

Translated version

- Adapt to our surroundings and aim for sustainable growth -

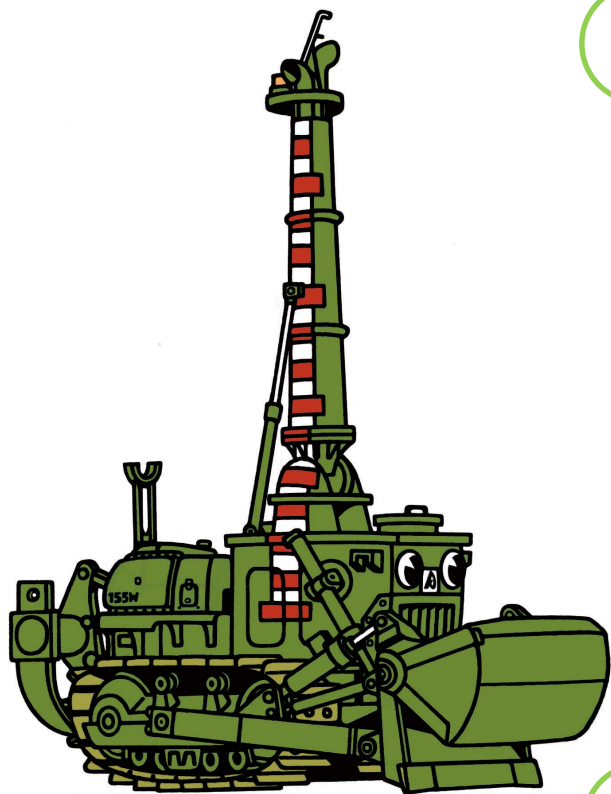
Mid Term Plan

May 2019



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Contents



スィブルくん ©こもりまこと

- 1 Roundup of the previous mid term plan
- 2 Recognizing our surroundings and key points going forward
- 3 Basic policy & basic strategy, keywords
- 4 Priority measures and initiatives to improve productivity
- 5 Strategies to enhance business capabilities
- 6 Business strategies of group companies
- 7 ESG and work style improvement initiatives
- 8 Business goals (numerical targets)
- 9 Capital policy

1. Roundup of the previous mid term plan

■ Achievements and challenges in the previous mid term plan

(1) Orders received, sales

Orders were received in well-balanced fashion between base projects such as railroads and roads, renewable energy projects such as mega solar facilities, non-residential projects such as large distribution facilities and government buildings, and Private Finance Initiative projects. Challenges were expanding earthquake-resistance business and sales strategy for our condominiums.

(2) Operating profit

Consolidated operating profit reached a new record high in FY2017 but it decreased in FY2018 due to a decline in gross profit margin from fewer highly profitable projects in our architecture department, poor sales of our condominiums resulting from a slump in the apartment/condominium market, rising general and administrative costs due to improved working conditions and increased numbers of staff, and effects from low-profitability projects at group companies.

■ Consolidated performance by fiscal year

	2018/3 Mid term plan	2018/3 Actual	% difference from plan	2019/3 Mid term plan	2019/3 Actual	% difference from plan
Orders received	1,540 hundred million yen	1,486 hundred million yen	(3.5) %	1,600 hundred million yen	1,696 hundred million yen	+6.0 %
Sales	1,500 hundred million yen	1,534 hundred million yen	+2.3 %	1,560 hundred million yen	1,524 hundred million yen	(2.3) %
Operating profit	70 hundred million yen	76 hundred million yen	+9.5 %	77 hundred million yen	67 hundred million yen	(13.0) %
Operating profit margin	4.7 %	5.0 %	+0.3 pt	4.9 %	4.4 %	(0.5) %

2. Recognizing our surroundings and key points going forward

Recognizing our surroundings

Positive factors

- Investments for building infrastructure are continuing for now
- More social infrastructure updates
- Promoting “National Resilience” measures
- Growth of the renovations market
- Technological innovations such as AI and robots

- Less new construction projects
- Less construction workers
- Less households overall
- Economic contraction from declining population
- Post-Olympic economic uncertainty

Negative factors

Key points

Positive factors

- Our own proprietary technology for disaster prevention and mitigation construction
 - Extensive track record in renewable energy-related construction
 - Industry-academia collaborative joint research
- Our performance in public sector construction where we have competitive advantage

- i-Construction must progress quickly
- On-site engineers still stretched too thin
- Productivity improvement is absolutely essential
- Work style improvement initiatives are essential

Negative factors

3. Basic policy & basic strategy, keywords

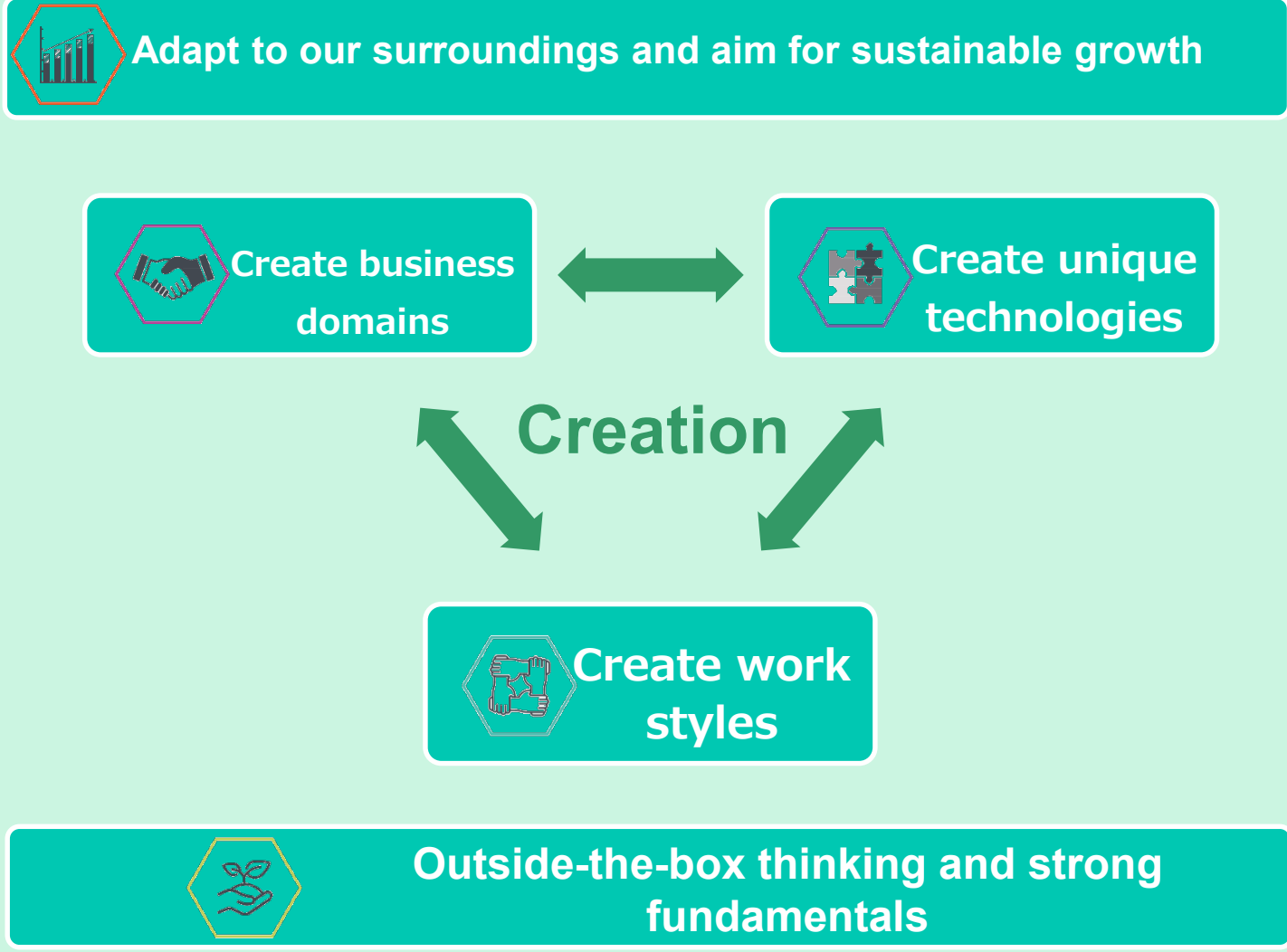
Basic policy

- **Outside-the-box thinking and strong fundamentals – Adapt to our surroundings and aim for sustainable growth**

Basic strategy

- ❑ **Further bolster efforts toward renovation-related projects**
- ❑ **Get more projects and expand in private non-residential and private civil engineering**
- ❑ **Develop the next new business after ABDS**
- ❑ **Advance into new business (contract) categories (PFI, EPC, etc.)**

3. Basic policy & basic strategy, keywords



4. Priority measures and initiatives to improve productivity

- ❑ Bolster efforts in transportation infrastructure
- ❑ Enter the market in earthquake-resistance, and in public facilities management utilizing Public Private Partnership and Private Finance Initiative business
- ❑ Bolster efforts in construction, including replacements, for wind power generation, micro-hydroelectric power generation, and mega solar
- ❑ Develop and bolster business that utilizes real estate
- ❑ Achieve at least an 80% rate of 8 days of facilities not in operation every four weeks, and 100% rate of 8 days off every four weeks for individuals

- ❑ Improve productivity by embracing and actively implementing ICT, BIM, CIM, and AI technologies
- ❑ Boost cost competitiveness through collaborative and cooperative efforts with partner companies
- ❑ Pursue thorough compliance and strengthen corporate governance
- ❑ Bolster efforts that take ESG, SDGs, and capital cost into consideration

5. Strategies to enhance business capabilities

Construction business



PFI business in Yokosuka



Using BIM model data for construction
(VR model room)

- ❑ Enhance precision and productivity in construction by expanding our use of BIM and CIM
- ❑ Boost productivity through AI, ICT, work done by robots, etc.
- ❑ Strengthen relationships with partner companies by employing the MEISTER System, etc.
- ❑ Advance into new business (contract) categories such as PFI and EPC

Other



And Hostel Kanda

- ❑ Working through ABDS to secure land sites near stations in Tokyo, etc.
- ❑ Working on real estate renovation projects such as hostels

6. Business strategies of group companies

Mirai Construction



- ❑ Engage in “National Resilience” and maintenance and repair, bolster technological capability
- ❑ Embrace business use of i-Construction
- ❑ Bolster efforts toward new offshore energy

Toko Geotech



- ❑ Develop next generation construction methods that the market desires
- ❑ Build community-based sales systems
- ❑ Add more automation, mechanization, and use of robots in construction work

Other group companies

Aoki Marine

- ❑ Ensure the vessels they own are in operation to ensure profitability

Asunaro Road

- ❑ Utilize ICT technologies and improve productivity

M's

- ❑ Boost proposal capabilities in conversion business

Niigata Mirai

- ❑ Boost construction capabilities in civil engineering projects

Shimada Gumi

- ❑ Strengthen business base in Kanto and Kyushu

7. ESG and work style improvement initiatives

ESG & SDGs



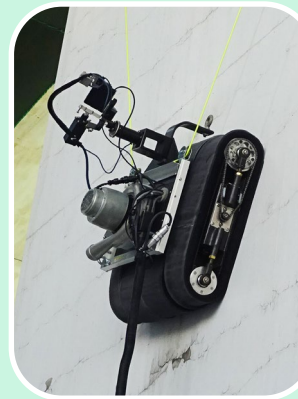
Renewable energy-related construction projects



Hands-on learning for children during summer vacation

- ❑ **Measures to counter global warming: Bolster efforts toward renewable energy-related construction projects, etc.**
- ❑ **Social contributions: Facility tours and hands-on learning with construction technology for preschool and school age children, etc.**
- ❑ **Governance: Improve the effectiveness of the Board of Directors and strengthen governance, etc.**

Work Style Improvements



Developing wall-climbing robots



Safety patrols by female employees

- ❑ **Improve productivity through the use of ICT, AI, unitization, robot construction, etc.**
- ❑ **Achieve at least an 80% rate of 8 days of facilities not in operation every four weeks, and 100% rate of 8 days off every four weeks for individuals by March 2022**
- ❑ **Designate Wednesday and Friday every week as “No Overtime Work Days”**
- ❑ **Promote the advancement of women**

8. Business goals (numerical targets)

	Non-consolidated		Consolidated	
	2020/3	2022/3	2020/3	2022/3
Orders received	960 Hundred million yen	1,020 Hundred million yen	1,610 Hundred million yen	1,700 Hundred million yen
Sales	920 Hundred million yen	950 Hundred million yen	1,550 Hundred million yen	1,600 Hundred million yen
Operating profit	40 Hundred million yen	45 Hundred million yen	72 Hundred million yen	80 Hundred million yen
Operating profit margin	4.3 %	4.7 %	4.6 %	5.0 %
Ordinary profit	52 Hundred million yen	57 Hundred million yen	72 Hundred million yen	80 Hundred million yen
Net profit for the fiscal year	39 Hundred million yen	42 Hundred million yen	48 Hundred million yen	50 Hundred million yen
Sales by segment	<p>Civil engineering 47 billion yen Architecture 45 billion yen</p>	<p>Civil engineering 47.5 billion yen Architecture 45 billion yen Real estate 2.5 billion yen</p>	<p>Civil engineering 108 billion yen Architecture 47 billion yen</p>	<p>Civil engineering 110 billion yen Architecture 47.5 billion yen Real estate 2.5 billion yen</p>

Consolidated net profit for the fiscal year indicates net profit attributable to owners of the parent.

9. Capital Policy

■ Basic policy on profit sharing

We consider shareholder returns to be a key management issue. Our policy is to strive to improve shareholders' equity needed to bolster our financial standing, while maintaining a stable dividend and providing returns from our profits according to our business performance.

■ Dividend by year

	2016/3 Actual	2017/3 Actual	2018/3 Actual	2019/3 Actual	2020/3 Forecast
Dividend per share	18 yen	20 yen	22 yen	24 yen	24 yen
Payout ratio (non-consolidated)	33.3 %	32.2 %	35.5 %	34.0 %	33.6 %
Payout ratio (consolidated)	26.2 %	27.7 %	22.9 %	32.3 %	27.3 %



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Note: Information within these materials which pertains to future developments was created based on available information at the time the materials were created. There are several factors which could result in actual future performance differing from what is indicated in these materials. Additionally, these materials were created with the intention of providing reference information to be used by investors for their investment decisions, and do not constitute any sort of effort to solicit the purchase or sale of Asunaro Aoki stock.