



May 11, 2017

Company	Takamatsu Construction Group Co., Ltd
Representative	Nobuhiko Yoshitake, President and Representative Director of Board
Stock code:	1762
Contact	Hiroyuki Izutsu, Senior Director of Group Integration Division

## **Notice concerning Disclosure of Mid Term Plan “NC2020” (FY Mar. 2018 thru FY Mar. 2020)**

This is to disclose that Takamatsu Construction Group has planned and approved our new three year mid-term plan “TRY! NEXT CENTURY 2020” (FY March 2018 through FY March 2020).

Takamatsu Construction Group planned and executed our previous mid-term plan “New Light 2017”. Concerning our final year of the Plan, our revenue was just a bit short of the Plan. However, we have achieved 12.9billion yen of operating income, which by far exceeds the Plan of 9.0 billion yen.

Concerning our market recognition during years of our next mid-term plan, we foresee high level of domestic construction investment to continue, while tight market for construction of condominiums for rental purpose in major Japanese cities is also foreseen.

We will be celebrating our centenary in October of 2017. We will commence our new mid-term plan with the centenary year as the kick off year, with Takamatsu Corp, one main wheel of our Group Companies, to pull our growth by enlarging real estate activation business especially in Tokyo Metro area that continues to show strong trend. Asunaro Aoki Construction Co.,Ltd., the other main wheel of the Group, will proceed to realize steady growth as well as maintain high margin rate which Asunaro Aoki realized in the previous year.

Takamatsu Construction Group, as a whole,, will proceed to realize revenue of 268 billion yen in FY March 2020 with the keyword “Challenge 268”. Under “Specialty 18 alfa”, we will expand our business through organic growth of the 18 Group business companies as well as by conducting aggressive M&As. We also listed “Quality 15” to realize operating profit of 15 billion yen by maintaining and improving our high quality and highly efficient construction works. Last but not the least, we will strengthen our management basis by improving our Group synergy, HR development, Group governance and capital policies, with TCG (holding company) as the arrowhead to give impact to the whole Group.

Takamatsu Construction Group will strive to realize this NC2020 Mid-term Plan. Understanding as well as support from shareholders and other stakeholders of ours will be mostly appreciated.

*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 material 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.*

# Mid Term Plan 「TRY! NEXT CENTURY 2020」

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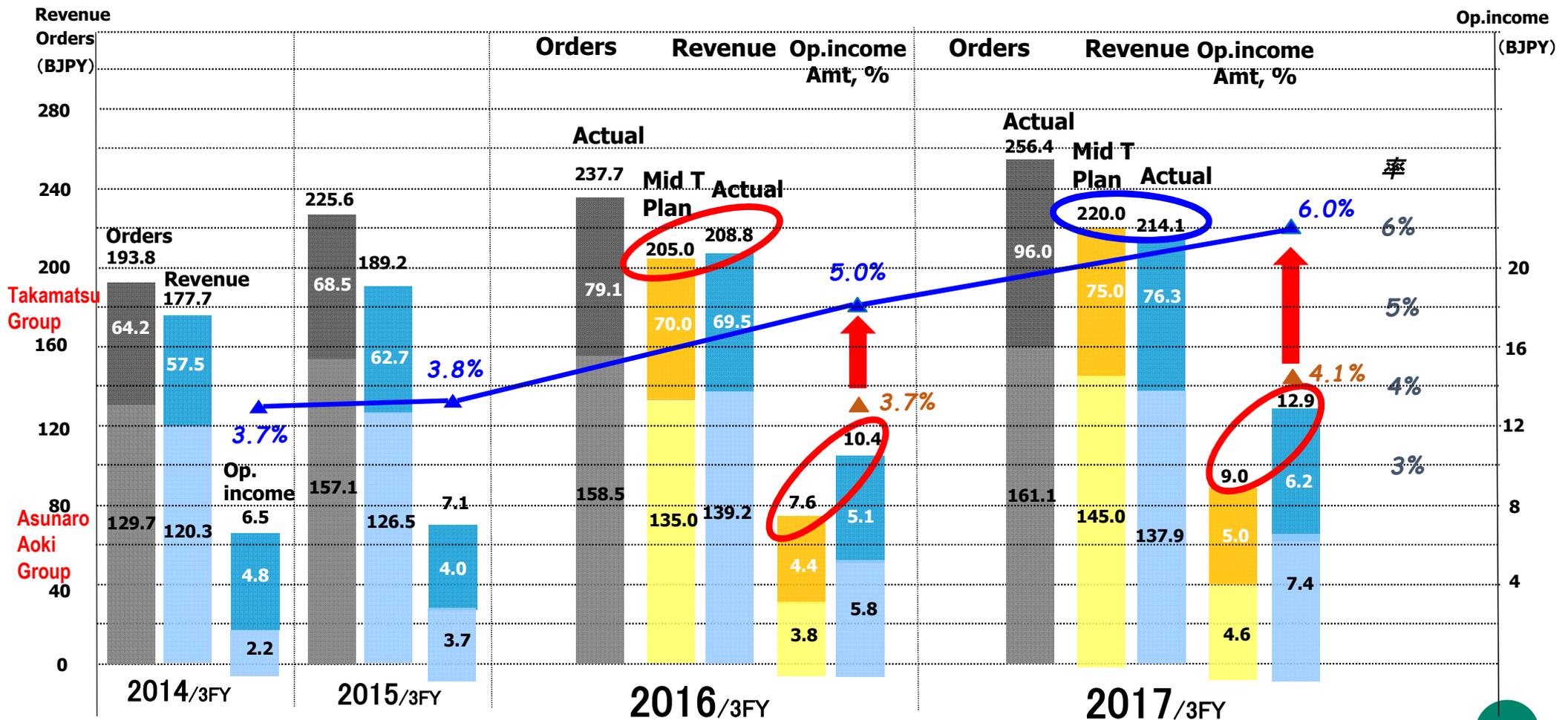
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Takamatsu Construction Group Co.,Ltd.

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# 1. 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 as FY March 2017, which is our Centenary year. The plan was announced in May 2015.
2. Concerning results of FY March 2017, our actual revenue was a bit short vs. Plan, but our operating profit was above Plan by 3.9BJPY.
3. We were able to achieve CAGR (compounded annual growth rate) of 9.5% for Incoming Orders, 6.4% for Revenue and 25.6% for our Operating Income vs FY March 2014.



## 2. Our Market Environment Recognition 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 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 fast decline of market for condominiums for rental purpose due to raise of interest and / or decrease of occupancy rate.
- Decrease of overall construction start-ups.



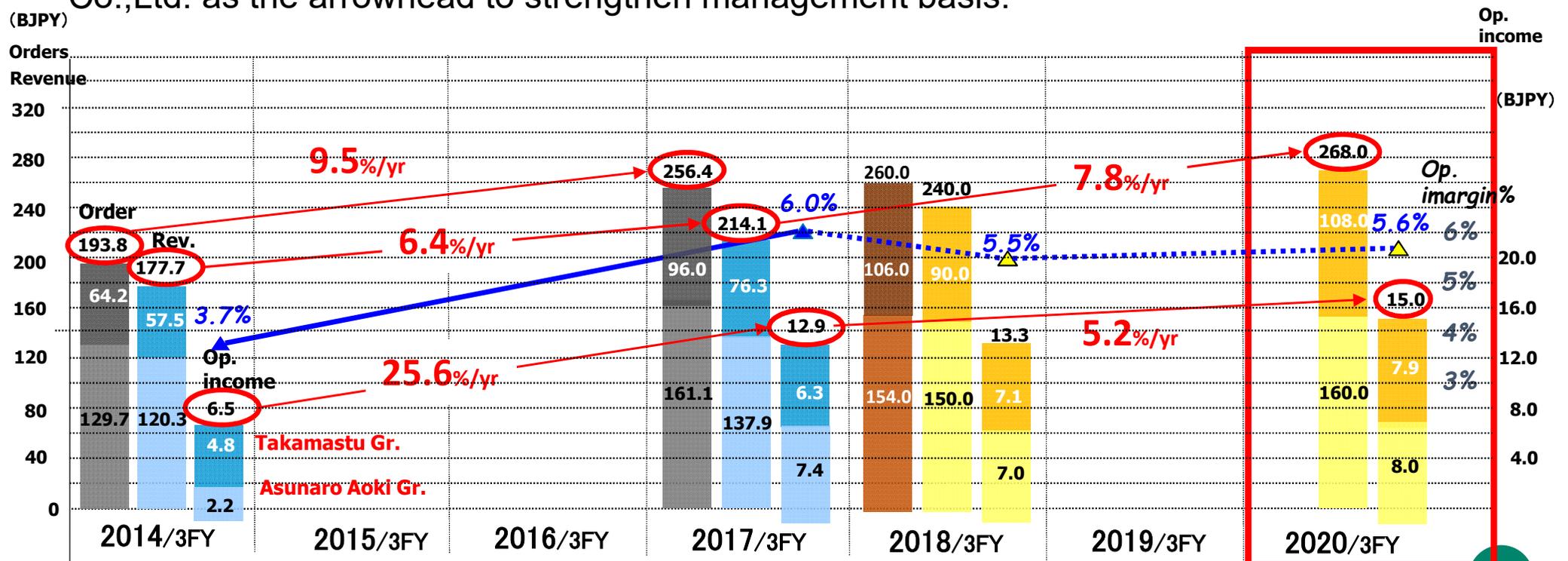
### Growth Image of Takamatsu Construction Group Towards FY Mar. 2020

1. We will create an organization which realizes expansion of orders and continued growth with 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 orders, 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.

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

Takamatsu Construction Group will realize the following targets:

- CHALLENGE 268** : We will achieve 268BJPY yen of revenue in FY March 2020, which is 7.8% growth per year (CAGR).
- SPECIALTY 18 α** : We will realize further growth of our current 18 business affiliates as well as additional growth through M&A.
- QUALITY 15** : We will realize 15BJPY of operating income by maintaining and improving our high quality and highly efficient operations. We will realize 5.6% of operating margin as well as 5.2% of operating income growth CAGR.
- Furthermore, we will realize maximization of Group capability, HR development, Group governance improvement, improvement of capital policies, with Takamatsu Construction Co.,Ltd. as the arrowhead to strengthen management basis.



## 4. Group Vision and Mid-Term Plan : Takamatsu Group

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 numerous landmark condominiums in front of stations, resulting in higher rental fee and high occupancy rate
3. Completed buildings totals 4,500, with 1,320 in Tokyo Metro Area and 3,180 in Kinki and Nagoya Areas.
4. Marked record high level of orders, revenue and profit for two consecutive years in FY Mar.2017.
5. Building more large size architectures such as logistic centers, hospitals and factories.  
(DPL Nagareyama 1, Chiba Minato Hospital, etc.)
6. Hiring more employees to reinforce sales activities in Tokyo Metro Area.
7. Takamatsu Corp, together with Takamatsu Techno Service (reforms and large scale repairs) and Takamatsu Estate (real estate management) will work as Trinity to lead the Group and realize revenue of 108BJPY in FY March 2020!



Chiba Minato Hospital



DPL Nagareya 1



# 5. Group Vision and Mid-Term Plan : Asunaro Aoki Group

1. Asunaro Aoki Group is a listed company in Tokyo Stock Exchange 1<sup>st</sup> 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.



Metro Highway No.1 Haneda Line



Fukushima Prefecture Police Headquarter



UR Hamami-Daira Condominiums

## 6. Group Vision and Mid-Term Plan : Measures to Strengthen Management Basis

1. To realize Mid-Term Plan targets, Takamatsu Construction Group Co.,Ltd. (unconsolidated) will work as the arrowhead to strengthen management basis.
2. To match with high growth rate, strong recruiting and human development measures will ne continued.
3. Dividend policy will be constantly reviewed to further strengthen dividend policies.

	Base Strategy	Goal	Measures
Enterprise Base	Maximize Group Strength	Optimize business portfolio	▪ Optimize Group portfolio by understanding strength / weakness of the Group
		Promote strategic M&A	▪ Push M&A by making "wish list"
		Enhance Gr. management control	▪ Strengthen PDCA of Mid Term Plan→Annual Plan →Monthly KPI Meetings
		Strengthen IR	▪ Strengthen meetings with analysts / investors ▪ Disclose English version of maior documents+HP
Management Base	HR Development and Policy Improvement	Continue high level of recruiting	Hire new college graduates = 13/4= 93, 14/4=142, 15/4=201, 16/4=161, 17/4=176, 18/4=240, 19/4=220
		Develop work-friendly environment	▪ Improve rules to meet with recent law change
		HR policy development	▪ Streamline & enhance education / training systems
	Group Governance	Strengthen risk control capability	▪ Strengthen Internal Audit / Legal Deaprtments
		Prepare crisis management	▪ Continue survival check training / Strengthen crisis IR management
	Capital Policies	More emphasos on dividend payout ratio	▪ Payout ratio =FY16/3=21.1%→FY17/3=23.5%. ▪ 26.2% is planned for FY18/3 including commemorative dividend. ▪ 25%+ payout ratio will be continued in future years.

# 7. 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.

