TCG Takamatsu Construction Group

Analyst Meeting Material of Q2, FY March 2020

Takamatsu Construction Group Co.,Ltd.

Securities Code：1762

November 29, 2019

To our shareholders:
If you wish to exchange further information with us,
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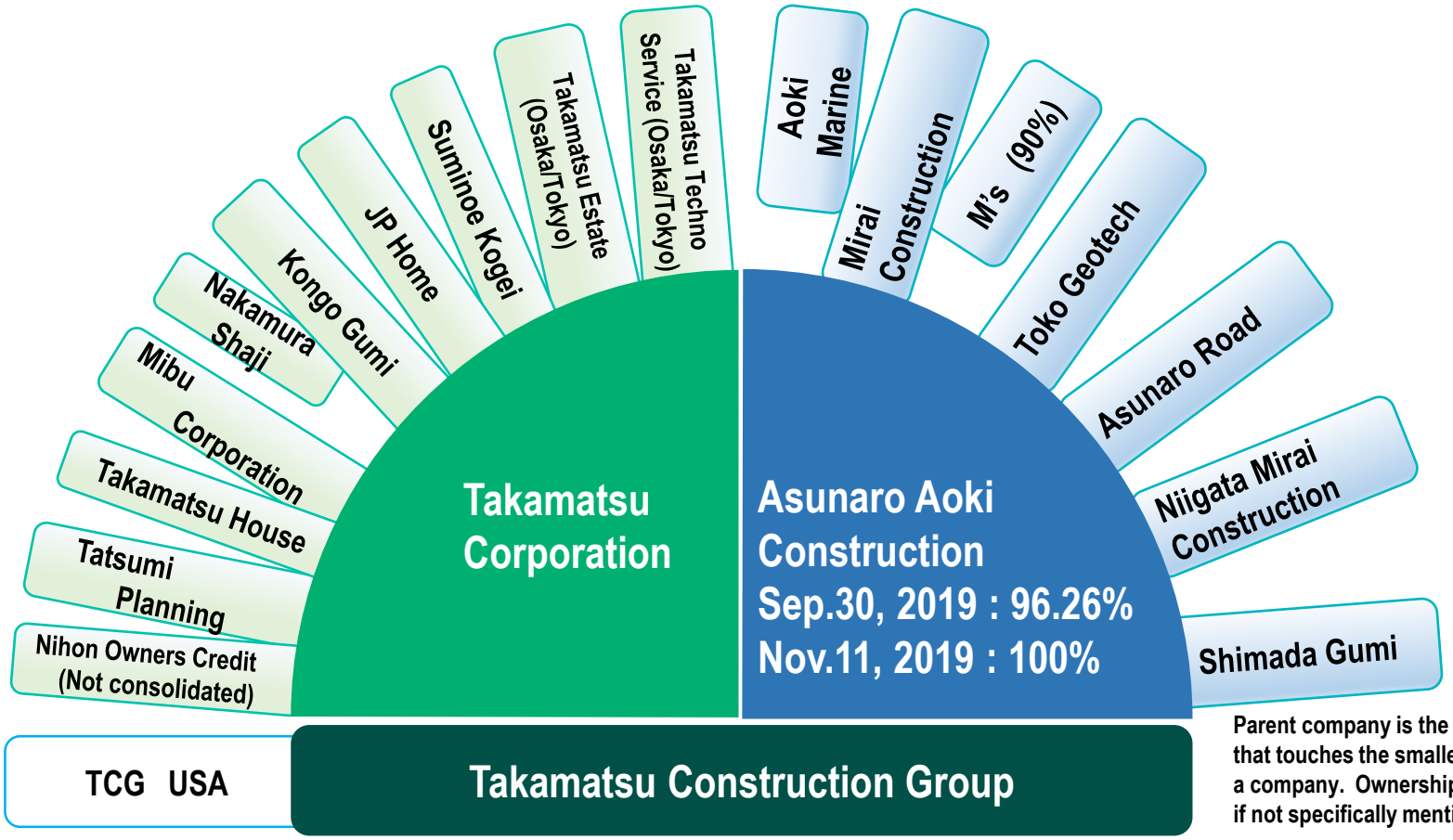
De-listing of Asunaro Aoki Construction

- Takamatsu Construction Group Co.,Ltd. acquired 96.26% shares of Asunaro Aoki Construction Co.,Ltd. by Tender Offer that took place from August 7 through September 19, 2019.
- The above Offer led into de-listing of Asunaro Aoki Construction Co.,Ltd. from Tokyo Stock Exchange on November 7, 2019. Asunaro Aoki Construction Co.,Ltd. became 100% TCG Group company on November 11, ending 19 years of double-listed status.
- TCG Group will continue management of 22 consolidated Group Companies with two core companies : de-listed Asunaro Aoki Construction Co.,Ltd. and Takamatsu Corporation, the founding Company of the Group.



Parent company is the company that touches the smaller label of a company. Ownership is 100% if not specifically mentioned.

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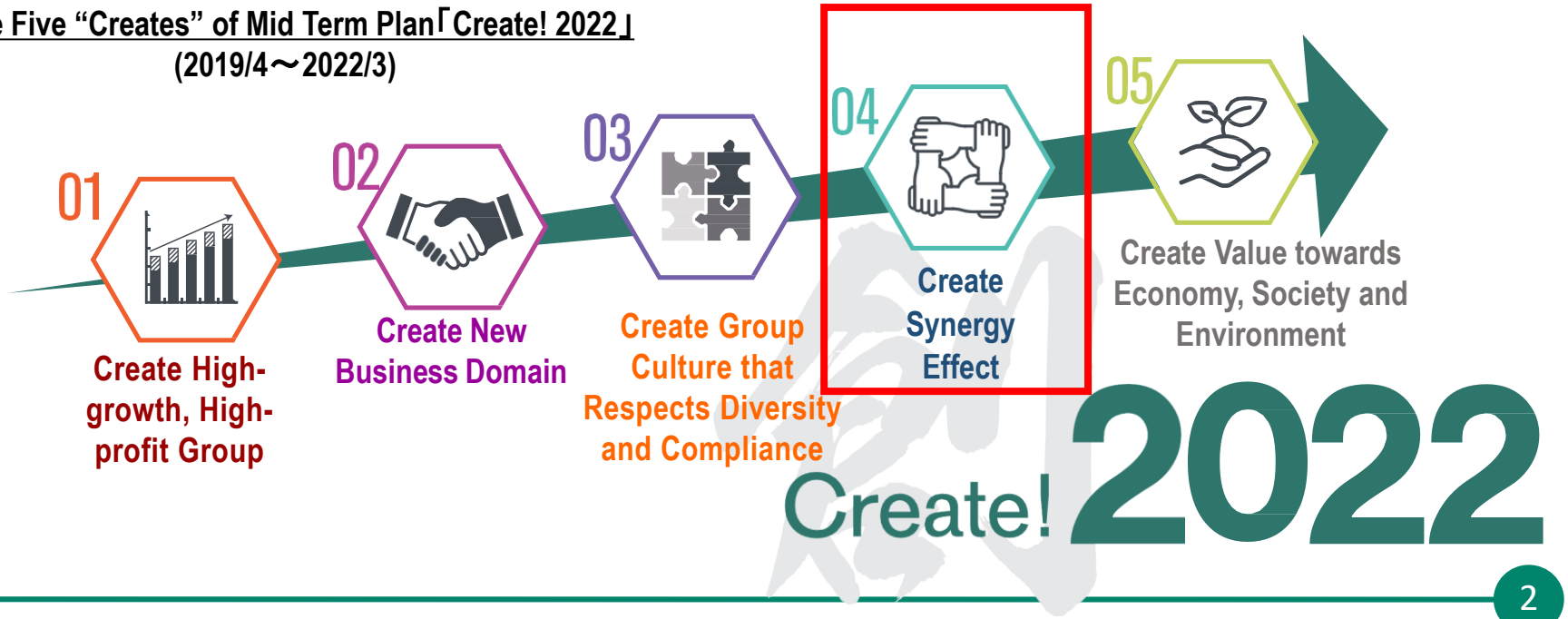
The Future of TCG Group and Asunaro Aoki as a 100% Group Company

- TCG Group has grown through M&A.
- TCG Group has grown steadily by respecting independence of each Group Companies.
  (Not changing company names after acquisition is one example)
- In particular, Asunaro Aoki Construction Group (8 companies) was given independence as one listed consolidated group of companies. Although the independence worked beneficially in certain areas, issues existed from the standpoint of TCG Group governance and synergy creation.
- By delisting Asunaro Aoki Construction, TCG Group will be able to accelerate the creation of synergy effect leading into enhanced corporate value.



TCG Takamatsu Construction Group

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TCG Takamatsu Construction Group

Q2 Results, FY March 2020

Results for Q2, FY 2020 March (Consolidated)

1. Orders : +0.9% vs last year. Record high for 2 consecutive years as Q2.
2. Revenue : +13.2% vs last year. Grew 8 consecutive years, record high for 6 consecutive years as Q2.
3. Income : Gross profit, operating income and ordinary income increased significantly.
In spite of Non-operating loss of △0.3BJPY（Tender Offer Cost, etc）and Extraordinary loss of △0.4BJPY（Loss on inventory valuation, etc）, net earnings attributable to controlling interest increased by 27.8% vs last year to 2.4 BJPY.

Unit : BJPY

Item	FY2019/Mar 2Q	FY2020/Mar 2Q	+/-（%）
Orders	144.6	**145.9**	＋0.9%
Revenue	114.3	**129.3**	＋13.2%
Gross Profit （% vs Revenue）	14.6 (12.8%)	**18.0** **(14.0%)**	＋23.4%
Operating Income （% vs Revenue）	3.5 (3.1%)	**5.6** **(4.4%)**	＋59.4%
Ordinary Income （% vs Revenue）	3.5 (3.1%)	**5.3** **(4.2%)**	＋49.9%
Net earnings attributable to controlling interest （% vs Revenue）	1.9 (1.7%)	**2.4** **(1.9%)**	＋27.8%

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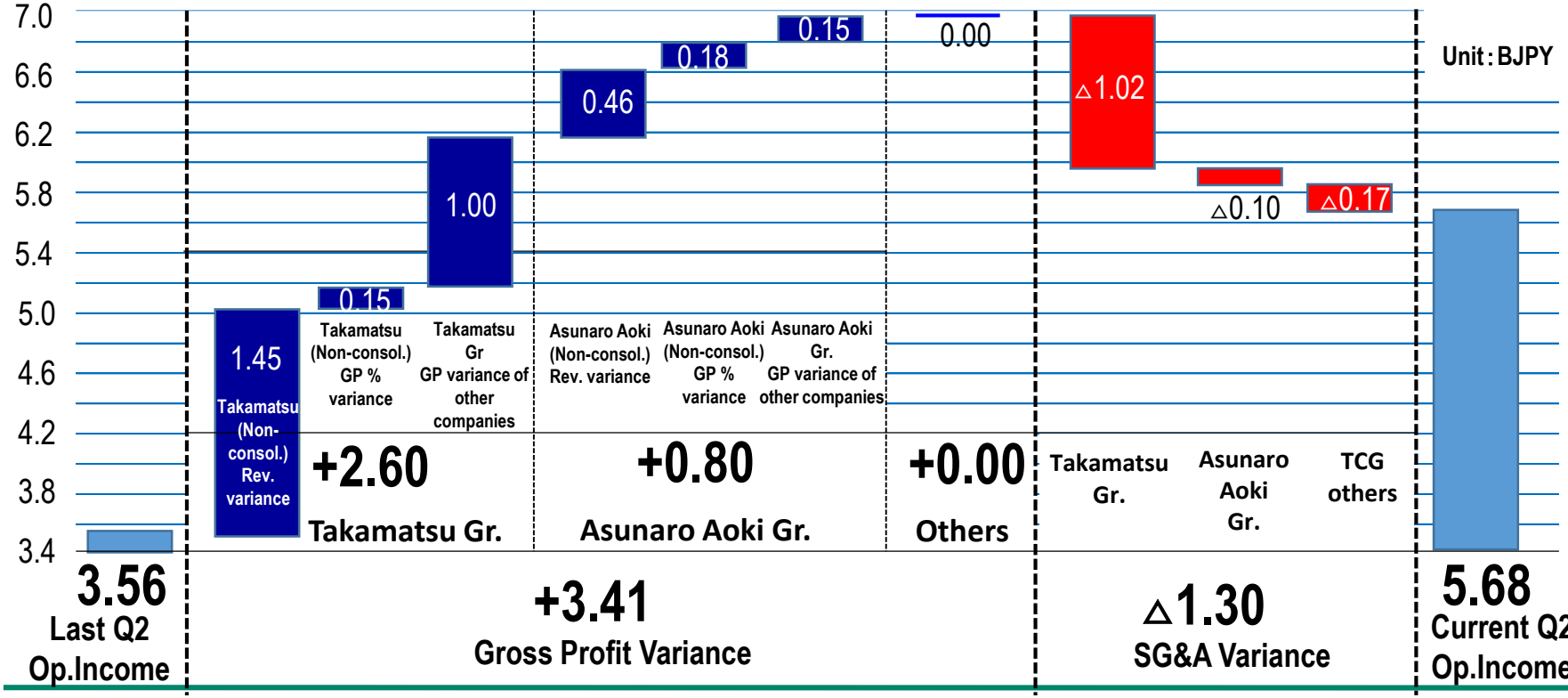
Explanation of Increase of Operating Income vs. Last Year (Consolidated)

1. Operating income increased by 2.11BJPY to grow from 3.56BJPY to 5.68BJPY.
2. The first reason for this growth is due to increase of gross profit of 3.41BJPY realized through revenue growth of 13.2% (15.0BJPY).
3. Gross profit of Takamatsu Group increased by 2.60BJPY, derived mainly through growth of Takamatsu Corporation's improvement of both revenue amount as well as gross profit %. Gross profit of Tatsumi Planning (new Group company) was 0.23BJPY.
4. Gross profit of Asunaro Aoki Group also increased by 0.80BJPY. Asunaro Aoki (Non-consolidated) +0.64BJPY with its civil engineering gross profit growing by +0.44BJPY.
5. SG&A increased by +1.30BJPY.
   - → Takamatsu Corporation increased by 0.64BJPY, out of which +0.54BJPY was personnel.
   - → New Group companies, Tasumi Planning and Takamatsu House generated SG&A of 0.23BJPY.
   - → Asunaro Aoki Group increased SG&A by 0.10BJPY, out of which Asunaro Aoki non-consolidated increased by 0.06BJPY.



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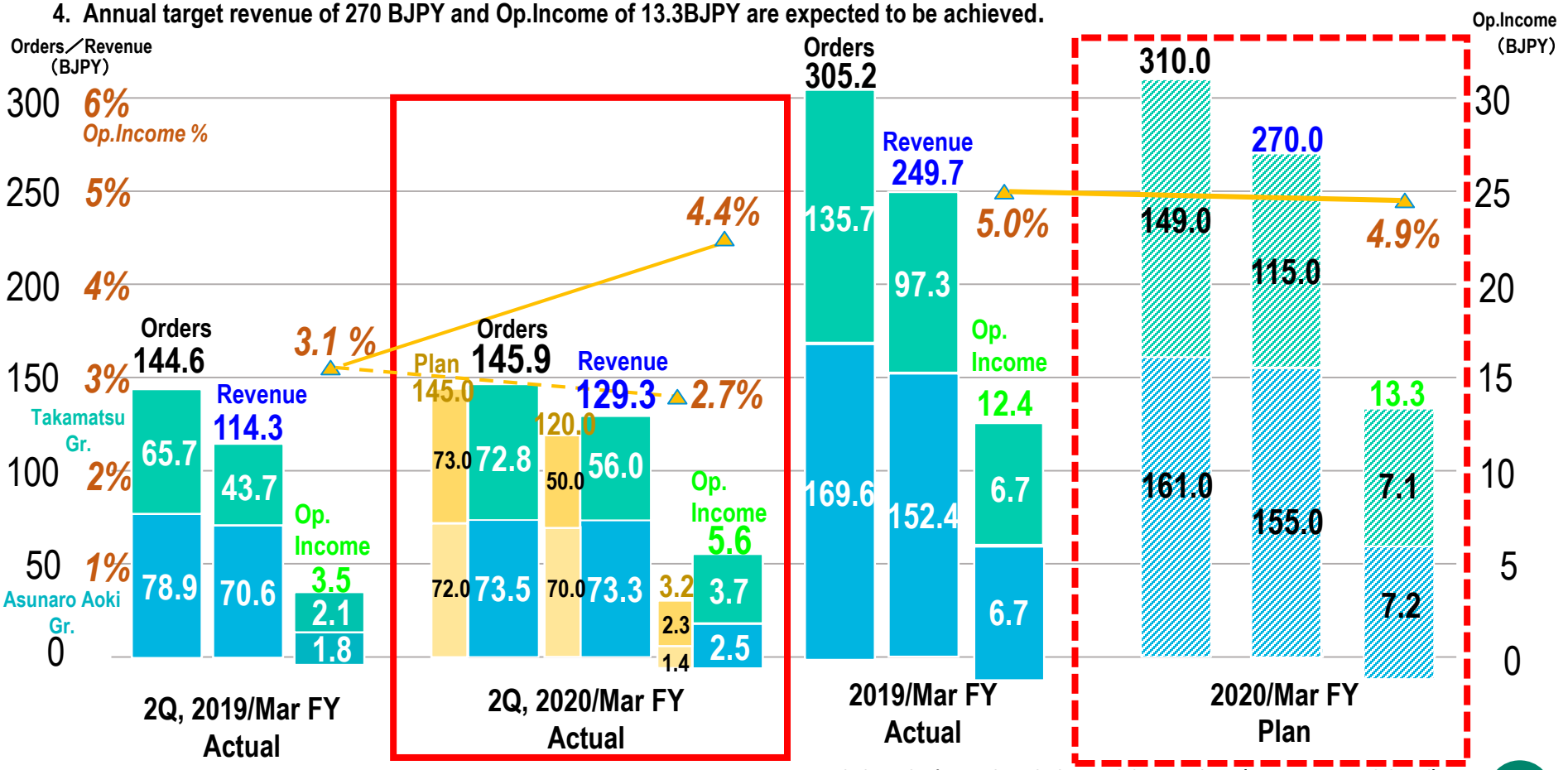
By-Group Orders, Revenue and Operating Income and Their Outlook(Consolidated)

1. 2Q Takamatsu Group order was slightly short vs Plan. Further, 72.8BJPY order amount includes Tatsumi Planning's 6.2BJPY order which joined TCG Group by M&A from this fiscal year. Thus Takamatsu Corp. needs to catch-up.
2. Both Revenue & Op.Income are making good progress vs. Plan.
   Op.Income % was 4.4%, a significant improvement over last year's 3.1% and this year's Plan of 2.7%.
3. Major portion of revenue increase was accomplished by earlier progress of construction planned to be conducted in second half of the year.
   In addition, Takamatsu Corp. recognized gross margin improvement earlier than previous years, resulting in further improvement of profits.
   Thus, we are not so optimistic about our profit figures for the second half of the year.
4. Annual target revenue of 270 BJPY and Op.Income of 13.3BJPY are expected to be achieved.



Unit : BJPY Op.Income #s inside bars don't match with the total due to admin (TCG Non-consolidated)costs

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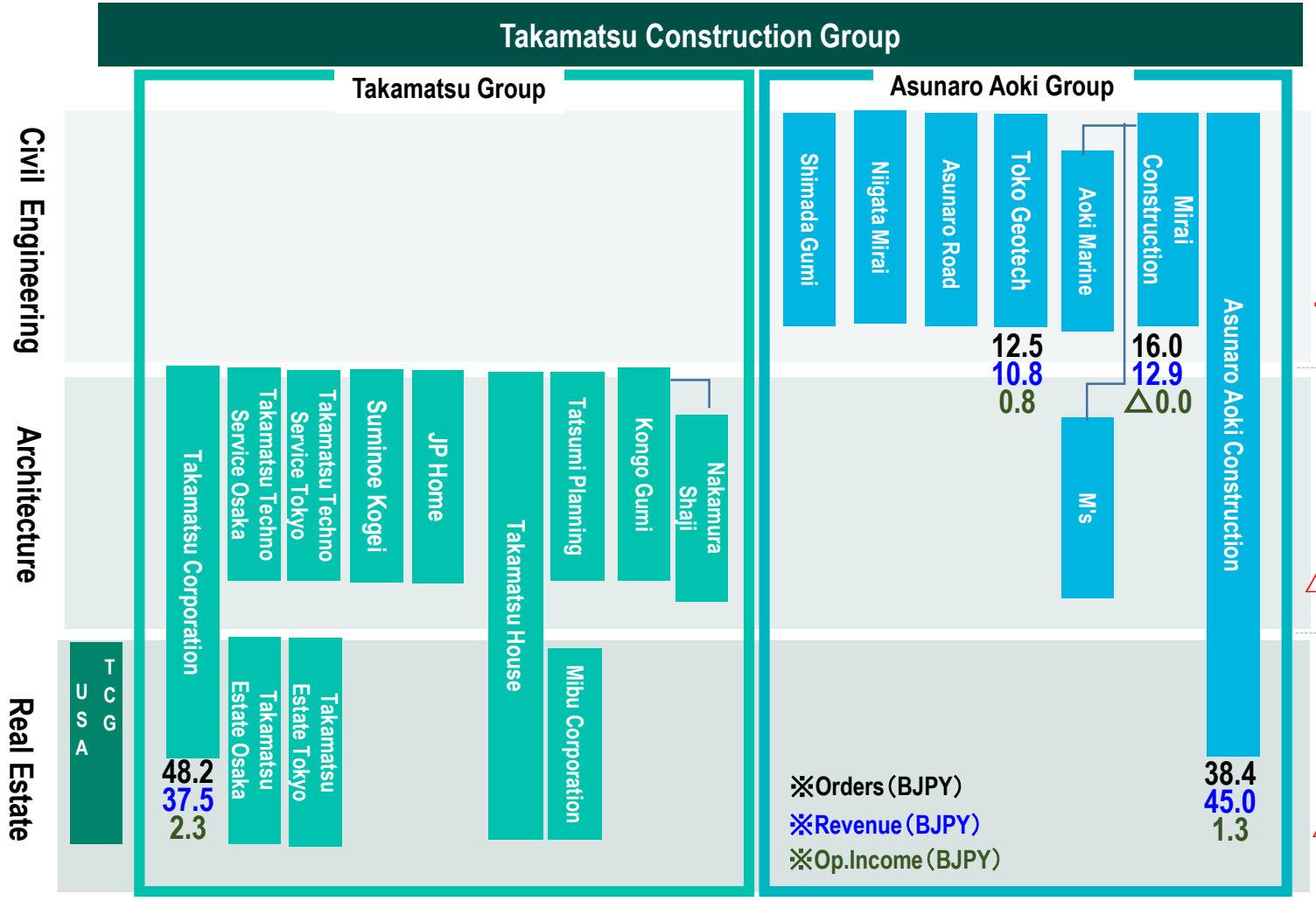
TCG : By-Segment Split (Consolidated)

1. Orders : Civil Engineering : Increased mainly through +5.9BJPY of Mirai Construction and +6.0BJPY of Asunaro Aoki Construction.
   Architecture : Decreased mainly by △16.6BJPY of Asunaro Aoki Construction decrease.
2. Revenue : Civil Engineering : Decreased mainly through : △0.7BJPY of Asunaro Aoki Construction and △3.1BJPY of Mirai Construction.
   Architecture : Increased mainly through +9.8BJPY of Takamatsu Corporation and +5.7BJPY of Asunaro Aoki Construction.
3. Op.Income : Civil Engineering : Increased by +0.4BJPY of Asunaro Aoki Construction and +0.1BJPY of Toko Geotech partially offset by △0.3BJPY of Mirai Construction.
   Architecture : Increased mainly through +1.0BJPY of Takamatsu Corporation and +0.3BJPY of Takamatsu Techno (Osaka and Tokyo).



	Orders	Revenue	Op.Income
	2Q, FY Mar 2020 (2Q, FY Mar 2019)		
Civil Engineering	58.5 (48.0)	49.6 (53.0)	3.0 (2.4)
	+21.9%	△6.5%	+24.4%
Architecture	76.2 (84.8)	68.5 (49.4)	3.8 (2.1)
	△10.1%	+38.5%	+82.9%
Real Estate	11.1 (11.7)	11.1 (11.7)	0.6 (0.7)
	△4.9%	△4.9%	△14.9%

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

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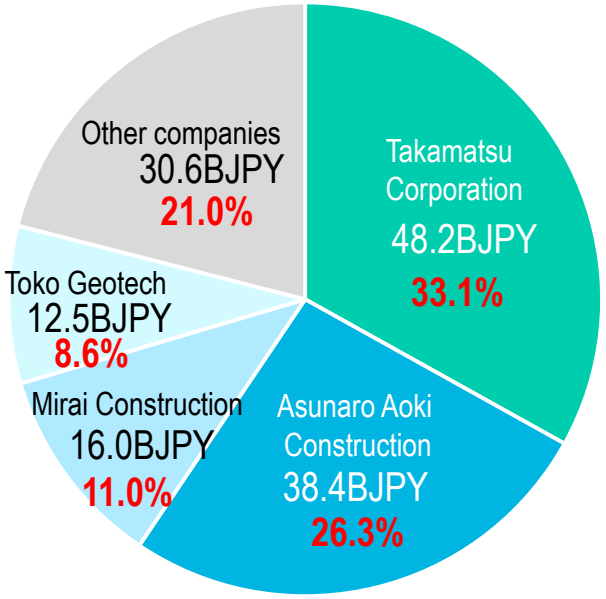
Orders, Revenue and Op.Income Ratio of Group's 4 Major Companies(Consolidated)

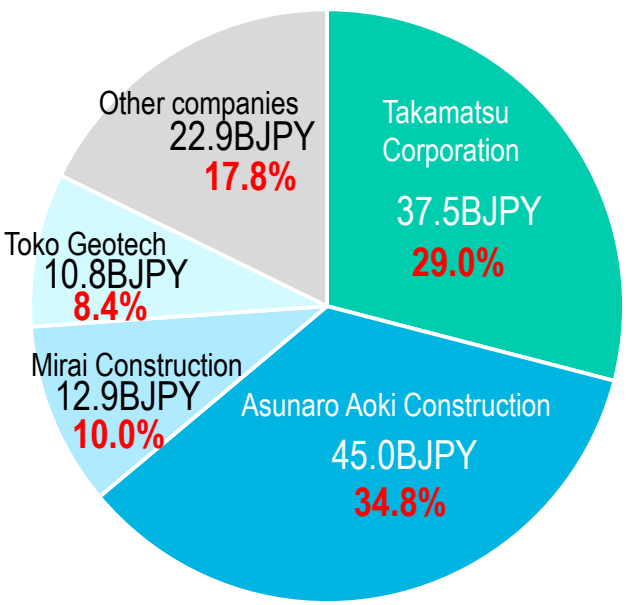
◆**4 major companies (Takamatsu Corporation, Asunaro Aoki Construction, Mirai Construction and Toko Geotech) occupy about 80% of the total Group.**

Orders



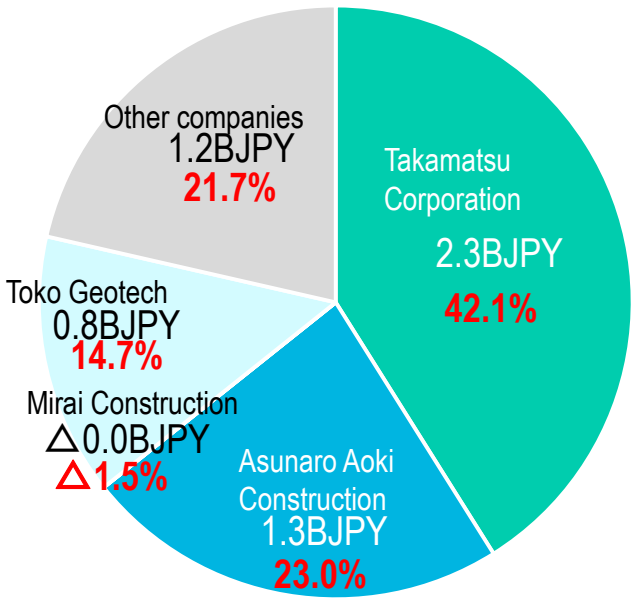
4 companies Total
115.3BJPY
79.0%

Revenue



4 companies Total
106.3BJPY
82.2%

Op.Income



4 companies Total
4.4BJPY
78.3%

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Balance Sheet (Consolidated)

Unit : BJPY

Title of account	2019/3	2019/9	Change
Current assets	154.1	147.8	△6.3
Cash and deposits	62.0	59.7	△2.3
Notes and accounts receivable	72.2	67.1	△5.0
Real estate for sale	10.1	10.5	+0.4
Costs on uncompleted construction contracts	1.5	2.9	+1.3
Costs on real estate business	0.6	0.7	+0.0
Accounts receivable	6.2	4.5	△1.7
Other	1.3	2.1	+0.8
Allowance for doubtful accounts	△0.1	△0.1	△0.0
Noncurrent assets	36.3	46.8	+10.4
Tangible assets	22.5	32.3	+9.8
Intangible assets	2.0	2.7	+0.7
Investments and other assets	11.8	11.6	△0.1
Investment securities	5.2	5.1	△0.1
Deferred tax assets	3.8	4.0	+0.2
Other	3.0	2.7	△0.2
Allowance for doubtful accounts	△0.2	△0.2	+0.0
Total assets	190.5	194.6	+4.0

Title of account	2019/3	2019/9	Change
Current liabilities	59.7	73.8	+14.0
Accounts payable for construction contracts	30.9	30.5	△0.4
Short Term Borrowings	-	11.2	+11.2
Advances received	15.3	19.2	+3.8
Other	13.4	12.9	△0.5
Long-term liabilities	12.7	12.8	+0.1
Retirement allowances	10.9	10.9	+0.0
Deferred tax liabilities	0.0	0.0	+0.0
Other	1.7	1.8	+0.1
Total liabilities	72.4	86.7	+14.2
Shareholders' equity	105.1	106.5	+1.4
Capital stock	5.0	5.0	-
Capital surplus	0.5	0.7	+0.2
Retained Earnings	107.0	108.2	+1.1
Treasury shares	△7.4	△7.4	-
Accumulated other comprehensive income	△1.1	△1.1	△0.0
Non-controlling interests	14.1	2.5	△11.5
Total net assets	118.1	107.9	△10.1
Total liabilities and net assets	190.5	194.6	+4.0

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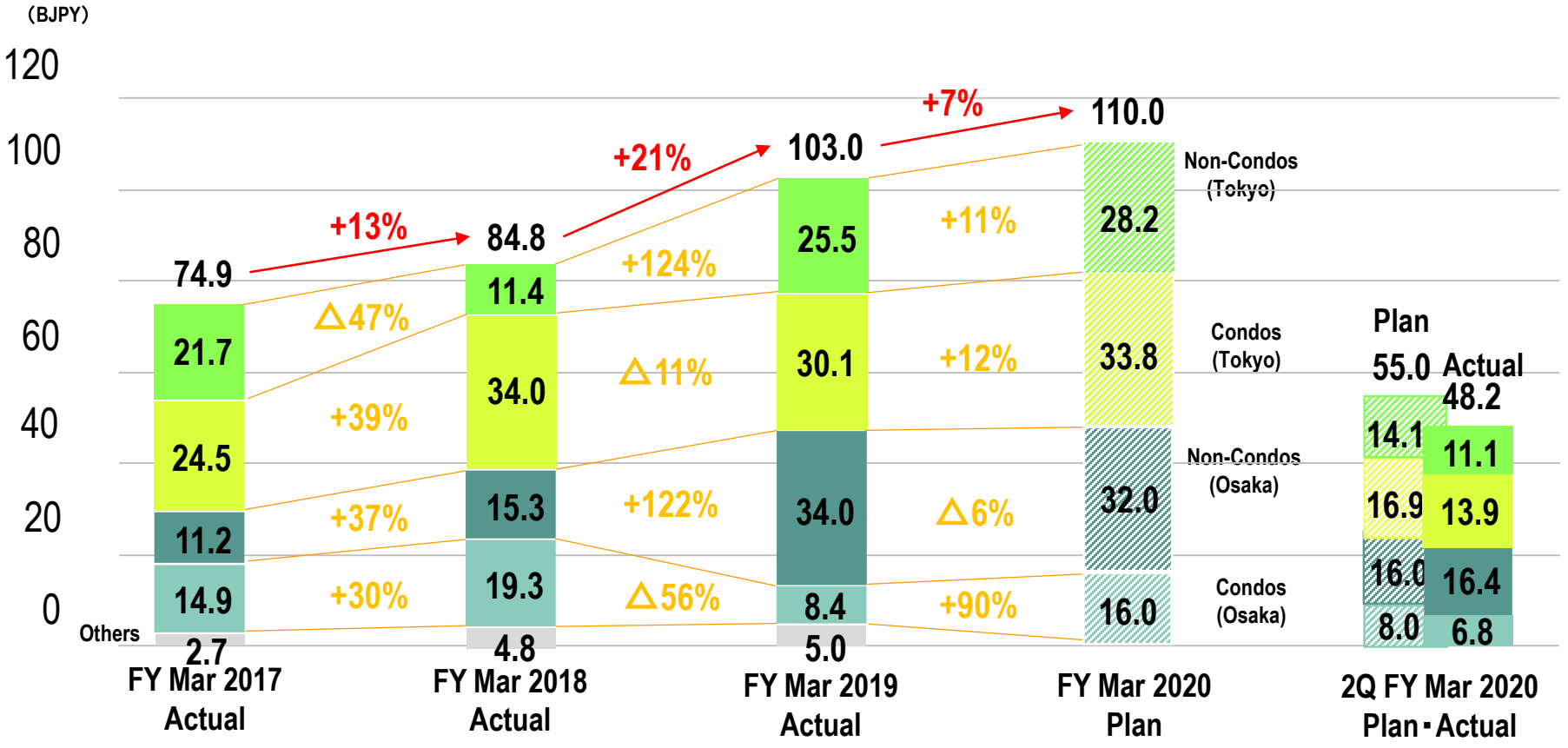
Takamatsu Corporation : Orders and Its Outlook (Non-consolidated)

1. Orders for Q2 was 48.2BJPY vs. Plan of 55.0BJPY, 87.6% vs Plan.
2. However, due to abundant carryover orders, its impact towards revenue remains little.
3. Orders of Kanto Area was 25.0BJPY, in line with last year results.
   However, the figure was short vs. Plan (80.6%). Need to catch-up in second half.
4. Orders of Kansai Area are inclined towards non-condominiums, a continued trend from last fiscal year.
   Need to enhance proposal, designing and construction capabilities towards non-condos.



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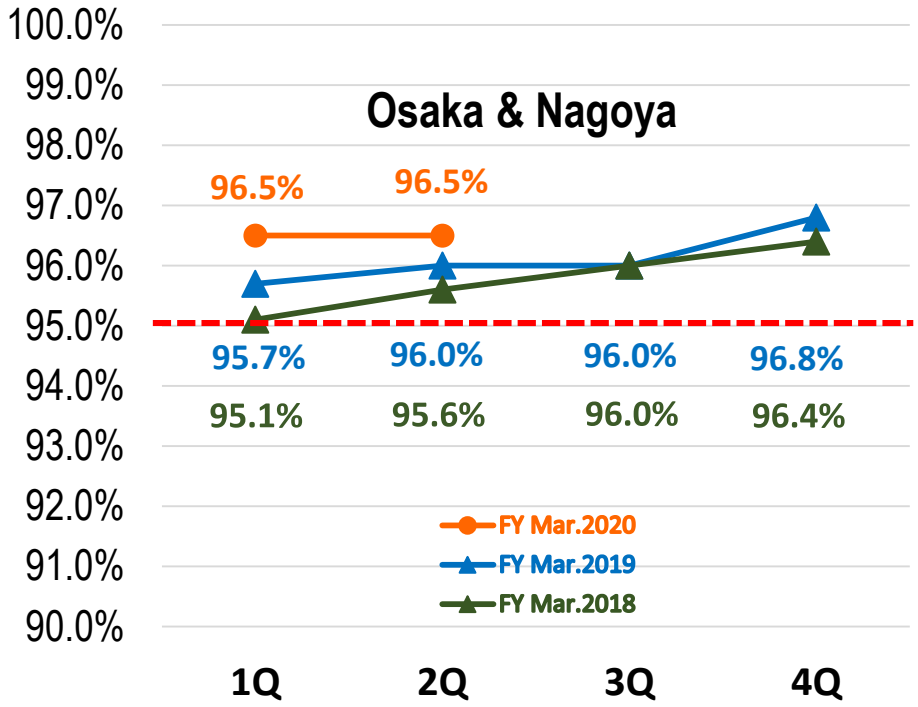
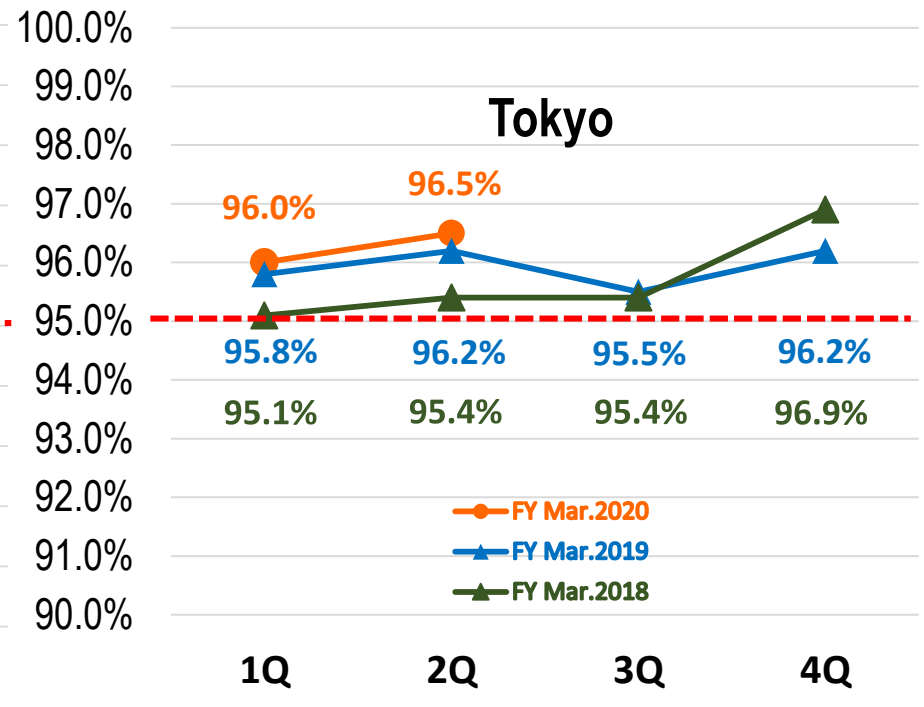
Occupancy Rate of Condominiums Built by Takamatsu Corporation

1. Occupancy rate is continuing to show above 95% for both Tokyo and Osaka+Nagoya for September 2019.
2. We believe rental condominium market is continuing to be tight for Tokyo and Osaka+Nagoya.
3. Although there are views that occupancy rate will drop for Tokyo, Osaka and Nagoya through aging, we believe Takamatsu Corp. is remote from this view since Takamatsu Corp. concentrates in urban and near-station locations of the three cities, where population is still increasing.





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

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Future Direction
（Mid Term Plan Follow-Ups ）

Mid Term Plan was disclosed in May 2019. Portions in RED are changed in Nov. 2019

10 Yrs.Later (FY29/3)

Continue growth and achieve Group revenue of450BJPY (Excl.M&A)
(Rev. growth 6.1%/yr vs FY19/3)

- Takamatsu Group: Real estate utilization business 260BJPY
- Asunaro Aoki Gr.: Architecture & Civil Engi. 190BJPY

3 Yrs.Later (FY22/3)

Achieve Group revenue of 300BJPY, Op. Income 18BJPY
(Rev. growth 6.3%/yr vs FY19/3, Op.Income 13.1%/yr vs FY19/3)

- Revenue 140BJPY, Op.Income 11BJPY
- Revenue 160BJPY, Op.Income 8BJPY

Need to improve…	Response to non-condo construction Improvement in delay of construction period	Productivity UP By-project profit UP
What Continues is…	Tight orders continue, further growth in non-condominiums leading into high growth of Takamatsu Group	For Asunaro Aoki, continue stable growth
Business Environment	Real estate utilization business in Tokyo-Osaka-Nagoya Areas continues to be tight.	Domestic construction market starts to shrink after 2022

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…

①Smooth handling of non-condos
②Avoid prolonged period before

Asunaro Aoki Group

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

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Status of Wooden Independent Residence Business

1. TCG will develop wooden independent small-size residence business with the following three companies as the core:

   Mibu Corporation (Joined TCG in April 2018, strength in real estate trading of Southern Tokyo Area)

   Tatsumi Planning (Joined TCG in May 2019, strength in construction of wooden independent residence in Southern Kanto)

   Takamatsu House (Founded April 2019, plans to conduct planning, sales and administration)

3. Plans to establish presence in Southern Tokyo Area where both Takamatsu Corp. and Mibu Corp. have strong market share.
4. Plans to develop business platform before March 2022 and grow the business to become the “Third Core” of TCG.



Tatsumi Planning Headquarter

■ Takamatsu House Group

Product and Strategy Planning, Administration

Takamatsu House

Mibu Corporation — Sales and Purchasing

TATSUMI PLANNING — Construction



Residence designed and constructed by Tatsumi Planning

TCG 高松コンストラクショングループ

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"Create ! 2022" : The Five "Creates" 02 Create New Business Domain

Mid Term Plan was disclosed in May 2019. Portions in RED are changed in Nov. 2019

	M&A	Overseas
10 Yrs.Later (FY29/3)	Revenue・・・90BJPY/yr. Wooden Independt. Residence buz. grows to be "3rd Core" 4th Core 5th Core	Revenue・・・10BJPY/yr ・Expand business to other countries/regions
3 Yrs.Later (FY22/3)	・Develop New Buz. in Takamatsu Field Realize Wooden Independent Residence Business. Continue search through M&A, etc.	TCG USA ・Invest to development project ・End of Study Stage ・Establish business model
How?	・Plan to realize more than one M&A per year, and invest 50BJPY in 10 years	・Oct '17 Founded TCG USA ・Purchased 2 items in NY ・Studying business model and focus area
Why Expand?	・TCG grew through M&A ・Currently studying 50 candidates / year	・To study and test whether Takamatsu model can be exported overseas

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.

・Realize "Wooden Independent Residence" business vision with Takamatsu House, Tatsumi Planning and Mibu Corp as the core and grow the business to become "Third Core of TCG".

M&A

・In FY ending March 2020, TCG continues to consider about 50 M&A candidates annually, to realize "Forth Core" of TCG.

Overseas

・Set up profitable business model in New York, USA..

・Investment to development project under way.
Contract to be concluded by Mar. 2020.
End of Study Stage, proceed to next stage.

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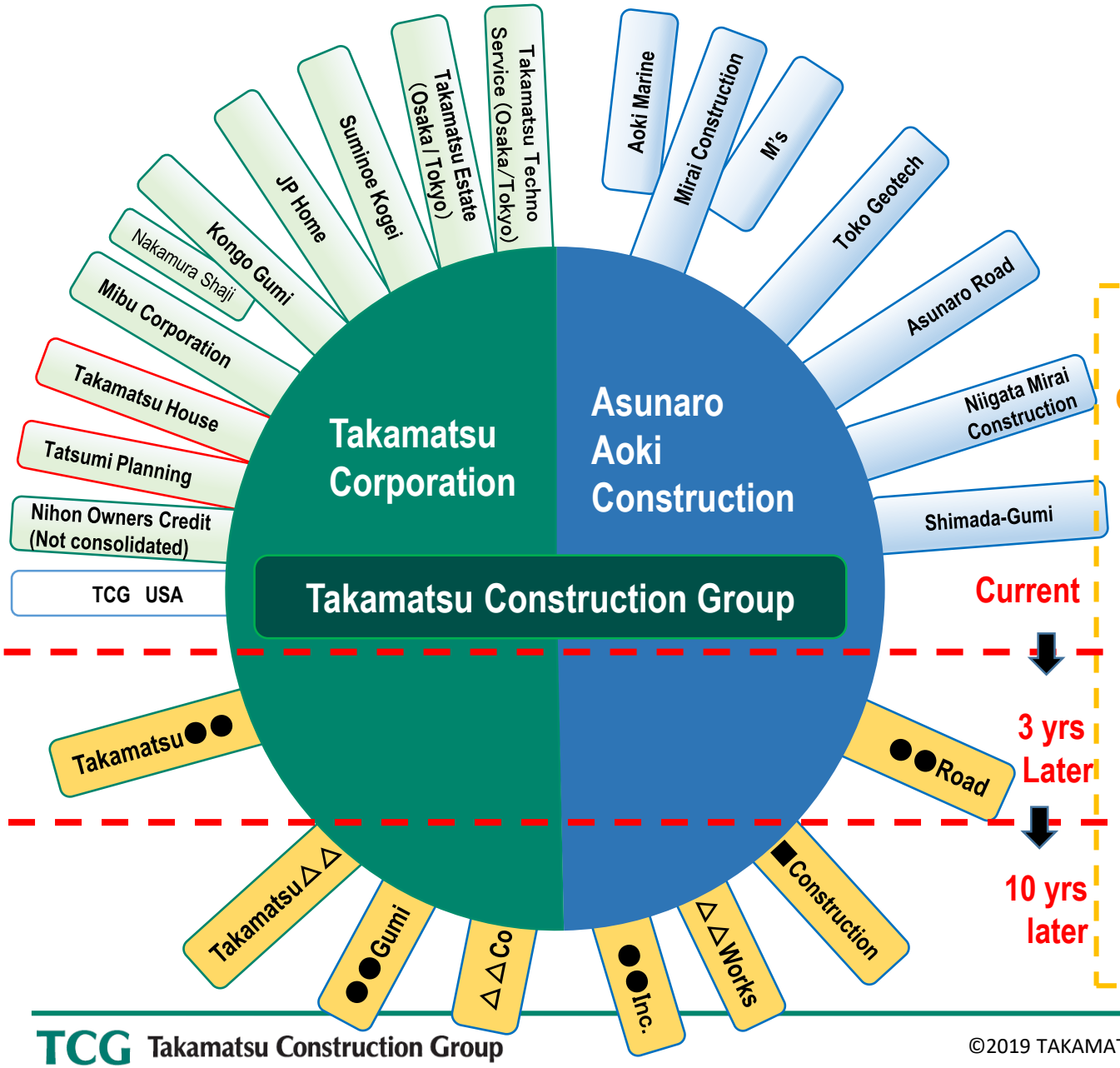
Takamatsu Construction Group : Mid to Long Term Growth Image

(Mid Term Plan was disclosed in May 2019.)



	Number of Group Companies	Revenue	SDGs Contribution Revenue
Current	22	249.7 BJPY	63.5 BJPY (25%)
3 yrs Later	24?	300.0 BJPY	94.2 BJPY (31%)
10 yrs later	30?	550.0 BJPY	192.5 BJPY (35%)

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Major Orders and Completed Constructions

Asunaro Aoki Group : Major Orders (Civil Engineering・Architecture)

Company Name	Project Name	Order by
Asunaro Aoki	(Temp.name) Hachioji Condominium Plan	Keisei Electric Railway Co., Ltd.
Asunaro Aoki	Asashio Bridge Electricity Facility Construction, etc.	Hanshin Expressway Company Limited.
Asunaro Aoki	Kanan Second Term(First Term) Farm Irrigation Work Construction Work of Drainage Station in Naka District	Tohoku Agricultural Bureau
Asunaro Aoki	New Meishin Highway Shigaraki River Bridge West Construction	West Nippon Expressway Company Limited
Mirai Construction	New Meishin Highway Joyo 2nd Elevated Bridge West Construction	West Nippon Expressway Company Limited
Mirai Construction	(Temp.name) Mita-1, Minato-ku Plan Existing Building Dismantling	Mitsui Fudosan Residential Co., Ltd.
Toko Geotech	Sanyo Highway Reinforcement and Embanking between Fukuyama Interchange and Mihara Hisai Interchange	West Nippon Expressway Company Limited
Toko Geotech	No. 3 Furnace Chimney Construction	Nippon Steel Corporation
Aoki Marine	Mizushima Harbor Tamashima District Cruise Route/Anchorage Dredging Construction (-12m)	(Original Order) Chugoku District Maintenance Bureau
Asunaro Road	Route 44 Nemuro City, Honioi Higashi Pavement	Kushiro Development Construction Dept.
M's	WBG (World Business Garden) Toilet Renewal (Phase 4 of 5 Phases)	Mitsui Fudosan Co., Ltd.
Niigata Mirai	Nagaoka District Flood Countermeasure Phase 2 of FY 2019	Hokuriku District Maintenance Bureau Nagaoka National Road Office
Shimada Gumi	(Temp) Archaeological Excavation & Research, Sakai City Mihara Plan	(Original Order) Mitsui Fudosan Co., Ltd.

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Asunaro Aoki Group：Major Completed Construction（Civil Engineering・Architecture）



Asunaro Aoki Construction
(Temp) Senior Citizen Nursing Facility Construction, Kumegawa



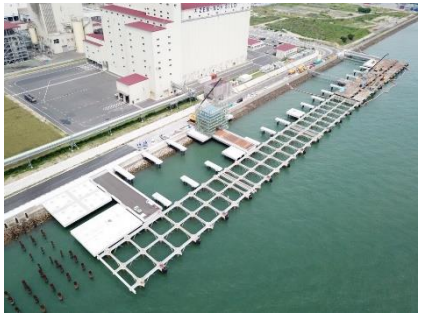
Asunaro Aoki Construction
(Temp) Osaka Vacuum Industrial Co.,Ltd. Hoshida Plant Construction



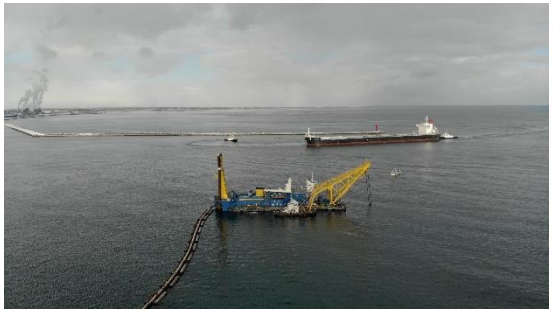
Asunaro Aoki Construction
Isato-Maekawa Recovery Construction
(Phase 2)



Asunaro Aoki Construction
(Temp) Maruai Logistics Center Construction



Mirai Construction
Mizushima Tamashima District Wharf (-12m) Construction (Phase 4)



Mirai Construction
Hachinohe Harbor Hattaro/Kawaragi District Cruise Path / Anchorage Dredging (Phase 2)



Toko Geotech
Tohoku Highway Slope Repair / Construction Between Tochigi-Tsuga JCT and Kanuma Interchange



Toko Geotech
Lower Portion of Kuzuha Ridge Construction Phase 12



Aoki Marine
Mizushima Harbor Tamashima District Wharf (-12m) Dredging Construction



Asunaro Road
Route 44 Nemuro City Onne-toh East Pavement



M's
Kasumigaseki Building
Keyaki Square Wood Deck Replacement



Niigata Mirai
Prefecture Road 1201-00-00-05
(Main)Tokamachi Tokan-Shiozawa Road Pavement



Shimada Gumi
(Temp) Fuchu Bldg. DC Conversion Plan Energy Plant Archaeological Research towards New Construction

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Takamatsu Group : Major Orders（Architecture）

Company Name	Project Name	Order by
Takamatsu Corp.	M Condominium, Higobashi	—
Takamatsu Corp.	M Condominium, Marunouchi	—
Takamatsu Corp.	H Condominium, Gokiso	—
Takamatsu Corp.	Toho Holdings Co.,Ltd. Sonoda Warehouse	TOHO HOLDINGS CO., LTD.
Takamatsu Corp.	New Plant, Warabi-Nishiki-cho, K Co.,Ltd.	—
Takamatsu Corp.	T Co.,Ltd. Building, Akasaka-Mitsuke	Chimoto Kogyo Co.,Ltd.
Takamatsu Corp.	H Condominium, Ekoda	Hinomoto Shinsei-ko Religious Corporation
Takamatsu Corp.	T Condominium, Noborito	Tanaka Komuten Co.,Ltd.
Kongo-Gumi	Osaka Mt. Narita Fudoson 90th Anniversary Mountain Gate Construction	Mt. Narita Myo-Oh In Neyagawa, Osaka

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Takamatsu Group : Major Completed Construction（Architecture）



Takamatsu Corp Tokyo
S Building, Shiba



Takamatsu Corp Tokyo
N Project, Toritsu Kasei



Takamatsu Corp Tokyo
New HQ Bldg, NIHON DENKEI CO., LTD.



Takamatsu Corp Tokyo
W Condominium, Urayasu



Takamatsu Corp Osaka
Company O Dormitory, Hanaten



Takamatsu Corp Osaka
Kawaramachi Gojo Project



Takamatsu Corp Osaka
H Condominium, Toyosaki



Takamatsu Corp Osaka
Nippon Express Co.,Ltd. Wakayama Warehouse



Kongo-Gumi
Niukawakami Shrine Lower Temple Maintenance



Takamatsu Techno Service (Osaka)
Outer Wall Refreshing, RC 3 Floor Building

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