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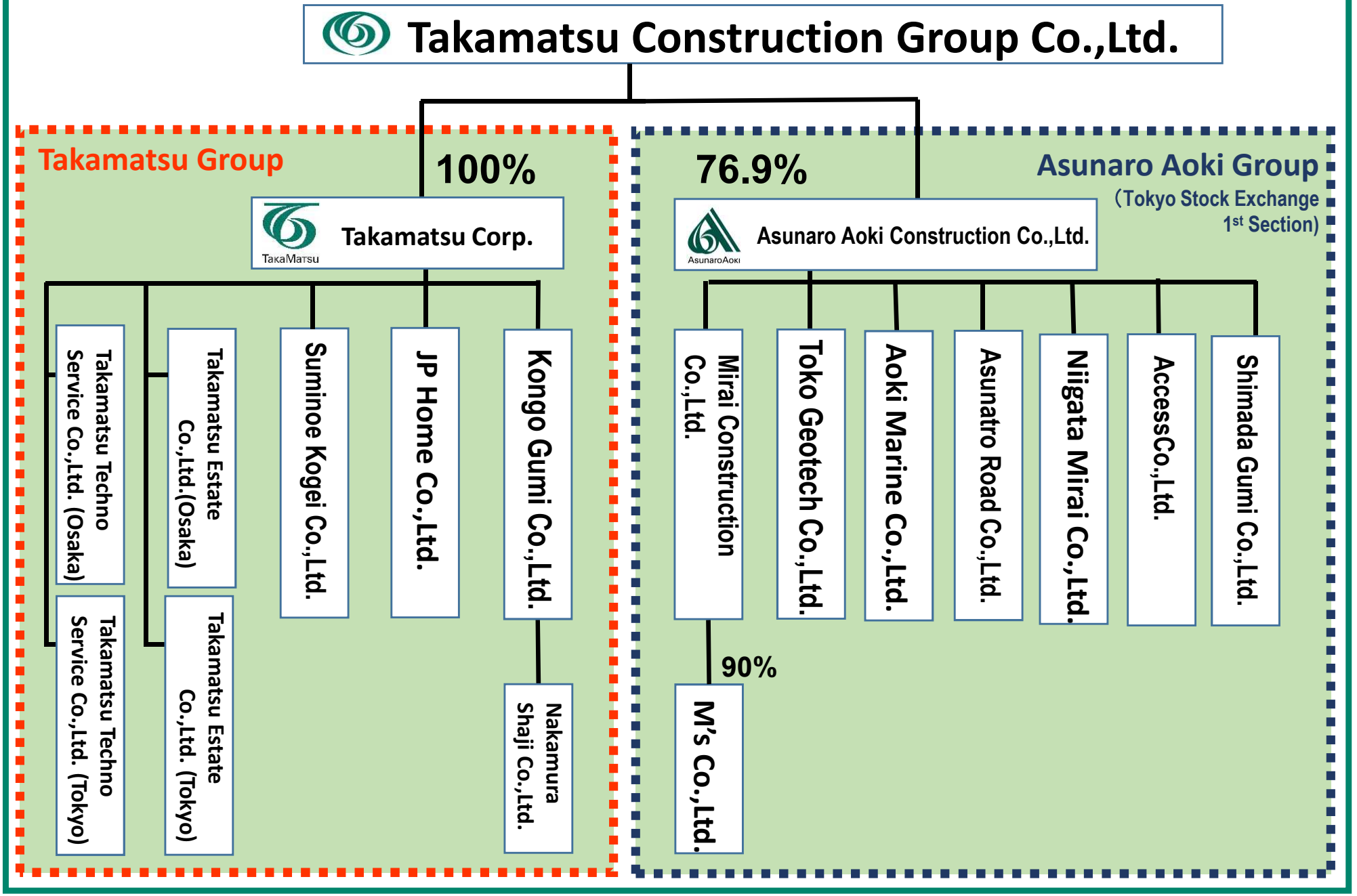
Results for FY March 2017
Outlook for FY March 2018
Mid Term Plan to March 2020

Takamatsu Construction Group Co.,Ltd.

Securities Code：1762

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Takamatsu Construction Group（Tokyo Stock Exchange 1st Section)



Ownership is 100% if not specifically mentioned.

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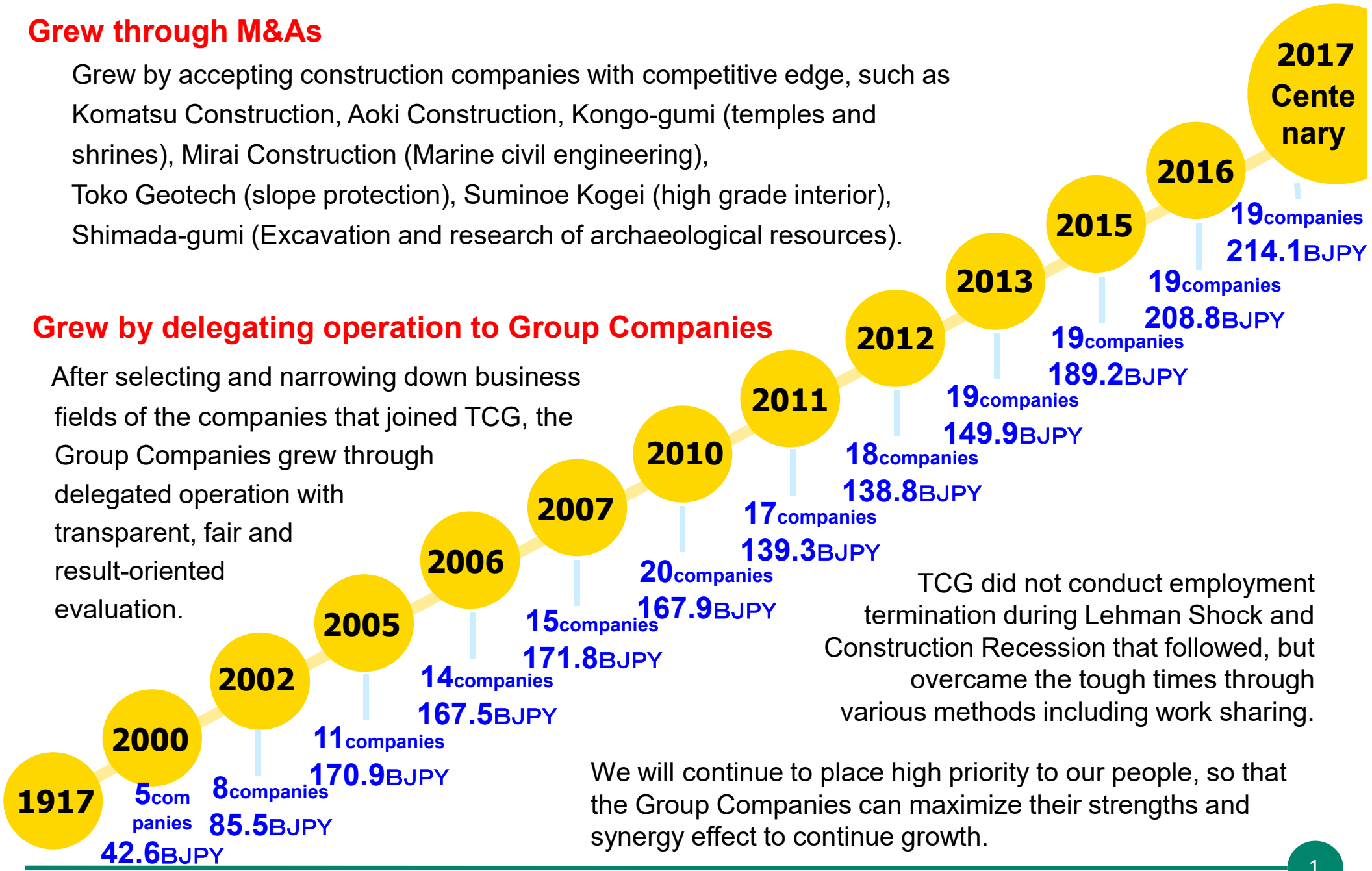
How Takamatsu Construction Group (TCG) Grew

Grew through M&As

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

Grew by delegating operation to Group Companies

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



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

We will continue to place high priority to our people, so that the Group Companies can maximize their strengths and synergy effect to continue growth.

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Results for FY March 2017

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Previous Records (Consolidated)

1. Orders and revenue increased for five consecutive years, both showing record high for three consecutive years.
2. Operating Income was also record high for two consecutive years.
3. Net earnings was +13.7% vsLY.

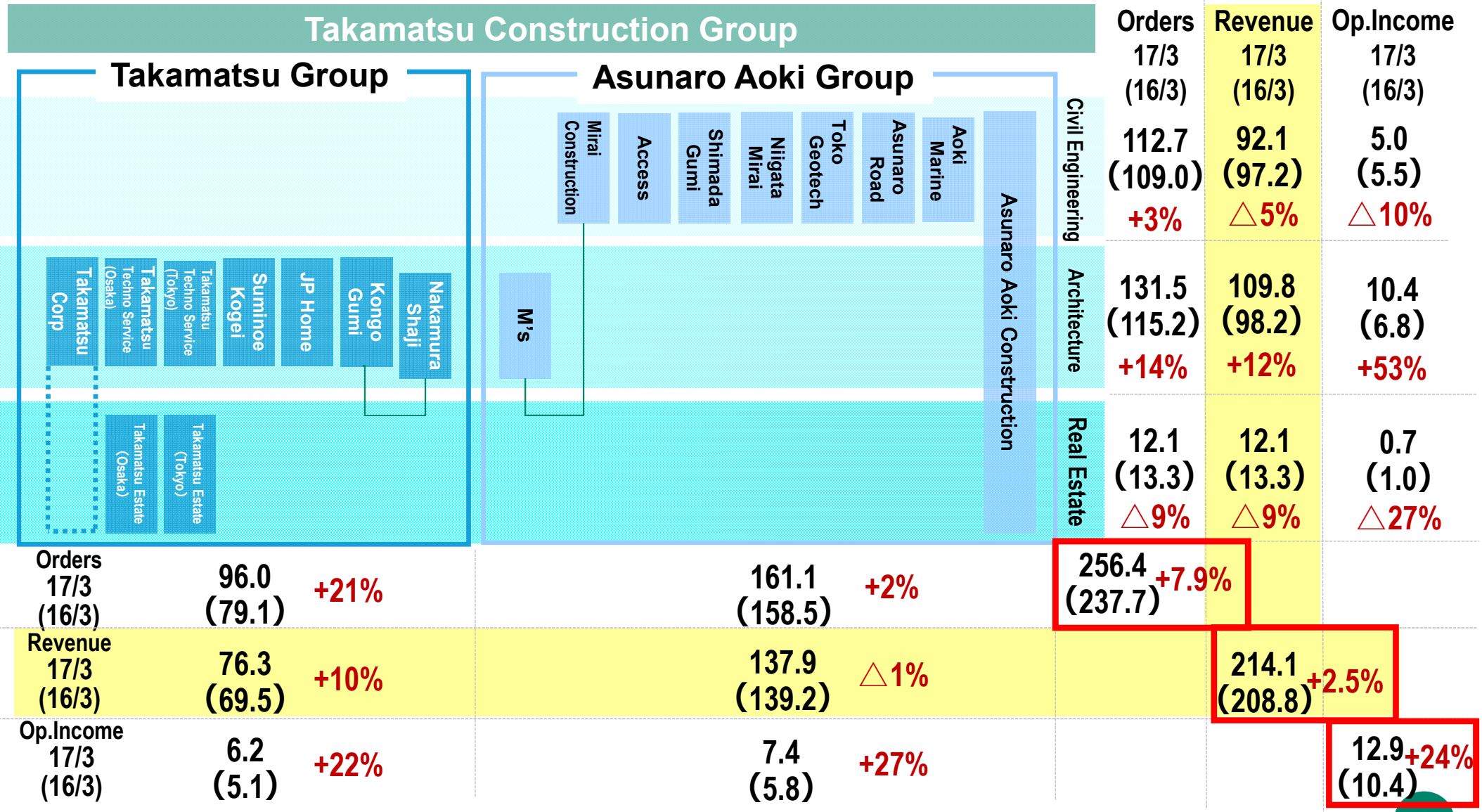
Record High→
Billion JPY, rounded down at 1 digit below presented #s

Item	2013/3FY	2014/3FY	2015/3FY	2016/3FY	2017/3FY	(%vsLY)
Orders	161.3	193.8	225.6	237.7	256.4	7.9
Revenue	149.9	177.7	189.2	208.8	214.1	2.5
Op. Income (%vs revenue)	4.7 (3.1)	6.5 (3.7)	7.1 (3.8)	10.4 (5.0)	12.9 (6.0)	24.2
Non-op. gain/loss	0.1	0.1	0.0	0.0	0.0	-
Ordinary Income (%vs revenue)	4.8 (3.2)	6.6 (3.8)	7.2 (3.8)	10.4 (5.0)	12.9 (6.0)	23.5
Extraordinary gain/loss	0.1	2.2	2.0	△0.6	△0.9	-
Net earnings (%vs revenue)	2.9 (1.9)	6.1 (3.5)	6.3 (3.4)	5.7 (2.8)	6.5 (3.1)	13.7

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By-Segment･By-Group Split (Consolidated)

1. Orders increased by 7.9% to 256.4BJPY, increased in both civil engineering and architecture . Significant increase for Takamatsu Group.
2. Revenue increased by 2.5% to 214.1BJPY. Decrease in civil engineering due to drop of disaster recovery projects, but architecture showed large increase due to growth in both Groups.
3. 24% increase in Op. Income. Civil engineering dropped by 10% due to revenue decrease, but a big jump of 53% increase for architecture.



Unit: Billion yen. The sum of Op.Income of each segments doesn't match with the total due to admin costs.

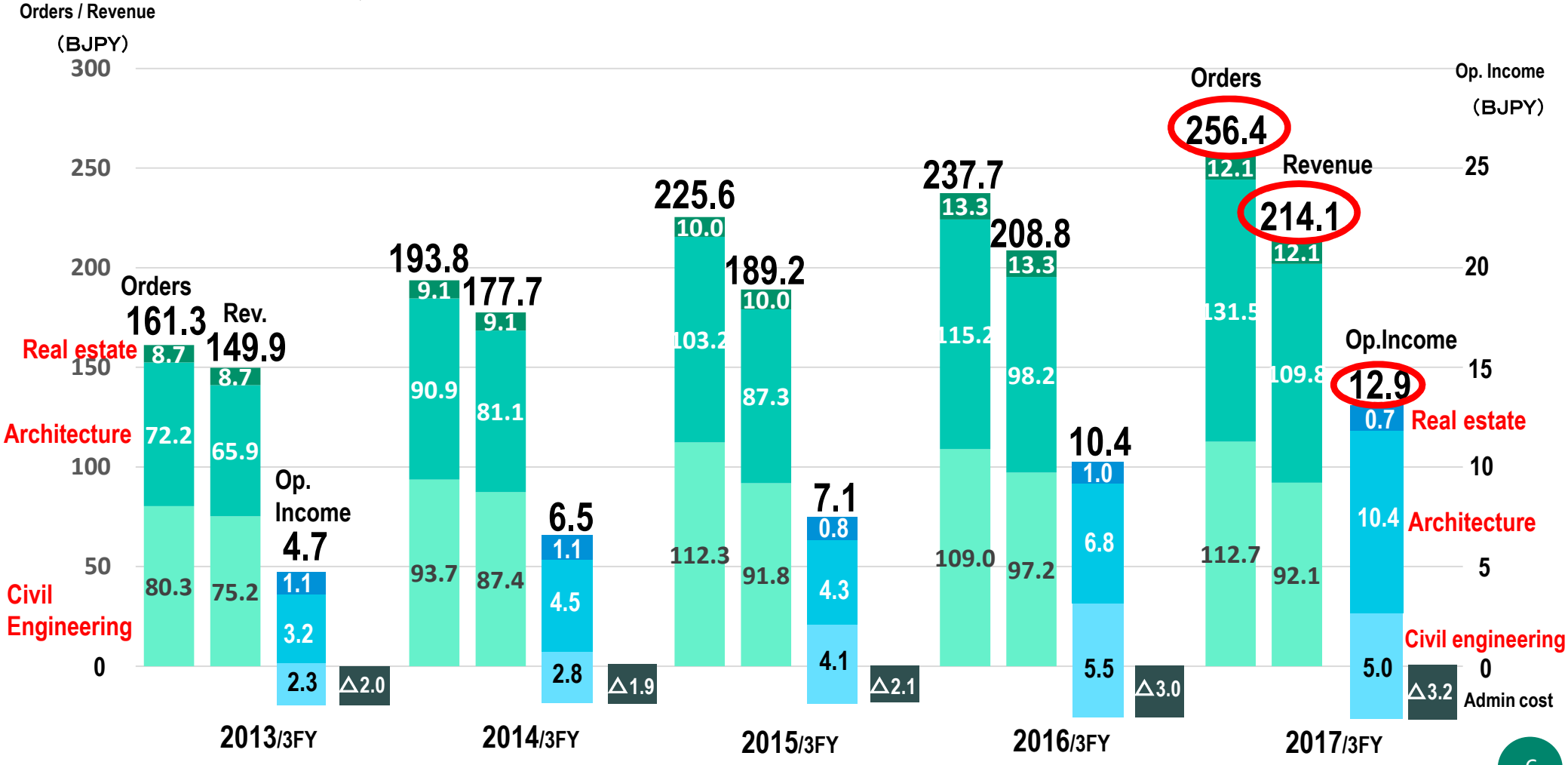
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By-segment Orders, Revenue and Operating Income (Consolidated)

【Orders】 TCG grew by 7.9% to 256.4BJPY, whereas major 97 construction company average was only 3.2%. Architecture and civil engineering grew by 16.3BJPY and 3.7BJPY, respectively.

【Revenue】 214.1BJPY. Architecture grew by 11.6BJPY but civil engineering and real estate decreased by 5.1BJPY and 1.2BJPY, respectively.

【Op.Income】 Architecture = 10.4BJPY (+3.6BJPYvsLY) but civil engineering = 5.0BJPY (△0.5BJPYvsLY), real estate=0.7BJPY (△0.3BJPY). For operating margins, Architecture=9.5%（LY=6.9%）, civil engineering=5.4%（LY=5.8%）, real estate=5.8%（LY=7.5%）.



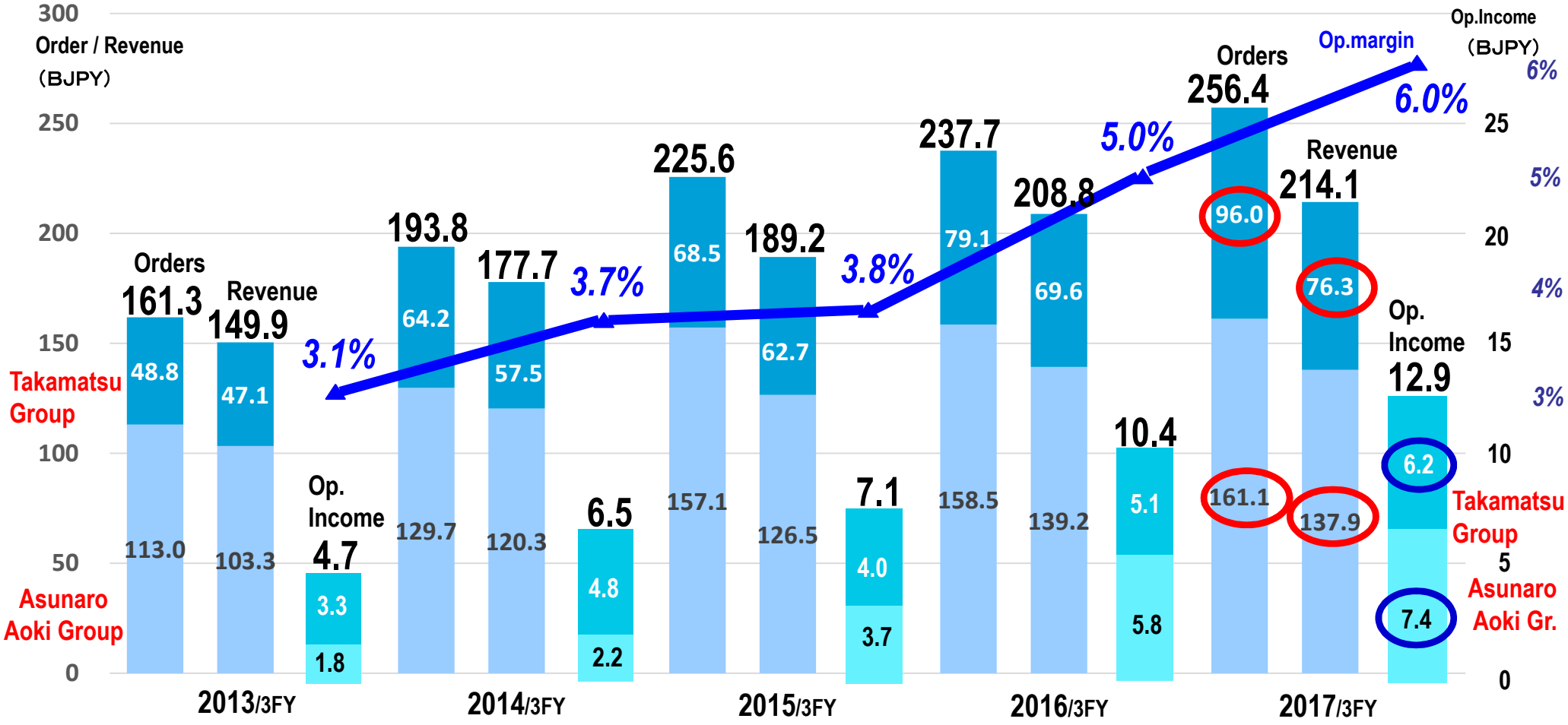
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By-Group Orders, Revenue and Operating Income（Consolidated)

【Orders】 Takamatsu Group order grew by 21.4% to 96.0BJPY, while Asunaro Aoki Group order was 161.1BJPY with slower growth of 1.6%.

【Revenue】 Takamatsu Group revenue was 76.3BJPY (+9.6%vsLY), while Asunaro Aoki Group slightly decreased to be 137.9BJPY.

【Op.Income】 Takamatsu Group=6.2BJPY, with op.margin improving from 7.4%(LY) to 8.1%.
Asunaro Aoki Group grew significantly to 7.4BJPY with op. margin jump from 4.2%(LY) to 5.4%.

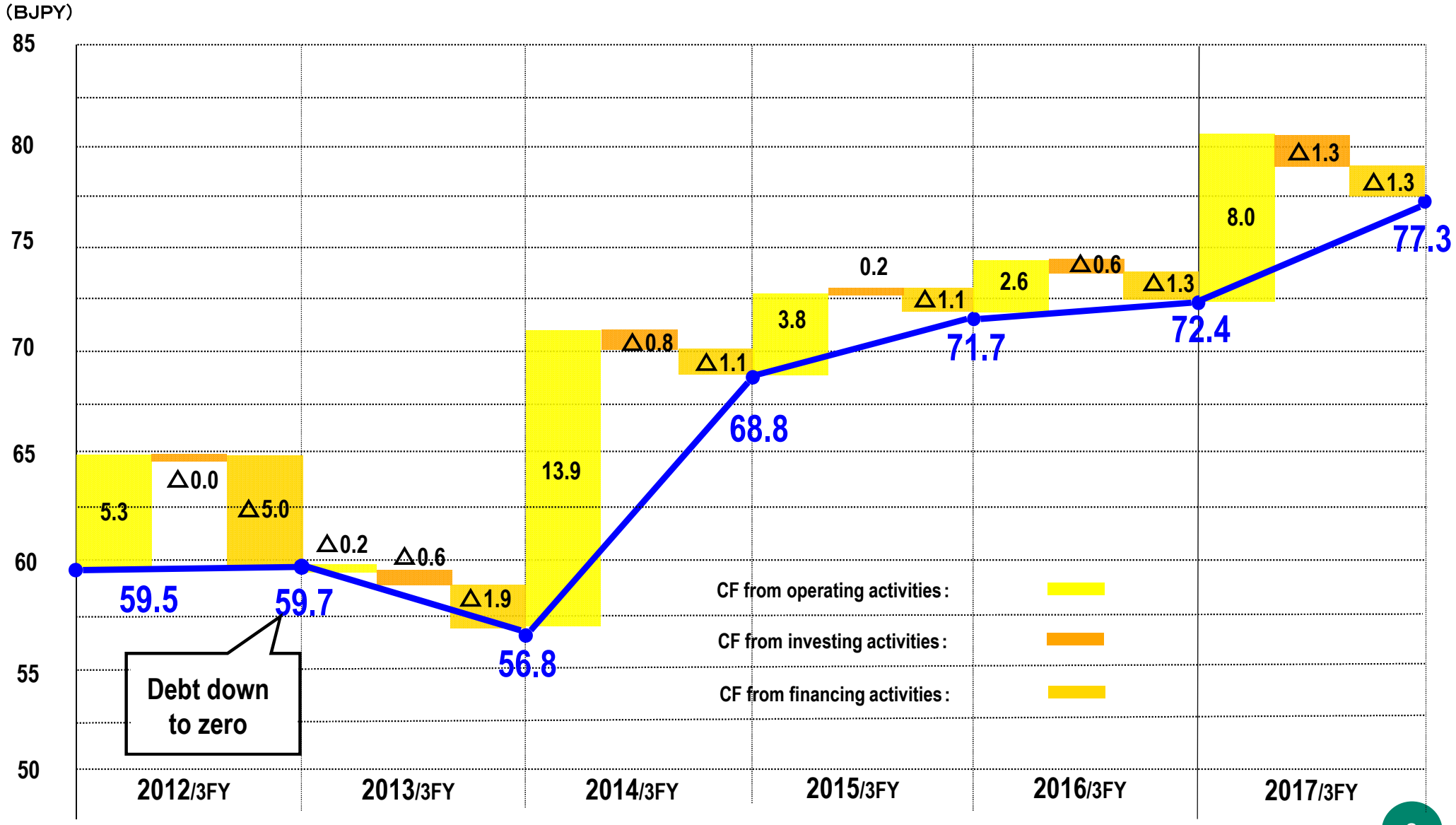


Op.Income #s inside bars doesn't match with the total due to admin (TCG unconsolidated) costs.

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Cash Flow and BS Amount (Consolidated)

Net cash and equivalents as of 2017/3E was 77.3BJPY.



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Balance Sheet（Consolidated）

1. **Total asset was 180.9BJPY, with increase of 15.6BJPY (+9.5%).**
2. **Shareholders equity increased by 5.9BJPY to 110.5BJPY.**

(Unit：BJPY)

Acct Name	2016/3	2017/3	+/-
Current Assets	141.8	157.7	15.8
Cash and equivalents	72.4	77.3	4.9
Notes receivables, etc.	57.0	60.2	3.1
Real estate for sale	3.4	7.1	3.6
Costs on uncompleted contracts	2.5	4.4	1.9
Deferred tax assets	1.6	1.5	△0.0
Others	5.0	7.3	2.2
Allowance for doubtful accounts	△0.3	△0.3	△0.0
Fixed Assets	23.3	23.1	△0.2
Tangible fixed assets	13.7	13.6	△0.1
Intangible fixed assets	0.2	0.3	0.0
Investments and other assets	9.3	9.2	△0.1
Investment securities	5.8	5.6	△0.1
Long term guarantees	2.2	2.3	0.0
Long term collectables	0.9	0.7	△0.1
Deferred tax assets	0.8	1.2	0.3
Others	0.3	0.1	△0.2
Allowance for doubtful accounts	△0.8	△0.9	△0.0
Total Assets	165.2	180.9	15.6

Acct Name	2016/3	2017/3	+/-
Current Liabilities	48.2	57.6	9.4
Notes payable and others	25.8	29.7	3.8
Income tax payable	2.6	3.5	0.8
Advances of uncompleted contracts	10.3	12.9	2.6
Others	9.3	11.4	2.0
Fixed Liabilities	12.4	12.7	0.2
Retirement benefits	10.2	10.6	0.3
Deferred tax liabilities	0.3	0.2	△0.0
Others	1.8	1.8	△0.0
Total Liabilities	60.6	70.3	9.6
Shareholders Equity	91.5	96.8	5.2
Capital stock	5.0	5.0	-
Capital surplus	0.2	0.2	△0.0
Retained earnings	90.5	95.8	5.2
Treasury stock	△4.2	△4.2	-
Accumulated Other Comprehensive Income	△ 0.4	△ 0.5	△0.0
Non-controlling Interests	13.5	14.2	0.7
Total Shareholders Equity	104.5	110.5	5.9
Total Liabilities and SE	165.2	180.9	15.6

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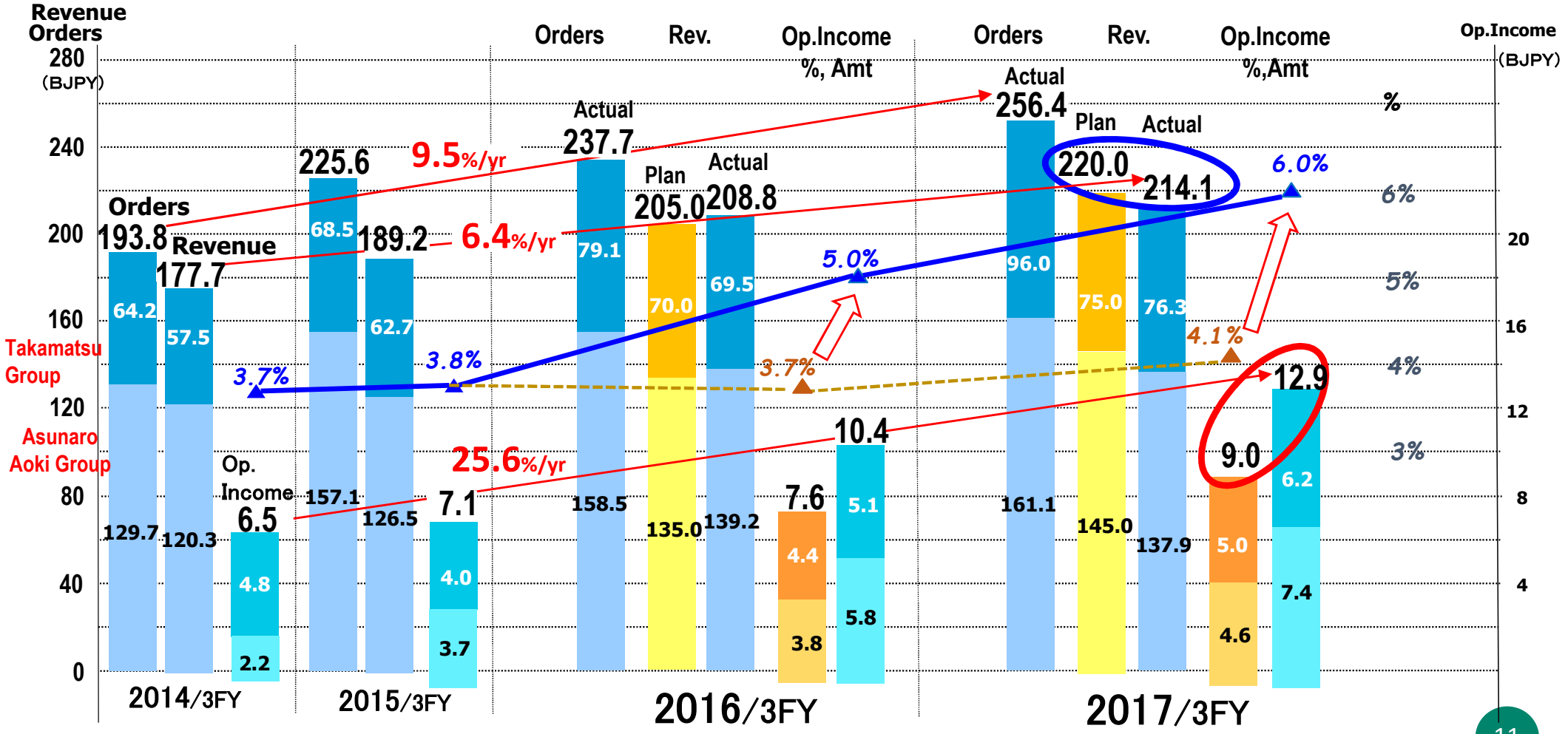
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Mid Term Plan to March 2020
Outlook for FY March 2018

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Summary of Previous Mid-Term Plan “New Light 2017”

1. Our previous Mid-term Plan was issued in 2014 as “New Light 2017” Plan with its final year in FY March 2017, which is our Centenary year. The plan was disclosed in May 2015.
2. Concerning results of FY March 2017, our actual revenue was a bit shorter vs. Plan, but our operating profit was far above Plan by 3.9BJPY.
3. We were able to achieve CAGR (compounded annual growth rate) of 9.5% for Orders, 6.4% for Revenue, and 25.6% for our Op. Income vs FY March 2014.



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

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Our Market Environment Recognition towards March 2020 and Growth Image of Takamatsu Construction Group

Environment Recognition

Positive Factors

- We foresee three consecutive years of domestic construction investment exceeding 50TJPY. (FY Mar 2018 thru FY Mar 2020)
- We foresee high level of household #s to be maintained in Tokyo-Nagoya-Osaka Areas as well as continued high level of new residence construction start-ups.
- We foresee continued tight market for Tokyo Metro Area's construction of condominiums for rental purposes.

Negative Factors

- Domestic construction investment will start to shrink after 2020, which is our final year of Mid-Term Plan. Population decrease will also accelerate.
- Construction labor cost will increase as # of workers decrease.
- There is risk of rapid decline of market for condominiums for rental purpose due to interest rate hike and / or decrease of occupancy rate.
- Decrease of overall construction start-ups

Growth Image of Takamatsu Construction Group Towards FY Mar. 2020

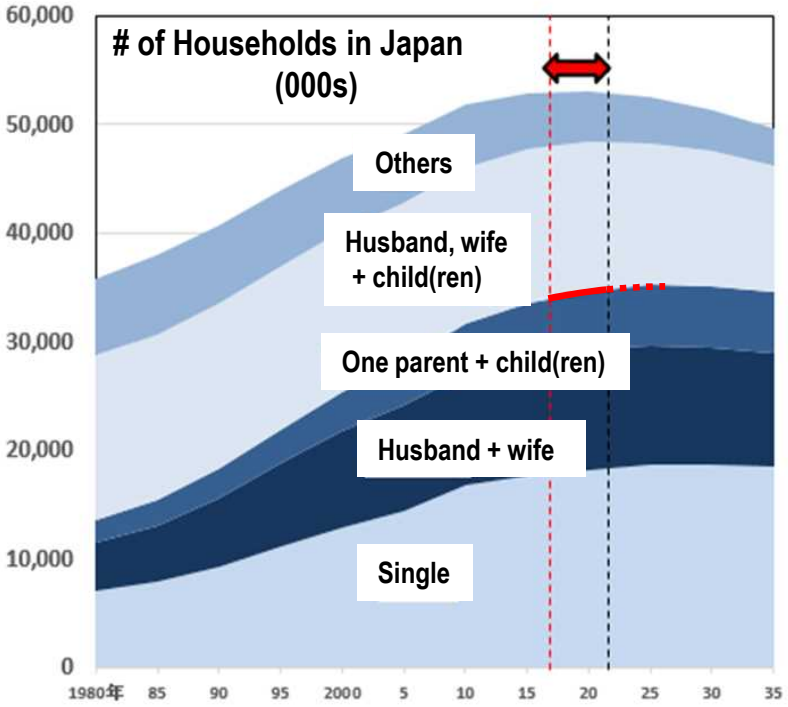
1. We will create an organization which realizes expansion of orders and continued growth for construction of Tokyo Metropolitan condominiums for rental purpose as our core growth segment.
2. On the other hand, for civil engineering and government related businesses where we foresee flat or negative growth for future years, we will aim to realize steady growth of market share as well as to maintain high profit margins.
3. We will create management basis that enables realization of both of the above.

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Group Vision and Mid-Term Plan: Takamatsu Group (1)

1. Takamatsu Corp is the foundation company as well as one of the two core companies of our Group.
2. Takamatsu Corp Grew by building condominiums for rental purpose by thoroughly responding to the needs of the clients (Consultation and Construction)
   - ① One of the first companies to create real estate utilization business model (back in mid 1960s).
   - ② Conducted consultation and proposal activities to wealthy real estate owners
     （Proposals include taxation, legal, inheritance, construction, real estate and management)
   - ③ Built landmark condominiums in front of stations, resulting in high rental fee and occupancy rate
3. Recorded increased orders, revenue and profit for two consecutive years in FY Mar 2017.
4. Completed building totals 4,500, with 1,320 in Tokyo Metro Area and 3,180 in Kinki and Nagoya Areas.





5. Concerning outlook of # of households in Japan, during Mid-Term Plan years, peak is expected to continue. In addition, # of households for single, husband+wife, one parent and child(ren) are expected to still increase.

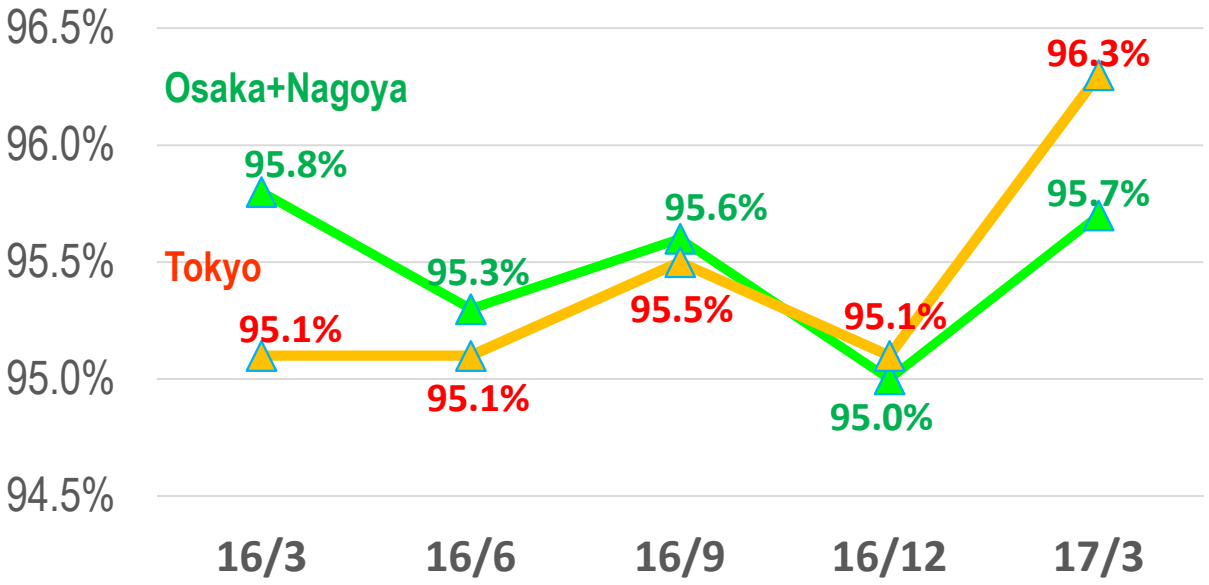
6. This increasing trend is obviously stronger in Tokyo, Nagoya and Osaka Areas, especially for Tokyo.

7. It is this “Toh-Mei-Han, smaller number families” that are still expected to increase, and are the main residents of rental condominiums built by Takamatsu Corp.

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Group Vision and Mid-Term Plan: Takamatsu Group (2)

Occupancy Rate of Condominiums built by Takamatsu Corp.



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

8. A good evidence that shows the tightness of the market is the occupancy rate of condominiums built by Takamatsu Corp., where the occupancy rate constantly shows above 95% for both Tokyo and Osaka+Nagoya Areas.
9. In addition, compounded annual growth rate of orders for Takamatsu Corp (Unconsolidated) for FY Mar. 2014 thru FY Mar2017 was 16.3% for Tokyo and 9.7% for Osaka+Nagoya. (Excluding large size projects)
10. In accordance with these results, Takamatsu Corp plans to continue the same level of order growth until March 2020, with two-digit annual growth percentage in Tokyo Area.
11. We understand overall architecture market size of Kanto Area is approximately three times as big as the Kinki Area. However, Takamatsu Corp's revenue from Tokyo Area is still only as big as that of Osaka+Nagoya Areas. This also shows that Takamatsu Corp has much more room to grow in Tokyo Area.
12. In accordance with this strategy, Takamatsu Corp is now rapidly increasing the number of employees for sales, design and construction in the Tokyo Area.

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Group Vision and Mid-Term Plan: Takamatsu Group (3)

13. In accordance with the Mid-Term Plan to significantly grow Takamatsu Corp., we decided to change the corporate names of the following four companies that have high synergy potential with Takamatsu Corp. as of April, 2017. Cooperation among the five companies will be strengthened, and this will further strengthen the growth of Takamatsu Group.

Real Estate Management	NihonKensyo Nippon Kensho Co.,Ltd. Revenue：10.7BJPY (FY17/3, Osaka+Tokyo)	→	Estate Takamatsu Estate Co.,Ltd. Revenue : 14.0BJPY (20/3FY, Osaka+Tokyo)
Reforms and large scale repairs	Yamato Yamato Construction Co.,Ltd. Revenue: 4.3BJPY (FY17/3, Osaka+Tokyo)	→	Techno Takamatsu Techno Service Co.,Ltd. Revenue : 6.7BJPY (20/3FY, Osaka+Tokyo)

14. In recent years, large scale architecture orders such as logistic centers, hospitals and factories are on the increase. Orders of this new segment will be further strengthened by conducting JV with Asunaro Aoki Construction.

15. With Takamatsu Corp. as the core, Takamatsu Group will strive to achieve revenue of 108.0BJPY in FY March 2020, which is 42% growth vs FY March 2017.



DPL Nagareyama Ⅰ(Logistics Center, JV with Asunaro Aoki Construction Co.,Ltd.)

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Group Vision and Mid-Term Plan: Asunaro Aoki Group

1. Asunaro Aoki Group is a listed company in Tokyo Stock Exchange 1st Section, with Asunaro Aoki Construction Co.,Ltd. as the core company of the Group and the 8 other Group Companies.
2. The ratio of civil engineering vs architecture for both orders and revenue is 50 : 50 for Asunaro Aoki UNconsolidated.
3. For Asunaro Aoki Consolidated, the ratio changes to 70 : 30 for civil engineering vs architecture due to Group Companies such as Mirai Construction and Aoki Marine majoring in marine engineering, Toko Geotech, Asunaro Road and Niigata Mirai majoring in slope protection and pavement, Shimada Gumi and Access majoring in excavation / research of archaeological resources, and M's majoring in renovation.
4. R&D is one of the Group's focused activities, with research themes such as studies of anti-seismic technologies to existing bridges, multi-exposure column base, folded brace, work guidance on unmanned remote construction.
5. Asunaro Aoki Group contributed significantly to record high fiscal year results of March 2017 of Takamatsu Construction Group. Asunaro Aoki Group will aim to realize revenue of 160BJPY in FY March 2020.
6. Asunaro Aoki Group will expand its business areas and improve productivity by tackling with i-construction.

FY17/3 Major Projects (1)

Shoreline maintenance project by using remote controlled amphibious construction machine



FY17/3 Major Projects (2)

Fukushima Prefecture Police Headquarter
An exclusive 7.0BJPY order.

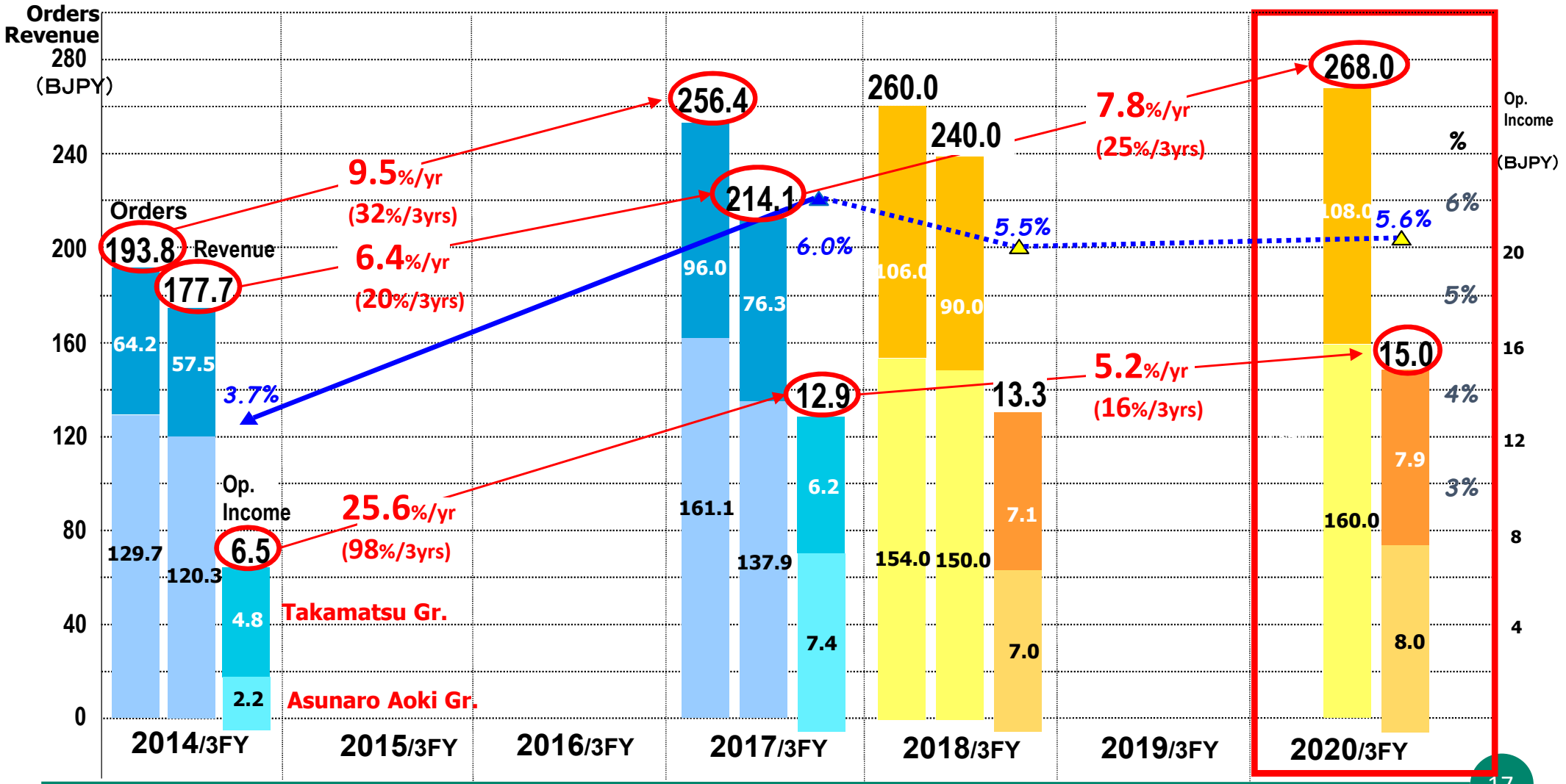


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Summary of New Mid term Plan “TRY! NEXT CENTURY 2020”

Takamatsu Construction Group will realize the following targets:

1. **CHALLENGE 268** : 268BJPY yen of revenue to be achieved in FY March 2020, which is 7.8% growth/year (CAGR).
2. **SPECIALTY 18 α** : Realize further growth of current 18 business affiliates as well as additional growth through M&A.
3. **QUALITY 15** : We will realize 15BJPY of operating income in FY March 2020 by maintaining and improving our high quality and highly efficient operations.

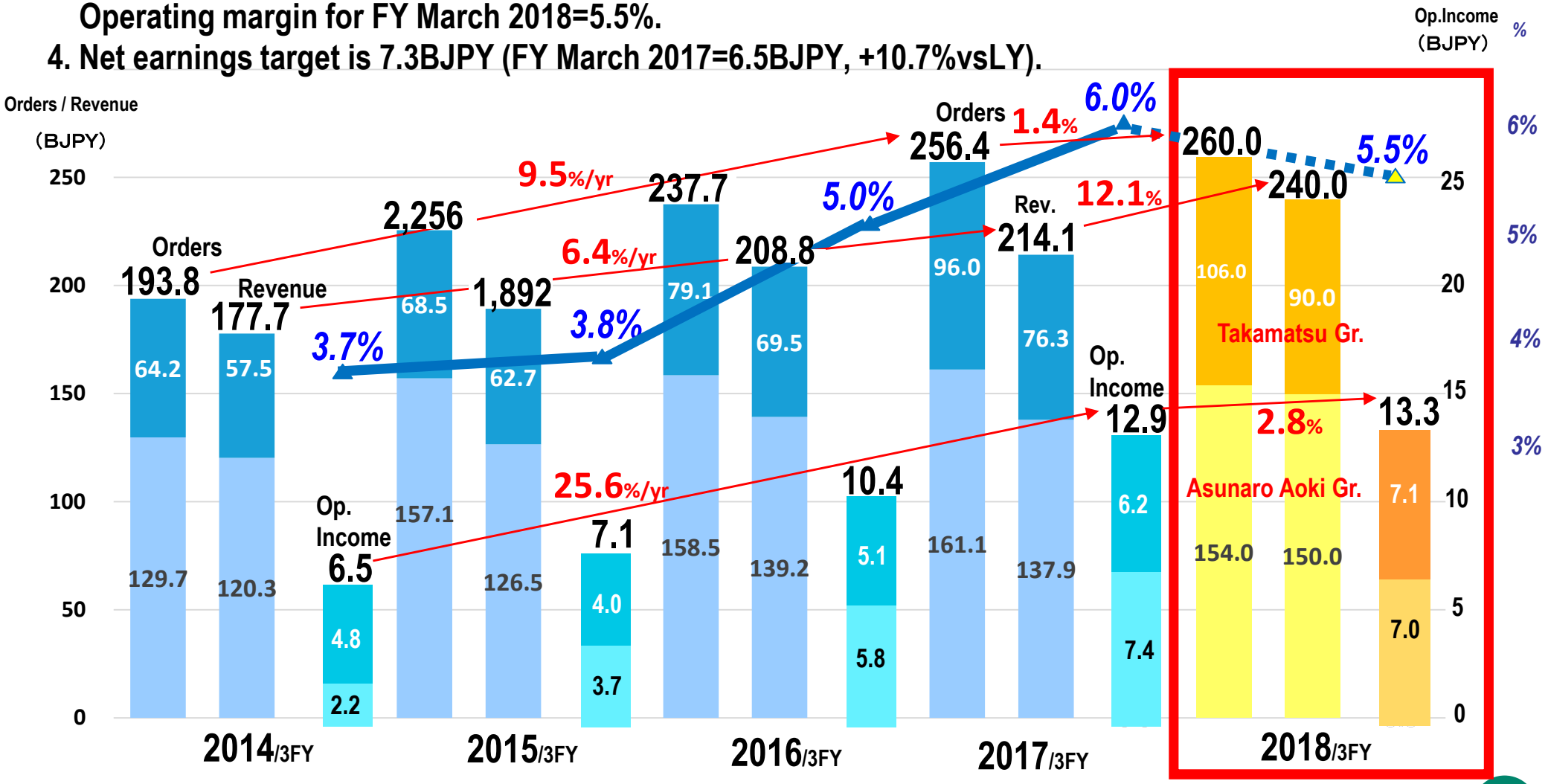


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FY March 2018 : By-Group Orders, Revenue and Operating Income (Consolidated)

1. Since FY March 2018 is our centenary as well a the first year of Mid-term Plan, we will strive to realize increased revenue as well as profit.
2. Target order amount is 260BJPY, with 240BJPY of target revenue (+12.1%vsLY).
3. Operating Income target of 13.3BJPY is 2.8% increase vsLY due to high level profit margin of FY March 2017.
   Operating margin for FY March 2018=5.5%.
4. Net earnings target is 7.3BJPY (FY March 2017=6.5BJPY, +10.7%vsLY).



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FY March 2018 : Summary

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2. Target order amount is 260BJPY, with 240BJPY of target revenue (+12.1%vsLY).
3. Op. Income target of 13.3BJPY is 2.8% increase vsLY due to high level profit margin of FY March 2017. Operating margin for FY March 2018=5.5%.
4. Net earnings target is 7.3BJPY (FY March 2017=6.5BJPY, +10.7%vsLY).

	2017/3	2018/3	
	Actuals (Consolidated)	Forecast (Consolidated)	+ / -
Orders	256.4 BJPY	260.0 BJPY	+1.4 %
Revenue	214.1 BJPY	240.0 BJPY	+12.1 %
Operating Income	12.9 BJPY	13.3 BJPY	+2.8 %
%	6.0 %	5.5 %	△0.5 ポイント
Ordinary Income	12.9 BJPY	13.3 BJPY	+2.8 %
※ Net earnings	6.5 BJPY	7.3 BJPY	+10.7 %

※Net earnings = “Profit attributable to owners of parent”, as shown in our Summary of Consolidated Financial Results.

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Financial Position Estimates and Targets for FY March 2018

1. FY March 2017 dividend was an increase of 9 JPY vsLY. For FY March 2018, we aim for 53JPY/share, which is another increase of 10JPY/share vs. FY March 2017, paid as commemorative dividend.
   → Dividend payout ratio is our important index. This FY, we will exceed payout ratio of 25% which we announced in May 2016 as our mid term target.
   → In addition, we want to continue to exceed dividend payout ratio of 25% even after FY March 2019.
2. Strong new hiring will continue. As the result, average age of employees will be younger.
   → # of new graduates hired: 15/4=201, 16/4=161, 17/4=176, 18/4=240, 19/4=220

Item		2014/3FY	2015/3FY	2016/3FY	2017/3FY	2018/3FY	
							+ / -
Assets	BJPY	154.6	162.1	165.2	180.9	190.0	5.0%
Liabilities	BJPY	60.5	63.0	60.6	70.3	73.0	3.8%
Shareholders Equity	BJPY	94.1	99.1	104.5	110.5	117.0	5.9%
Share price at FY end	JPY	1,835	2,566	2,426	2,603		
Dividend per share	JPY	25	27	34	43	53	10JPY
Dividend payout ratio (%)	(%)	(14.6)	(15.3)	(21.1)	(23.5)	(26.2)	2.7points
ROE	(%)	(7.9)	(7.6)	(6.5)	(7.0)	(7.3)	0.3points
ROA	(%)	(4.5)	(4.6)	(6.4)	(7.5)	(7.2)	△0.3points
# of employees	HC	2,816	3,003	3,196	3,372	3,621	249
# of new graduates hired	HC	93	142	201	161	176	15
Avearge age of employees	age	45.3	45.0	44.4	43.9		

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Response to Corporate Governance Report

■Two Items of Improvement in Comparison to Previous Year Report

Principle 1

Shareholder Rights

Fairness among shareholders

- Notice of Shareholders Meeting to be submitted 3 weeks in advance to the Meeting (Meeting=June 22, Sent out =June 1, Disclosure by TDnet and our Corporate Site =May 24)
- Shareholders Meeting to be held in June 22, avoiding concentrated days
- Providing internet voting platforms that enables votes by institutional investors (from 2016)
- Providing and Disclosing Notice of Shareholders in English (from 2017)

Principle 4-11

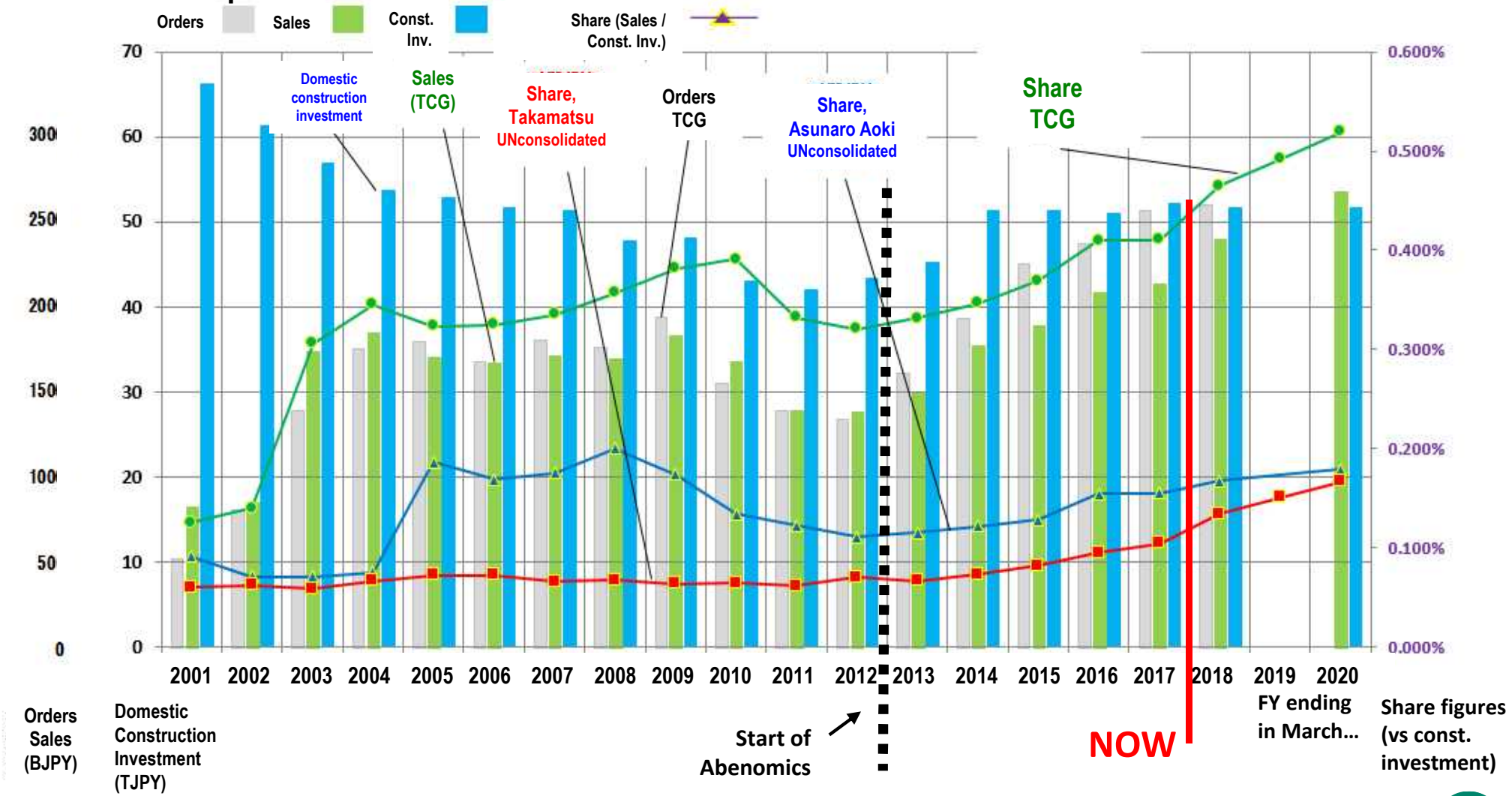
Effectiveness of BOD Meetings

- Two External Directors of the Board with abundant corporate management experience proved to be effective.
- Conducted active discussions for Mid Term Plans and other items.
- TCG executive teams provided industry, competition and technical information, as well as provided BOD Meeting materials one week prior to the Meetings, occasionally accompanied by special explanation sessions to external directors.

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Japan's Domestic Construction Investment and TCG

1. We will continue and accelerate our pace of growth in line with our past record since the start of Abenomics.
2. We plan to continue to increase our presence and our market share in the construction industry.
3. Takamatsu Corp., our main engine of growth, will look into generating approximately the same amount of revenue in comparison to Asunaro Aoki in FY March 2020.



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