉 34	👉 43	👉 56	👉 60	👉 63	3.0
Dividend payout ratio (%)	👉 21.1	👉 23.5	👉 25.1	👉 29.7	👎 25.2	(-4.5)
5. Construction orders carried forward (100 million yen)	👉 2,235	👉 2,659	👉 2,756	👉 3,312	👉 3,456	4.3

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Please turn to page 4 of the financial results briefing material. This section explains the trends in consolidated financial results for the fiscal year ended March 2020.

The amount of orders received was JPY296.7 billion. TK used to book orders when they received an announcement from the ordering party without considering the timing of the start of construction. Taking into account the lessons learned from the previous fiscal year that the projects we received were unable to start for a long period of time, starting in FY3/2020, orders were booked only for projects with foreseeable commencement of work, for example, the timing of resignation of tenants in the rebuilding target property has been clarified. As a result of strict implementation of the standard for booking orders, orders decreased by JPY8.7 billion YoY.

Orders for AA were largely unchanged YoY, despite the fact that there were transfers of civil engineering and architecture work in the private sector. Revenue of government construction contracts decreased by JPY11.9 billion YoY due to a reaction to orders received for several large expressway construction projects in the previous fiscal year, which resulted in a shortage of deployment engineers and other problems. Orders received by companies other than these two core companies were generally favorable, and although our consolidated order amount decreased by JPY8.5 billion, YoY orders received remained high.

Revenue amounted to JPY282.3 billion, representing an increase for the eighth consecutive fiscal year, and a record high for the sixth consecutive fiscal year. Operating income reached a record high of JPY14.7 billion. profit attributable to owners of parent totaled JPY8.6 billion, reflecting the inclusion of JPY690 million in AA's non-controlling interests as a result of the completion of the TOB for AA in the previous fiscal year. We will

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explain the dividend later. The year-end balance of orders carried forward was JPY345.6 billion, marking a record high.

## (Consolidated) TCG Results for FY Ended March 2020 by Segment (Orders, Revenue, and Operating Income)

(100 million yen)

Takamatsu Construction Group		Orders	Revenue	Operating income
		FY ended Mar 2020 (FY ended Mar 2019)		
Civil Engineering	Takamatsu Corporation Group			
	Asunaro Aoki Construction Group			
		1,049 (1,092)	1,042 (1,083)	85 (69)
		-4.0%	-3.7%	+23.0%
Architecture	Takamatsu Corporation Group			
	Asunaro Aoki Construction Group			
		1,647 (1,697)	1,510 (1,151)	82 (70)
		-2.9%	+31.2%	+16.8%
Real Estate	TCG USA			
	Takamatsu Corporation Group			
		270 (262)	270 (262)	19 (19)
		+3.1%	+3.1%	-2.7%

The sum of operating income for each segment does not match company totals due to administration costs.

Next, on page 5, I will explain the orders received, Revenue, and profits for the civil engineering, architecture, and real estate segments.

First, the amount of orders received for civil engineering work decreased 4.0% due to the aforementioned decrease in orders received for civil engineering work of AA by the government agency. Revenue fell 3.7%, due to the fact that the decline in the MIRAI CONSTRUCTION was too large to be covered by the revenue from other companies, but operating income increased 23.0%, due to an improvement in the profitability by AA's high-margin construction works such as Sakuto Mega Solar and Hasuda Service Area.

Orders received in the architecture business decreased 2.9% overall, despite steady growth at other companies, due to decreases of JPY7.3 billion for TK and JPY5 billion for AA. Revenue increased significantly by 31.2%, due to steady progress in construction of both TK and AA. Despite a decline in the profit margin at AA, operating income increased 16.8% due to a substantial increase in TK's revenue.

Finally, in the Real Estate business, although orders and revenue increased, profits decreased 2.7%, due to the delay in the sales contract of real estate for sale by MIBU CORPORATION to this fiscal year.

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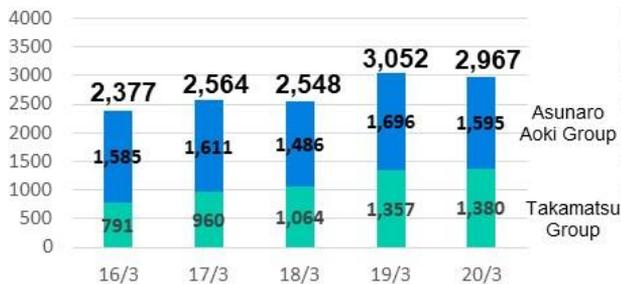
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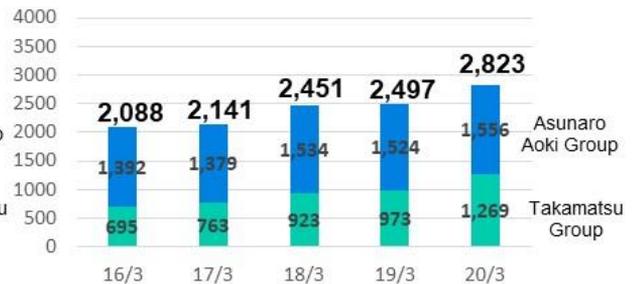
## (Consolidated) TCG Results for FY Ended March 2020 by Group (Orders, Revenue, and Operating Income)

- Takamatsu Corporation Co., Ltd. and Asunaro Aoki Construction Co., Ltd. both recorded steady revenue and operating income.  
 [Orders] 97.2% year-on-year [Revenue] 113.1% year-on-year  
 [Operating income] 118.3% year-on-year [Operating income %] +0.2 pt year-on-year

### Orders



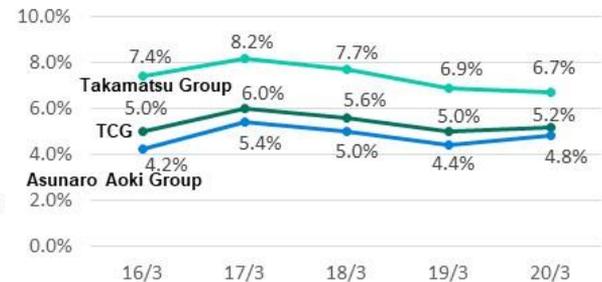
### Revenue



### Operating income



### Operating income %



Next, I will explain the profit & loss statement figures of the TK Group and the AA Group by Group.

The TK Group recorded steady growth in both revenue and operating income, due to the start of construction work that had been delayed in the previous fiscal year.

For TK, net revenue increased by JPY19.3 billion YoY and operating income increased by JPY1.45 billion YoY. Although Tatsumi Planning, which was newly included in the Group, recorded sluggish profits, revenue of approximately JPY4.9 billion contributed to the increase. Also, operating income of the Kongogumi, the world's oldest company, and for the temples and shrine construction, recorded operating income of about 10 times higher YoY.

In the AA Group, although revenue of MIRAI CONSTRUCTION and Toko Geotech were slightly short upon the plan, they were covered by the AA Group and other Group companies, and both revenue and operating income increased. In particular, SHIMADAGUMI, whose main business is the excavation of ruins, has been increasing revenue since joining the group. revenue in the previous fiscal year were JPY3.7 billion, nearly twice as high as that of the time of joining the Group.

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## Operating Results Year-on-Year (Consolidated)

(million yen)

\*TK: Takamatsu Corporation AA: Asunaro Aoki Construction MK: Mirai Construction TG: Toko Geotech

	Revenue			Gross profit			SG&A			Operating income		
	Mar 2019	Mar 2020	+/-	Mar 2019	Mar 2020	+/-	Mar 2019	Mar 2020	+/-	Mar 2019	Mar 2020	+/-
Takamatsu Corporation non-consolidated	66,964	86,305	19,341	12,818	15,786	2,968	8,287	9,807	1,520	4,530	5,978	1,448
Takamatsu Group excluding TK	30,416	40,643	10,227	5,414	6,762	1,348	3,201	4,296	1,095	2,214	2,467	253
Takamatsu Group total	97,380	126,948	29,568	18,232	22,548	4,316	11,488	14,103	2,615	6,744	8,445	1,701
Asunaro Aoki Construction non-consolidated	88,866	95,609	6,743	8,875	9,558	683	5,214	5,593	379	3,661	3,964	303
Mirai Construction	31,342	28,420	-2,922	2,325	2,644	319	1,689	1,837	148	636	806	170
Toko Geotech	22,195	22,076	-119	3,272	3,234	-38	1,552	1,582	30	1,720	1,652	-68
Asunaro Aoki Group excluding AA, MK, and TG	10,049	9,586	-463	1,576	1,873	297	891	895	4	684	979	295
Asunaro Aoki Group total	152,452	155,691	3,239	16,048	17,309	1,261	9,346	9,907	561	6,701	7,401	700
TCG consolidated	249,720	282,366	32,646	34,361	39,957	5,596	21,919	25,237	3,318	12,441	14,720	2,279

Next, please turn to page 7.

The table shows the YoY comparisons of consolidated operating results for the four main companies, which include MIRAI CONSTRUCTION and Toko Geotech, in addition to the two core companies of TK and AA.

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# Orders and Revenue Year-on-Year

\*TK: Takamatsu Corporation AA: Asunaro Aoki Construction MK: Mirai Constriction TG: Toko Geotech



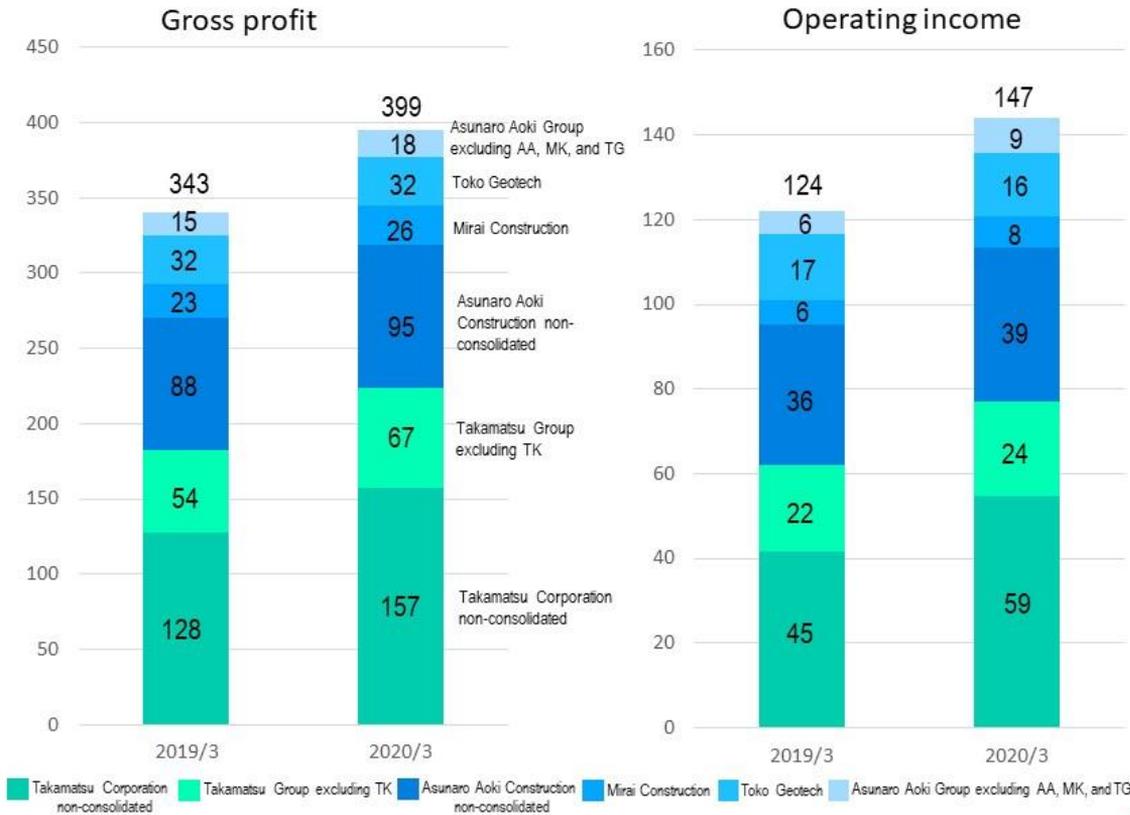
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# Gross Profit and Operating Income Year-on-Year

\*TK: Takamatsu Corporation AA: Asunaro Aoki Construction MK: Mirai Construction TG: Toko Geotech



Pages 8 and 9 show a bar graph of coefficient comparisons, including orders received.

As mentioned earlier, orders on page six were slightly negative YoY, but this does not mean that orders did not grow due to the deterioration of the market environment or intensified competition.

Revenue reached a record high, thanks to strong growth of the TK Group, and strong performance of AA Group.

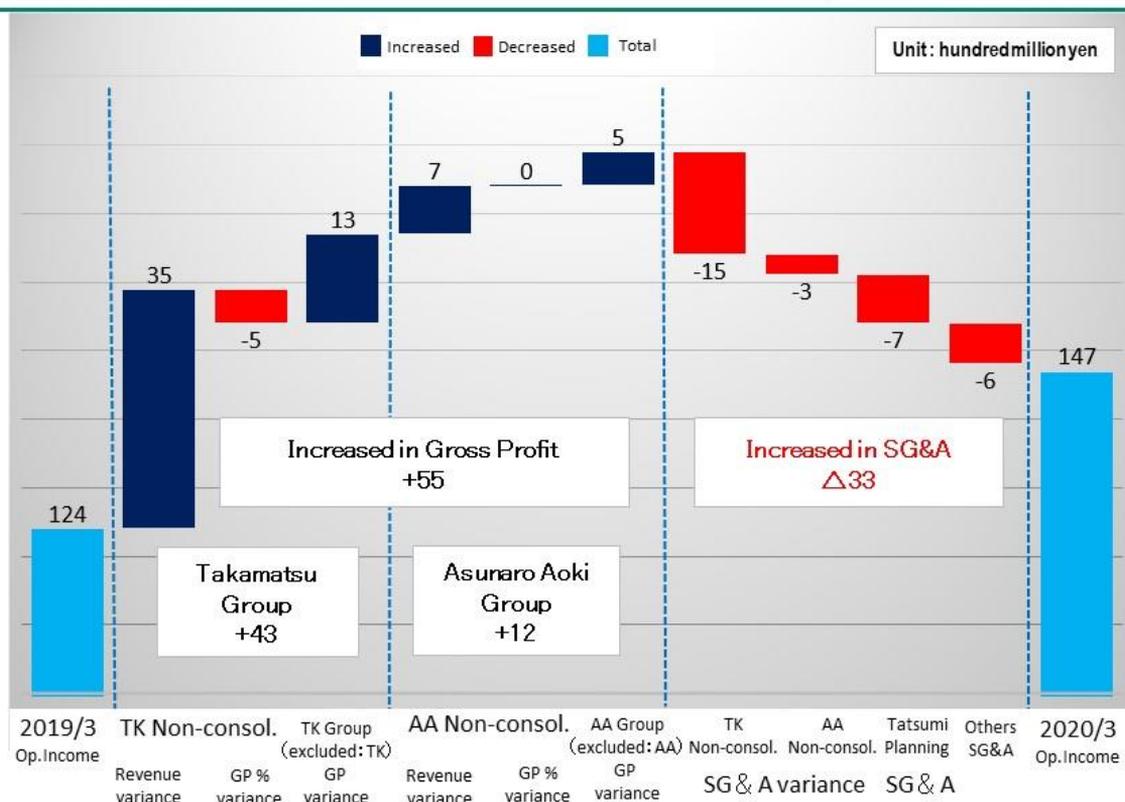
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# Operating Income Year-on-Year

\*TK: Takamatsu Corporation AA: Asunaro Aoki Construction



Page 10 shows the analysis of YoY difference in operating income. Operating income for the year ended March 2020 increased from JPY12.4 billion in the previous fiscal year to JPY14.7 billion. The increase is shown in the dark blue column and the decrease is shown in the red column.

Firstly, the increase in profit due to the increase in TK's non-consolidated revenue was JPY3.5 billion, the decrease in gross profit due to the decrease in gross profit ratio was JPY500 million, and the increase in gross profit of other TK Group companies was JPY1.3 billion. Given these, TK Group contributed to the gross profit increase of JPY4.3 billion.

Similarly, AA Group contributed the increase of gross profit by JPY700 million, due to the increase of AA's non-consolidated revenue and JPY500 million increase in gross profit of other Group companies, totaling JPY1.2 billion. On the other hand, selling, general and administrative (SG&A) expenses increased by JPY3.3 billion, led by the JPY1.5 billion of TK, and after offsetting this, operating income increased by JPY2.3 billion YoY to JPY14.7 billion, a record high.

For the financial results of our core operating companies for the fiscal year ended March 2020, our business forecasts for the fiscal year ending March 2021, our business plan for the fiscal year, and the impact of COVID-19, Takamatsu, President of the TK will present on TK Group, and Tsujii, President of AA, will present on AA Group.

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## Situation of Corporate Group

- The Group is composed of **Takamatsu Corporation Co., Ltd.** and **11 Group companies**, which conduct their main business in the fields of **architecture and real estate**.

	Architecture	Real estate	Main sales areas
<b>Company</b>	<b>Takamatsu Corporation Co., Ltd.</b>		Tokyo/Nagoya/Osaka
<b>Group companies</b>	Takamatsu Techno Service Co., Ltd. (Osaka)		Osaka
	Takamatsu Techno Service Co., Ltd. (Tokyo)		Tokyo
		Takamatsu Estate Co., Ltd. (Osaka)	Osaka
		Takamatsu Estate Co., Ltd. (Tokyo)	Tokyo
	Suminoe Kogei Co., Ltd.		Japan (nationwide)
	<b>Takamatsu House Co., Ltd.</b>		Tokyo/Kanagawa
	Tatsumi Planning Co., Ltd.		Tokyo/Kanagawa
		Mibu Corporation Co., Ltd.	Tokyo
	Kongo Gumi Co., Ltd.		Tokyo/Osaka
	Nakamura Shaji Co., Ltd.		Nagoya

**Takamatsu:** Now, I would like to explain about the Takamatsu CORPORATION Group.

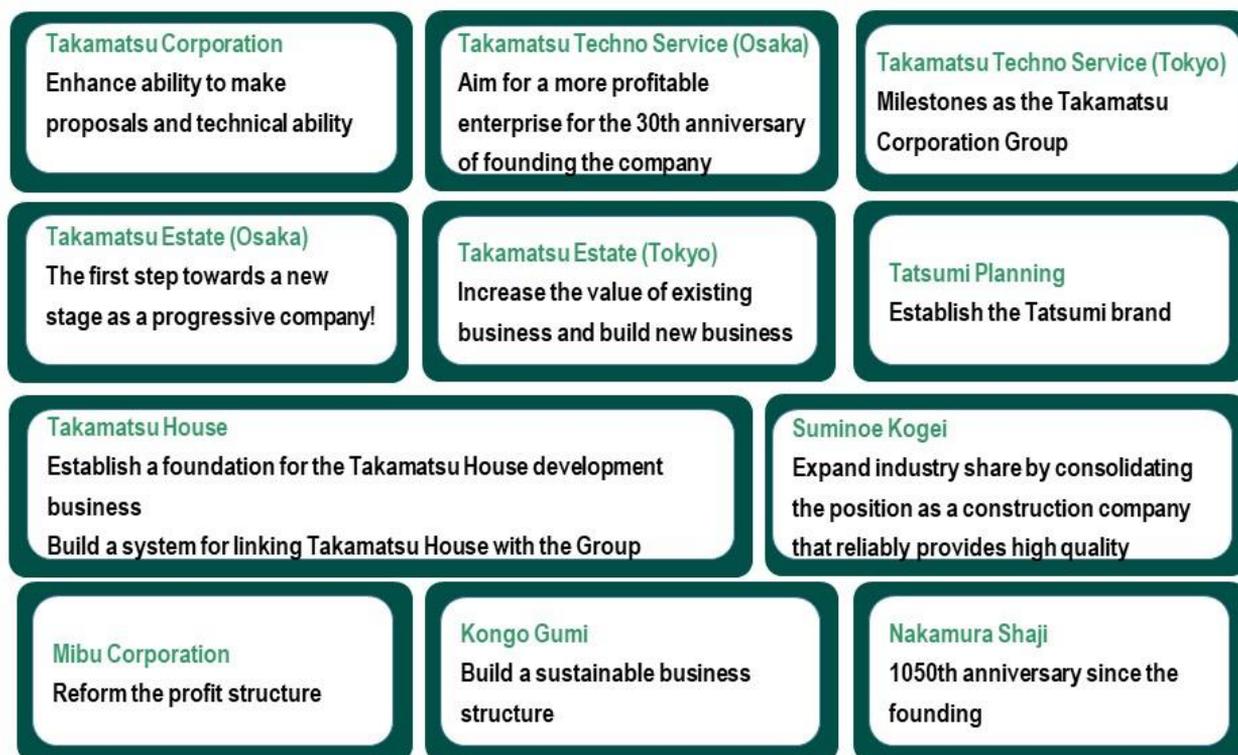
First, regarding the status of our corporate Group, TAKAMATSU HOUSE and Tatsumi Planning became part of our Group last fiscal year, bringing the total to 11 companies. Our Group is expanding its organization to meet various needs of its clients, from temples and shrines to condominiums and offices. I will not explain about all the companies of our Group in terms of time, but I will briefly explain about the TAKAMATSU HOUSE later.

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## Group Company Business Strategies



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I would like to explain the business strategies of each Group company.

In the current fiscal year again, 11 companies will continue their efforts to achieve their basic themes. This message is essentially for internal use. Each company is advancing with themes and targets.

At Takamatsu CORPORATION on a non-consolidated basis, the basic theme is "strengthening proposal skills and technology." Actually, this was used as a keyword to supplement the basic theme of last year. This year, however, we upgrade this keyword to further refine our brand power. We intend to further explore and deepen the basic theme of "strengthening our proposal skills and technological capabilities" for this year again.

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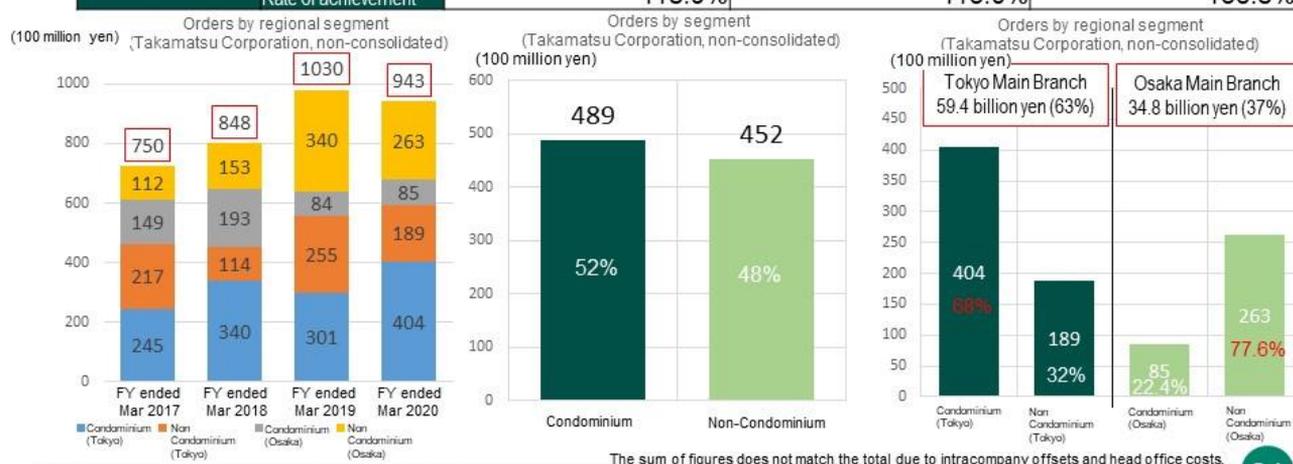
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# Review of Takamatsu Corporation Group Performance for FY Ended March 2020

(million yen)		Takamatsu Corporation Group overall	Takamatsu Corporation non-consolidated	Takamatsu Corporation Group company total
Orders	Achievement	138,042	94,340	40,688
	Target	149,000	110,000	39,000
	Rate of achievement	92.6%	85.8%	104.3%
Revenue	Achievement	126,948	86,305	42,565
	Target	115,000	84,000	31,000
	Rate of achievement	110.4%	102.7%	137.3%
Operating income	Achievement	8,445	5,978	2,581
	Target	7,100	5,200	1,900
	Rate of achievement	118.9%	115.0%	135.8%



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First of all, I would like to look back on the Group's performance.

Regarding orders, the impact of COVID-19 was slightly seen from February onward, and thus, orders did not grow towards the end of fiscal year. Unfortunately, we did not reach our target. However, we were able to achieve our targets for both revenue and profits. As can be seen in the graph on the slide, the percentage of orders of general buildings received in recent years is extremely large.

Overall, condominiums accounted for 52%, while other ordinary buildings accounted for 48%, which seem to be not so different. However, at the Osaka Head Office, which is based in the Kansai region, 77% are general buildings, and the percentage of original condominiums, which we have strengths in, is significantly declining.

Meanwhile, at the Tokyo Head Office, which is based in the Tokyo metropolitan area, 74% of orders received are in-house design condominiums, which differs greatly from the composition of received orders from the Osaka Head Office. Differences in population and markets are major impacts, but the profit margin of in-house design condominium construction is higher than that of general buildings, and so, an increase in the percentage of general buildings would lead to a decline in profit margin. While placing our specialty area of in-house design condominiums at the center, we believe it is essential to utilize the experience we have cultivated in Osaka, in Tokyo, for general buildings as well, to secure sales and profitability.

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## Performance Targets of Takamatsu Corporation Group for FY Ending March 2021

### Takamatsu Corporation Group consolidated performance targets

<b>Orders:</b>	<b>TBD</b>
<b>Revenue:</b>	<b>131 billion yen (103% year-on-year)</b>
<b>Operating income:</b>	<b>7.1 billion yen (84% year-on-year)</b>

The forecast for orders this fiscal year is TBD because it is currently difficult to predict the impact of COVID-19. The forecast for revenue and operating income remains the same as at the start of the fiscal year.

We will swiftly release information when rational forecasts become possible, upon carefully ascertaining the impact on our business.



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Next is the Group's performance target for the current fiscal year.

Due to the impact of COVID-19 from the end of the previous fiscal year, it has become extremely difficult to meet with customers, and business negotiations have often been delayed, resulting in a harsh environment for receiving orders. As a result, orders received in April were far below our initial forecast.

On the other hand, with regard to sales and profits, while there was news of suspension of construction by other companies in the same industry, we were able to proceed with constructions as planned without disruptions, and as a result, the results were largely in line with our targets.

Takamatsu CORPORATION will pursue its initial targets for sales and operating income, even though there are various risks. With regard to revenue, we believe that we will be able to achieve our target unless there is a major change, as there are constructions that are yet to be started and we have already received orders for.

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## Business Risks due to COVID-19

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- (1) Decreased profit margin due to rising costs
- (2) Delays to construction launches due to delayed materials procurement
- (3) Reduced scope of ordered projects due to fewer assets and orders due to a slump in consumption
- (4) Delays to contract agreements, construction launches, and construction progress due to the pandemic

**The outlook is uncertain because there are risks to not only orders, but also revenue and income. We will minimize risk by meticulously performing contract management and construction launch management.**

**We will also review and promote the sales method to adopt after COVID-19 settles down.**



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I would like to explain the business risks associated with COVID-19.

There is a risk of declined profit margin as the cost of construction work may increase due to rising raw materials, material prices, and labor costs. Many construction materials are procured from overseas, and production may be discontinued, or deliveries may be delayed, due to COVID-19, which is spread throughout the world. From the customer's point of view, there are a variety of uncertainties, including a decline in investment appetite due to uncertainty about the economy, a decline in assets due to a decline in corporate earnings, and a credit crunch among banks.

Banks' credit crunch has not yet occurred. We believe that there will be no credit crunch in the future largely because our priority customers are profitable near train stations in the 23 wards. However, we will be paying close attention to future trends.

If COVID-19 spreads within the company, it is possible that sales activities and construction work will be discontinued for a long time. We will continue to thoroughly implement measures to prevent COVID-19 among employees. At present, as measures to prevent the spread of COVID-19 in the company, in a week, our employees take a paid holiday, telecommute for two days, have a staggered-commute for two days. Meetings with several attendees and meal meetings are not allowed in principle.

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## Topic: Takamatsu House

Takamatsu House and Tatsumi Planning joined the Takamatsu Corporation Group in FY2019, and the Group will work together to promote them as the third pillar, after Takamatsu Corporation and Asunaro Aoki Construction.

### [Basic themes of FY2020]

- Establishing a foundation for the Takamatsu House development business
- Building a system for linking Takamatsu House with the Group

### [Keywords]

- Absorbing knowledge of the development business
- Building a system for linking with the Group

### [Specific items for implementation]

- Expanding the strategic area
- Expanding the purchase of sites for sale
- Establishing a method for online marketing
- Conducting test marketing for each property
- Linking Tatsumi Planning with the Group



As I told at last year's financial results briefing, TAKAMATSU HOUSE and Tatsumi Planning became part of the Takamatsu CORPORATION Group last year.

TAKAMATSU HOUSE was in a preparatory period for launch of the company last fiscal year, but they will begin full-scale operations this fiscal year. Due to the impact of COVID-19, it was necessary to review all the orders received, revenue, and profits. However, the basic theme for FY2020 has been set as establishment of the management foundation of the Development Business and establishment of a system for Group collaboration, and concrete measures will be taken to promote the business.

To introduce some of these initiatives, they expanded their area of operations by deploying five-person teams. They purchase real estate for sale in collaboration with MIBU CORPORATION. Finally, they work on developing their website, placing online ads, and establish an analysis method.

Although the impact of COVID-19 makes it difficult for them to achieve results, they will work with President Fujiwara as their leader to steadily implement each and every initiative and focus on the results.

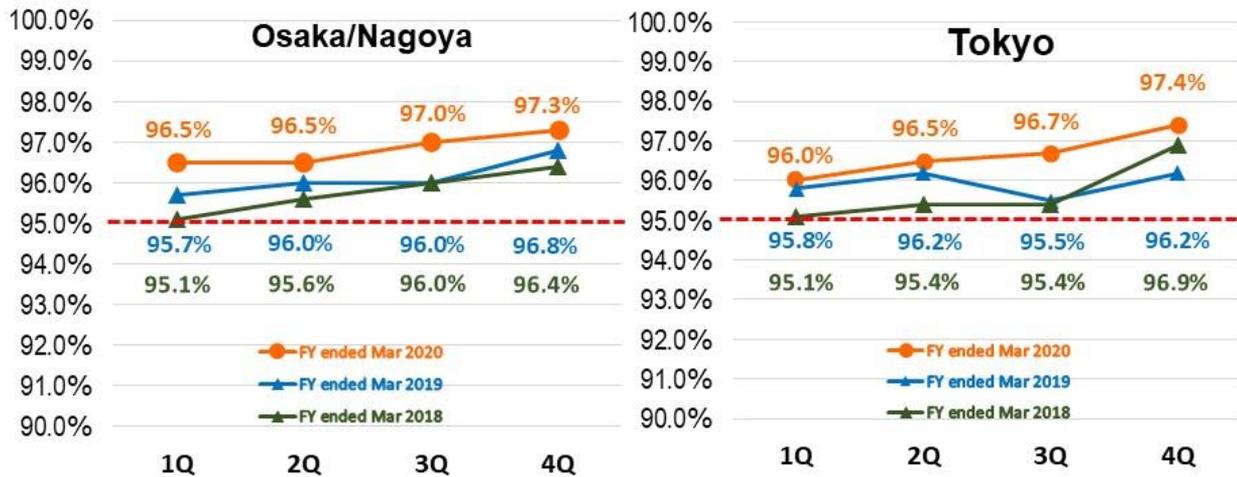
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## Occupancy Rate of Properties Constructed by Takamatsu Corporation at Takamatsu Estate

Occupancy rates of 95% or higher have been maintained for the fiscal year ended March 2020 in both Tokyo and Osaka.



### Definitions

"Osaka/Nagoya": Osaka, Kyoto, Hyogo, and Nagoya

"Tokyo": Tokyo, Kanagawa, Saitama, and Chiba

"Occupancy rate": Number of properties constructed by Takamatsu Corporation managed by Takamatsu Estate (Osaka/Tokyo) that are occupied at the end of each quarter ÷ total number of properties constructed by Takamatsu Corporation managed by Takamatsu Estate (Osaka/Tokyo) at the end of each quarter



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Finally, I would like to report on the tenant status of Takamatsu Estate as a reference.

As in the previous fiscal year, the occupancy rate in Tokyo and Osaka remained over 95%. We believe that we can provide sufficient support for Takamatsu Estate in rental condominiums, which is our main business, and so, we believe that it will contribute to the performances of both Takamatsu Estate Tokyo and Takamatsu Estate Osaka.

This is all from me.

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# Situation of Corporate Group

- The Group is composed of Asunaro Aoki Construction Co., Ltd. and 8 Group companies, which conduct their main business in the fields of construction and real estate.

	Architecture	Civil engineering	Real estate	Main sales areas
Company	Asunaro Aoki Construction Co., Ltd.			Japan (nationwide)
Group companies	Mirai Construction Co., Ltd.			Japan (nationwide)
		Toko Geotech Co., Ltd.		Japan (nationwide)
		Aoki Marine Co., Ltd.		Japan (nationwide)
		Asunaro Road Co., Ltd.		Hokkaido
	M's Co., Ltd.			Metropolitan area
		Niigata Mirai Construction Co., Ltd.		Niigata
		Shimada Gumi Co., Ltd.		Japan (nationwide)
		Access Co., Ltd.		Kansai region



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**Tsujii:** I would like to explain about the outline of the financial results of Asunaro Aoki Construction for the previous fiscal year and its annual management plan. First, I would like to explain the financial results for the fiscal year ended March 2020.

First, I will explain the status of the corporate Group. The group consists of Asunaro Aoki Construction and eight subsidiary companies that engage in the Construction and Real Estate businesses and other related businesses.

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# Performance Summary (Consolidated)

(rounded down to the nearest 100 million yen)

- Revenue **increased** year-on-year, and operating income, ordinary income, and net earnings attributable to the owners of the parent **increased** year-on-year. Revenue **hit a record high**.



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The following is an overview of consolidated results.

Revenue increased, reaching a new record high. Operating income, ordinary income, and net income increased, and the operating income margin rose 0.4 % to 4.8%. This section provides a brief explanation of each item.

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# Orders (Consolidated)

(rounded down to the nearest 100 million yen)

- The architecture business saw **increased** government orders due to a large-scale waste processing facility but a **decrease** in private sector orders due to the reaction to the last minute surge of demand before the hike in consumption tax the previous fiscal year, leading to an overall **decrease of 4.6 billion yen (-8.1%)** year-on-year.
- The civil engineering business saw **increased** private sector orders with a mega solar project in the renewable energy field and site preparation for a large-scale waste processing facility but a **decrease** in government orders after robust railway and road orders in the previous fiscal year, leading to an overall decrease of **4.3 billion yen (-4.0%)** year-on-year, despite an overall increase in orders at Group companies.
- Overall, orders **decreased by 10.0 billion yen (-5.9%)** since the previous fiscal year, which saw a record high.



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First, I will explain the amount of orders received.

In the Architecture business, orders for new waste disposal facilities from Sanitary Associations in Kodaira, Murayama, and Yamato have been received, resulting in an increase in order placement projects for government agencies. Private-sector construction orders declined slightly less than JPY4.7 billion YoY, to JPY53.4 billion, reflecting a reactionary decline following the last-minute surge in demand prior to the consumption tax hike in the previous fiscal year, despite orders received for construction of plants and logistics facilities.

For the Civil Engineering business, orders from the private sector increased due to orders for renewable energy such as mega-solar power generation and construction of large-scale waste disposal facilities. However, orders from the government sector decreased, which had been favorable, due to orders from the Ministry of Land, Infrastructure, Transport and Tourism and NEXCO in the previous fiscal year, resulting in orders totaling JPY104.9 billion, down slightly less than JPY4.4 billion YoY.

As a whole, including the Real Estate business, revenue declined by approximately JPY10 billion to JPY159.5 billion from the previous fiscal year, when they reached a record high. Revenue of construction contracts carried forward from the end of the previous fiscal year amounted to JPY64.2 billion for construction and JPY117.1 billion for civil engineering, for a total of JPY181.3 billion, a record high.

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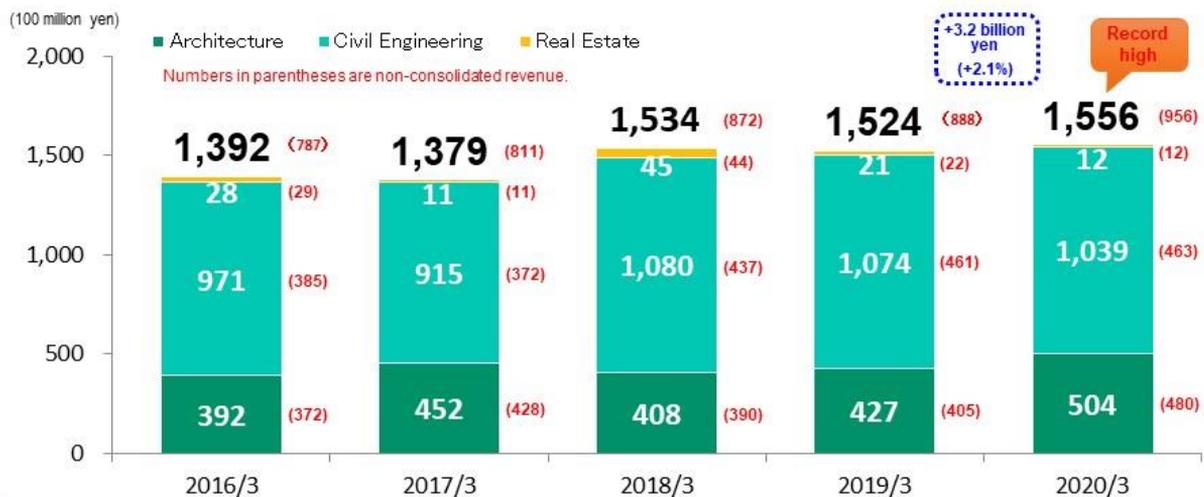
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# Revenue (Consolidated)

(rounded down to the nearest 100 million yen)

- Architecture revenue **increased by 7.6 billion yen (+18.0%)** year-on-year due to factors such as steady progress in construction brought forward from the previous fiscal year, which hit a record high since the economic downturn of 2008.
- Although there was steady progress in ongoing construction, civil engineering revenue **decreased by 3.4 billion yen (-3.2%)** year-on-year due to a decrease in construction brought forward from the previous fiscal year at some Group companies (a decrease in orders in the previous two fiscal years).
- Overall, revenue **increased by 3.2 billion yen (+2.1%)** year-on-year to **hit a record high**.



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Next, I will explain revenue.

Construction business saw a YoY increase of slightly less than JPY7.7 billion, to JPY50.4 billion, due to steady progress in construction work carried forward, which was the largest scale since the financial crisis of 2007-2008. In the Civil Engineering business, construction work on hand proceeded smoothly, but orders in the previous fiscal year and the fiscal year before that were sluggish at MIRAI CONSTRUCTION. As a result, construction value of construction carried forward decreased by slightly less than JPY3.5 billion YoY, to JPY103.9 billion. The Real Estate business was JPY1.2 billion, due to a decline in sales of condominiums owned by us.

As a whole, the increase in the architecture business covered the declines in the Civil Engineering and Real Estate businesses, which resulted in a YoY increase of more than JPY3.2 billion to JPY155.6 billion, a record high.

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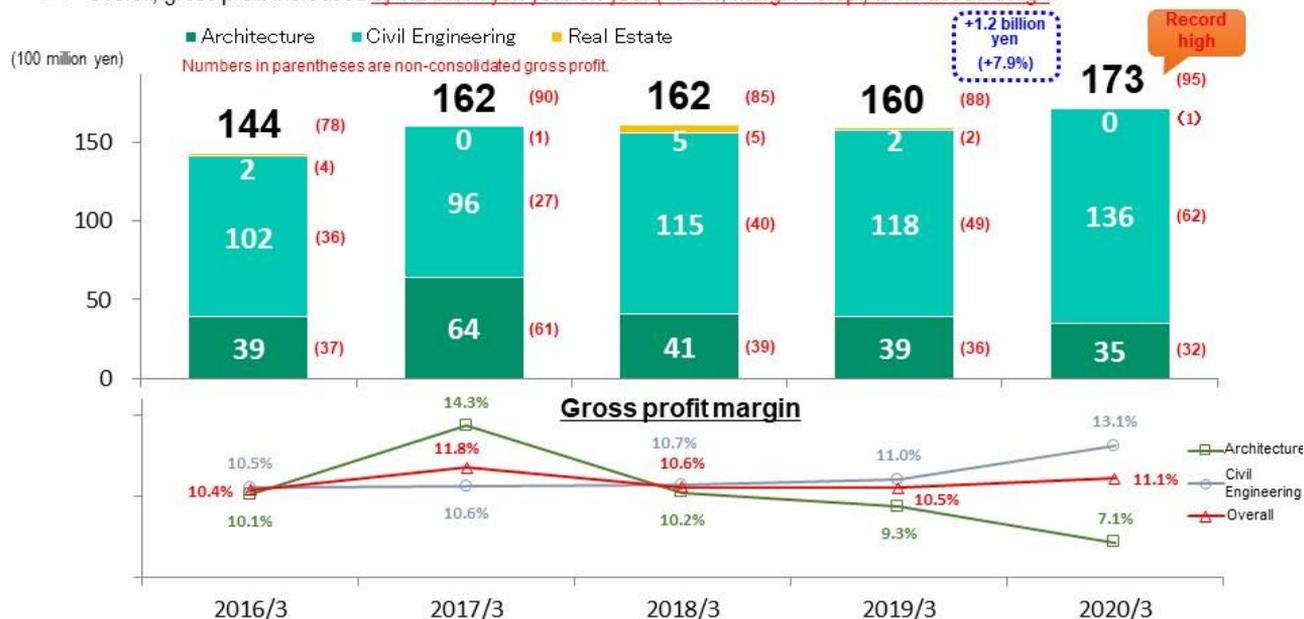
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# Gross Profit (Consolidated)

(rounded down to the nearest 100 million yen)

- Architecture profit **decreased by 0.3 billion yen year-on-year (-9.9%, margin -2.2pt)** due to rising material prices and the progress, etc. of low profitability construction, which was impacted by factors such as labor shortages.
- Civil engineering profit **increased by 1.7 billion yen year-on-year (+15.1%, margin +2.1pt)** due to progress, etc. of high profitability construction.
- Overall, gross profit increased **by 1.2 billion yen year-on-year (+7.9%, margin +0.6pt) to hit a record high.**



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Next, I will explain gross profit.

The architecture business posted a decline of slightly less than JPY400 million YoY, to JPY3.5 billion, mainly due to competition for orders, rising material prices, and progress in low-margin construction projects affected by labor shortages. In the Civil Engineering business, the gross profit margin rose 2.1pt YoY, up slightly less than JPY1.8 billion from the previous fiscal year, to JPY13.6 billion, reaching a record high, thanks to the progress of our highly profitable projects. In the Real Estate business as a whole, we posted a record-high profit with an increase of just under JPY1.3 billion from the previous fiscal year, to JPY17.3 billion.

Operating income increased by more than JPY700 million YoY, to JPY7.4 billion, reflecting a little less than JPY600 million increase in SG&A expenses, due to a continuous increase in the number of new graduates and mid-career hires, as well as the relocation of the head office.

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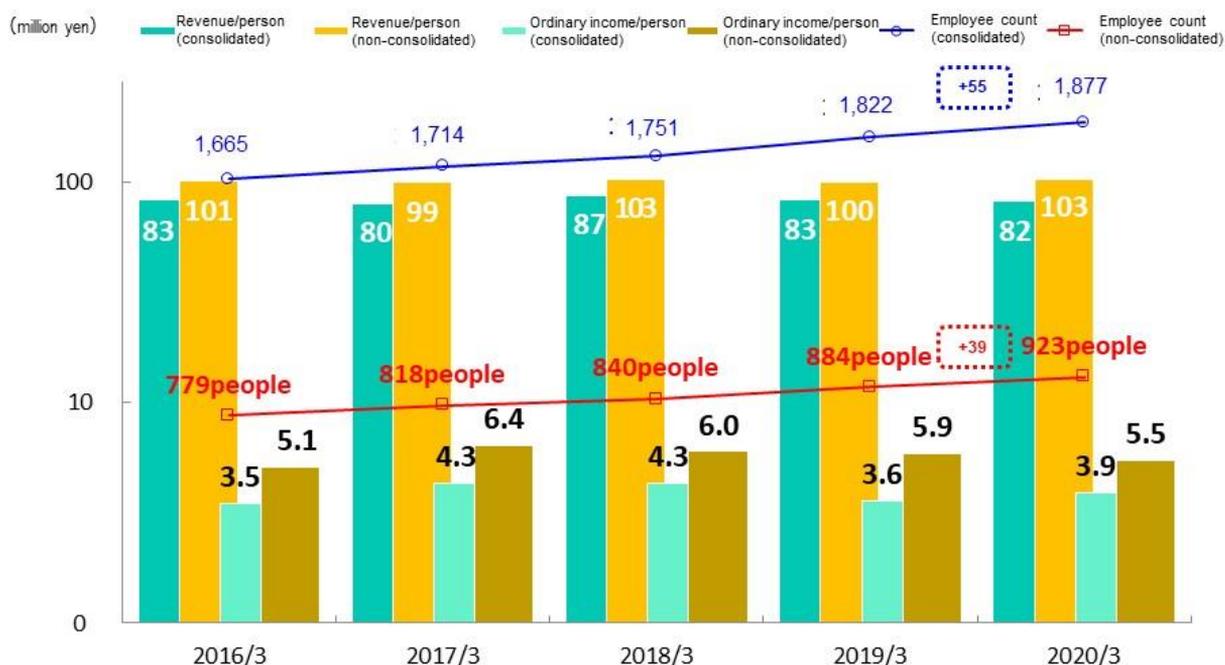
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# Employee Headcount and Productivity

(Revenue/person rounded down to the nearest million yen)  
 (Ordinary income/person rounded down to the nearest 100,000 yen)

- The employee count at the end of the fiscal year **trended upward** due to the continuous employment of new graduates and the non-consolidated ordinary income per employee **decreased** year-on-year because the increase in general administration costs due to the increased employee count was not completely absorbed.



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The number of employees has been on the rise for the Group as a whole, due to the increase in the number of employees employed.

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# Balance Sheet (Consolidated)

(rounded down to the nearest 100 million yen)  
(hundred million yen)

	Mar 2019	Mar 2020	Increase/ decrease		Mar 2019	Mar 2020	Increase/ decrease
<b>Current assets</b>	<b>(964)</b>	<b>(1,033)</b>	<b>(69)</b>	<b>Current liability</b>	<b>(341)</b>	<b>(379)</b>	<b>(37)</b>
Cash and deposits	241	262	21	Accounts payable for construction contracts	208	233	24
Notes receivable/accounts receivable from completed projects, other.	625	663	37	Advances received on uncompleted construction contracts	68	70	2
Real estate for sale	18	9	-9	Provision for bonuses	15	16	0
Costs from projects in progress	4	0	-3	Other	48	58	9
Costs from real estate business	-	0	0	<b>Non current liabilities</b>	<b>(86)</b>	<b>(86)</b>	<b>(-0)</b>
Accounts receivable	64	71	6	Retirement allowance	80	79	-0
Other	9	25	16	Other	6	6	-0
Allowance for bad debts	-1	-0	0	<b>Total liabilities</b>	<b>428</b>	<b>465</b>	<b>37</b>
<b>Noncurrent assets</b>	<b>(138)</b>	<b>(135)</b>	<b>(-3)</b>	<b>Capital stock</b>	<b>(669)</b>	<b>(702)</b>	<b>(32)</b>
<b>Tangible assets</b>	<b>(63)</b>	<b>(63)</b>	<b>(-0)</b>	Capital	50	50	-
<b>Intangible assets</b>	<b>(3)</b>	<b>(3)</b>	<b>(-0)</b>	Capital surplus	237	237	-
<b>Investment and other assets</b>	<b>(71)</b>	<b>(68)</b>	<b>(-2)</b>	Earned surplus	415	448	32
Investment securities	41	37	-4	Treasury shares	-34	-34	-0
Deferred tax assets	22	24	2	<b>Total accumulated other comprehensive income</b>	<b>(4)</b>	<b>(0)</b>	<b>(-3)</b>
Other	9	8	-1	<b>Non-controlling interest</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>
Allowance for doubtful accounts	-2	-2	0	<b>Total net assets</b>	<b>674</b>	<b>703</b>	<b>29</b>
<b>Total assets</b>	<b>1,102</b>	<b>1,168</b>	<b>66</b>	<b>(Equity ratio)</b>	<b>(61.1%)</b>	<b>(60.1%)</b>	<b>(-1.0pt)</b>
				<b>Total liabilities and net assets</b>	<b>1,102</b>	<b>1,168</b>	<b>66</b>

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As shown on the balance sheet, our Group has not issued any notes payable and has maintained debt-free management with no borrowings.

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# Performance by Group Company (1)

(rounded down to the nearest 100 million yen)



## Asunaro Aoki Construction

Main business: General construction business



New construction of Kumegawa long-term care health facility (tentative title)



Construction of Tohoku Expressway Hasuda Service Area (inbound)



Tissage Ogikubo (company-built condominiums)

	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	
	Achievement	Achievement	Achievement	Achievement	Achievement	Year-on-year change
Orders	964	926	896	1,082	963	-11.0%
Revenue	787	811	872	888	956	7.6%
Operating income	30	41	40	36	39	8.3%
Ordinary income	40	52	50	52	51	-1.7%
Net income	30	34	34	38	34	-10.1%
Employee count at the end of fiscal year	779	818	840	884	923	

(hundred million yen)



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# Performance by Group Company (2)

(rounded down to the nearest 100 million yen)



## Mirai Construction

Main business: Offshore construction, port and harbor construction, inland civil engineering construction, architecture construction



Quay wall improvement work in the Hakodate Port  
Wakamatsu District



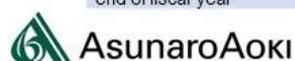
Construction of waste material bulkhead at the central  
quay of the Ibaraki Port Hitachinakako District



Ground reinforcement work on facilities  
adjoining the fairway at the Port of Kobe

	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	
	Achievement	Achievement	Achievement	Achievement	Achievement	Year-on-year change
Orders	306	371	272	291	297	2.2%
Revenue	297	263	336	313	284	-9.3%
Operating income	10	11	12	6	8	26.8%
Ordinary income	10	11	12	6	8	29.1%
Net income	12	8	15	4	5	33.3%
Employee count at the end of fiscal year	289	306	310	324	331	

(hundred million yen)



\*Orders and revenue are calculated by excluding intracompany transactions.

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# Performance by Group Company (3)

(rounded down to the nearest 100 million yen)



## Toko Geotech

Main business: Slope protection work, ground reinforcement work, blasting work, insulation/heat-resistance work



Kagawa expressway slope repair work (slope protection work)



Haneda Airport site foundation maintenance work (ground reinforcement work)



Koishiwara River Dam work (blasting work)

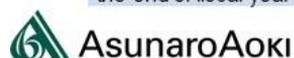


Hofu Biomass Power Plant construction (insulation/heat-resistance work)

	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	
	Achievement	Achievement	Achievement	Achievement	Achievement	Year-on-year change
Orders	218	218	226	223	236	5.6%
Revenue	214	208	222	221	220	-0.5%
Operating income	13	13	15	17	16	-4.0%
Ordinary income	13	12	15	17	16	-3.4%
Net income	6	8	9	14	10	-25.6%
Employee count at the end of fiscal year	386	392	396	390	395	

(hundred million yen)

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The business results of each Group company, including us, are as described in the material.

### Support

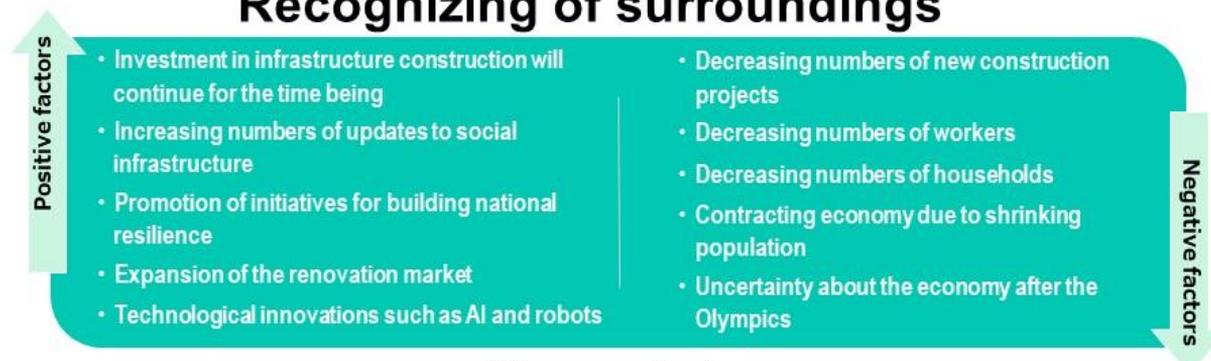
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# Understanding of the Environment and Its Challenges (Medium-Term Management Plan)

## Recognizing of surroundings



## Key points



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Next, I will explain our management plan for the fiscal year ending March 2021. Let me begin by explaining our environmental awareness and issues.

Regarding our environmental awareness, as a negative factor, the economic uncertainty associated with the spread of COVID-19 has been added, but for others, the environment envisaged in the Medium-Term Management Plan continues. Based on this environmental awareness, we will develop sales activities that fully utilize our unique technologies for disaster prevention and disaster mitigation, abundant experience in new energy-related construction, and unmanned construction technologies, which are our strengths.

In addressing management issues, we are focusing our efforts on ICT, BIM, and CIM technologies to improve productivity. We established the BIM Promotion Group within the Engineering Headquarters to unify the efforts of the design BIM and construction BIM. We believe that this will strengthen the linkage between designing and construction and further promote BIM support through front loading. The Tochigi Regional Joint Government Building that we received in FY2018 is a pilot project of BIM by the Ministry of Land, Infrastructure, Transport and Tourism. We are working with the orderer to promote construction BIM and plan to complete it by the end of this month.

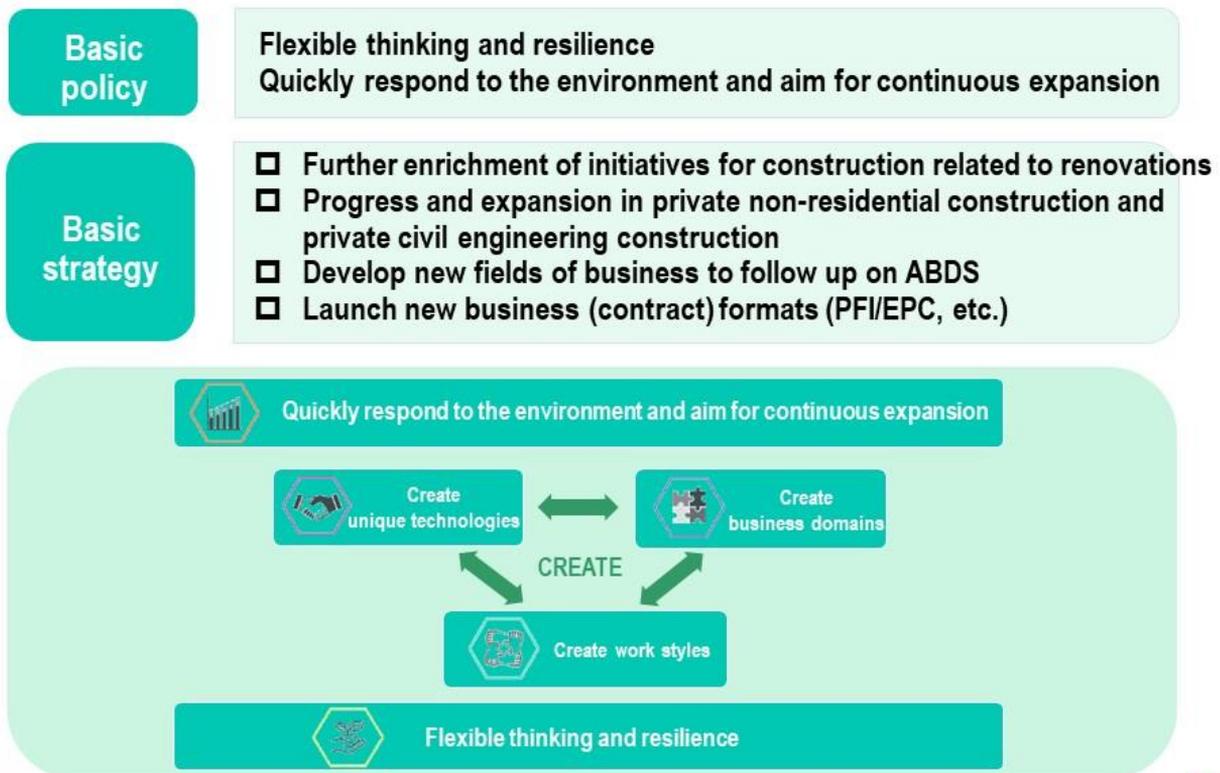
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## Basic Policy/Basic Strategy (Medium-Term Management Plan)



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We will now explain the progress of the basic policies and strategies of the Medium-Term Management Plan in three key words.

The first is the creation of new business domains. In addition to enhancing our efforts in renovation-related construction, which is expected to become the center of public construction investment in the future, we intend to proactively engage in PPP and other business formats and grow them into new business pillars.

As an example of these efforts, in the previous fiscal year we formed a joint venture with a company in a different industry and won an order for a project to develop a new waste treatment facility using the DBO method that we bid for. In this business, we are in charge of the demolition of existing facilities and civil engineering and construction of new facilities, but we will also consider the management of public facilities in the future.

In the architecture business, we will also focus on large-scale projects that take advantage of synergies with Takamatsu CORPORATION.

In the Civil Engineering business, we will strengthen our efforts in transportation infrastructure, including private railways. In renewable energy projects, we will offer a variety of lineups, including wind power generation, for which future upgrading construction is expected, small hydro power, and mega solar power.

The second is the creation of proprietary technologies. As explained in the Challenges section, we will actively introduce ICT technologies, such as BIM and CIM, and work to improve productivity through collaboration with partner companies. We are also focusing on initiatives that make use of our proprietary technologies.

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We jointly developed a Die-and-Rod Type Friction Damper with Metropolitan Expressway Co., Ltd., which was adopted as a seismic reinforcement measure for the Metropolitan Expressway Daiba Line. Six friction dampers were installed in February this year.

This friction damper is a bridge earthquake-resistant method that can significantly reduce damage to bridges in the event of a major earthquake by installing it in existing bridges and is excellent in restoring performance after an earthquake, which is expected to be further adopted in the future.

The third issue is the creation of work styles. We will work to raise productivity by promoting the use of ICTs and robotics in construction. In addition, we are currently implementing telework as a measure against COVID-19 for employees on inside duty, and we hope to use this opportunity to create a variety of work styles.

## Summary of Business Forecast

(rounded down to the nearest 100 million yen)

- Both consolidated and non-consolidated orders are expected to **be delayed** and **decrease** due to the economic slowdown caused by COVID-19.
- Because it was the off-season for architecture construction and the amount of construction has decreased due to postponement of orders, both consolidated and non-consolidated revenue and profit **are expected to decrease**.

	Consolidated					Non-consolidated				
	Mar 2020	Mar 2021				Mar 2020	Mar 2021			
	Achievement	Medium-Term Management Plan	Forecast	Year-on-year % change	% change compared to Medium-Term Management Plan	Achievement	Medium-Term Management Plan	Forecast	Year-on-year % change	% change compared to Medium-Term Management Plan
Orders	159.5 billion yen	165.0 billion yen	143.0 billion yen	-10.4%	-13.3%	96.3 billion yen	98.0 billion yen	81.0 billion yen	-15.9%	-17.3%
Revenue	155.6 billion yen	159.0 billion yen	146.0 billion yen	-6.2%	-8.2%	95.6 billion yen	94.0 billion yen	83.0 billion yen	-13.2%	-11.7%
Operating income	7.4 billion yen	7.7 billion yen	6.3 billion yen	-14.9%	-18.2%	3.9 billion yen	4.2 billion yen	2.8 billion yen	-29.4%	-33.3%
Operating income %	4.8%	4.8%	4.3%	-0.4pt	-0.5pt	4.1%	4.5%	3.4%	-0.8pt	-1.1pt
Ordinary income	7.3 billion yen	7.7 billion yen	6.1 billion yen	-17.2%	-20.8%	5.1 billion yen	5.4 billion yen	3.8 billion yen	-26.1%	-29.6%
Net income	4.5 billion yen	5.0 billion yen	3.8 billion yen	-17.3%	-24.0%	3.4 billion yen	4.0 billion yen	2.8 billion yen	-19.8%	-30.0%



Consolidated net earnings indicate the net earnings attributable to the owners of the parent.

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Finally, I will explain the numerical targets of the annual management plan.

With regard to the numerical targets described, we expect to some extent the impact of the COVID-19. And for orders received, delay and decrease due to the postponement of private-sector capital investment plans and the suspension of orders. For revenue and gross profit, we expect a decrease, due to delay in ordering timing and the decline in orders received.

Taking these effects into account, on a consolidated basis, we aim for orders of JPY143 billion, revenue of JPY146 billion, operating income of JPY6.3 billion, ordinary income of JPY6.1 billion, and profit attributable to owners of parent of JPY3.8 billion.

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On a non-consolidated basis, we aim for orders of JPY81 billion, revenue of JPY83 billion, operating income of JPY2.8 billion, ordinary income of JPY3.8 billion, and net income of JPY2.8 billion. On a non-consolidated basis, we forecast a 13.2% YoY decrease in revenue and a 29.4% YoY decrease in operating income, partly due to the impact of a lull in construction volume for the Construction business.

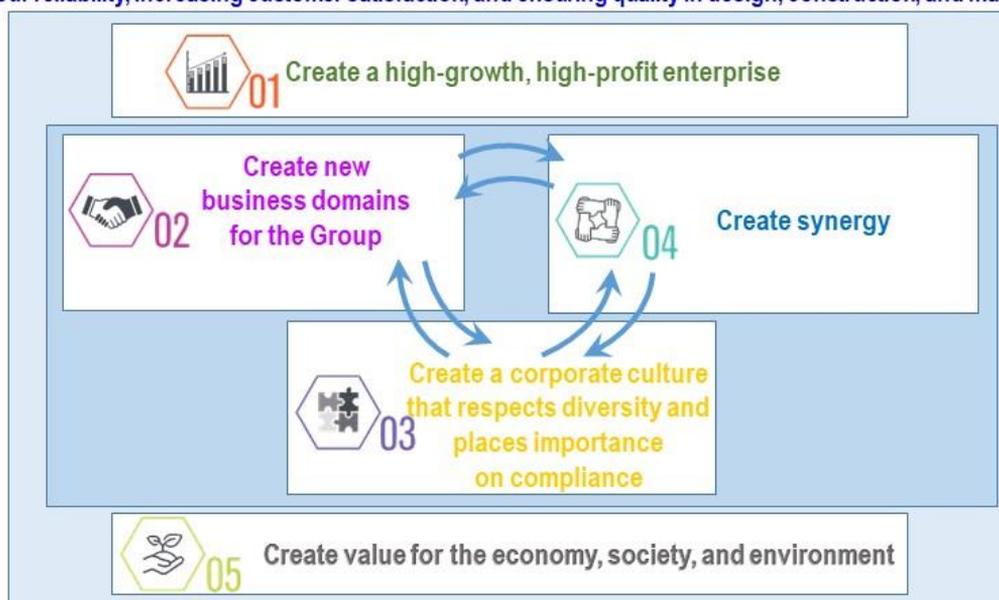
In addition, construction work that had been temporarily suspended has been largely resumed at present, and the decline in construction volume due to the suspension of construction is expected to be minimal. However, as a result of the restrained investment by private companies and other factors, there is a possibility of revisions of start dates for construction works in the future, or if COVID-19 expands again, there is a possibility of more revisions.

Finally, the Declaration of Emergency Situation has been lifted one after another, but we intend to continue to thoroughly implement measures to prevent infectious diseases from the viewpoint of protecting the lives and physical well-being of our customers, business partners and employees.

I would like to conclude the explanation of Asunaro Aoki Construction.

## Create! 2022 Medium-Term Management Plan: Continued Growth with Five Pillars of Creation!

1. With Takamatsu Corporation leading the way, we will continue high growth and create a high profit enterprise together as a Group.
2. In order to achieve this, we will maximize the creation of synergy within the Group and create new business domains for the Group centered on M&A, while continuing to create a corporate culture that respects diversity and places importance on compliance.
3. Via the above efforts, we will continue to create value for the economy, society, and environment.  
 ⇒ In order to achieve continuous growth, we will demonstrate and increase our Group's superiority over the competition, by honing our reliability, increasing customer satisfaction, and ensuring quality in design, construction, and maintenance.



**Yoshitake:** I will explain about TCG's forecast for the fiscal year ending March 2021 and the annual business plan. Please turn to page 12.

The fiscal year ending March 2021 is the second year of "Create! 2022", the current Medium-Term Management Plan. In "Create! 2022", we will focus on five areas of "create."

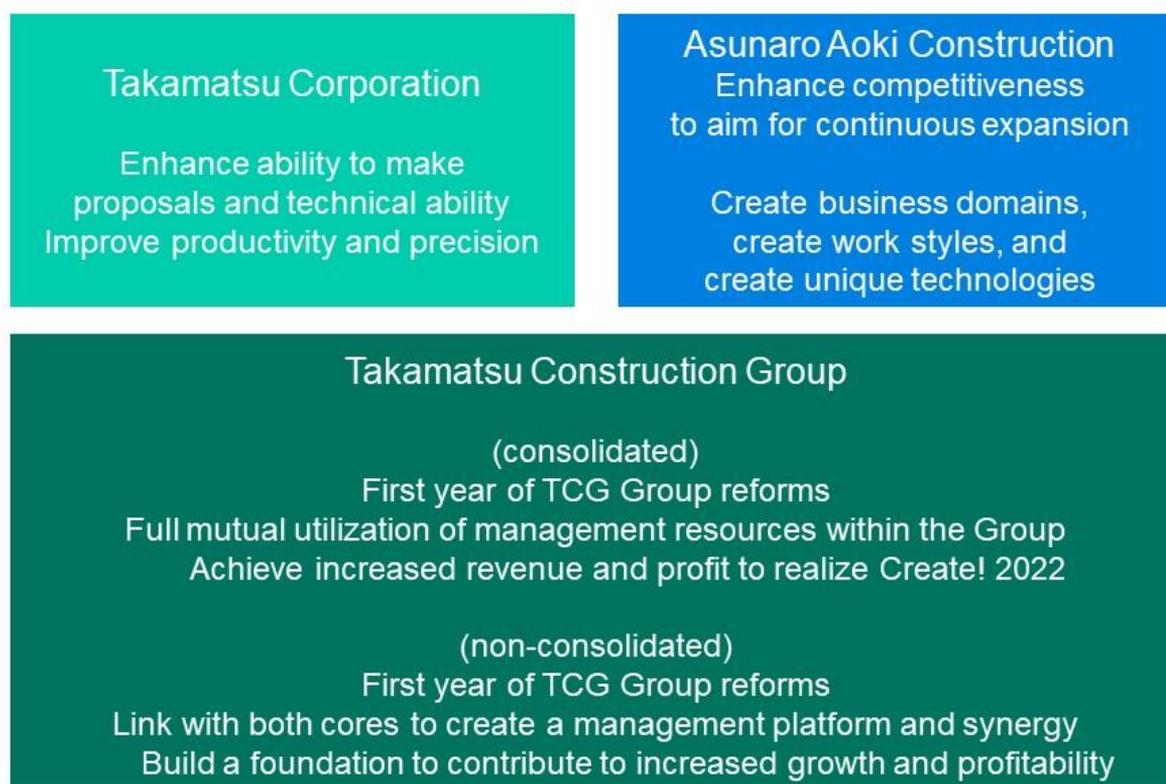
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First, create a high-growth, high-profit enterprise. The second challenge is to create new business domains for the Group. Third, we will create a corporate culture that emphasizes diversity and compliance. The fourth point is the creation of synergies. The fifth point is the creation of value for the economy, society, and the environment. This section focuses on initiatives in the current fiscal year for the priority items of “Create! 2022”.

## Takamatsu Construction Group Annual Management Policy



Please see page 13 for the TCG Group's management policies for FY2020.

For the group-wide, achieve increases in profits and income for “Create! 2022” in the first year of the TCG-Group’s reform. On a non-consolidated basis, we are building a foundation that contributes to growth and profitability in the first year of the TCG Group’s reforms.

In addition, as TOB for AA was completed in the previous fiscal year, there were no barriers between the Group companies, which further strengthened the Group's scrum structure and laid the foundation for realizing synergies. Going forward, we will further strengthen the collaboration between the TK Group and the AA Group and establish a common management platform for the Group to generate synergies.

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## Progress Creating Synergy after Making Asunaro Aoki Construction a 100% Owned Subsidiary

Synergy	Measures/specific examples	
Sales ↗	<ul style="list-style-type: none"> <li>■ Promote Joint Venture between Group companies → Large-scale logistics warehouses (Takamatsu Corporation/Asunaro Aoki Construction)</li> <li>■ Expand collaborative sales (Takamatsu Corporation/Kongo Gumi)</li> <li>■ Improve the ratio of large-scale repairs/management for properties constructed by Takamatsu Corporation (Takamatsu Estate/Takamatsu Techno Service)</li> </ul>	1. Respect the diversity and independence of Group companies
Gross profit ↗	<ul style="list-style-type: none"> <li>■ Share/mutually provide computerized construction such as BIM (Building Information Modeling)</li> <li>■ Share/mutually provide construction expertise</li> </ul>	2. Room for further expanding the creation of synergy in the future
Efficiency ↗ (Costs ↘)	<ul style="list-style-type: none"> <li>■ Create common personnel system (employment, cultivation, evaluation)</li> <li>■ Promote personnel exchange</li> <li>■ Unify information technology system infrastructure</li> </ul>	3. Improve the competitiveness and robustness of the Group to prepare for the risk of a worsening market situation
Technical ability ↗	<ul style="list-style-type: none"> <li>■ Share the joint research and achievements of Group companies at the TCG Institute of Technology (Tsukuba) within the Group (Example: Timbering construction methods, long span construction methods, etc.)</li> </ul>	4. Consider the specialization and individualities of each company when designing systems for the sharing and standardization of platforms, etc. in particular

Please let me now explain the creation of synergies. Please turn to page 14.

Please see the right side of the page. In examining measures to create synergies, the preconditions are described.

First, we will respect the diversity and independence of each Group company and will not pursue synergies in a manner that impedes diversity and independence.

Second, we will not conclude the creation of synergies with the measures described in this report but will consider ways in which synergies can be generated on an ongoing basis.

Third, we will pursue synergies to improve the Group's competitiveness and durability in order to prepare for the risk of deteriorating market conditions. Synergies in this area will become increasingly important, considering uncertainty in the construction market due to the impact of the spread of COVID-19.

Fourth, we intend to standardize a variety of internal systems, but given that each company's business type and personality differ, we would like to generate synergies by giving due consideration to these matters.

Currently, we are working to create synergies described here.

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## Revenue Contributing to SDGs

1. **SDG efforts are essential for the long-term growth of the Group.**
2. **25% of the Group business is revenue that conforms with the SDGs.**
3. **We will expand our business (revenue) that conforms with the SDGs during the Medium-Term Management Plan and beyond.**

Revenue contributing to SDGs

(hundred million yen)

Item	Definition	Revenue					
		FY ended Mar 2019	%	FY ended Mar 2020	%	FY ended Mar 2021	%
E	Contributing to environmental conservation	Total of (1) and (2) below					
	① Developing renewable energy	124	5%	108	4%	162	5%
	② Raw materials and construction methods in harmony with nature	Construction revenue using raw materials and construction methods in harmony with nature					
S	Sustainable urban planning	Total of (1) to (4) below					
	① Providing secure and long-life spaces	511	20%	523	19%	780	26%
	② Maintaining safety, comfort, and high quality	Buildings with anti-seismic performance 15% or more above the Building Standards Act					
	③ Inheriting traditional construction culture, etc.	Large-scale renovation business for condominiums, etc.					
	④ Housing services for the elderly	Temple/shrine construction and buried cultural asset excavation business Administration of serviced homes for the elderly					
Total revenue related to E/S		635	25%	631	22%	942	31%
Group revenue overall		2,497	100%	2,823	100%	3,000	100%

Next, I would like to explain our efforts toward SDGs. Please turn to page 15.

We have set SDGs Contributing revenue as an indicator for creating value for society and the environment. For SDGs contributing revenue of our group, AA Group is engaged in environment-related businesses of renewable energy such as wind power generation and solar power generation, and TOKO GEOTECH is engaged in slope construction using natural symbiotic materials. SHIMADAGUMI is also engaged in projects to discover buried cultural assets, which is part of cultural assets businesses.

The TK Group is engaged in reinforced concrete buildings with a 15% increase based on the Building Standards Law and large-scale renovation projects that directly affects the life extension of reinforced concrete buildings. And, there is the Cultural Property business of temples and shrines mainly led by Kongogumi, which is famous as the world's oldest company. These businesses account for approximately 25% of consolidated revenue. In the next fiscal year, the final year of the Medium-Term Management Plan, we aim to increase SDGs contributing revenue to 30% or more of consolidated revenue.

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## Creating Value for the Economy, Society, and Environment

### Empowerment of women

Item	FY ended Mar 2019 Achievement	FY ended Mar 2020 Achievement
Ratio of female employees	15%	14%
Ratio of female employees in new graduates hired	25%	26%
Number of female managers	11	15

### Promotion of work style reforms (closing sites)

	Target	Efforts
Takamatsu Corporation	8 sites in 4 weeks	<ul style="list-style-type: none"> <li>Promote on-site utilization of ICT devices</li> <li>Promote adoption of labor-saving methods</li> <li>Promote understanding of customers and set construction schedules that take the closing into account</li> <li>Promote understanding at and assisting partner companies</li> </ul>
Asunaro Aoki Construction	8 sites in 4 weeks	

### Enhance governance/ensure compliance

	Efforts
Enhance management monitoring function	<ul style="list-style-type: none"> <li>Enhance links with a board of auditors, internal auditing committee, and accounting auditor, enrich systems, and enhance Group internal auditing</li> </ul>
Improve the transparency of management	<ul style="list-style-type: none"> <li>Enrich the provision of information to external directors and auditors</li> <li>Enrich opportunities for explanation and provision of information to external stakeholders</li> </ul>
Improve our sense of ethics and social mission	<ul style="list-style-type: none"> <li>Enrich the content and frequency of education for directors and executives</li> </ul>

The status of women's participation in the Group is described on page 16.

In promoting work style reform, both TK and AA will work toward the target of an eight-day recess in four weeks, which is pursued by the entire industry. We will work to reform our work style to ensure that revenue and profits do not decline, with the aim of raising productivity through the adoption of ICT and other measures, as well as improving productivity through greater efficiency.

We believe that compliance management is one of the most important issues in corporate management. We will work to strengthen Group governance by making AA a wholly owned subsidiary, for example, by holding regular meetings of the Compliance Committee at Group companies.

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## Status of Tackling COVID-19

	Segment	Until May 6	From May 7
Construction	Government sales activities	Continued sales activities except in some municipalities, despite some changes to order schedules, etc.	Continuing sales activities except in some municipalities
	Private sales activities	Refrained from face-to-face sales activities Conducted sales via the Web and phone	Gradually resuming sales activities
	Government construction	Stopped some construction Other construction continued *	Generally resuming construction with measures for preventing the spread of infections implemented
	Private construction	Stopped some construction Other construction continued *	Generally resuming construction with measures for preventing the spread of infections implemented
Real estate	Tenant mediation	Prohibited face-to-face sales	Gradually resuming
	Building management	Provided services required for basic needs	Gradually resuming
Employment	Employment of new graduates	Conducted Web seminars Conducted Web interviews	Same as left

\*Continued construction with the agreement of the customer, with measures for preventing the spread of infections implemented

Please let me now explain the status of our response to COVID-19. Please turn to page 17.

For the Construction business, we have been self-prohibiting sales and marketing for some local governments, such as the Tokyo metropolitan area. Regarding private-sector sales and marketing, we voluntarily restrained face-to-face sales activities, limited sales activities to continuing customers via the Web or telephone, and voluntarily restrained the development of new customers. From May 7 onward, we gradually resumed our business activities while monitoring the situation.

Regarding construction, some of the government-related works were discontinued until May 6. In the private sector, construction work was carried out with measures taken to prevent the spread of infectious diseases, with the exception of some discontinued construction work following instructions by the ordering parties. The construction work instructed for temporary suspension by the ordering party is also being resumed gradually with measures taken to prevent the spread of the infectious disease.

In the Real Estate business, we prohibited face-to-face sales activities of tenant recruiting and limited activities to the provision of minimum-required services to maintain a living environment. However, we have gradually resumed the Tenant Recruiting business since May 7.

For recruitment activities, in order to avoid closeness, we held company briefings online and conducted interviews online. We plan to continue this initiative in the future.

In administration departments and engineering departments, employees work from home by telework in principle, and this continues today. We were able to implement telecommuting without any resistance, mainly

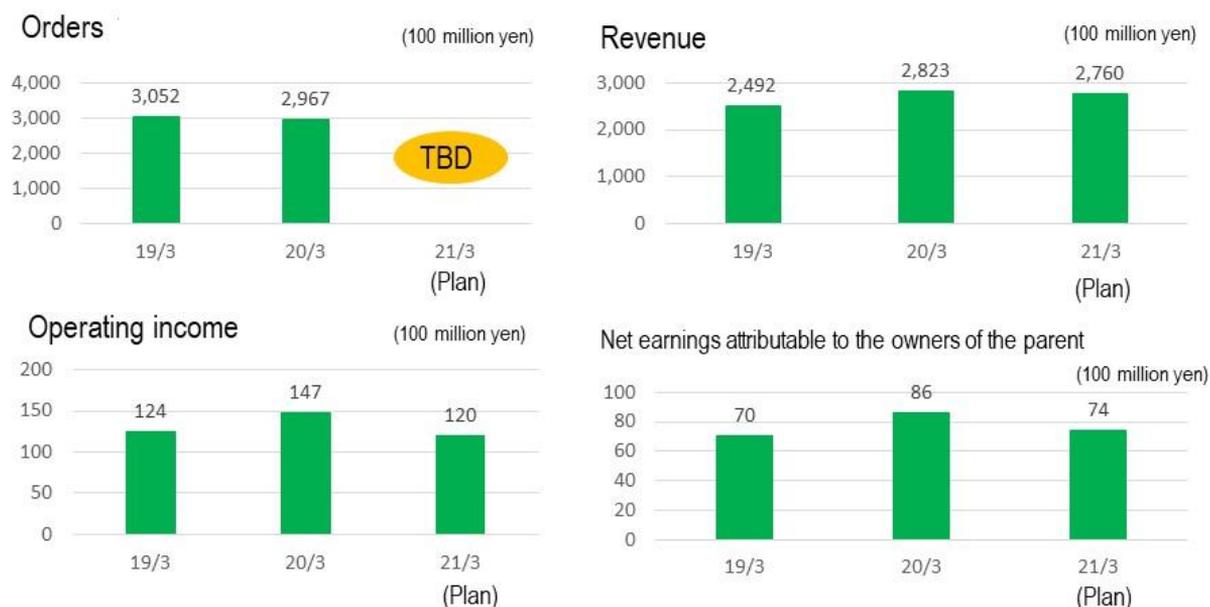
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for young employees. We believe that such trends will continue to exist socially in the future, and we believe that we need to reconsider specifications for the housing projects with a view toward work-from-home.

## Forecast for Consolidated Business Results in the Fiscal Year Ending March 2021



The forecast for consolidated results this fiscal year is TBD because it is currently difficult to reasonably calculate the order forecast due to the impact of COVID-19. Due to the impact of COVID-19, revenue is forecast to decrease 2.3% year-on-year, and operating income is expected to decrease approximately 18.4% year-on-year.

For the fiscal year ending March 2021, although it is difficult to calculate reasonable results at this stage due to COVID-19, we have formulated a performance forecast for the current fiscal year based on calculations in the scope that can be predicted at this stage, which was not yet determined at the time of the Group's announcement of financial results on the 20th last week.

First, with regard to revenue, we anticipate a 2.3% YoY decrease to JPY276 billion, on the assumption that orders would be postponed to a certain extent. The constructions on hand are fixed, and thus, the question is the orders received in this fiscal year, and completed in this fiscal year, which affect revenue and income. Taking into account the uncertainty in the materials and equipment market, we expect operating income to decline 18.5% YoY to JPY12 billion.

Regarding the previously announced order volume, amid constraints in sales activities, the outlook for AA is relatively easy due to the fact that the main orderers are government agencies and corporations, and we will aim to secure orders for TK after the conclusion of the emergency declaration because the number of individual customers is relatively large. Given that it is difficult at this stage to determine the amount of orders received in the current fiscal year, it is currently difficult to calculate it rationally. Therefore, we would like to announce the forecast again as soon as the outlook becomes clearer.

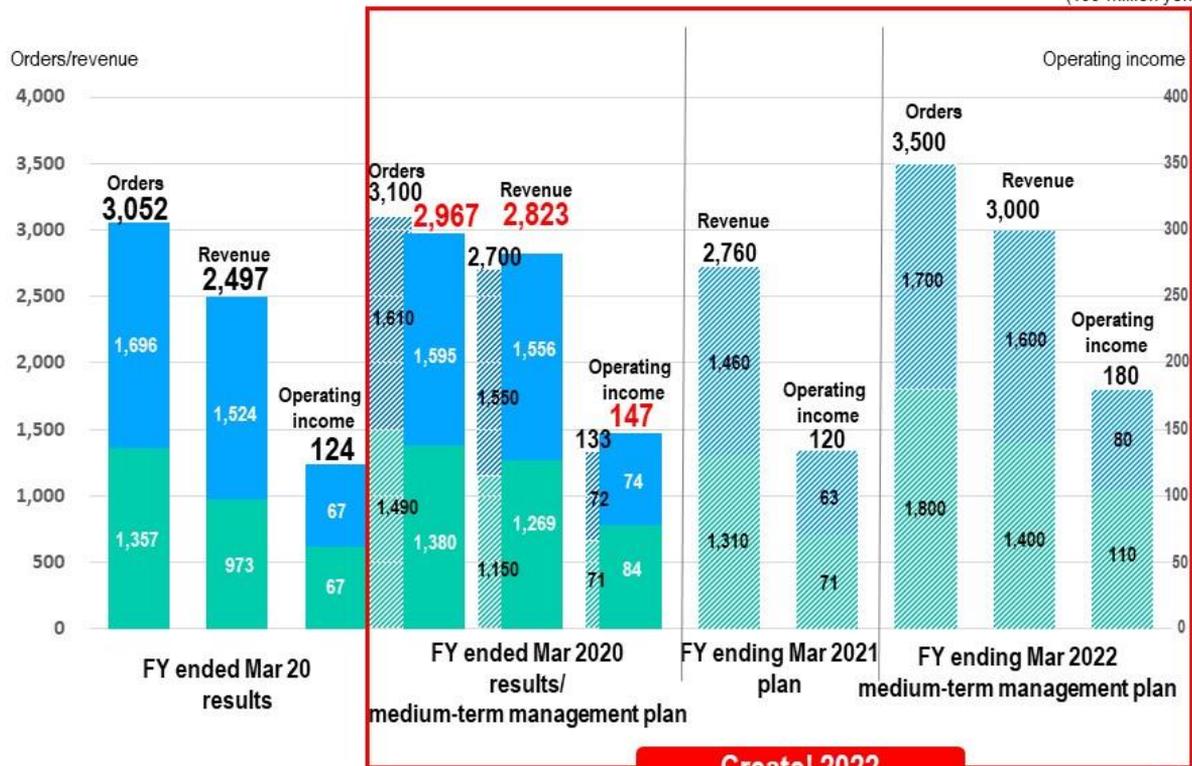
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## Create! 2022 Medium-Term Management Plan: Progress for Quantitative Goals

The sum of figures does not match the total due to intracompany offsets and head office costs.  
(100 million yen)



Please turn to page 19. This shows the status regarding the numerical targets of “Create! 2022”, the Mid-Term Management Plan.

In FY3/2020, the first year of the medium-term management plan, orders received were slightly lower than JPY300 billion, and the target was not met. However, both revenue and operating income exceeded the targets.

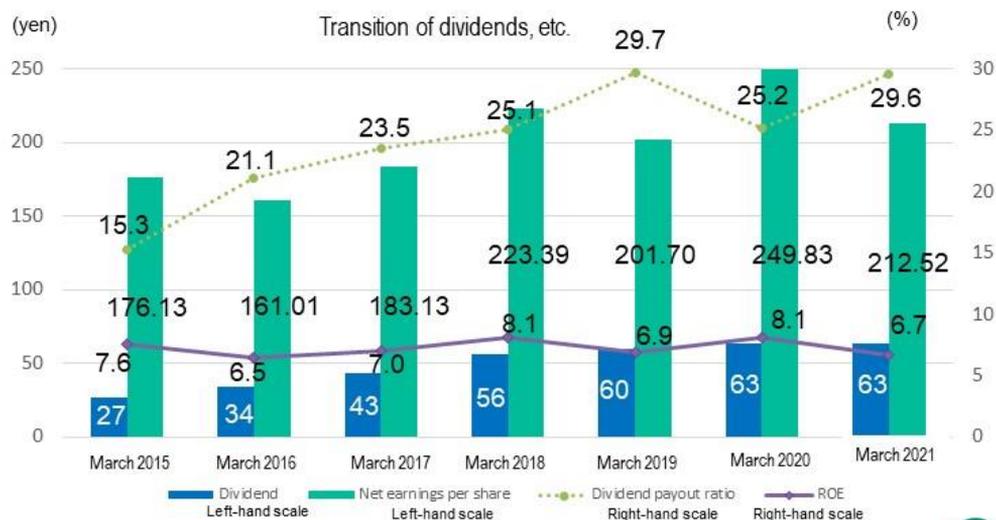
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## Transition of Dividends

	FY ended Mar 2015 results	FY ended Mar 2016 results	FY ended Mar 2017 results	FY ended Mar 2018 results	FY ended Mar 2019 results	FY ended Mar 2020 results	FY ending Mar 2021 plan
Dividend (yen)	27	34	43	56	60	63	63
Net earnings per share (yen)	176.13	161.01	183.13	223.39	201.70	249.83	212.52
Dividend payout ratio (%)	15.3	21.1	23.5	25.1	29.7	25.2	29.6
ROE (%)	7.6	6.5	7.0	8.1	6.9	8.1	6.7



Next, I will explain the dividend. Please turn to page 20.

For the fiscal year ended March 2020, we will pay a full-year dividend of JPY63, an increase of JPY3 from the previous year. The dividend payout ratio is 25.2%, down 4.5pt from the previous fiscal year.

Due to the impact of the COVID-19, we have decided to pay a dividend of JPY63 per share for the purpose of maintaining stable dividends from the current fiscal year onward in the midst of uncertain business performance for the current fiscal year. As we plan to continue paying stable dividends in the future, I would appreciate your understanding.

For the fiscal year ending March 2021, we intend to maintain a stable distribution with a payout ratio of approximately 30% and JPY63 per share.

We would like to now close the financial results briefing for the fiscal year ended March 2020, earnings forecasts for the fiscal year ending March 2021, and business plans for the fiscal year ending March 2021 for the Takamatsu Construction Group.

Thank you for watching.

**Moderator:** I would like to thank you for watching the video of the Takamatsu Construction Group's financial results briefing for the fiscal year ended March 2020. This is the end of our financial results briefing.

Please contact the Corporate Communication Office of the Takamatsu Construction Group if you have any questions.

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Thank you.

[END]

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**Document Notes**

1. *Portions of the document where the audio is unclear are marked as follows: [Inaudible].*
2. *This document has been translated by SCRIPTS Asia.*

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