



May 13, 2019

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Stock Code	1762
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## Mid-Term Plan "Create! 2022" (Fiscal year March 2020 through fiscal year March 2022)

We are pleased to announce that we have formulated our new three-year Mid-Term Plan "Create! 2022" which starts in April 2019 and ends at March 2022..

In 2017, our Group started our previous Mid-Term Plan "TRY! NEXT CENTURY 2020" (originally planned to be April 2017 through March 2020), and after realizing our strong results of the fiscal year that ended March 2018, we decided to set our final goals of the Plan to be realized one year in advance, to be achieved in fiscal year ended March 2019.

Concerning our results of the fiscal year ended March 2019, although our orders and revenue marked a record high. However, our operating income was 12.4billion yen, short versus target of 15.0 billion yen.

The main reasons behind this shortfall were delays in construction caused by prolonged design period due to increased large size non-condominium constructions of Takamatsu Corporation, as well as existence of decreased profitability projects of Asunaro Aoki Group.

Although planned period of the previous Mid-Term Plan still has one more year to go, due to our setting of final year goals one year in advance, as well as because the new Presidents took office in Takamatsu Corporation and Asunaro Aoki Construction in April of 2018 and there is a need to clarify long term vision under the new management, we decided to formulate a new Mid-Term Plan starting April 2019.

Concerning business environment during this new Mid-Term Plan period, we foresee current level of domestic construction investment to continue, as well as our target market segment of architecture demands concerning real estate utilization business in urban part of Tokyo, Osaka and Nagoya to remain strong, as well as public civil engineering sectors to remain tight, backed by national land resilience strengthening projects and old infrastructure renewal projects.

Under these circumstances, Takamatsu Group will lead the growth of the Group through its real estate utilization business mainly by capturing tight market demand of Tokyo Area, while Asunaro Aoki Group will work to improve profitability while achieving stable growth.

The Group as a whole will strive to achieve the goals of this Mid-Term Plan based on the "Five Creates", that are; "Create High-growth", "High profit Group", "Create New Business Domain", "Create Group Culture that Respects Diversity and Compliance", "Create Synergy Effect", and "Create Value towards Economy, Society and Environment".

To be more concrete, in order to stop the prolonged design period which was a factor behind the shortfall in revenue and profits of fiscal year ended March 2019, we will strengthen our ability to respond to non-condominiums and large-scale properties by strengthening the check system and by improving technology, know-how and employee skills. At the same time, we will work to improve productivity and by-project profitability control in order to improve overall profitability. In addition, on April 1, 2019, Takamatsu Corporation, our core company of the Group, founded a new company, Takamatsu House Co., Ltd. as well as conducted M&A to welcome Tatsumi Planning Co., Ltd. into our Group. As such, we will strengthen M&A in the future, while creating synergies among Group operating companies. Through these efforts, the Group will continue and develop a corporate culture that respects diversity as the foundation of these business activities.

Through the efforts of all of our executives and employees, for the fiscal year ending March 2022, we aim to achieve revenue of 300 billion yen and operating income of 18 billion yen, and further contribute to economy, society and the environment. We ask for the understanding and support of our shareholders and other stakeholders.

# Mid Term Plan to March 2022

Takamatsu Construction Group Co.,Ltd.  
Securities Code : 1762

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

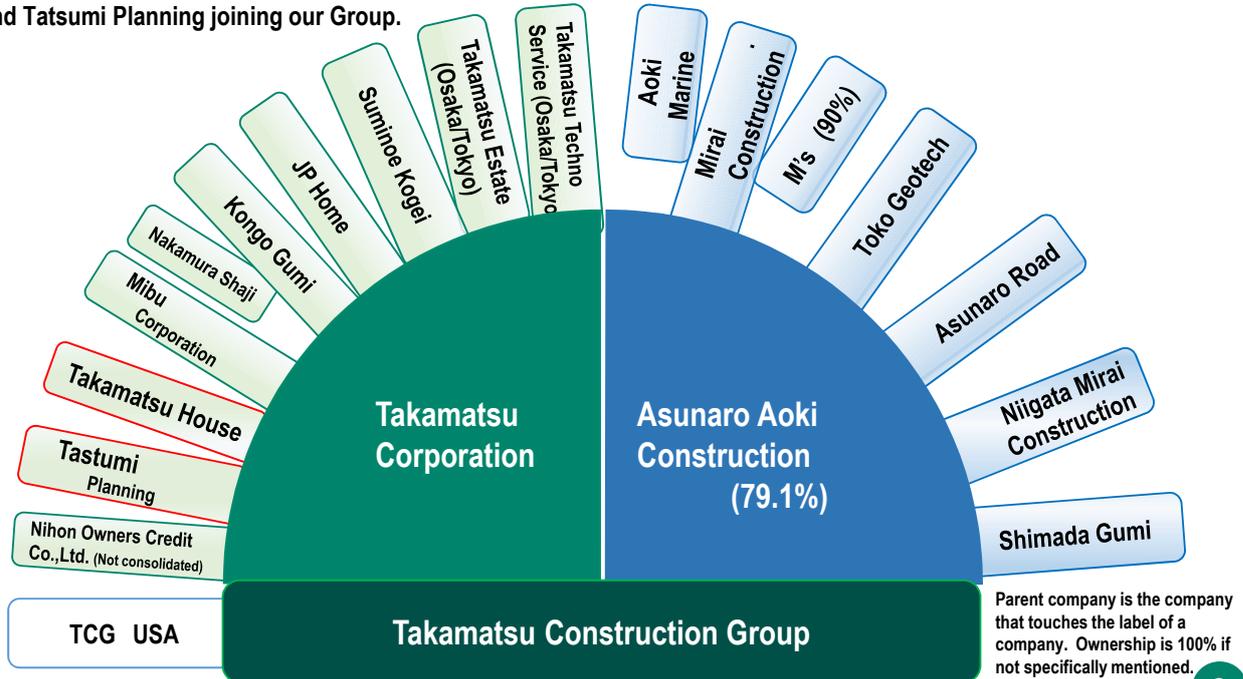
## 1. How Takamatsu Construction Group (TCG) Grew

1. Founded as “Takamatsu Gumi” in Osaka, grew mainly by constructing condominiums for rental purpose.
2. When earthquake hit Kansai Area in 1995, 108 condos built by Takamatsu Corporation were severely hit by the earthquake. None were structurally damaged, resulting in accelerated revenue afterwards.
3. Conducted multiple M&As after 2000, enlarged revenue and business domain.  
Grew as one of the rare construction companies in Japan that expanded through M&As.
4. After 2011, grew organically due to improved economy
5. Celebrated centenary in 2017



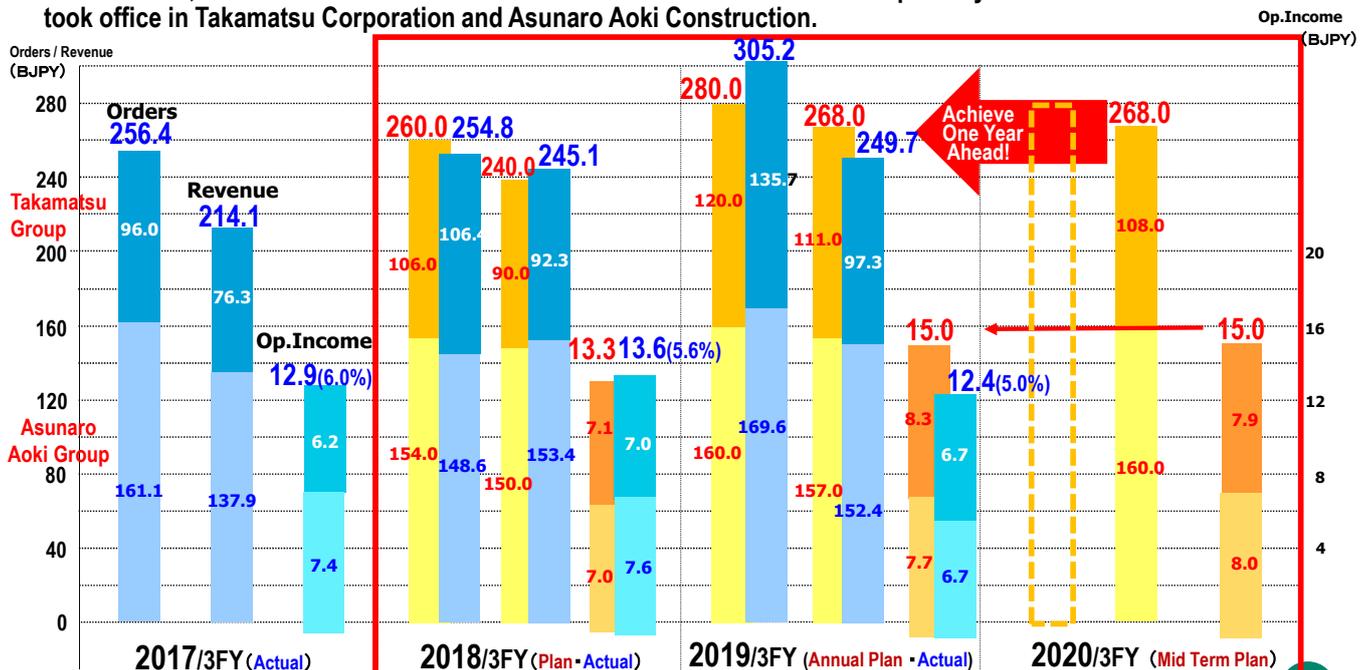
## 2. TCG : Our Group Companies

- As of March, 2019, Takamatsu Construction Group is comprised of 20 Group Companies, within which 10 are Takamatsu Group Companies with Takamatsu Corporation, our founding company, as the core, 8 Asunaro Aoki Group companies with Asunaro Aoki Construction, a mid-sized general contractor as the core, and Takamatsu Construction Company, the holding company positioned as the “Platform Company”, and TCG USA, Inc. (Nihon Owners Credit is not consolidated).
- For fiscal year ending March 2020 and onwards, the Group will be made up of 22 companies due to Takamatsu House and Tatsumi Planning joining our Group.



## 3. Summary of Previous Mid-Term Plan “TRY! NEXT CENTURY 2020”

- TCG exceeded Mid-Term Plan targets for FY2018/3. Thus the final goal of the Mid-Term Plan was set one year in advance, to be achieved in FY2019/3.
- For FY2019/3, orders were strong (mainly Takamatsu Corp), and surpassed Mid-Term Plan by 25.2BJPY. On the other hand, revenue was short by 18.3BJPY due to prolonged period before construction (Takamatsu Corp.). Operating income was short by 2.6BJPY due to decreased profitability of Mirai Construction projects.
- Nevertheless, TCG decided to formulate a new Mid Term Plan “Create! 2022” partially because the new Presidents took office in Takamatsu Corporation and Asunaro Aoki Construction.



## 4. Our Market Environment Recognition towards March 2022 and New Mid-Term Plan “Create! 2022”

### Market environment does not allow optimistic views...

#### Positive Factors

- We foresee three consecutive years of domestic construction investment exceeding 50 trillion yen level.
- We foresee high level of household #s to be maintained in Tokyo-Nagoya-Osaka Areas.
- We foresee continued tight market for real estate utilization business of Tokyo-Nagoya-Osaka Areas. We also foresee more growth of non-condominium buildings in comparison to condominiums for rental purpose.

#### Negative Factors

- Domestic construction investment will start to shrink after 2020 which is our final year of Mid-Term Plan. Population decrease will also accelerate.
- Decrease of overall construction start-ups
- Prolonged time before start of construction in urban areas.
- There is risk of rapid decline of market for condominiums for rental purpose due to interest rate hike.

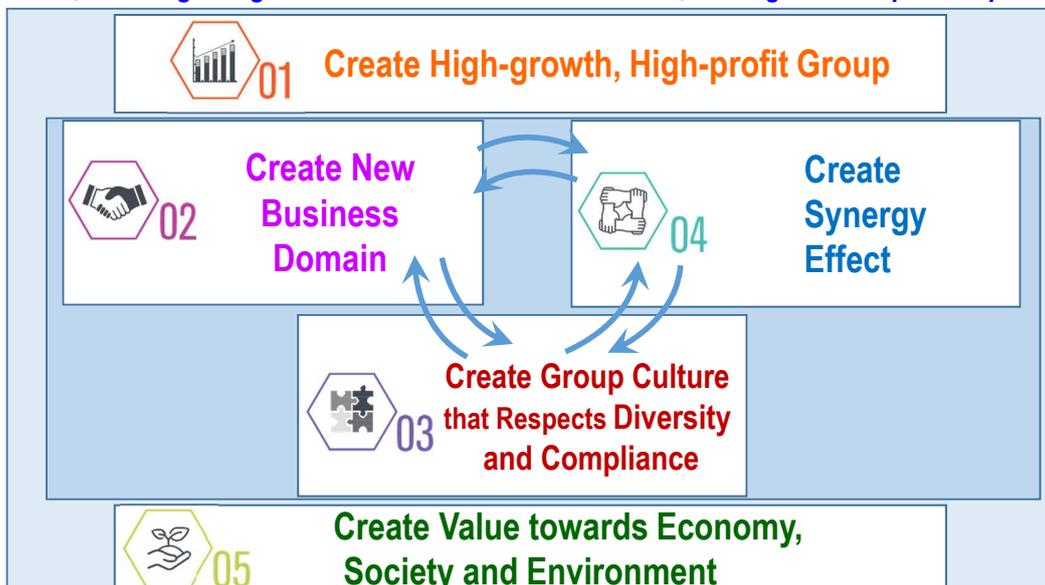
Nevertheless, Takamatsu Construction Group will continue to grow with five pillars of “Create”!

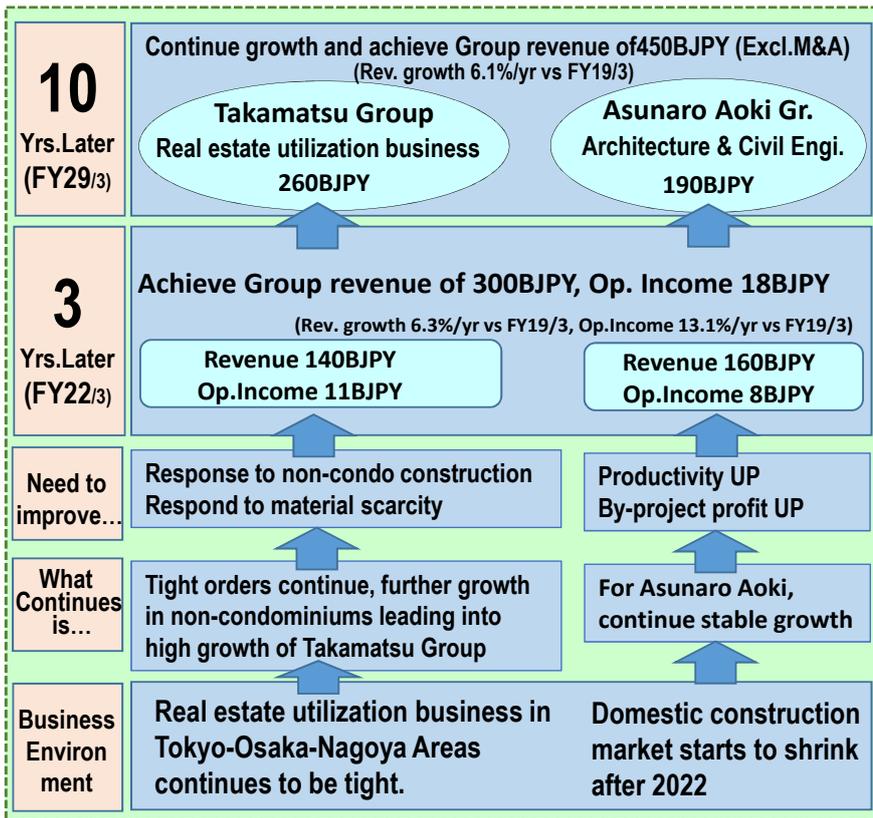


## 5-0. “Create ! 2022” : The Five “Creates”

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, “Create Group Culture that Respects Diversity and Compliance” will be continued, while maximizing “Creation of Synergy Effect” in the Group and “Create New Business Domain” mainly by conducting M&As.
3. Through the above, “Create Value towards Economy, Society and Environment” will be continued.

⇒ To realize sustainable growth, quality of design, construction and maintenance after construction will be secured, resulting in higher customer trust and satisfaction, leading into sharper competitive edge.





**Vision**

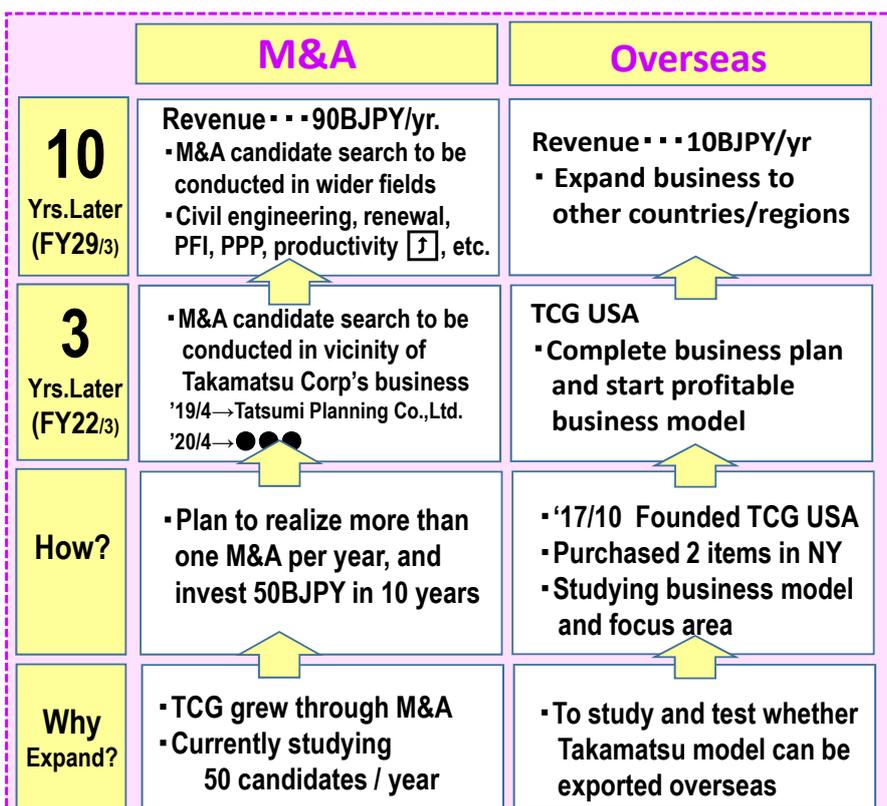
Continued growth is important mission. TCG will sharpen competitiveness through quality and trust of design, construction and maintenance. Continue revenue growth of more than 6% per year, recapture operating margin of 6%, and be counted as one of the large size contractors in 10 years.

**Takamatsu Group**

- Continue high growth in central Tokyo-Osaka-Nagoya where demand remains tight, with focus on non-condominiums.
- Need to note on...
  - ① Smooth handling of non-condos
  - ② Avoid prolonged period before construction

**Asunaro Aoki Group**

- Continue stable growth.
- Need to raise profitability through productivity increase and by-project profitability monitoring and control.



**Vision**

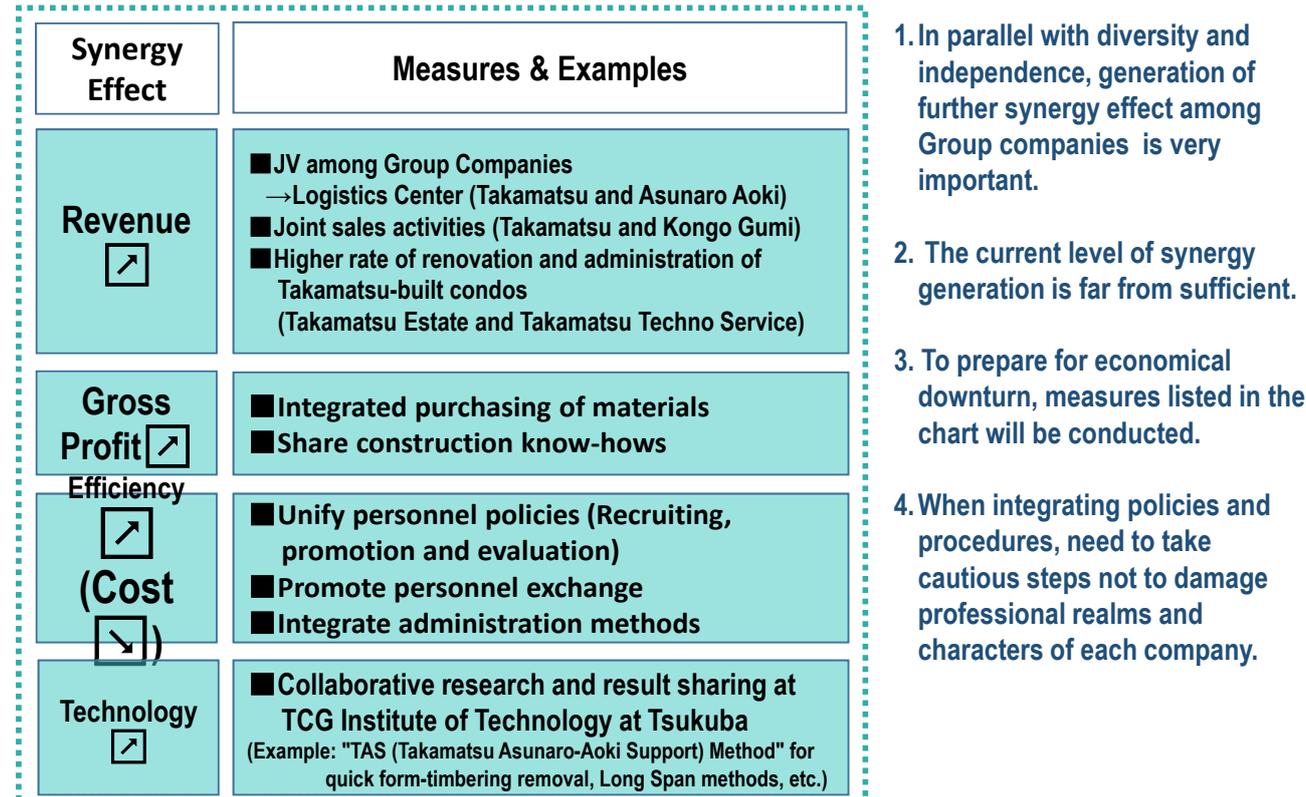
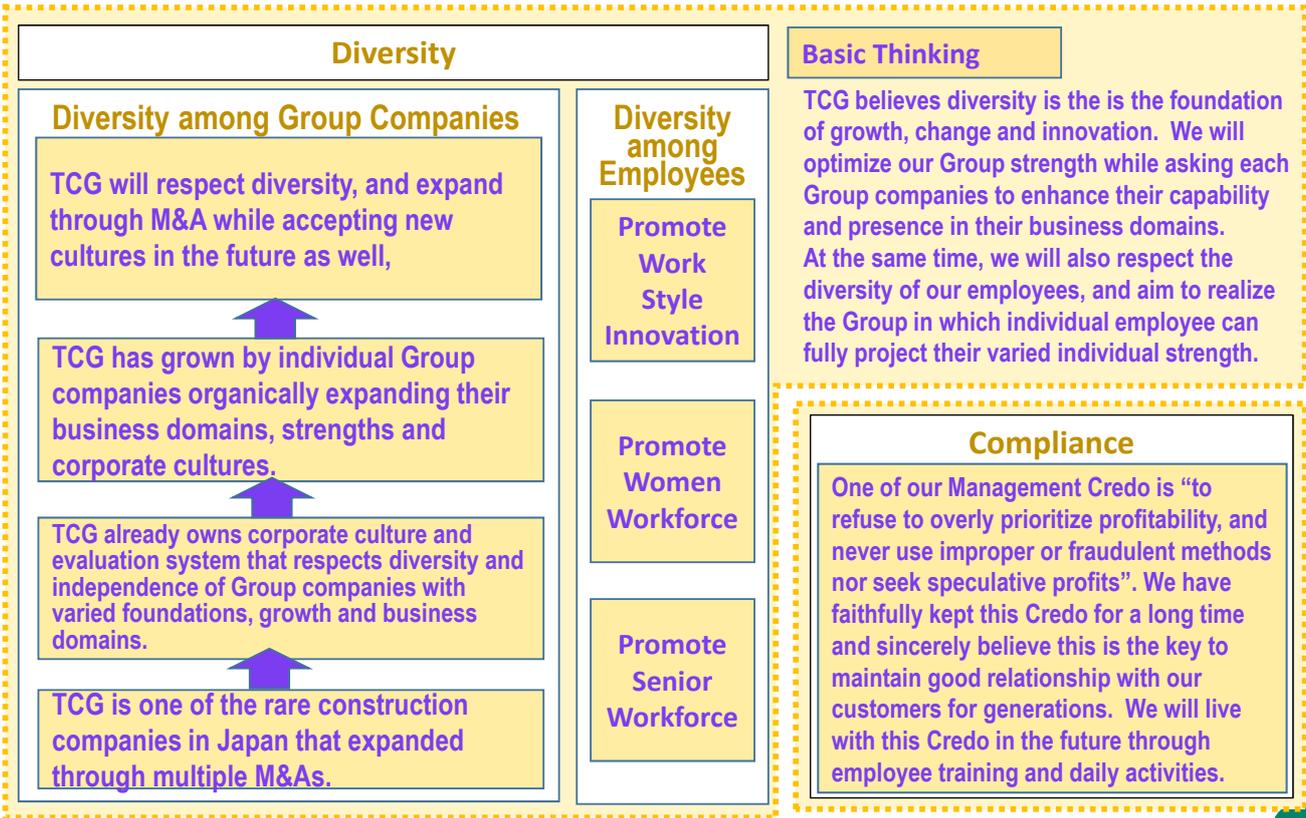
- Aggressively conduct M&A and overseas expansion to further accelerate growth. Aim to increase revenue of 100BJPY/yr 10 years ahead, while adding more "uniqueness" to the Group.
- Advance to wooden individual residence with Takamatsu House as the core.

**M&A**

- Search candidates mainly in the vicinity of Takamatsu Corp business domain.
- Also look into vertical and horizontal expansion.

**Overseas**

- Set up profitable business model in New York, USA.
- Use the model and conduct M&A for further expansion.





1. TCG will tackle seriously with SDGs to enable our long term growth.
2. Currently, 25% of our revenue is contributing to SDGs Goals.
3. TCG will strive to maintain and enlarge the ratio during “Create! 2022” period and onwards.

## SDGs Contribution Revenue

(Unit : Billion JPY)

Item	Definition	Revenue						
		FY March 19	%	FY March 22	%			
<b>E</b> 7 再生可能エネルギー 15 生物多様性の喪失	<b>Contribution to Environment Reservation</b> ① Promote renewable energy ② Ecological materials and methods	Civil engineering revenue directly linked to renewable energy		12.4	5%	16.2	5%	
	Construction revenue using ecological materials and methods							
<b>S</b> 11 持続可能な都市とコミュニティ 3 持続可能な健康	<b>Contribute to Sustainable Cities and Communities</b> ① Present safe and long life residence ② Sustain safe, comfortable & high quality living standard ③ Succeed traditional architecture culture ④ Provide living support for senior citizens	Architectures with its strength exceeding Buildings Standards Act by more than 15% Large scale reform and maintenance of condominiums, etc. Architecture of shrines and temples, preservation of archaeological resources Provide elderly housing with service		51.1	20%	78.0	26%	
Group Revenue Contributing to Environment Reservation and Society				63.5	25%	94.2	31%	
TCG Total Revenue				249.7	100%	300.0	100%	

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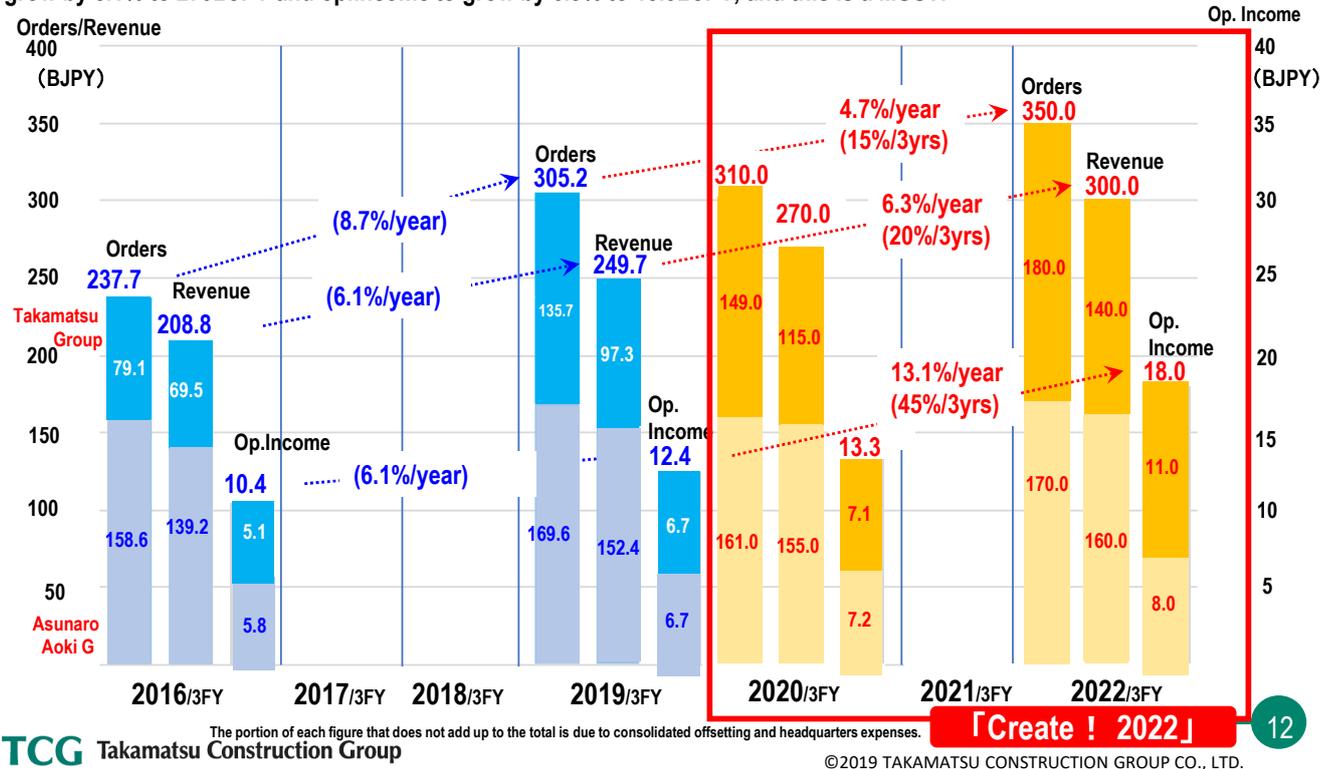
4. Promotion of women workforce to be tackled by all TCG with the goal to raise female workforce ratio to 17%.
5. Work Style Innovation will also be tackled by all TCG, but goals will be set on “by-company” basis.
6. Strengthening governance will focus on “strategic review of internal audit” and “enhance training programs”

Item	FY March 19	FY March 22
<b>S</b> 5 ジェンダー平等 <b>Promote Women Workforce</b> ① % of Female Workforce ② % of Female New Graduates Hired	15%	17%
	25%	30%
Item	What to Tackle	
<b>S</b> 8 持続可能な成長 3 持続可能な健康 <b>Promote Work Style Innovation</b> ① Shut-down days target – Takamatsu Corp. 8 days in 4 weeks for 50% of sites ② Shut-down days target – Asunaro Aoki 8 days in 4 weeks for 80% of sites	<ul style="list-style-type: none"> <li>• Promote usage of ICT equipments at sites</li> <li>• Promote adoption of efficient construction procedure</li> <li>• Gain understanding from clients to set construction terms including targeted shut-down days</li> <li>• Gain understanding and cooperation from our cooperating companies</li> </ul>	
<b>G</b> 9 産業、科学、技術イノベーション <b>Strengthen Governance and Compliance</b> ① Strengthen management monitoring ② Increase transparency of management ③ Improve ethical thinking and sense of social mission	<ul style="list-style-type: none"> <li>①-1. Strengthen co-working with Board of Audit, Internal Audit Team and CPA firms and and increase manpower</li> <li>②-1. Enhance information towards external board members and auditors</li> <li>②-2. Enhance information providing meetings to outside stakeholders</li> <li>③-1. Enhance training program contents and volume to directors and senior employees.</li> </ul>	

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## 6. Target Figures of New Mid-Term Plan "Create! 2022"

1. Orders : 350BJPY, 15% growth during 3 years. Takamastu Group to grow by 33% while little growth for Asunaro Aoki Group.
2. Revenue: 300BJPY, 20% growth during 3 years. Takamastu Group to grow by 44% while 5% growth for Asunaro Aoki Group.
3. Op. Income: 18BJPY, +45% during 3 years. Takamatsu Gr. to increase from 67→11BJPY, Asunaro Aoki Gr. 6.7→8.0BJPY.
4. Concerning FY 2020/3, order growth is set at a mild growth to 310BJPY due to abundant carryover orders, while revenue to grow by 8.1% to 270BJPY and op.income to grow by 6.9% to 13.3BJPY, and this is a MUST.

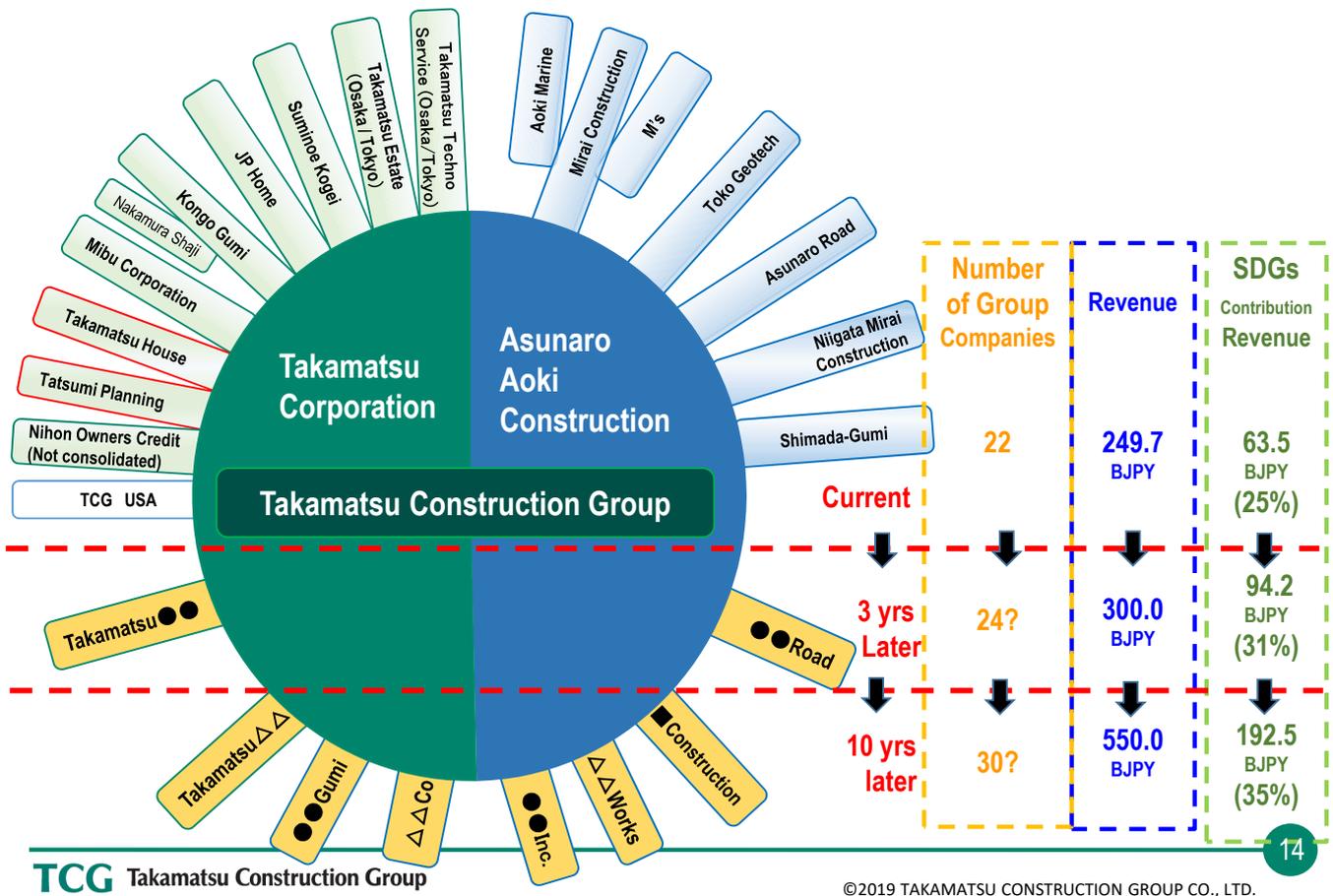


## 7. FY March 2020 and New Mid-Term Plan "Create! 2022"

1. Aggressive recruiting of new graduates will continue to lead into continuous growth.
2. Operating income per employee will remain at the same level in FY March 2020 vs last year, but will turnaround afterwards and be back at previous high level in FY March 2022 (final year of Mid Term Plan).
3. ROE for FY March 2020 will also remain last year's level, but aims to reach 9.0% in FY March 2022.
4. Dividend payout ratio hiked to 29.7% from the previous target of 25% in FY 2019/3. This 30% level will be maintained in future years.

Item			2017/3	2018/3	2019/3	2020/3	2022/3	
			Actual	Actual	Actual	Target	Target	Change vs 19/3
Personnel	Number of employees	Headcount	3,372	3,577	3,915	4,200	4,800	22.6%
	New graduates hired	Headcount	161	178	238	218	256	7.6%
Productivity	Op. income per employee	MJPY	3.8	3.8	3.2	3.2	3.8	18.0%
Efficiency	ROE	%	7.0	8.1	6.9	6.9	9.0	+2.1p
	Net earnings per share (excluding treasury stock)	JPY	183	223	202	210	310	53.5%
Return	Dividend payout ratio	%	23.5	25.1	29.7	30.0	30.0	
	Dividend per share	JPY	43	56	60	63	93	55.0%

## 8. Takamatsu Construction Group : Mid to Long Term Growth Image



## 9. Takamatsu Construction Group : 3 Years and 10 Years Later



# 10. Japan's Domestic Construction Investment and TCG

1. We expect current level of domestic construction investment to continue until FY 2022/3.
2. TCG will continue its pace of growth since start of Abenomics and continue to uplift market share.
3. Takamatsu Corporation will seek further growth, while Asunaro Aoki focuses on profitability increase under stable growth.

