

TCG

CORPORATE REPORT

2021

Build ideas. Move hearts.



Management Credo

We conduct the construction business as a mutually complimentary activity vital to society.

Three Basic Credo

1. Management Goal

We are committed to conducting all Group activities to earn an excellent reputation among all stakeholders of our Group. We aim to link our activities to the growth of the total corporate value of the Group.

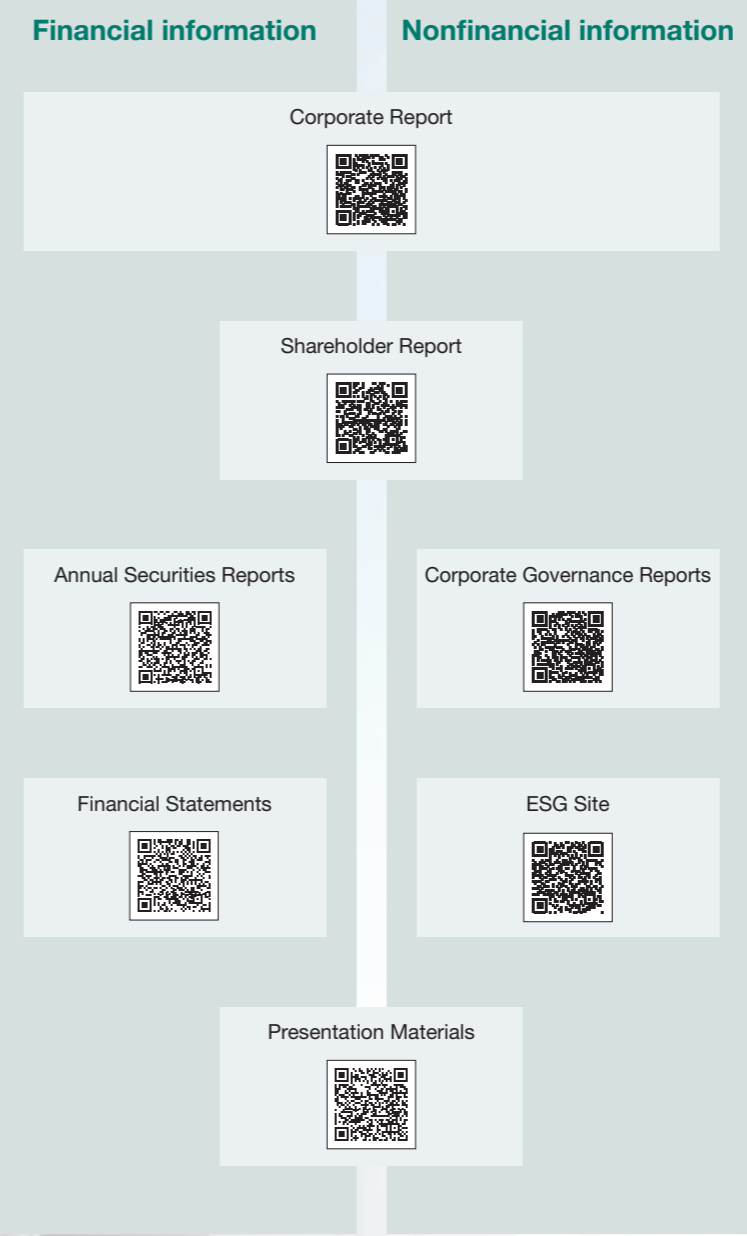
2. Management Attitude

To accomplish the Management Goal, we seek bigger growth and higher profitability. However, we refuse to overly prioritize profitability. For example, we will never use improper or fraudulent methods nor seek speculative profits.

3. Raison d'être of Takamatsu Construction Group Co., Ltd.

As the holding company of the Group, Takamatsu Construction Group Co., Ltd. shall make sure all our Group companies respect and follow the Group Principles. We shall appropriately lead the management of all Group companies to drive the growth of our Group and to contribute to society.




Information Disclosure and Communication Tools



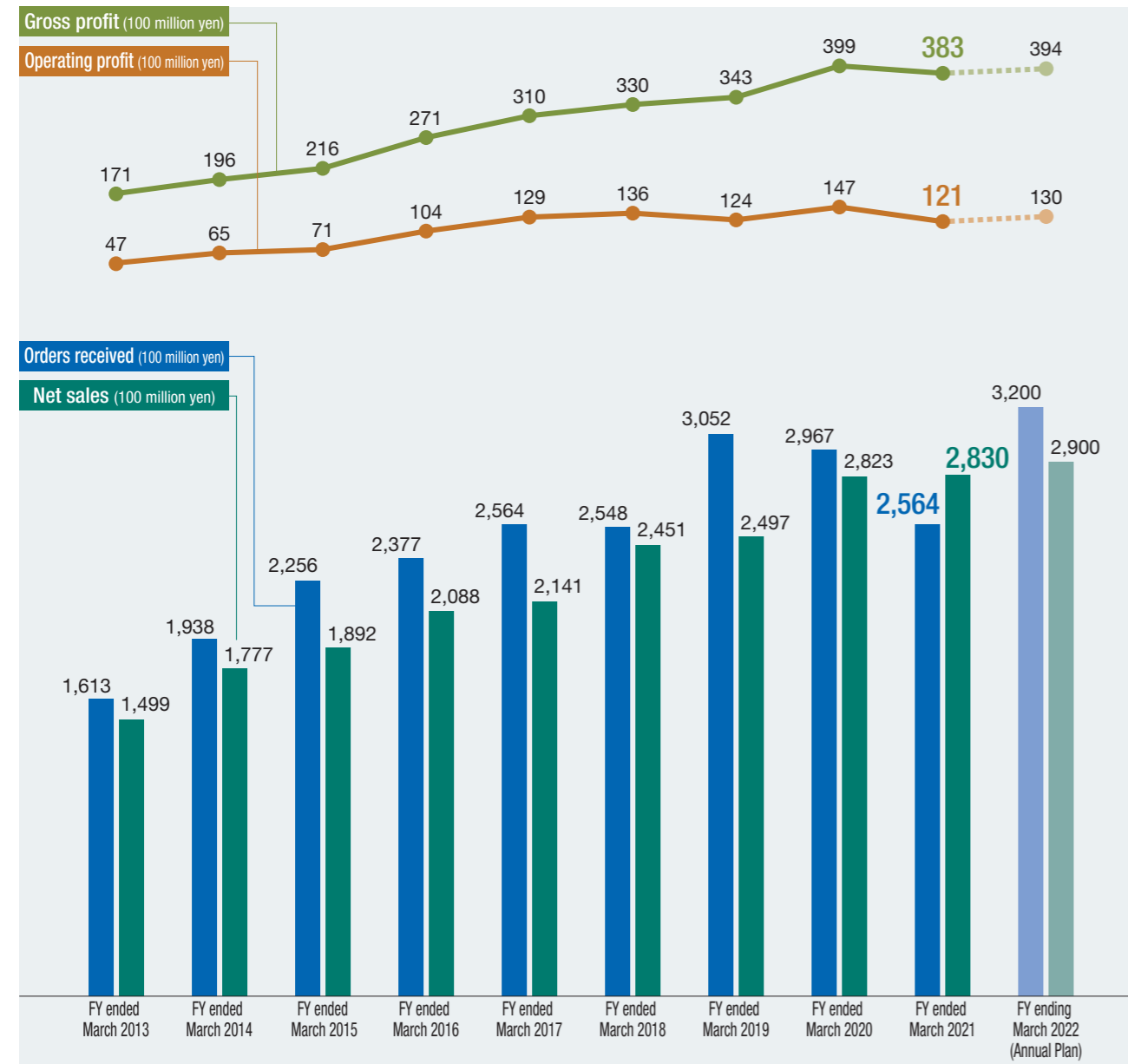
Editorial Policy
 Takamatsu Construction Group began issuing its Corporate Report annually from the fiscal year ended March 31, 2021, as a communication tool for our stakeholders.
 The Corporate Report introduces an overall picture of the Group's businesses and its ESG initiatives. Its aim is to have continuous dialogues with our stakeholders to improve our corporate value.
 Period covered: From April 1, 2020 to March 31, 2021

Disclaimer:
 This Report contains forward-looking statements on the Group's businesses. These statements are the projections we have made based on the information that is currently available to us. Actual business results and so on may differ due to various factors that may arise in the future.

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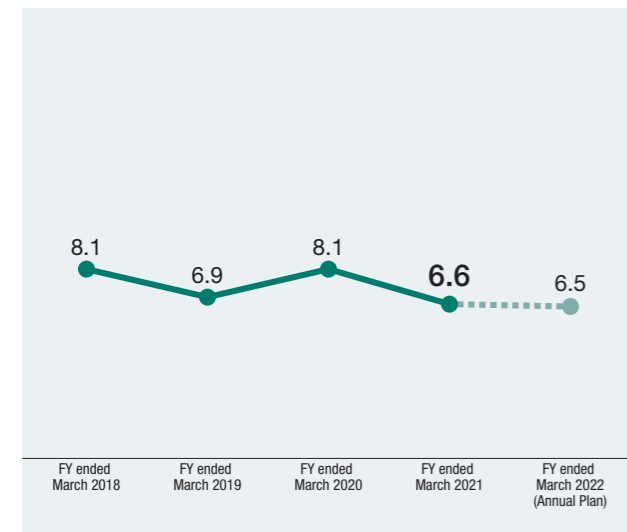
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At a Glance

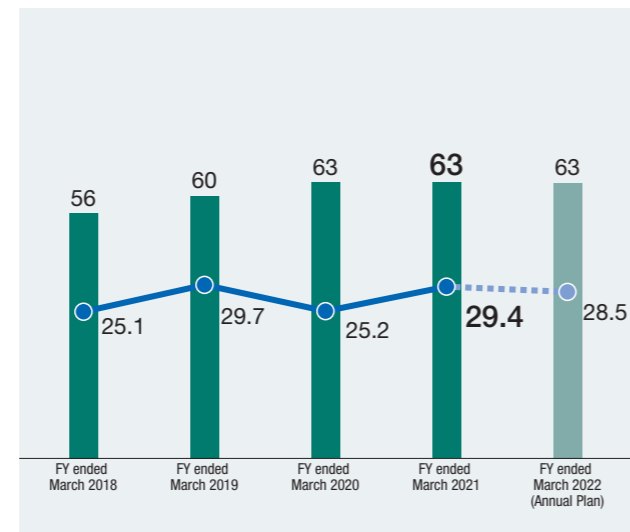


*These are consolidated figures for Takamatsu Construction Group.

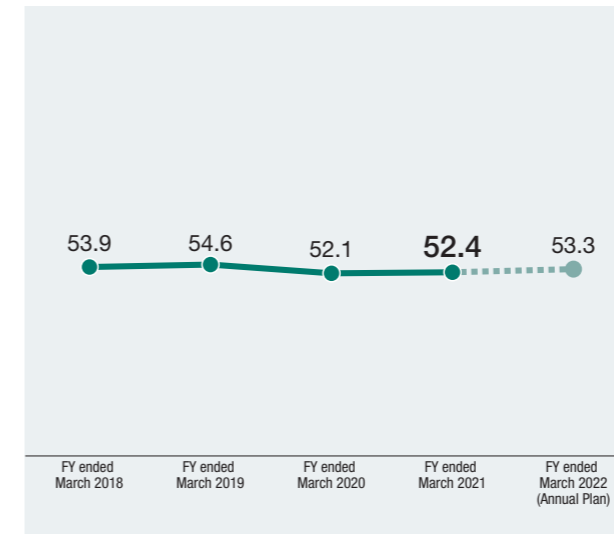
ROE (Return On Equity) (%)



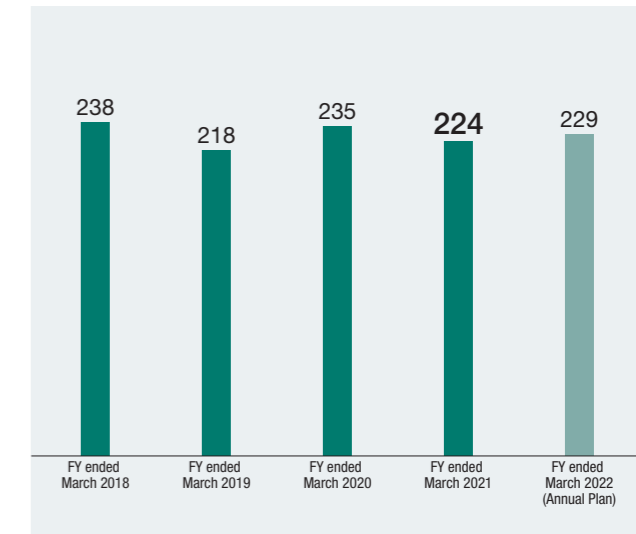
Dividend amount (yen) and Payout ratio (%) per share



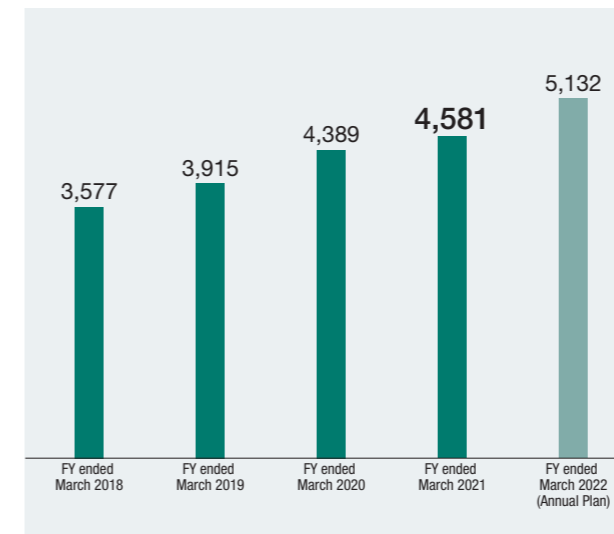
Equity Ratio (%)



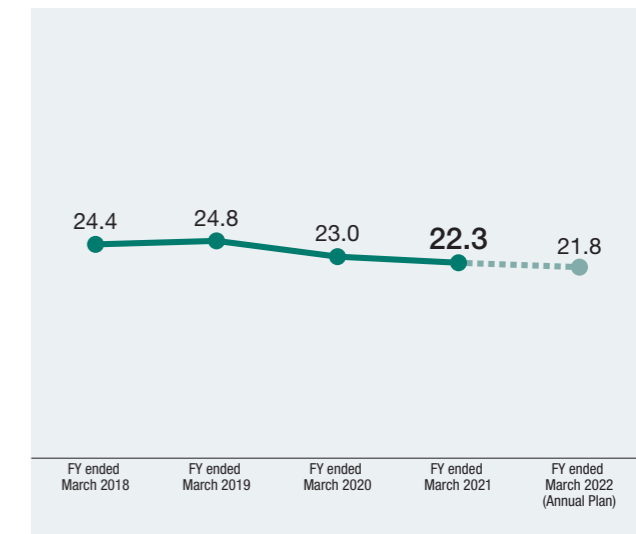
Number of new graduates hired



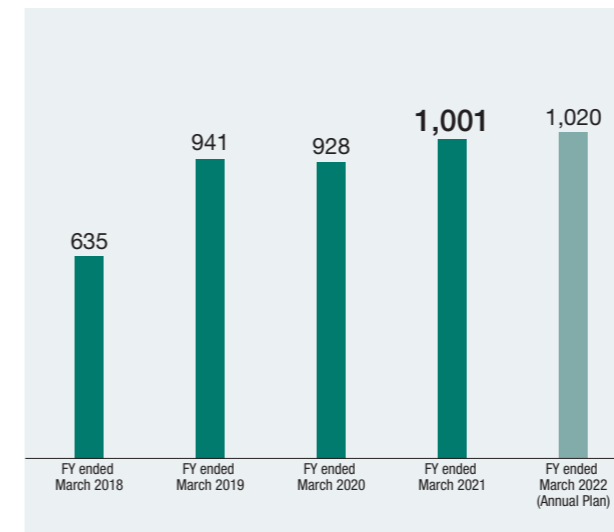
Number of Employees



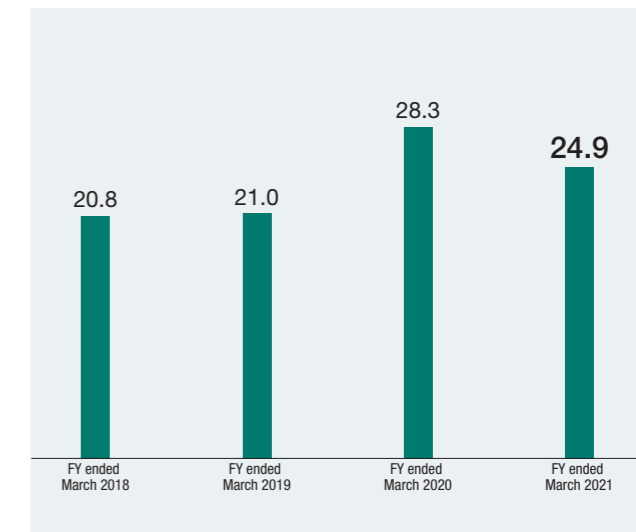
Percentage of women's new graduates hired



Net sales of SDGs (million yen)



Number of occupational accidents



*Joint venture construction projects are accounted for according to their share.

About TCG Group

TCG group is a unique group of specialized professional firms, that brings together some of the top companies in their fields.

We respond promptly to the various construction needs of our clients.

Takamatsu Corporation Group

100 million yen

		Takamatsu Corporation Co., Ltd. Net sales 894
Takamatsu Techno Service (Osaka) Co., Ltd. Net sales 44	Takamatsu Estate (Osaka) Co., Ltd. Net sales 112	Takamatsu Estate (Tokyo) Co., Ltd. Net sales 81
Takamatsu Techno Service (Tokyo) Co., Ltd. Net sales 28	Suminoe Kogei Co., Ltd. Net sales 19	Kongo Gumi Co., Ltd. Net sales 37
Nakamura Shaji Co., Ltd. Net sales 8	Mibu Corporation Co., Ltd. Net sales 57	Takamatsu House Co., Ltd. Net sales 8
Tatsumi Planning Co., Ltd. Net sales 42	Taisho Kogyo Corporation Co., Ltd.*1 Net sales 30	Takamatsu Construction Group USA Inc. Net sales 1

Takamatsu Corporation Group 12 | Asunaro Aoki Construction Group 7

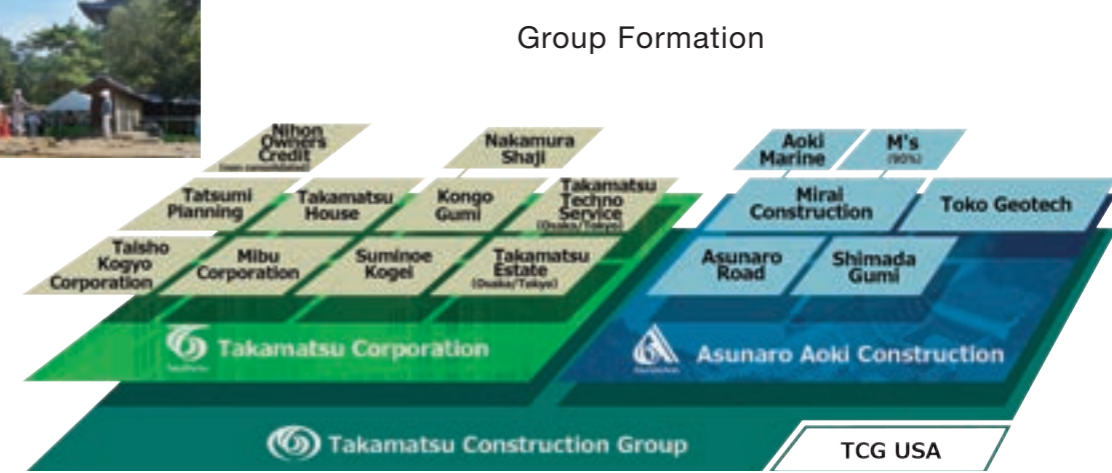
As of April 1, 2021

Asunaro Aoki Construction Group

100 million yen

		Asunaro Aoki Construction Co., Ltd. Net sales 895
Mirai Construction Co., Ltd. Net sales 278	Toko Geotech Co., Ltd. Net sales 244	Aoki Marine Co., Ltd. Net sales 33
Asunaro Road Co., Ltd. Net sales 16	M's Co., Ltd. Net sales 23	Niigata Mirai Construction Co., Ltd.*2 Net sales 7
Shimada Gumi Co., Ltd. Net sales 45		

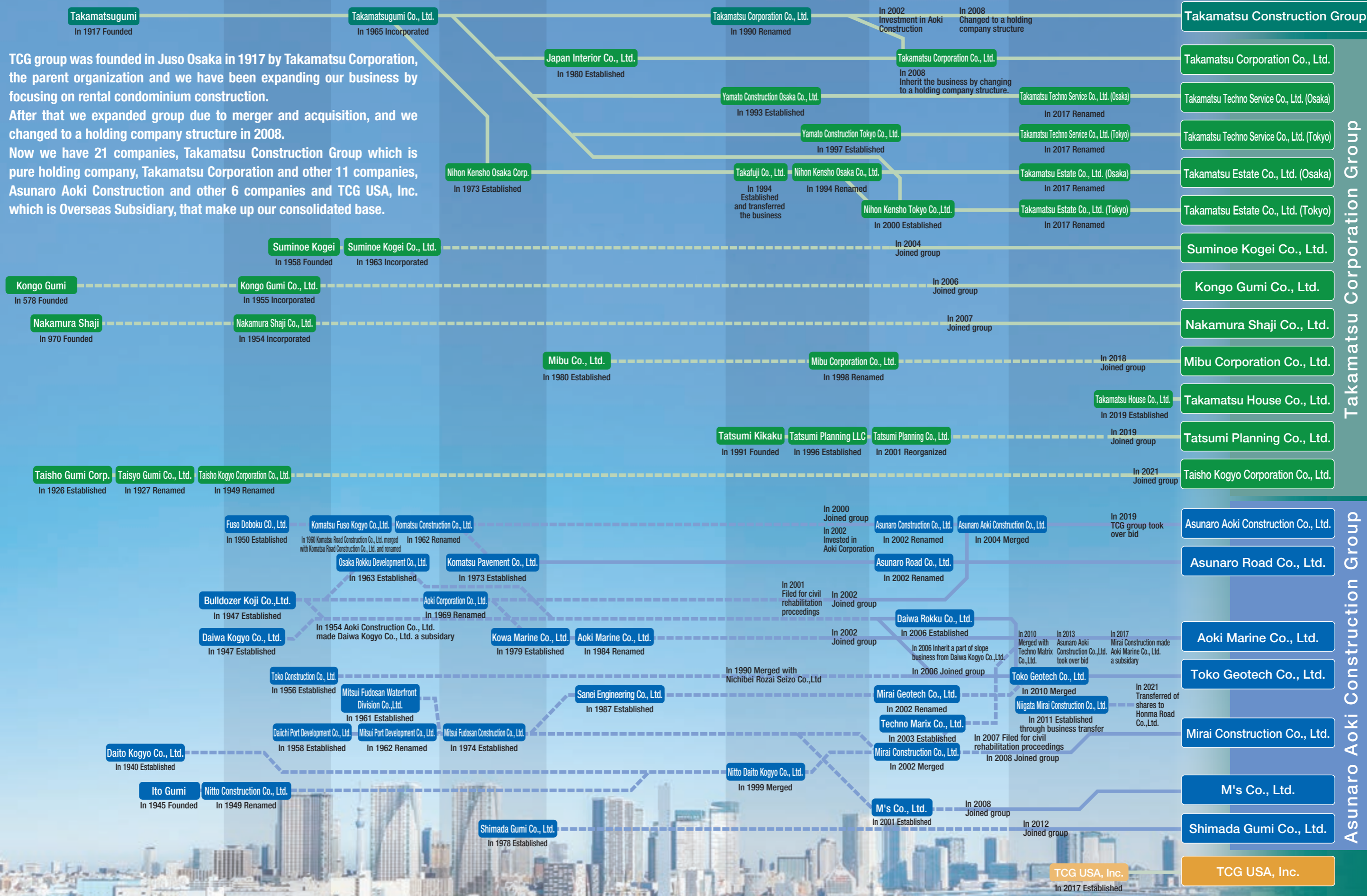
*1 We don't include the performance of Taisho Kogyo Corporation in TCG group's financial results at FY ended March 2021, because they became a member of TCG Group on February 26, 2021.
*2 On March 31, 2021, all shares of Niigata Mirai Construction were transferred to Honma Road Corporation.



*We have 5 other consolidated subsidiaries and have 1 equity method affiliated company.

History of TCG group

TCG group was founded in Juso Osaka in 1917 by Takamatsu Corporation, the parent organization and we have been expanding our business by focusing on rental condominium construction. After that we expanded group due to merger and acquisition, and we changed to a holding company structure in 2008. Now we have 21 companies, Takamatsu Construction Group which is pure holding company, Takamatsu Corporation and other 11 companies, Asunaro Aoki Construction and other 6 companies and TCG USA, Inc. which is Overseas Subsidiary, that make up our consolidated base.



Takamatsu Corporation Group

Asunaro Aoki Construction Group

TCG Group

Top Message

Build a corporate group where its employees generate synergy across organizational boundaries to create future values

Hiroataka Takamatsu,
President and Representative Director
of the Board



Characteristics and strengths

We generate Group synergy as a collection of diverse corporate cultures by weaponizing our proposal-based business model.

The Takamatsu Construction Group (the “TCG Group”) is a corporate group operating businesses in three areas of architecture, civil engineering, and real estate, led by Takamatsu Construction Group Co., Ltd. (TCG) as a pure holding company. With Takamatsu Corporation Co., Ltd. and Asunaro Aoki Construction Co., Ltd. as its core companies, the TCG Group has a total of 21 operating companies (as of April 1, 2021) including Takamatsu Construction Group USA Inc. (TCG USA) operating businesses in the United States.

Takamatsu Corporation mainly operates businesses related to effective land use for corporate and individual clients such as the construction of rental condominiums, while Asunaro Aoki Construction principally operates civil engineering and construction business for the public sector and major corporations. Maintaining a right balance between these businesses has enabled us to stably manage our operations against economic and market fluctuations and to achieve growth because public works conducted by the Asunaro Aoki Construction Group would make up for the softening of the private construction and real estate sectors, which are the main business fields of the Takamatsu Corporation Group and, conversely, a strong private-sector demand would counter a dipping demand in the public sector.

In 2017, we founded TCG USA as a steppingstone to expand our business from Japan to overseas and launched businesses in the United States. Furthermore, with the establishment of Takamatsu House Co., Ltd. in 2019, we entered the wooden detached housing business as a new business area. We are developing this business as a third pillar of our operations together with the rental condominium construction business of Takamatsu Corporation and the general construction and civil engineering business of Asunaro Aoki Construction.

One of our strengths lies in the proposal-based business model that has its roots in the Consultation & Construction (C&C) method developed by Takamatsu Corporation. This business model goes beyond a normal building contract. We give advice to our clients even when their wishes are not yet clear and make proposals that meet client needs such as inheritance tax measures. For corporate clients, we endeavor to accurately understand their CRE strategy

and take care of a whole process starting from proposal-making to designing, construction, and maintenance, to create a strong trusting relationship. Our clients basically place an order with us at the designing stage, which means there are no competitors. This ensures that we are protected from price competition seen in tenders and thus able to secure a high level of profitability. Furthermore, we can maintain a long-term relationship with our clients even after construction, which leads to the acquisition of new earnings opportunities.

Another strength of the TCG Group is the synergy generated by our Group companies which have advantages in different areas. The proposal-making ability of Takamatsu Corporation combined with a high level of technological prowess developed by Asunaro Aoki Construction in the civil engineering area becomes our weapon when receiving orders from major clients. Leveraging this strength, we are expanding collaborative business transactions such as joint ventures for large logistics facilities and private finance initiatives (PFS). Sharing client information, technological information, and know-how within the Group is also creating synergy and advantages for the Group.

As a collection of companies with different histories, backgrounds, and corporate cultures, we make sure that we spend enough time on integrating and uniting companies post-M&As, while respecting the unique values of the acquirees and recognizing their diversity. In this way, we try to make use of Group synergy as our strength. I believe that this approach increases mutual trust in the management of the Group and strengthens our solidarity.

My thoughts as a new President

We build a Group that is trusted by society, respecting each other, sharing philosophies, and having a strong compliance awareness.

I am a member of TCG’s founding family. In 2007, I joined TCG as its director. I then worked as a Vice President of Yamato Construction Co., Ltd. (currently Takamatsu Techno Service Co., Ltd.). I was also involved in the management of TCG USA as a promoter of international business and worked in the Group Strategy Division and other sections in TCG. Before joining TCG, I had worked for a bank after graduating from university and then moved to Hong Kong where I enrolled in a local business school and started a business which I ran for thirteen years.

Top Message

After joining TCG, what impressed me most was the strength of the trusting relationship TCG had with its clients. Our clients had great trust in TCG and its employees. Seeing this, I made a firm resolve to respectfully accept and hand down this invisible value.

I recognize that I have the following missions as the President of the TCG which is a collection of diverse corporate cultures: instill in each of our employees the credo of “not seeking speculative profits and making our clients happy with faithful services” and create a Group that is broadly trusted by society and has a strong compliance awareness. I believe that the Group should strive to create values utilizing the diverse skills the employees of our Group companies have. We should encourage them to promote projects by unleashing their potential beyond the organizational boundaries and creating a wide range of business opportunities.

We will gather all our Group companies in the new Tokyo Headquarters building (Minato-ku, Tokyo) to be completed in 2023 to accelerate the generation of synergy for the creation of future values.

Values and awareness of social issues

We share a sincere and steadfast business approach throughout the Group as a basis to nurture clients’ trust.

The TCG Group has established the Group Principles comprising the following four principles: “Unified Goal,” “Respect Independence,” “Cooperate and Compete,” and “Value Standard.” These principles require us to unify the direction each company aims to follow, try to achieve harmony between cooperation and competition while mutually respecting independence, and not to seek profits using improper or fraudulent means with an overarching focus on profits. This consistently sincere and steadfast approach indicated in these principles is the key to gaining trust from our clients and demonstrates the value that the whole Group must share.

Our Management Credo is to “conduct the construction business as a mutually complimentary activity vital to society.” We will instill this credo as a shared awareness of the Group with a clear awareness that companies need to contribute to society for their continued existence.

An overview of social issues related to TCG’s businesses reveals that, in the construction market, we are required to take actions for environmental preservation and build towns equipped to deal with the escalating natural disasters such as earthquakes and typhoons. Meanwhile, the market size is expected to shrink from now given Japan’s declining population. This will likely result in smaller investments in new buildings. It seems unavoidable for repairs and

maintenance of the existing buildings to become the prime focus of building investments.

For the TCG Group to capture a market share and continue growing in this environment, we need to improve the durability of buildings to meet social needs and to increase values we add in our maintenance service.

In addition, the aging of skilled construction workers and reduction of younger workers are becoming increasingly serious each year in the building industry. It is therefore imperative to improve the workplace environment by, for instance, reducing the workload and shortening working hours to secure people who will shoulder the construction business. To solve these issues, we must improve profitability through measures such as the use of ICT and the promotion of unmanned operations. We recognize that a shift from labor intensive practices is a major theme for not only the TCG Group but also for the entire building industry.

Progress and challenges of the Mid-Term Plan

We execute growth strategies with the Five Creates, but are unlikely to reach targets in the final year of the Plan despite larger revenue and profits.

Our three-year Mid-Term Plan, “Create! 2022,” sets forth a growth strategy that identifies the following as our five priority policies: “Create a high-growth, high-profit group,” “Create new business domains,” “Create synergy effects,” “Create a group culture that respects diversity and compliance,” and “Create values for the economy, society, and environment.” Under this strategy, the plan sets consolidated financial result targets of 350 billion yen in orders received, 300 billion yen in revenue, and 18 billion yen in operating income for the fiscal year ending March 31, 2022, which is the final year of the plan.

The Mid-Term Plan was prepared based on the assumption that the domestic construction market would contract in the medium and long term and building investments would gradually decline, as I have stated earlier. It was also based on the view that the size of building investments would remain at or above 50 trillion yen for a few years. Based on these assumptions, we expected the growth trend to continue as our market share increases. However, an unexpected external factor in the form of the spread of COVID-19 occurred, impacting our orders received and delaying our progress against performance targets.

I will now talk about the progress we have made in the past two years regarding our efforts to achieve the priority policies. On the creation of a high-growth, high-profit group, Takamatsu Corporation, which is an engine of our growth, has been affected by the COVID-19 pandemic and its results have not been



satisfactory. Going forward, we will strengthen our sales efforts to secure orders in the metropolitan area where demand for rental condominiums remains strong. At the same time, we will endeavor to improve profit margins of non-housing projects. We are also actively promoting the use of ICT and DX, such as BIM and CIM, which will become the key to enhancing our competitiveness and improving productivity, as the initiatives that will lead to a shift away from labor intensive business practices. At present, however, we are still at a stage of consolidating the foundation, which includes the development of necessary personnel. It will likely take some time before these initiatives will start having a positive impact on our financial results.

On the creation of new business domains, the wooden detached housing business centered on Takamatsu House is taking shape through the M&As conducted in recent years. We will continue developing this business into a third pillar of our operations with more M&As in sight to keep strengthening the business structure. In the U.S. business conducted by TCG USA, we own two income-producing properties in New York and are building rental condominiums through a JV in California. These projects are designed to collect information locally and acquire designing and building know-how. In the future, we will seek to develop businesses that help our international business create synergy among our Group companies.

For the creation of synergy effects, with the TOB of Asunaro Aoki Construction in 2019 which made the company our wholly owned subsidiary, we moved from the stage where we tried to integrate the company over a sufficient time to the stage of maximizing the effect of integration. We are accelerating our efforts through a conference body established for the two companies. As a future challenge, we will seek synergy in consolidating and sharing technological capabilities and insights through the TCG Institute of

Technology, while working on tasks that will require time and cost such as creating a shared information platform.

I have already spoken about the creation of a group culture that respects diversity and compliance. I will later talk about the creation of values for the economy, society, and environment, when I explain the promotion of SDGs and ESG management.

In the fiscal year ending March 31, 2022, which is the final year of the Mid-Term Plan, we expect both our revenue and profits to increase; however, we also anticipate the prolonged impact of the COVID-19 pandemic, especially on private-sector building investments. As a result, we forecast 320 billion yen in orders received, 290 billion yen in revenue, and 13 billion yen in operating income, all of which will fall short of our targets. In the coming year, Takamatsu Corporation will further develop its proposal-making and technological capabilities, while Asunaro Aoki Construction will work on increasing orders received, overcoming the intensifying competition for public works.

Promotion of SDGs and ESG management

We promote environmental conservation and sustainable urban planning and posted over 100 billion yen in SDGs Contribution Revenue.

The TCG Group aims to resolve social issues through our business. To create a benchmark for our contributions to SDGs, we have created SDGs Contribution Revenue. In the fiscal year ended March 31, 2021, our revenue that would contribute to environmental conservation amounted to 43.4 billion yen (15.3% of consolidated revenue) and revenue that would help sustainable urban planning

Top Message

was 56.6 billion yen (20.0% of consolidated revenue). In total, we posted 100.1 billion yen (35.4% of consolidated revenue) in SDGs Contribution Revenue. Our contributions to environmental conservation include the construction of renewable energy-related facilities, slope construction works using ecological materials and methods, and construction works that conform to CASBEE and ZEB specifications. Sustainable urban planning includes buildings whose seismic capacity exceeds the level required by the Building Standards Act of Japan by 15% or more, seismic strengthening works, large-scale renovations of long-life quality housing and condominiums, and cultural assets such as the construction of temples and shrines.

The SDGs Contribution Revenue was used as a benchmark when we issued Sustainability-Linked Green Bonds to raise funds for building the new headquarters building currently under construction. [See page 14 for details.](#)

As part of its ESG management, the TCG Group advocates women's participation in workforce, aiming to achieve the following targets in the final year of "Create! 2022": ratio of female employees in the total workforce at 17% and ratio of female among all new graduates hired at 30%. Of the above, we achieved the target ratio of female employees a year earlier than planned in the fiscal year ended March 31, 2021. The ratio of female among all new graduates hired currently stands at 22.3% and we aim to further raise this ratio. We will continue our efforts in creating a pleasant workplace environment for women and organizing structures to offer diverse career paths.

Compliance

We are enhancing compliance efforts more than before as the most important Group management challenge.

The TCG Group positions compliance as the most important management challenge and explicitly prohibits "using improper or fraudulent methods" in pursuing profitability and "seeking speculative profits" in the corporate philosophy applicable to all Group companies.

This is a long-practiced corporate philosophy and is the key to developing long-lasting, positive relationships with our clients and stakeholders.

We will also ensure compliance at Group companies through employee education and everyday guidance.

The TCG Group needs to squarely face various challenges if we are to enhance our competitiveness and achieve sustainable growth. To overcome these challenges, we may be forced to make difficult decisions and choices.

What is most important when we face such a situation is that each of us performs our duties with a fair and open principle for making decisions. Any distortion to such a principle could lead to improper or fraudulent methods and untransparent actions.

Some companies have received severe punishment from society due to their actions that breached compliance; in some situations, companies have ceased to exist.

We will continue guiding all our Group companies to take notice that they need to put compliance before everything else to maintain the trust society places on us.

To our stakeholders

We act with a strong sense of mission and ethics and unleash the power of the Group to share an enriching future.

With respect to shareholder returns, our basic policy is to continue making stable dividend payments. Although our consolidated results for the fiscal year ended March 31, 2021 deteriorated from the previous fiscal year in terms of profits, we decided to pay an annual dividend of 63 yen per share (23 yen in the mid-term and 40 yen at the term end), the same amount as the previous fiscal year, based on the above policy. We plan to maintain this policy in and beyond the fiscal year ending March 31, 2022 and continue paying the same amount of dividends for the time being.

The attitude of "not seeking speculative profits and making our clients happy with faithful services" and the Management Credo of "conducting the construction business as a mutually complimentary activity vital to society" underpin our efforts to achieve sustainable growth of the TCG Group. To create an enriching future where all our clients and business partners, shareholders, employees and their families, and all stakeholders comprising the entire society surrounding the TCG Group can co-exist and flourish together, we will act with a strong sense of mission and ethics and unleash the power of the Group. Please look forward to seeing the further evolution of the Takamatsu Construction Group.

Management Topics

Sustainability-linked Green Bonds

In January 2021, we decided to issue the first Sustainability-Linked Green Bonds in Japan by combining the Sustainability-Linked Bonds and Green Bonds.

The Sustainability-Linked Green Bonds use the revenue that corresponds to seventeen SDGs (SDGs Contribution Revenue) as a benchmark. The entire proceeds of the bonds will be used to build TCG building with excellent environmental performance, which will become the Group's Tokyo Headquarters. The new TCG Building has obtained an A rank from CASBEE as of December 21, 2020.



New TCG Building (image)

The TCG Group's Mid-Term Plan, "Create! 2022," covering the three-year period from the fiscal year ended March 31, 2020 to the fiscal year ending March 31, 2022, identified the following the Five Creates as its pillars:

- 1) Create a high-growth, high-profit group
- 2) Create new business domains
- 3) Create a group culture that respects diversity and compliance
- 4) Create synergy effects
- 5) Create values for the economy, society, and environment

In the fifth pillar, "Create values for the economy, society, and environment," we position efforts to achieve SDGs as essential factors for the long-term growth of the TCG Group. To quantify our efforts to achieve SDGs, we have defined revenue corresponding to seventeen SDGs as the SDGs Contribution Revenue and have set a specific target number for it.

Our Sustainability Performance Target (SPT) is to post 391.1 billion yen or more in the SDGs Contribution Revenue based on a cumulative total over the four fiscal years from the fiscal year ending March 31, 2022.

If we fail to reach this target, we will pay a premium interest of 0.5 yen per 100 yen of the face value of the bond.

Issuer	Takamatsu Construction Group Co., Ltd.
Series	2nd series bonds (Sustainability-Linked Green Bonds)
Term	Five years
Issue amount	10 billion yen
Coupon rate	0.290%
SPT linked to issue terms and conditions*1	The cumulative total of the SDGs Contribution Revenue of all Group companies over the next four fiscal years (fiscal year ending March 31, 2022 and beyond) reaches 391.1 billion yen or more.
Premium	If TCG fails to achieve the SPT, it will pay a 0.5-yen premium per 100 yen of the face value of the bond.
Amount of each bond	100 million yen
Issue price	100 yen for 100 yen of the face value of each bond
Determination date of terms and conditions	March 12, 2021
Issue date	March 19, 2021
Maturity date	March 19, 2026
Ratings	A- (Japan Credit Rating Agency, Ltd.)
Underwriters	Daiwa Securities Co. Ltd. (administration), Mizuho Securities Co., Ltd.
Sustainability-Linked Bond Structuring Agent *2/ Green Bond Structuring Agent *3	Daiwa Securities Co. Ltd.

*1. Sustainability Performance Target (SPT)

A target set under the management strategy of an issuer who determines the terms and conditions of the issuance of Sustainability-Linked Bonds

*2. Sustainability-Linked Bond Structuring Agent

An entity that provides support for the issuance of Sustainability-Linked Bonds through, for instance, the development of a Sustainability-Linked Bond framework and advice on obtaining second-party opinions

*3. Green Bond Structuring Agent

An entity that provides support for the issuance of Green Bonds through, for instance, the development of a Green Bond framework and advice on obtaining second-party opinions

Past Mid-Term Plans

New Light 2017

TRY!
NEXT CENTURY
2020

Business Environment

- The domestic construction market will maintain the current size. Public investments are expected to remain solid for a while.
- An uncertain environment will continue for private-sector capital investments, but a solid environment will remain for rental housing.
- The aging of skilled construction workers is a problem. Securing new workers is an issue for the whole industry.

Priority Measures

- Enhance the Group's use of the Institute of Technology
- Strategic M&As
- Business portfolio reconstruction
- Improvement to Group governance
- Building of offensive governance

Achievements and Challenges

In the fiscal year ended March 31, 2017, which was the final year of the Mid-Term Plan, revenue slightly underperformed the target figure of the plan, although operating income performed above the plan by 3.9 billion yen.

There were items that did not reach the target levels including Group synergy and improvement to governance.

Business Environment

- Aim to increase orders received and achieve sustainable growth with the well-performing rental condominiums in the metropolitan area as a growth pillar
- Aim to steadily increase market share and sustain a high level of profitability in the public sector-related works
- Organize a management foundation that can achieve the above two measures

Priority Measures

- Promote the organization of infrastructure with TCG as the nucleus to achieve the goals set in the Mid-Term Plan
- Continue recruitment that matches the high growth level and promote the organization of business and management infrastructure
- Promote a dividend review to further strengthen shareholder return

Achievements and Challenges

Because the results of the fiscal year ended March 31, 2018 had performed above the plan, the targets for the final year of the Mid-Term Plan (fiscal year ended March 31, 2020) had been brought forward to the fiscal year ended March 31, 2019. As a result, revenue and operating income did not reach the target figures, although orders received surpassed the plan.

With the change of the Presidents of Takamatsu Corporation and Asunaro Aoki Construction in April 2018, we prepared a new Mid-Term Plan, "Create! 2022," under the new management structure.

Overview of Mid-Term Plan

Create! 2022


The Five Creates

1. Takamatsu Corporation continues to be the main engine to realize "high-growth," while all Group companies strive to realize "high profit."
2. To realize the above, we will continue "creating a group culture that respects diversity and compliance," while maximizing the "creation of synergy effects" in the Group and creating "new business domains" mainly through M&As.
3. Through the above, we will continue "creating values for the economy, society, and environment."

 Create a high-growth, high-profit group

 Create new business domains

 Create synergy effects

 Create a group culture that respects diversity and compliance

 Create values for the economy, society, and environment

	Details of priority measures
Create a high-growth, high-profit group	<ul style="list-style-type: none"> ■ Further consolidate competitive advantages leveraging quality and reliability ■ Maintain a 6% or higher revenue growth rate and aim to achieve at least 6% in operating income margin
Create new business domains	<ul style="list-style-type: none"> ■ Strengthen businesses through M&As and explore new business domains ■ Establish a business model in the U.S. and proactively develop businesses overseas
Create a group culture that respects diversity and compliance	<ul style="list-style-type: none"> ■ Respect diversity as the source of growth and transformation and seek total optimization ■ Inform and instill corporate philosophy through employee education and training
Create synergy effects	<ul style="list-style-type: none"> ■ Seek synergy while respecting diversity and independence ■ Unify and standardize systems and so on with consideration to the uniqueness and individuality of each company
Create values for the economy, society, and environment	<ul style="list-style-type: none"> ■ Increase revenue that helps achieve SDGs which are essential for growth ■ Promote women's participation in workforce and Work Style Reform as the entire Group

Special Report (1) R&D Efforts: Technologies that Meet Social Needs

For Developing Technologies that Contribute to Society

General Manager, Asunaro Aoki
Construction Technology (AACT)

Sakae Ushijima, Dr. Eng.



1. Overview of the Institute of Technology

(1) Beginning of the Institute of Technology

The Institute of Technology (Photo 1) opened in 1993 in the Tsukuba Science City, which has been leading the world in science and technology, as a technological institute of Asunaro Aoki Construction Co., Ltd., a core company of the TCG Group. It is in an area rich with nature and adjacent to the University of Tsukuba. This institute is presently known as the TCG Institute of Technology where Asunaro Aoki Construction, Takamatsu Corporation, and other Group companies develop technologies to increase our corporate value.



Photo 1. Institute of Technology (main entrance)

(2) Main facilities

The Institute is located on a site with the area of approximately 18,000 sq.m. It has a total floor area of approximately 9,000 sq.m. and a construction area of approximately 3,000 sq.m. and includes an administration building, a laboratory building, outside experiment yards, an aggregate yard, and so on.

The main building is an RC building and has one basement floor and three above-ground floors. It houses an entrance hall, an exhibition room, a presentation room known as the "Technical Dream Factory" (Photo 2), a large meeting room, a library, and several laboratories.



Photo 2. Technical Dream Factory

A large-roofed structure between the laboratory building and administration building is used as an experiment building for large structures (Photo 3). A large reaction force wall (12 m high x 17 m wide x 2.5 m thick prestressed concrete structure) and a large reactive force floor (17 m x 20 m) are located at the center of the building. With four large capacity actuators, we can conduct full-sized civil engineering and architectural structural experiments.



Photo 3. Experiment building for large structures

2. Technological Development Structure

As a technological institute of Takamatsu Corporation and Asunaro Aoki Construction, the Institute of Technology consists of three research departments, namely Structural Research Department (Building Structural Research Office/Civil Engineering Structural Research Office), Materials Research Department (Concrete Research Office, New Materials Research Office), and Mechatronics Research Department (Mechatronics Group, ICT Technology Group), and Research Management Department (Development Promotion Office, Intellectual Property Management Office). As of April 2021, a total of 46 people worked for the Institute including six female researchers.

Research offices are responsible for technological development in the area of construction in general including civil engineering, architecture, environment, and disaster prevention, and collaborate with technology and sales divisions in the headquarters to develop technologies with an eye toward ten years in the future.

3. Examples of Technological Development

(1) Seismic retrofitting method using seismic control brace

This method attaches braces incorporating friction dampers (seismic control brace) on the outside walls of a building (Photo 4) to absorb energy that shakes the building when an earthquake occurs, thereby improving the building's earthquake resistance.

The method has been used in more than 70 projects including many public buildings such as schools and government buildings. In recent years, private buildings (especially, multi-unit apartment buildings) represent a large portion of the buildings adopting this method (Photo 5).

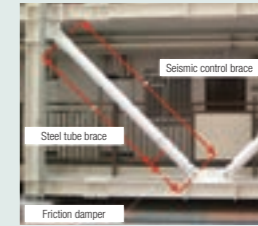


Photo 4. Structure of seismic control brace



Photo 5. Installation of seismic control brace (entire view)

(2) Improving earthquake resistance of bridges using friction dampers

Asunaro Aoki Construction and Metropolitan Expressway Co., Ltd. jointly researched and developed a construction method designed to improve the earthquake resistance of bridges (in the perpendicular direction to the bridge axis) using friction dampers. Installing friction dampers to a bridge can significantly reduce damage to the bridge pier bases. In addition, we are developing a construction method that will improve earthquake resistance in the direction of the bridge axis. We hope to eventually turn the entire bridge structure into an earthquake-resistance system and roll this out extensively.



Photo 6. Bridges equipped with friction dampers (Route 11 Daiba Line)

Six friction dampers were installed in 2020 in the Metropolitan Expressway Route 11 Daiba Line (Photo 6). Further 26 units are to be installed in the Metropolitan Expressway Route 1 Ueno Line. Furthermore, this method received an award in the 23rd Infrastructure Technology Development Award in September 2021, which recognized friction damper as an excellent technology. We will promote further application of this technology.

(3) Major technologies developed

We are developing a diverse range of technologies related to designing, construction, and maintenance as follows:

- | | |
|------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| (i) Folded brace | (vii) Development of construction and inspection robots |
| (ii) Earthquake-resistance ceiling construction method (AA-TEC method) | (viii) Development of robots that run on outer walls to conduct exterior diagnosis and repairs |
| (iii) Composite type exposed column foot | (ix) Risk reduced construction method through the visualization of construction |
| (iv) Improved life cycle assessment using high-strength, high-durability, environmentally friendly concrete | (x) Rebar arrangement inspection system (automated) |
| (v) Development of technology to reduce the weight of building slabs | (xi) Construction visualization management technology using AI |
| (vi) Development of technology to improve the construction quality of building frames using plasticized concrete | (xii) Development of computerized construction technologies |
| | (xiii) Development of education tools for construction technologies |

4. Role of the Institute of Technology

To develop and roll out technologies that help the entire TCG Group keep growing and leap forward, it is becoming increasingly important for the Institute of Technology to contribute to the creation of new business domains as the Group's technology section in collaboration with construction and sales sections. The fruit of the development work conducted by the Institute is broadly offered to our clients as methods or products. We hope to accurately understand the needs of society and clients, endeavor to create social infrastructure through our work as we work on appropriate themes that meet future construction demands, and make contributions from a long-term perspective to create social infrastructure for the future with an eye on SDGs, carbon neutrality, and green infrastructure.

Takamatsu Corporation's Unique Digitalization Technologies Combining Consulting and Construction (Consultant & Construction [C&C] Company)



[Image of maintenance management BIM]

Takamatsu Corporation is building and examining its unique digital technologies capable of accurately meeting client needs that range from planning, development, and designing to construction, maintenance, and repair

Verification of digital technologies in the new TCG building will help spread the use of digital data throughout the Group

In the construction of the new TCG building in Shiba, Minato-ku, Tokyo scheduled to be completed in 2023, Takamatsu Corporation and Asunaro Aoki Construction have been verifying data sharing using digital data from the designing stage, leveraging the Group's technological capabilities and teamwork.



Asunaro Aoki Construction is using a digital technology that lets users perceive a virtual space created by computer as a reality. This technology is mainly used in determining specifications, providing construction support using BIM, and solving problems in advance through the prior examination of construction works and process visualization. The Group's digitalization promotion campaign has now extended to Takamatsu Estate Co., Ltd. and Takamatsu Techno Service Co., Ltd. While exchanging opinions on the maintenance method of the TCG building, we are examining the use of digital technologies as a prototype of a maintenance system that can be managed by anyone.

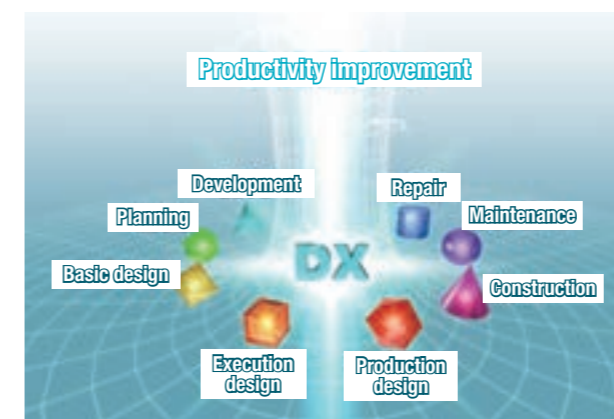
We will use digital technologies in the construction of the new TCG building so that Takamatsu Corporation will be able to lead the Group and our efforts and achievements in the project can be rolled over to the entire Group. Our goal is to improve client satisfaction through digital data and increase our technological capabilities and proposal-making abilities. Takamatsu Corporation is implementing a unique initiative combining consulting and construction mainly for private-sector works, while Asunaro Aoki Construction is working in accordance with the BIM guidelines of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) of Japan mainly for public sector works. By integrating and sharing the insights of the two companies, we hope to create a structure that can flexibly cater to both public and private sector projects and establish guidelines for the use of digital data in the entire Group.

Business process reforms based on building information modeling (BIM) from planning, development, and designing to construction, maintenance, and repair

In response to the rapid shift toward digitalization in our lives, MLIT established an advisory council on the promotion of BIM in 2019, creating a momentum to standardize the use of digital technologies in the building industry. In the fiscal year 2019, Takamatsu Corporation also established the BIM Promotion Office within the Design Division. Under a cross-sectional leader who has authority over designing, sales, measurement, and construction works, the company is working on business process reforms based on the consistent application of BIM under a one-team structure.

After its full-swing launch, the BIM promotion campaign has been progressing well. At the 2020 Construction BIM Impact event organized by the Kensetsutsushin Shimbun Corporation (and supported by the Japan Federation of Construction Contractors), Takamatsu Corporation introduced projects in which it used BIM. Since the first year of the BIM promotion campaign, the company has been publishing information on BIM and application examples through the media and events.

Takamatsu Corporation aims to offer finely-tuned services that



meet client needs that range from planning, development, and designing to construction, maintenance, and repair. The company's efforts to promote digitalization focusing on this point have become good examples for the industry. More than 90% of the company's clients contract Takamatsu Corporation for both designing and construction. Leveraging this situation, the company is working on digitalization in every field from planning, development, and designing to construction. For instance, digital technologies are used to help reach a consensus with clients, improve productivity of employees and cooperating companies, and raise quality through the sharing of 3D models.

The past business process reforms of Takamatsu Corporation focused on the organization of a digital environment and education and guidance activities with a thorough business process review. Through the 3D digitalization of building projects, we create animation and perspective drawings, which help smoothly reach a consensus with clients. The data is also used for estimates and construction plans. We are working on introducing digital technologies at the basic design stage in phases. In the fiscal year 2021, we organized rules for the use of BIM software in designing and, in the fiscal year 2022, we plan to use the software in full scale. Digitalization at the execution design stage has progressed earlier. In all projects we have been contracted, a structural building frame model has been used for estimations, raising efficiency in calculating the number of building frames. This data is also used for considering temporary buildings and providing onsite support. Business process reforms based on BIM are thus progressing throughout the company. Going forward, we will focus on organizing a digital environment and educational activities on site to enable onsite workers to use BIM in their worksites.

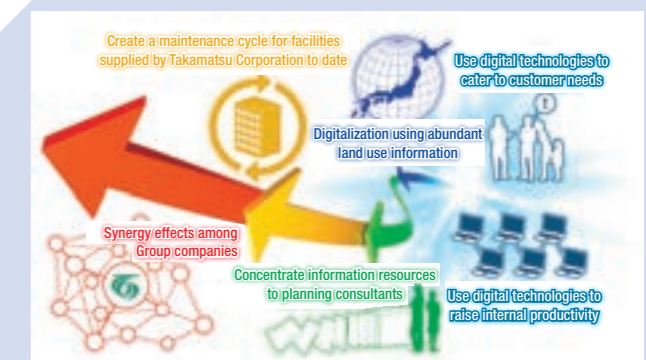
Roadmap to using Takamatsu Corporation's unique digital technologies combining consulting and construction

Based on its large collection of land use data, Takamatsu Corporation will promote the use of digitalization technology in phases, utilizing its one-stop business model that takes care of planning, development, and designing to construction, maintenance, and repair, with the following two key phrases:

1. Use digital technologies to accurately meet client needs; and
2. Use digital technologies to improve productivity of each section through data sharing in the company.

In the company's roadmap to using digital technologies, the first step is to digitalize a large volume of land use data, and the second step is to consolidate information resources to planning consultants.

The third step is to create a maintenance cycle for facilities that have been delivered by Takamatsu Corporation, and the fourth step is to generate synergy among Group companies.



We will introduce new workflows and will research on and accumulate digital technologies to create a structure for nurturing employees with digital competence.

Business Overview



Architecture

Architecture Business

Leveraging the sales expertise developed since its foundation, Takamatsu Corporation constructs buildings that meet all kinds of needs such as for-lease condominiums and commercial buildings. Asunaro Aoki Construction has a track record of meeting client needs with a wide range of commercial buildings including public buildings, skyscrapers, factories, logistics facilities, and hospitals.

Business Areas

For-lease condominiums, built-for-sale condominiums, public facilities, educational and cultural facilities, commercial facilities, accommodation and leisure facilities, logistics facilities, warehouses, factories, medical and welfare facilities, waste disposal plants, and skyscrapers

Risks

Takamatsu Corporation Co., Ltd.

- Future drop in the number of households
- Fall in housing starts
- Increase in competitors
- Slow decline of for-lease condominium market

Asunaro Aoki Construction Co., Ltd.

- Fall in housing starts and other new construction works
- Decline in skilled construction workers
- Contraction of overall economic activities following a population decline
- Entries to PPP, PFI, etc. from different industries

Kongo-Gumi Co., Ltd. and Nakamura Shaji Co., Ltd.

- Delay and postponement of works due to a laborer and skilled worker shortage
- Impact of a labor and engineer shortage
- Fall in consumption due to a rising tax burden
- Increase in the effective use of and redevelopment projects of temple /shrine sites

Takamatsu Techno Service Co., Ltd. (Tokyo/Osaka) and M's Co., Ltd.

- For small- or medium-sized buildings, conversions are compared with demolish-and-replace as the former requires a large cost including infrastructure renewal cost

Opportunities

- Increase in households in Tokyo 23 wards
- Increase in single-person households
- Increase in needs for inheritance tax measures with an increase in senior citizens

- Needs to update social infrastructure built during the high economic growth period
- Expansion in the renewal market of existing buildings and structures

- Increase in renovation projects
- Polarization of rich and poor temples/shrines due to the weakening of the system binding households to certain temples or shrines

- Rising demand for works due to the growing number of vacant houses
- Growing demand for renovations due to an increase in senior citizens
- Increase in renovation projects

Takamatsu Corporation began planning proposal type sales activities in around 1960 in response to the Japan Housing Finance Agency starting to offer loans for for-lease housing. In these activities, Takamatsu Corporation would propose future business plans to its clients and take necessary procedures to obtain loans from the Japan Housing Finance Agency on behalf of its clients.

Takamatsu Corporation has grown with the construction of for-lease housing as a pillar of its operations. This business has been supported by consulting-based sales where the company proposes the effective use of land to its clients.

The Takamatsu Construction Group has unique companies such as Kongo-Gumi Co., Ltd. founded over 1,400 years ago and Nakamura Shaji Co., Ltd. also established over 1,000 years ago.

Takamatsu Techno Service Co., Ltd. has strengths in renovation works of condominiums, while Suminoe Kogei Co., Ltd. offers high-class interior works and Taisho Kogyo Corporation provides

construction services in the Takatsuki and Hokusetsu area.

Asunaro Aoki Construction offers construction services as a so-called general contractor mainly for the public sector and corporate clients.

In the Asunaro Aoki Group, M's Co., Ltd. provides construction services, especially renovation works of office buildings and others.

The Group companies are working on workstyle reforms and operational efficiency improvement using information communication technologies such as Building Information Modeling (BIM), Mixed Reality (MR), and Virtual Reality (VR). Using 3D simulations makes it easier for clients to visually understand their projects, making it easier to reach a consensus.

In addition, the Group is working on workstyle reforms and raising operational efficiency through the introduction of SPIDERPLUS offered by SpiderPlus & Co. and YACHO offered by MetaMojji Corporation.

Group Companies

Takamatsu Corporation Co., Ltd.

Designing and construction of all types of buildings including for-lease condominiums, buildings, factories, and aged care facilities

Takamatsu Techno Service Co., Ltd. (Osaka, Tokyo)

Extension, renovation, repair, building maintenance

Suminoe Kogei Co., Ltd.

Custom-made, high-grade, high-quality furniture, extension and renovation of housing and commercial facilities, interior renovation designing and works

Tatsumi Planning Co., Ltd.

Wooden detached house business and renovation business in the metropolitan area

Takamatsu House Co., Ltd.

Marketing, planning, and sales for the wooden detached house business mainly in the metropolitan area

Asunaro Aoki Construction Co., Ltd.

Large civil engineering projects, unmanned civil engineering projects, designing and construction of commercial facilities, skyscrapers, logistics facilities, factories, etc.

Nakamura Shaji Co., Ltd.

Founded over 1,000 years ago. Specializes in shrine and temple architecture in the Chubu region.

M's Co., Ltd.

Renovation works including refurbishment, upgrading, maintenance, and usage change of office buildings in general

Kongo-Gumi Co., Ltd.

Founded over 1,400 years ago. Specializes in shrine and temple architecture integrating modern technologies with the traditional technologies handed down from carpenters specializing in traditional temples, shrines and so on.

Taisho Kogyo Corporation

Building, civil engineering designing and construction, renovation, store joineries, interiors, brokering of land and buildings, real estate leasing, development and subdividing of residential land, and other incidental businesses

Business Overview

Civil Engineering

Civil Engineering Business

Eurus Shin Izumo Wind Farm

The Asunaro Aoki Group led by Asunaro Aoki Construction Co., Ltd. mainly operates the civil engineering business that creates social infrastructure of Japan. In this business, our Group companies supported by excellent technological capabilities in their respective fields cooperate with each other to unleash the total power of the Group.

Business Areas

Rivers, roads, railways, ports, airports, dams, tunnels, bridges, residential land development, water supply and sewerage systems, soil and water conservation, ocean civil engineering, underwater civil engineering, renewable energy works including wind farms and mega solar plants, soil improvement works, environmentally friendly slope construction works, archaeological digging investigations, etc.

Group Companies

Asunaro Aoki Construction Co., Ltd.

Large civil engineering projects, unmanned civil engineering projects, designing and construction of commercial facilities, skyscrapers, logistics facilities, factories, etc.

Mirai Construction Co., Ltd.

Ports, offshore works, environmental preservation related works, designing and construction of life, culture, and business related facilities

Toko Geotech Co., Ltd.

Slope protection, soil improvement, underground continuous walls, insulation, water resistance works, blasting and grinding of rock beds for dams, roads, etc.

Aoki Marine Co., Ltd.

Experts on large-scale offshore landfilling works. Designing and construction of civil engineering structures related to dredging, landfilling, development, ports, and rivers.

Asunaro Road Co., Ltd.

Paving works and road making to improve road surfaces

Shimada Gumi Co., Ltd.

Digging, research, and analysis of buried cultural properties, their restoration in different locations using the materials sourced from the original properties, and organizing of historical remains

Taisho Kogyo Corporation

Building, civil engineering designing and construction, renovation, store joineries, interiors, brokering of land and buildings, real estate leasing, development and subdividing of residential land, and other incidental businesses

Risks

Asunaro Aoki Construction Co., Ltd.

- Fall in new construction works
- Decline in construction workers
- Entries into PPP including PFI and concessions from different industries

Mirai Construction Co., Ltd.

- Entries into offshore works from different industries
- Fall in projects to participate due to the increased size of works
- Cost pressure from the rising labor and materials costs
- Response to the diversifying tender contract system

Toko Geotech Co., Ltd.

- Decline in construction of new road and railway infrastructure
- Drop in general contract opportunities for nationally-operating contractors
- Lowering construction capacity due to reduction of skilled construction workers
- Recruitment difficulties due to a labor supply-demand problem

Asunaro Aoki Group

- Reduction in the public work budget
- Securing workforce due to a skilled construction worker shortage
- Drop in projects due to a fall in large-scale works
- Less business opportunities as local contractors are prioritized after a budget cut

Opportunities

- Needs to renew social infrastructure
- Compact city concept
- Promotion of renewable energy policy
- Expansion of renovation market

- Promotion of port policy under PORT2030
- Increase in building investments to increase resilience of the national land
- Promotion of policies such as the revised Housing Quality Assurance Act
- Promotion of renewable ocean energy

- Increase in disaster prevention and reduction works
- Increase in infrastructure maintenance and renewal projects
- Increase in projects such as biomass power generation

- Full-swing implementation of landfilling works in Naha, Henoko, etc.
- Increase in disaster prevention and reduction works
- Increase in excavating works following the return of the US Okinawa base
- Increase in private sector contracts due to the human resources shortage in local governments

The civil engineering business covers broad areas such as public building investments for organizing, maintaining, and repairing social infrastructure, residential land development works, and works contributing to SDGs or decarbonization such as renewable energy related works.

In connection with ESG, Asunaro Aoki Construction has been conducting renewable energy related works, while Mirai Construction Co., Ltd. has also been handling the construction of mega solar facilities and so on. In addition, Toko Geotech Co., Ltd. is enhancing its fire resistance works for biomass power plants.

Asunaro Aoki Construction and Mirai Construction have concluded disaster agreements with public offices, local governments, public transport authorities, and so on, under which they will promptly attend disaster affected areas and perform recovery efforts such as making roads usable.

Shimada Gumi Co., Ltd. used to offer archaeological digging

services mainly in the Kinki region. The company has now expanded its business area to the Kyushu and Okinawa regions and the metropolitan area such as Kamakura City.

Aoki Marine Co., Ltd. mainly handles offshore works and offshore transport using ships.

Asunaro Road Co., Ltd. mainly engages in road repair works and general civil engineering works in Hokkaido.

Niigata Mirai Kensetsu K.K. transferred all its shares to HONMAROAD Corporation in March 2021 considering that transferring its business to a company with a strong business foundation in Niigata Prefecture would be the best option for the company's future development.

With respect to DX efforts, we have been working on unmanned construction technologies from before. Recently, we are also proactively working on CIM, remote monitoring using wearable terminals, and ICT construction using 4D sonars at Mirai Construction.

Business Overview



Real Estate

Real Estate Business

In the real estate business, we offer a total real estate service including the leasing and maintenance of buildings after their construction, by making proposals tailored to client needs through the Consultant & Construction (C&C) approach that combines construction and consulting for the effective use of assets. In addition, we offer a for-sale condominium service (including the sale of a whole building) where we take care of the whole process from the purchase of land to the construction and sales of condominiums.

Business Areas

For-lease condominium management (tenant brokering), real estate purchase and sales, real estate agent business, sub-leasing, building maintenance, built-for-sale condominiums, finance



Wooden Independent Residence

Wooden Detached House Business

Takamatsu House Co., Ltd. is in charge of marketing, planning, and sales for the wooden detached house business of Tatsumi Planning Co., Ltd. and for the real estate related business of Mibu Corporation Co., Ltd.

The TCG Group's wooden detached house business aims to create a society where everyone can live in a house they desire. We will sincerely work on building houses for the next 100 years.

Business Areas

Marketing, planning, and sales operations for the wooden detached house related business mainly in the metropolitan area. Wooden detached house business, wooden multi-unit housing business, and land usage business. Real estate related business including real estate sales/purchases and brokering.

Risks

Takamatsu Corporation Co., Ltd.

- Future drop in the number of households
- Slow decline of for-lease condominium market
- Fall in housing starts

Takamatsu Estate Co., Ltd. (Osaka)

- Declining demand due to the population decline
- Fiercer competition over management contracts
- Weakening economies of the Kinki region due to population overconcentration in Tokyo

Takamatsu Estate Co., Ltd. (Tokyo)

- Fall in the number of households due to the population aging and falling birth rate
- Higher maintenance costs due to the aging of buildings
- Intensifying competition in the real estate industry

TCG USA

- US economic slowdown due to US-China trade friction
- Risk of falling asset prices due to the rapidly changing market environment
- Uncertain market conditions post-COVID 19

Opportunities

- Increase in households in Tokyo 23 wards (peaking in 2035)
- Increase in needs for inheritance tax measures with an increase in senior citizens

- Growth in renovations and repairs of older condominiums
- More sales and purchase opportunities due to livelier trading of income-producing condominiums

- Solid real estate needs due to population inflows into the metropolitan area
- Sustained strong economy from 2020 onward in the metropolitan area

- Increase in medium-sized development projects
- Trustworthiness as the Group
- Markets are expected to grow in the U.S. due to population increase

In the real estate business, Takamatsu Estate Co., Ltd. (Tokyo and Osaka) is entrusted with the management of about half of the for-lease condominiums built by Takamatsu Corporation. In addition, Takamatsu Estate independently conducts real estate sales and purchases and brokering services. Its business results are steadily growing in step with the growth of Takamatsu Corporation. Takamatsu Estate (Osaka) also operates serviced residential aged care facilities.

Takamatsu Corporation not only makes proposals to landowners but also makes proposals offering its own land. The company therefore purchases land in some cases. Going forward, it is considering entering the built-for-sale condominium business.

TCG USA has two income-producing properties in New York and conducts the built-for-sale condominium business in California. Going forward, the company will endeavor to acquire building know-how overseas, which was the purpose of its establishment.

Mibu Corporation Co., Ltd. conducts the real estate business centered on real estate sales and purchases and brokering mainly in Tokyo's Jonan and Josai districts which have upmarket residential areas.

Risks

Takamatsu House Co., Ltd.

- Builders of built-for-sale tract and spec detached houses mainly targeting first home buyers (called "power builders" in Japan) are on the offensive leveraging their financial power, etc.
- Cost competition is becoming a dominant factor due to the rise of power builders

Tatsumi Planning Co., Ltd.

- Intensifying price competition due to lower priced products offered by power builders
- Differentiation made difficult due to standardized products offered by competitors

Mibu Corporation Co., Ltd.

- Need to assess the impact of COVID-19 on real estate market conditions
- Need to monitor the future recovery in inbound demand for high-price and income-producing properties

Taisho Kogyo Corporation

- The company mainly offers planning, designing, construction, and renovation services for for-lease housing (apartment buildings and detached houses), social welfare facilities, medical facilities, commercial facilities, corporate facilities (offices, factories, and warehouses), and so on. It joined the TCG Group on February 26, 2021.

Opportunities

- Growth trend in the metropolitan built-for-sale market
- Population and the number of households are expected to grow in the metropolitan area due to population overconcentration
- Needs for safe and secure housing

- First-home buyers prioritize style, design, and concept
- Shift from one-size-fits-all to individual uniqueness in consumption behavior

- Improved competitiveness of detached housing due to the rising condominium prices
- Property prices remain elevated
- Increase in sales through Group collaboration

The TCG Group's wooden detached house business began with the foundation of Takamatsu House Co., Ltd. during the fiscal year ended March 31, 2020.

Because the business practically started in the following fiscal year, its business results for the fiscal year ended March 31, 2021 were not fantastic. Going forward, we expect the wooden detached house business to become a third pillar of our operations together with Takamatsu Corporation and Asunaro Aoki Construction.

The basic business model is for Takamatsu House to purchase land utilizing land information provided by Mibu Corporation Co., Ltd. which conducts the real estate business, then for Tatsumi Planning to build housing, and for Takamatsu House to sell them. We will, however, flexibly develop the business outside this basic business model.

Currently, we are operating the wooden detached house business mainly in the Jonan and Josai districts in Tokyo and Yokohama. Going forward, we plan to expand it throughout the metropolitan area and then potentially throughout Japan.

Group Companies

Takamatsu Corporation Co., Ltd.

Designing and construction of all types of buildings including for-lease condominiums, buildings, factories, and aged care facilities

Asunaro Aoki Construction Co., Ltd.

Large civil engineering projects, unmanned civil engineering projects, designing and construction of commercial facilities, skyscrapers, logistics facilities, factories, etc.

Takamatsu Estate Co., Ltd. (Osaka/Tokyo)

Management of real estate in general, buildings, and condominiums

Mibu Corporation Co., Ltd.

Operating businesses that meet a wide range of real estate needs in the Jonan area of Tokyo since its foundation

Takamatsu Construction Group USA, Inc.

Practicing C&C in the U.S. from building renovations to designing, construction, and land use; aim to acquire building know-how in the U.S.

Group Companies

Takamatsu House Co., Ltd.

Marketing, planning, and sales for wooden detached house business mainly in the metropolitan area

Tatsumi Planning Co., Ltd.

Wooden detached house business and renovation business in the metropolitan area

Mibu Corporation Co., Ltd.

Operating businesses that meet a wide range of real estate needs in the Jonan area of Tokyo since its foundation

Taisho Kogyo Corporation

Building, civil engineering designing and construction, renovation, store joineries, interiors, brokering of land and buildings, real estate leasing, development and subdividing of residential land, and other incidental businesses

ESG

ESG Efforts

The TCG Group's corporate philosophy is to "conduct the construction business as a mutually complimentary activity vital to society."

We believe that the TCG Group needs to offer to society buildings that are useful and safe and services that make users feel comfortable as our responsibility. In addition, we need to build better relationships not only with our clients, business partners, and employees, but also with countries, regions, nature, and the global environment, to fulfil our social responsibilities.

As great expectations are recently placed on companies as members of society, the TCG Group will proactively work on the environment, social, and governance (ESG) to continue improving our corporate value with our unique Group companies demonstrating their high levels of expertise in their respective business areas.

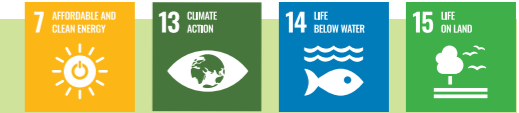
SDGs Contribution Revenue

In the Mid-Term plan, "Create! 2022," we defined the TCG Group's revenue that corresponds to 17 goals among SDGs as the SDGs Contribution Revenue.

In the term ended March 31, 2021, the SDGs Contribution Revenue of the TCG Group reached 100.1 billion yen or 35.4% of the Group's total revenue.

Item	Definition	Revenue (billions of yen)					
		FYE 3/31/2019 (results)	%	FYE 3/31/2020 (results)	%	FYE 3/31/2021 (results)	%
Contribution to environmental preservation	Total of 1), 2), and 3)	42.0	16.8	34.1	12.1	43.4	15.3
E 1) Development of renewable energy sources	• Works on renewable energy related facilities • Installation of solar power facilities	14.8	5.9	12.0	4.2	15.1	5.3
2) Promotion of ecological materials/methods	• Slope works using ecological materials and methods	0.6	0.2	0.8	0.2	0.8	0.2
3) Promotion of energy saving	• Architecture complying with CASBEE, ZEB, and other specifications	26.6	10.6	21.3	7.5	27.5	9.7
Building sustainable towns	Total of 1) to 4) below	52.0	20.9	58.6	20.8	56.6	20.0
S 1) Offer safe spaces with a long useful life	• Buildings whose seismic capacity exceeds the level required by the Building Standards Act of Japan by 15% or more • Seismic strengthening works • Long-life quality housing	39.7	15.8	44.8	15.8	42.7	15.0
2) Maintain safety, comfort, and high quality	• Large-scale renovations of condominiums, etc.	5.0	2.0	5.0	1.7	4.4	1.5
3) Hand down traditional architecture cultures, etc.	• Shrine and temple architecture, protection of buried cultural assets	7.0	2.8	8.5	3.0	9.1	3.2
4) Residential services for senior citizens	• Operation of serviced residential facilities for senior citizens	0.3	0.1	0.3	0.1	0.4	0.1
Total SDGs contribution revenue		94.1	37.7	92.8	32.9	100.1	35.4
Total TCG Group revenue		249.7	100	282.3	100	283.0	100

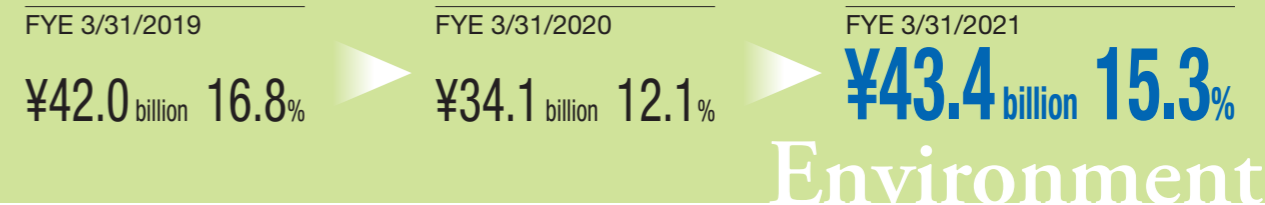
Environmental and Social Initiatives



Environment

- 1) **Development of renewable energy:** Revenue from renewable energy related works
- 2) **Promotion of ecological materials and methods:** Revenue from slope works using ecological materials and methods
- 3) **Promotion of energy saving:** Architecture complying with CASBEE, ZEB, and other specifications
- 4) **Works to preserve the abundance of oceans:** Preservation works of fishing grounds, fishing ports, etc. using amphibian bulldozers

Ratio in SDG-related revenue and the TCG Group's revenue



Initiatives with environmental considerations

In the TCG Group, Group companies such as Takamatsu Techno Service Co., Ltd. are making a strong effort in environmentally friendly, carbon-free renewable energy related works led by the Asunaro Aoki Construction Group. In addition, we offer slope protection works using ecological materials and works to preserve the abundance of oceans, such as the maintenance and preservation of fishing ports, using amphibian bulldozers.

All Group companies are also trying to reduce CO₂ emissions in their construction sites.

Renewable energy related works

Based on its wealth of experience and extensive technologies, Asunaro Aoki Construction implements various improvement measures and makes value engineering proposals in each phase of its operations starting from onsite inspections to planning, research designs, development approvals, and construction, providing consistent support to renewable energy related works for the successful operation of renewable energy facilities.



Slope works using ecological materials and methods

Toko Geotech Co., Ltd. offers slope works using ecological materials and methods such as the seedling spraying planting method to prevent the collapse of slopes and to organically restore greenery with attention to biodiversity and local sceneries and as a technology to stop landslides.



Works to preserve the abundance of oceans

Amphibian bulldozers are underwater drilling machine used in the shallow body of water. They are developed for practical application by combining watertight underwater specifications and the radio remote controlling function.

We use them for dredging in ports and fishing ports, excavation of river channels in rivers, offshore breakwaters, artificial reefs, and other works along the coast. They play an important role in preserving the abundance of oceans.



Corporate Governance

TCG aspires to make the TCG Group a corporate group that meets the confidence placed by our shareholders, clients, and other stakeholders, and is broadly trusted by society, as one of our important management challenges. Bearing this in mind, to ensure the transparency and fairness of our decision-making, to effectively use our management resources, and to increase our business vitality through speedy and bold decision making, we are enhancing our corporate governance under the following basic principles.

- 1) Respect shareholders' rights and secure fairness
- 2) Cooperate appropriately with various stakeholders
- 3) Conduct appropriate disclosure of corporate information and secure transparency
- 4) Increase the effectiveness of the Board of Directors' oversight function of business execution through the appointment of non-executive directors such as independent external directors
- 5) Have constructive dialogues with shareholders who have an investment policy that is aligned with the medium- and long-term interest of our shareholders

Policy and procedures for appointing, dismissing, and nominating directors and others

TCG requires its management executives, directors, and auditors to have excellent personality, insights, and skills, extensive experience, and a strong sense of ethics. Based on these requirements, TCG's Board of Directors appoints and nominates them, based on the opinions of the Nominating Committee, taking into account the diversity of the Board composition. We handle dismissals in a proper manner if it is determined dismissals are appropriate, for instance in situations where it is acknowledged that management executives are not performing their functions in light of evaluations such as the company's business results or any disqualification event has occurred.

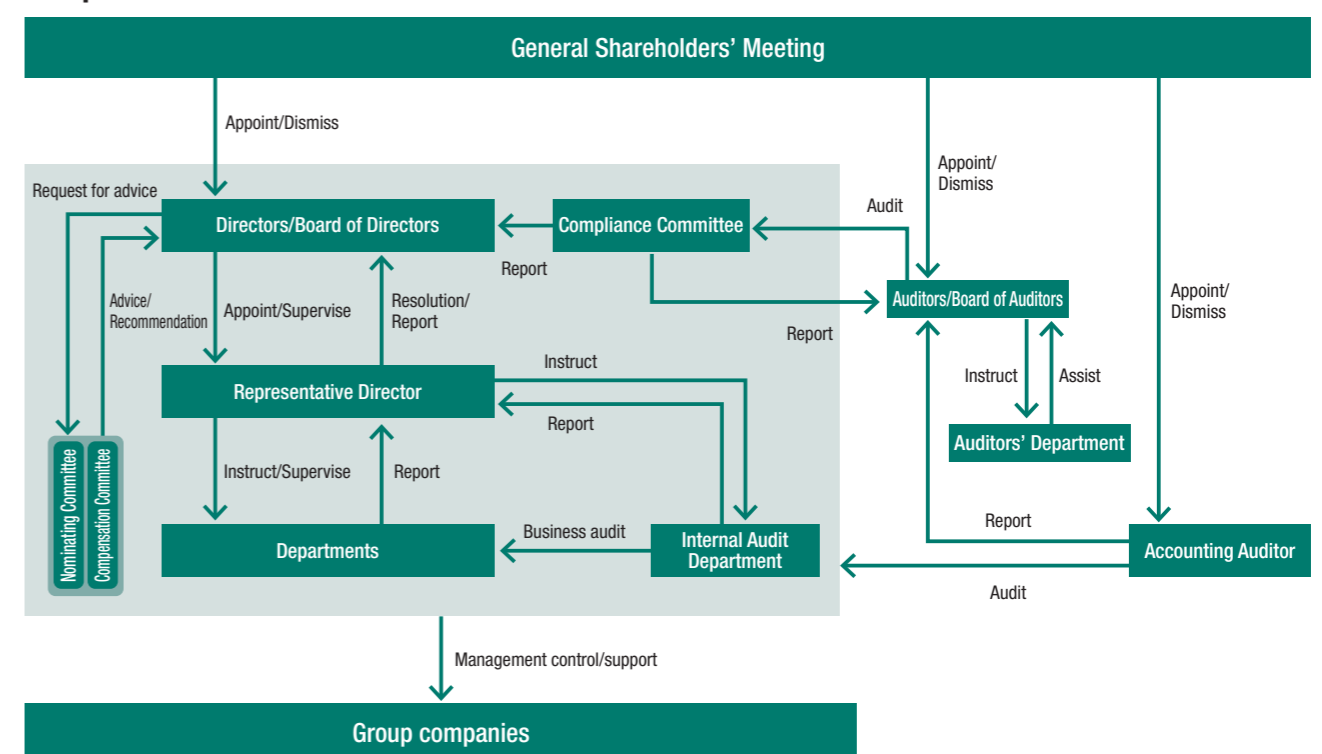
Overall balance, diversity, and size of the Board of Directors

The TCG Group comprises a total of 21 Group companies including TCG, which is the holding company, and two core companies of Takamatsu Corporation and Asunaro Aoki Construction. Accordingly, TCG's Board of Directors includes management staff of the two core companies as its members, in addition to TCG's executive directors, to oversee Group companies and take into account their situations. In addition, TCG's Board is basically required to have non-executive directors such as independent external directors. TCG's Articles of Incorporation stipulates that its Board of Directors may have up to 18 members. Currently, the Board consists of a total of eleven members including nine non-executive directors, of which three are independent external directors, and two executive directors.

Analysis and evaluation of the Board's effectiveness

TCG analyzes and evaluates the effectiveness of its Board of Directors by ways of the submission of self-evaluation forms and other means to verify that the Board is operated with a high level of effectiveness and working to improve the TCG Group's corporate value each period. An outline of these activities is disclosed on our website (<https://www.takamatsu-cg.co.jp/>) under the menu, "Analysis and evaluation of the effectiveness of the Board of Directors."

Corporate Governance Structure

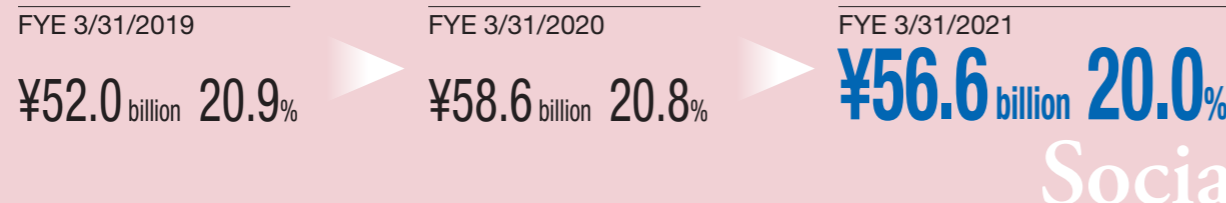


Society



- 1) Offer safe spaces with a long useful life: Buildings whose seismic capacity exceeds the level required by the Building Standards Act of Japan by 15% or more
- 2) Maintain safety, comfort, and high quality: Large-scale renovations of condominiums, etc.
- 3) Hand down traditional architecture cultures, etc.: Shrine and temple architecture, protection of buried cultural assets
- 4) Residential services for senior citizens: Operation of serviced residential facilities for senior citizens

Ratio in SDG-related revenue and the TCG Group's revenue

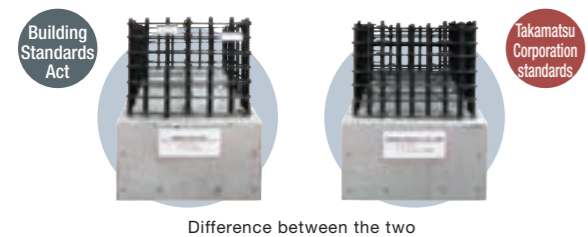


Initiatives to create richness in society

The companies constituting the TCG Group are working to offer safe spaces with a long useful life. For instance, Takamatsu Corporation builds buildings with the volume of steel rebars exceeding the level required by the Building Standards Act of Japan by 15% or more, while Asunaro Aoki Construction is building a track record in the application of seismic control brace that can be added while buildings are in use to reinforce steel-framed concrete buildings. In addition to these efforts, we are making other contributions for achieving a future where people can live happily through services such as large-scale renovations and the succession of traditional architecture cultures.

Buildings with seismic capacity exceeding Building Standards Act requirements of by 15% or more

None of the buildings constructed by Takamatsu Corporation whose seismic capacity exceeded the requirement of the Building Standards Act of Japan by 15% or more collapsed during the Great Hanshin Earthquake (earthquake in the southern part of Hyogo Prefecture). This has boosted our clients' trust in the TCG Group.



Large-scale renovation works

Asunaro Aoki Construction's seismic control brace and large-scale renovation works by Takamatsu Techno Service Co., Ltd. (Tokyo and Osaka) and M's Co., Ltd. improve safety and comfort and prolong the useful lives of buildings.



Handing down traditional architecture cultures

Kongo-Gumi Co., Ltd. which was founded over 1,400 years ago and is said to be the world's oldest company and Nakamura Shaji Co., Ltd. whose history spans over 1,000 years construct architectures such as shrines and temples utilizing skilled carpenters who specialize in traditional wooden buildings of Japan. Shimada Gumi Co., Ltd. is Japan's leading company in archaeological digging and research.



Social contribution

In support of the annual Tsukuba Chibikko Hakase (child scientists) event, Asunaro Aoki Construction offers opportunities for children to have a firsthand experience in construction. In addition, the TCG Group has concluded disaster agreements with public offices, local governments, and others, creating a structure that will enable the Group to assist at times of disasters.



Corporate Governance

Officers and Directors



Takayuki Takamatsu,
Honorary Chairperson and Director of the Board

Jun. 1965 President and Representative Director of the Board, TCG
Apr. 1990 Chairperson and Representative Director of the Board, TCG
Jun. 2005 Honorary Chairperson and Director of the Board, TCG (current)
Oct. 2008 Honorary Chairperson and Director of the Board, Takamatsu Corporation Co., Ltd. (current)
Jun. 2013 Director of the Board, Asunaro Aoki Construction Co., Ltd. (current)



Nobuhiko Yoshitake,
Chairperson and Representative Director of the Board

Jun. 2012 Executive Vice President and Representative Director of the Board, Asunaro Aoki Construction Co., Ltd.
Apr. 2015 Executive Vice President, Representative Director of the Board, and General Manager of Headquarters Management and Sales Planning Divisions, Asunaro Aoki Construction Co., Ltd.
Jun. 2015 Director of the Board, TCG
Apr. 2017 President and Representative Director of the Board, TCG
Apr. 2017 Director of the Board, Asunaro Aoki Construction Co., Ltd. (current)
Jun. 2017 Director of the Board, Takamatsu Corporation Co., Ltd. (current)
Apr. 2021 Chairperson and Representative Director of the Board, TCG (current)



Takayoshi Takamatsu,
Vice Chairperson and Representative Director of the Board

Apr. 1990 Joined TCG
Apr. 2005 General Manager, President's Office, TCG
Jun. 2005 Director of the Board and General Manager, President's Office, TCG
Mar. 2006 Director of the Board, TCG
Mar. 2006 Director of the Board and Managing Executive Officer, Nippon Kensho Co., Ltd. [Osaka] (currently, Takamatsu Estate Co., Ltd. [Osaka])
Oct. 2008 Executive Officer and General Manager of Management Planning Dept., Takamatsu Corporation Co., Ltd.
Aug. 2009 Director of the Board and Executive Officer in charge of Headquarters, Takamatsu Corporation Co., Ltd.
Apr. 2011 Director of the Board and Managing Executive Officer in charge of Headquarters, Takamatsu Corporation Co., Ltd.
Apr. 2013 Director of the Board and Managing Executive Officer in charge of Administration Division, TCG
Jun. 2015 Director of the Board and Senior Managing Executive Officer in charge of Group Integration Division, TCG
Jun. 2016 Representative Director of the Board and Senior Managing Executive Officer in charge of Group Integration Division, TCG
Apr. 2017 Representative Director of the Board and Executive Vice President in charge of Group Integration, TCG
Jun. 2017 Director of the Board, Takamatsu Corporation Co., Ltd. (current)
Sep. 2019 Representative Director of the Board, Executive Vice President in charge of integrating all Divisions, and General Manager of Group Auditing Division, TCG
Apr. 2021 Representative Director and Vice Chairperson of the Board, TCG (current)



Hideto Nakahara,
Director of the Board (External & Independent)

Apr. 1973 Joined Mitsubishi Corporation
Apr. 2004 Senior Vice President and Regional CEO for Europe, Mitsubishi Corporation
Apr. 2006 Senior Vice President, Chief Representative for China, Mitsubishi Corporation
Apr. 2007 Executive Vice President and Chief Representative for China, Mitsubishi Corporation
Jun. 2009 Executive Vice President, Global Strategy, Regional Development, Mitsubishi Corporation
Jun. 2011 Representative Director and Senior Executive Vice President, Mitsubishi Corporation
Apr. 2016 Member of the Board, Mitsubishi Corporation
Jun. 2016 Advisor, Mitsubishi Corporation
Jun. 2018 External Auditor, TCG
Jun. 2019 External Director of the Board, TCG (current)



Yasushi Tsujii,
Director

Apr. 1982 Joined Aoki Corporation
Apr. 2011 Senior Executive Officer and General Manager of Osaka Civil Engineering Headquarters, Asunaro Aoki Construction Co., Ltd.
Apr. 2015 Managing Executive Officer and General Manager of Osaka Civil Engineering Headquarters, Asunaro Aoki Construction Co., Ltd.
Apr. 2016 Managing Executive Officer and General Manager of Tokyo Civil Engineering Headquarters, Asunaro Aoki Construction Co., Ltd.
Apr. 2017 Senior Managing Executive Officer, General Manager of Civil Engineering Headquarters, and General Manager of Tokyo Civil Engineering Headquarters, Asunaro Aoki Construction Co., Ltd.
Jun. 2017 Director of the Board, Senior Managing Executive Officer, General Manager of Civil Engineering Headquarters, and General Manager of Tokyo Civil Engineering Headquarters, Asunaro Aoki Construction Co., Ltd.
Apr. 2018 Representative Director of the Board and President, Asunaro Aoki Construction Co., Ltd. (current)
Jun. 2018 Director of the Board, TCG
Jun. 2019 Resigned as Director of the Board, TCG
Jun. 2020 Director of the Board, TCG (current)
Jun. 2020 Director of the Board, Takamatsu Corporation Co., Ltd. (current)



Michinari Fujiwara,
Auditor (Full-time) (External & Independent)

Apr. 1977 Joined The Kyowa Bank, Ltd. (currently, Resona Bank, Limited)
Apr. 1994 General Manager, Tenka Chaya Branch, The Asahi Bank, Ltd.
Apr. 2004 Executive Officer, CEO of Hyogo Area, General Manager of Kobe and San-no-miya Branches, Resona Bank Limited.
Jun. 2007 Representative Director and President, Showa Auto Rental Leasing Co., Ltd. (currently, Nippon Car Solutions Co., Ltd.)
Jun. 2009 Auditor, Shirai Electronics Industrial Co., Ltd.
Jun. 2012 Full-time Auditor, Inaba Denki Sangyo Co., Ltd.
Jun. 2016 Full-time Auditor, TCG (current)



Hirotaka Takamatsu
President and Representative Director of the Board

Jun. 2007 Director of the Board, TCG
Apr. 2014 Representative Director of the Board and Vice President, Yamato Construction Co., Ltd. [Osaka] (currently Takamatsu Techno Service Co., Ltd. [Osaka])
Jun. 2015 Director of the Board and Managing Executive Officer, Takamatsu Corporation Co., Ltd.
Apr. 2016 Director of the Board, Senior Managing Executive Officer, Takamatsu Corporation Co., Ltd.
Apr. 2017 Director of the Board, Senior Managing Executive Officer in charge of Group Strategy Division, and General Manager of Group Management Strategy Department, TCG
Apr. 2017 Director of the Board, Takamatsu Corporation Co., Ltd.
Apr. 2018 Director of the Board and Senior Managing Executive Officer in charge of Group Strategy Division, TCG
Apr. 2018 Representative Director of the Board and Executive Vice President, Takamatsu Corporation Co., Ltd. (current)
Apr. 2019 Director of the Board, TCG
Jun. 2020 Director of the Board, Asunaro Aoki Construction Co., Ltd. (current)
Apr. 2021 Representative Director of the Board and President, TCG (current)



Takatoshi Takamatsu,
Representative Director of the Board and Executive Vice President

Mar. 1998 Joined TCG
Jun. 2005 Director of the Board and General Manager of Tokyo Headquarters, JP Home Co., Ltd.
Apr. 2009 Representative Director of the Board and Vice President, JP Home Co., Ltd.
Jun. 2010 Director of the Board, TCG
Apr. 2012 Representative Director of the Board and President, JP Home Co., Ltd.
Jun. 2013 Director of the Board, Takamatsu Corporation Co., Ltd.
Apr. 2014 Representative Director of the Board and Vice President, Takamatsu Corporation Co., Ltd.
Jun. 2015 Representative Director of the Board and Executive Vice President, Takamatsu Corporation Co., Ltd.
Apr. 2016 Chairperson of the Board, JP Home Co., Ltd.
Apr. 2017 Director of the Board, JP Home Co., Ltd.
Apr. 2018 Representative Director of the Board and President, Takamatsu Corporation Co., Ltd. (current)
Jun. 2020 Director of the Board, Asunaro Aoki Construction Co., Ltd. (current)
Apr. 2021 Representative Director of the Board and Executive Vice President, TCG (current)



Toshitaka Hagiwara,
Director of the Board (External & Independent)

Dec. 1969 Joined Komatsu Ltd.
Jun. 1990 Director of the Board, Komatsu Ltd.
Jun. 1995 Senior Executive Officer (Jomu), Komatsu Ltd.
Jun. 1997 Senior Executive Officer (Senmu), Komatsu Ltd.
Jun. 1999 Representative Director and Vice President, Komatsu Ltd.
Jun. 2003 Representative Director and Chairman of the Board, Komatsu Ltd.
Jun. 2007 Councilor and Senior Advisor, Komatsu Ltd.
Jun. 2011 Senior Advisor, Komatsu Ltd.
Jun. 2013 Advisor, Komatsu Ltd. (current)
Jun. 2014 External Director of the Board, TCG (current)



Yoshinori Matsushita,
Auditor (Full-time)

Jan. 2009 Joined TCG as General Manager of Management Control Division
Apr. 2011 Executive Officer and General Manager of Group Control Division, TCG
Apr. 2015 Managing Executive Officer and General Manager of Administration Division, TCG
Jun. 2016 Director of the Board, Managing Executive Officer, and General Manager of Administration Division, TCG
Apr. 2017 Director of the Board and Managing Executive Officer in charge of Administration Division, TCG
Apr. 2018 Director of the Board, Managing Executive Officer in charge of Group Risk Management Division, General Manager of Group Risk Management Division, and General Manager of Risk and Policy Administration Department, TCG
Apr. 2018 Representative Director and President, Nihon Owners Credit Co., Ltd.
Apr. 2019 Director of the Board, Managing Executive Officer, and General Manager of Group Audit Division, TCG
Jun. 2019 Full-time Auditor, TCG (current)



Tomokuni Tsuno,
Auditor (External & Independent)

Oct. 2002 Joined Shin Nihon LLC (currently, Ernst & Young ShinNihon LLC)
Jun. 2006 Registered as CPA
Jul. 2007 Founded Tsuno CPA Office as Representative (current)
Sep. 2010 Founded Tsuno & Kuramoto Tax Co. as Joint Partner External Auditor, TCG (current)
Sep. 2016 Founded Izanami Auditing Co. as Representative Partner (current)
Jan. 2017 Founded Izanami Tax Co. as Representative Partner (current)
Jan. 2018 Representative Director, Izanami Research Institute Co., Ltd. (current)



Nobuko Ishibashi,
Auditor (External & Independent)

Apr. 1989 Registered as lawyer
Oct. 1995 Co-founded Iguchi Ishibashi Law Firm
Oct. 2004 Partner, Kobe City Law Office (current)
Jun. 2005 External Auditor, Asia Pacific Trade Center Co., Ltd.
Jun. 2015 External Director of the Board, Kansai Urban Banking Corporation (currently, Kansai Mirai Bank, Limited)
Jun. 2019 External Auditor, TCG (current)



Masahiro Nishide,
Director of the Board

Apr. 1981 Joined TCG
Jun. 2005 Executive Officer and General Manager of Sales Planning Department, TCG
Jun. 2007 Director of the Board, Managing Executive Officer, and General Manager of Osaka Headquarters, TCG
Oct. 2008 Director of the Board, Senior Managing Executive Officer, and General Manager of Osaka Headquarters, Takamatsu Corporation Co., Ltd.
Jun. 2010 Representative Director of the Board, Senior Managing Executive Officer, and General Manager of Osaka Headquarters, Takamatsu Corporation Co., Ltd.
Apr. 2014 Representative Director of the Board and President, Takamatsu Corporation Co., Ltd.
Jun. 2014 Director of the Board, TCG (current)
Apr. 2018 Representative Director and Chairperson of the Board, Takamatsu Corporation Co., Ltd. (current)
Jun. 2018 Director of the Board, Asunaro Aoki Construction Co., Ltd.



Shigehiro Aoyama,
Director of the Board (External & Independent)

Apr. 1969 Joined Suntory Limited.
Mar. 1994 Director of the Board and General Manager of Whiskey Division, Suntory Limited
Mar. 1999 Managing Director of the Board in charge of Marketing and Advertisement, and General Manager of Sales Promotion Division, Suntory Limited
Mar. 2003 Senior Managing Director of the Board and Executive Director of Management Planning, Suntory Limited
Mar. 2006 Vice President, Director of the Board, and President of Alcohol Beverage Company, Suntory Limited
Feb. 2009 Director and Executive Vice President, Suntory Holdings Limited
Mar. 2010 Representative Director and Executive Vice President, Suntory Holdings Limited
Oct. 2014 Representative Director and Vice Chairman of the Board, Suntory Holdings Limited
Apr. 2015 Supreme Advisor, Suntory Holdings Limited
Jun. 2016 External Director of the Board, TCG (current)
Apr. 2018 Special Advisor, Suntory Holdings Limited



Hideyuki Takamatsu,
Director of the Board

Nov. 2005 Founded Takamatsu-ya Co., Ltd. (currently, Takamatsu Food Create Co., Ltd.) and appointed as its Representative Director and President (current)
Jun. 2016 Director of the Board, TCG (current)
Feb. 2021 Director of the Board, Takamatsu Food Create Co., Ltd. (current)
Apr. 2021 Representative Director of the Board and Vice President, Takamatsu Estate Co., Ltd. [Osaka] (current)

Corporate Governance



Message from External Director

We will support business administration from our independent positions to overcome the dramatically changing business environment and sustain further growth

Toshitaka Hagiwara, External Director

Born in 1940. Completed the Graduate School of Law, Waseda University in 1967. Joined Komatsu Ltd. in 1969. Appointed as Director of Komatsu Ltd. in 1990, Representative Director and Vice President in 1999, and Representative Director and Chairman in 2003. Appointed as an Independent and External Director of TCG in 2014.

Richness in diversity leads to growth

Since its foundation in 1917, TCG has a history spanning over 104 years. TCG has created its current position during the turbulent eras of the 20th and 21st centuries when its business environment dramatically changed every five or 10 years. It has done so by overcoming and responding to such changes. As one of its external directors, I want to express our respect to TCG's past management teams who have led the country to date.

TCG has handed down a sound management policy of focusing on its principal businesses since its foundation, without venturing into property investments and other businesses even during the Bubble period. In the last 20 or so years, TCG has proactively conducted M&As, listed its share on the First Section of the Tokyo Stock Exchange, and has come to occupy a significant position in Japan's construction industry.

I understand that TCG is a company that keeps growing by achieving a fine balance between the two seemingly opposing values, which are sound business management and aggressive business approach.

TCG's characteristic can be simply summarized as *diversity*. The TCG Group now has 21 companies through M&As. These include both small and big companies.

Takamatsu Corporation's main business theme is the effective use of real estate, while Asunaro Aoki Construction principally

focuses on public tenders in the civil engineering field. Takamatsu House specializes in wooden detached housing. In addition, Kongo-Gumi, which has a history spanning over 1,400 years and is said to be the world's oldest company, offers shrine and temple architecture services, and Shimada Gumi specializes in excavating buried cultural assets, digging historical remains in areas extended from Kanto to Kyushu and Okinawa. These unique 21 companies come together to form the Takamatsu Construction Group.

In the past, each company has respectively made efforts to make themselves a better company. In the post-COVID-19 business environment that could dramatically change, however, we anticipate competition to be even more fierce. For us to keep developing under this condition, we need to mobilize the power of the Group even better than before. We should consolidate a group of unique companies to make our strengths stronger, to cover each company's weaknesses, and to maximize synergy effects. I believe that the TCG Group has a potential to further grow through this approach.

Ensure effectiveness

I have observed the business management of TCG for seven years as an external director. During this period, TCG has made various improvements and conducted reforms. Naturally, however, creating

rules and organizations means nothing for corporate governance unless they function fully. It is essential that such rules and organizations are operated appropriately to ensure their effectiveness. On this point, I believe that TCG's executives have generally taken appropriate actions.

In any case, there is no end for corporate governance. Improvements and reforms are always needed in response to the demands of each era.

In my view, there are roughly three roles that external directors should play.

First, we need to carefully monitor if business execution complies with laws, ordinances, articles of incorporation, and social rules, and does not deviate from them. In other words, we need to oversee the compliance status.

Second, we need to check if the company's important execution matters are duly submitted to the Board of Directors and the Board discusses and makes resolutions so that the company satisfies the interests of its stakeholders. We also need to monitor if actions are taken in accordance with the Board's resolutions. This is a role of overseeing the effectiveness of corporate governance.

Third, we need to assist the executive branch so that they can take risks and determine and implement strategic measures for growth at the right timing for the sustainable future growth of the company. We may even nudge the management to take a step forward if needed.

Immediate corporate governance challenges

There are two major corporate governance challenges for TCG.

The first challenge is to enhance corporate governance for the entire Group; in other words, enhancing consolidated governance. It is not necessarily easy to unite a corporate group consisting of companies with different cultures and histories and exercise governance in a considerate manner to the furthest periphery of the organization. Without this, however, we cannot unleash the Group's total power or generate the Group synergy.

What is important here is the awareness of the top management of each company. They need to act for the interests of the entire Group instead of seeking the benefits of individual companies and contribute

to improving consolidated profits. In addition, we need a structure that properly values these contributions.

The second challenge is our efforts to build a sustainable society (SDGs).

Numerous global risks exist including climate change and infectious diseases. Compared to the past hundred years, the environment surrounding companies will become increasingly complex and the speed of change could become exponentially faster.

In this situation, how will TCG respond to SDGs which the world is working so hard to achieve? What concrete measures does TCG have and how will TCG draw its growth strategy incorporating these measures? We need to seriously consider these questions as a major theme for the future because listed companies' actions will be exposed to and judged by the world.

Lastly, I want to state that changes in the environment also create new business opportunities. I hope TCG to rally together under its new President, Mr. Hirotaka Takamatsu, and to keep developing and growing toward the next 100 years.



Consolidated Financial Statements and Major Notes

Consolidated balance sheet

(Million yen)

	Fiscal year ended March 2020 (As of March 31, 2020)	Fiscal year ended March 2021 (As of March 31, 2021)	Fiscal year ended March 2020 (As of March 31, 2020)	Fiscal year ended March 2021 (As of March 31, 2021)
ASSETS				
Current assets				
Cash and deposits	71,730	73,372		
Notes receivable, accounts receivable from completed construction contracts and other	74,320	70,948		
Real estate for sale	7,412	11,699		
Costs on construction contracts in progress	2,275	1,443		
Costs on real estate business	2,359	3,397		
Accounts receivable – other	4,976	3,339		
Other	1,643	1,894		
Allowance for doubtful accounts	(115)	(112)		
Total current assets	164,602	165,982		
Non-current assets				
Property, plant and equipment				
Buildings and structures, net	5,566	6,138		
Machinery, vehicles, tools, furniture and fixtures, net	1,343	1,551		
Vessels, net	880	757		
Land	24,014	28,642		
Leased assets, net	183	168		
Construction in progress	694	1,213		
Total Property, plant and equipment	32,681	38,472		
Intangible assets				
Goodwill	2,069	1,822		
Other	642	980		
Total Intangible assets	2,711	2,803		
Investments and other assets				
Investment securities	4,623	6,573		
Deferred tax assets	4,362	4,356		
Other	2,671	2,858		
Allowance for doubtful accounts	(223)	(214)		
Total investments and other assets	11,434	13,573		
Total non-current assets	46,828	54,849		
LIABILITIES				
Current liabilities				
Accounts payable for construction contracts	33,634	26,930		
Short-term borrowings	16,300	16,000		
Income taxes payable	3,732	2,739		
Advances received on construction contracts in progress	21,484	17,455		
Provision for warranties for completed construction	489	1,243		
Provision for loss on construction contracts	29	—		
Provision for bonuses	3,656	3,582		
Other	8,687	7,505		
Total current liabilities	88,013	75,455		
Non-current liabilities				
Bonds payable	—	15,000		
Deferred tax liabilities for land revaluation	256	256		
Deferred tax liabilities	4	650		
Provision for special repairs of vessels	70	62		
Retirement benefit liability	11,286	11,283		
Other	1,660	2,367		
Total non current liabilities	13,279	29,619		
Total liabilities	101,292	105,075		
NET ASSETS				
Shareholders' equity				
Share capital	5,000	5,000		
Capital surplus	797	797		
Retained earnings	113,567	118,842		
Treasury shares	(7,483)	(7,483)		
Total shareholders' equity	111,881	117,155		
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	208	550		
Revaluation reserve for land	(1,266)	(1,266)		
Foreign currency translation adjustment	(21)	(216)		
Remeasurements of defined benefit plans	(697)	(508)		
Total accumulated other comprehensive income	(1,777)	(1,440)		
Non-controlling interests	34	40		
Total net assets	110,139	115,756		
Total liabilities and net assets	211,431	220,831		
Total assets	211,431	220,831		

Consolidated statement of income

(Million yen)

	Fiscal year ended March 2020 (April 1, 2019–March 31, 2020)	Fiscal year ended March 2021 (April 1, 2020–March 31, 2021)
Net sales		
Net sales of completed construction contracts	255,301	252,363
Sales in real estate business	27,065	30,717
Total net sales	282,366	283,080
Cost of sales		
Cost of sales of completed construction contracts	219,216	217,886
Cost of sales in real estate business	23,192	26,888
Total cost of sales	242,408	244,775
Gross profit		
Gross profit on completed construction contracts	36,084	34,476
Gross profit - real estate business	3,873	3,828
Total gross profit	39,957	38,305
Selling, general and administrative expenses		
Operating profit	14,720	12,198
Non-operating income		
Interest income	0	4
Dividend income	86	94
Rental income	73	95
Subsidy income	3	77
Other	66	102
Total non-operating income	230	374
Non-operating expenses		
Interest expenses	170	201
Bond issuance costs	—	91
Other	424	166
Total non-operating expenses	595	460
Ordinary profit	14,355	12,112
Extraordinary income		
Gain on sale of non-current assets	72	25
Gain on sale of investment securities	22	—
Gain on sale of shares of subsidiaries and associates	—	54
Insurance claim income	35	—
Gain on bargain purchase	—	52
Other	—	0
Total extraordinary income	130	132
Extraordinary losses		
Loss on valuation of investment securities	—	100
Loss on retirement of non-current assets	57	92
Loss on valuation of inventories	305	—
Other	183	23
Total extraordinary losses	546	215
Profit before income taxes	13,939	12,028
Income taxes - current	5,252	4,690
Income taxes - deferred	(289)	(138)
Total income taxes	4,962	4,552
Profit	8,976	7,476
Profit attributable to non-controlling interests		
Profit attributable to owners of parent	8,698	7,467

Consolidated statement of comprehensive income

(Million yen)

	Fiscal year ended March 2020 (April 1, 2019–March 31, 2020)	Fiscal year ended March 2021 (April 1, 2020–March 31, 2021)
Profit	8,976	7,476
Other comprehensive income		
Valuation difference on available-for-sale securities	(434)	342
Foreign currency translation adjustment	(27)	(141)
Remeasurements of defined benefit plans, net of tax	(194)	189
Share of other comprehensive income of entities accounted for using equity method	—	(52)
Total other comprehensive income	(656)	337
Comprehensive income	8,320	7,813
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,040	7,804
Comprehensive income attributable to non-controlling interests	279	9

Consolidated Financial Statements and Major Notes

Consolidated statement of cash flows

(Million yen)

	Fiscal year ended March 2020 (April 1, 2019-March 31, 2020)	Fiscal year ended March 2021 (April 1, 2020-March 31, 2021)
Cash flows from operating activities		
Profit before income taxes	13,939	12,028
Depreciation	1,219	1,266
Loss on valuation of inventories	305	—
Gain on bargain purchase	—	(52)
Loss (gain) on sale of shares of subsidiaries and associates	—	(54)
Amortization of goodwill	227	246
Increase (decrease) in allowance for doubtful accounts	(81)	(10)
Increase (decrease) in provision for warranties for completed construction	177	752
Increase (decrease) in provision for loss on construction contracts	(50)	(29)
Increase (decrease) in provision for bonuses	503	(93)
Increase (decrease) in retirement benefit liability	56	160
Interest and dividend income	(87)	(98)
Interest expenses	170	201
Loss (gain) on sales of non-current assets	(72)	(25)
Loss (gain) on valuation of investment securities	—	100
Decrease (increase) in trade receivables	(1,663)	3,973
Decrease (increase) in inventories	1,231	(5,385)
Decrease (increase) in accounts receivable - other	1,300	1,943
Increase (decrease) in trade payables	1,600	(7,259)
Increase (decrease) in advances received on construction contracts in progress	5,569	(4,124)
Decrease/increase in consumption taxes receivable/payable	122	(950)
Increase (decrease) in deposits received	84	(728)
Other, net	881	99
Subtotal	25,433	1,960
Interest and dividends received	87	98
Interest paid	(170)	(199)
Payments for loss on litigation	(68)	(19)
Payments associated with disaster loss	(99)	—
Income taxes paid	(3,390)	(6,029)
Income taxes refund	—	74
Net cash provided by (used in) operating activities	21,791	(4,116)
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,936)	(3,450)
Proceeds from sales of property, plant and equipment	99	88
Purchase of intangible assets	(222)	(193)
Purchase of investment securities	(110)	(1,551)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(903)	(2,286)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	92
Other, net	84	3
Net cash provided by (used in) investing activities	(11,988)	(7,298)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	16,300	(300)
Proceeds from issuance of bonds	—	15,000
Repayments of lease obligations	(164)	(167)
Purchase of treasury shares	—	(0)
Purchase of treasury shares of subsidiaries	(0)	—
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(13,802)	—
Dividends paid	(2,122)	(2,191)
Dividends paid to non-controlling interests	(275)	(3)
Net cash provided by (used in) financing activities	(65)	12,336
Effect of exchange rate change on cash and cash equivalents	0	(28)
Net increase (decrease) in cash and cash equivalents	9,738	894
Cash and cash equivalents at beginning of period	62,074	71,730
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(82)	—
Cash and cash equivalents at end of period	71,730	72,625

Corporate Profile and Stock Information

Corporate Profile (As of March 31, 2021)

Company Takamatsu Construction Group Co., Ltd.

Foundation October, 1917

Company Formation June, 1965

Capital 5 billion yen

No. of Employees 4,581 (Consolidated)

Representative President & Representative Director of the Board
Hirota Takamatsu

Main Base

Headquarter 1-2-3 Shin-kitano, Yodogawa-ku, Osaka 532-0025
Phone: +81-6-6303-8101

Tokyo Headquarter 1-1 Kanda Mitoshiro-cho, Chiyoda-ku, Tokyo 101-0053
Phone: +81-3-3455-8108

Group companies in Japan**Takamatsu Corporation Group**

- Takamatsu Corporation Co., Ltd.
- Takamatsu Techno Service Co., Ltd. (Osaka)
- Takamatsu Estate Co., Ltd. (Osaka)
- Takamatsu Techno Service Co., Ltd. (Tokyo)
- Takamatsu Estate Co., Ltd. (Tokyo)
- Suminoe Kogei Co., Ltd.
- Kongo Gumi Co., Ltd.
- Nakamura Shaji Co., Ltd.
- Mibu Corporation Co., Ltd.
- Takamatsu House Co., Ltd.
- Tatsumi Planning Co., Ltd.
- Taisho Kogyo Corporation Co., Ltd.
- Nihon Owners Credit Co., Ltd. (non-consolidated)

Asunaro Aoki Construction Group

- Asunaro Aoki Construction Co., Ltd.
- Mirai Construction Co., Ltd.
- Toko Geotech Co., Ltd.
- Aoki Marine Co., Ltd.
- Asunaro Road Co., Ltd.
- M's Co., Ltd.
- Shimada Gumi Co., Ltd.

Overseas Group Company

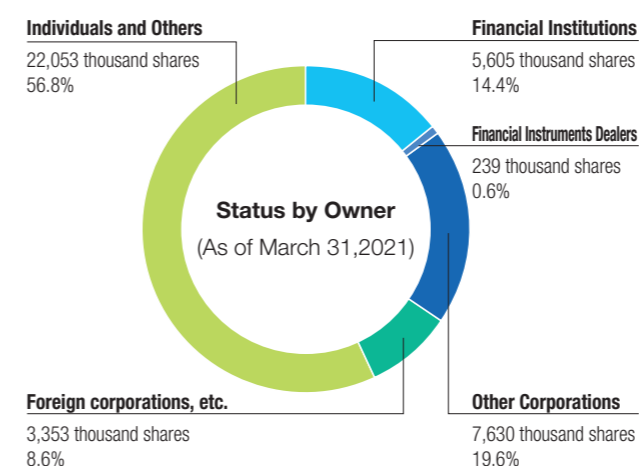
- Takamatsu Construction Group USA, Inc.

*1 We don't include the performance of Taisho Kogyo Corporation in TCG group's financial results at FY ended March 2021, because they became a member of TCG Group on February 26, 2021.

*2 On March 31, 2021, all shares of Niigata Mirai Construction were transferred to HONMA ROAD Corporation.

株式情報 (2021年3月31日現在)

Total Number of Authorized Shares	52,800,000shares
Total Number of Issued Shares	38,880,000shares
Number of shareholders	18,988名

**Major Shareholders (Top 10)**

Shareholder Names	Stock Holdings (thousand shares)	Stockholding ratio
Takayuki Takamatsu	8,231	23.6
Sankosya Co., Ltd.	4,800	13.8
Takaiku Takamatsu	2,139	6.1
Ko Co., Ltd.	1,226	3.5
Resona Bank Co., Ltd.	1,080	3.1
The Master Trust Bank of Japan, Ltd. (trust)	1,001	2.9
Mizuho Bank, Ltd.	824	2.4
Kokeisya LLC	680	2.0
Custody Bank of Japan, Ltd. (trust 9)	612	1.8
Takamatsu Construction Group Co., Ltd. employee stock ownership plan	523	1.5

*1 We exclude our company from the above major shareholders though we own 4,061 thousand shares.

*2 We calculated stockholding ratio by deducting treasury stock.

