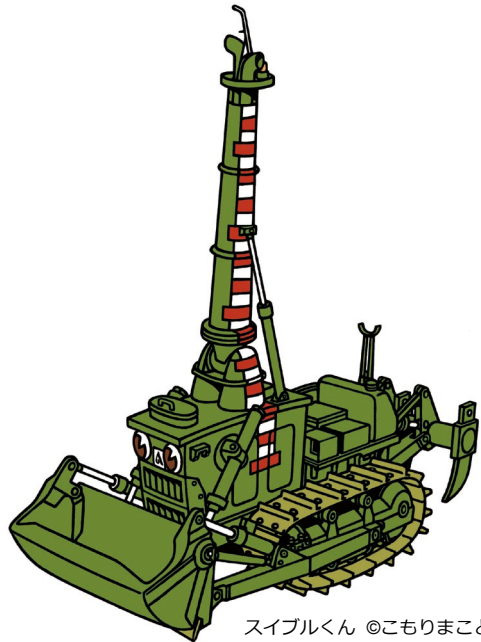


Translated version



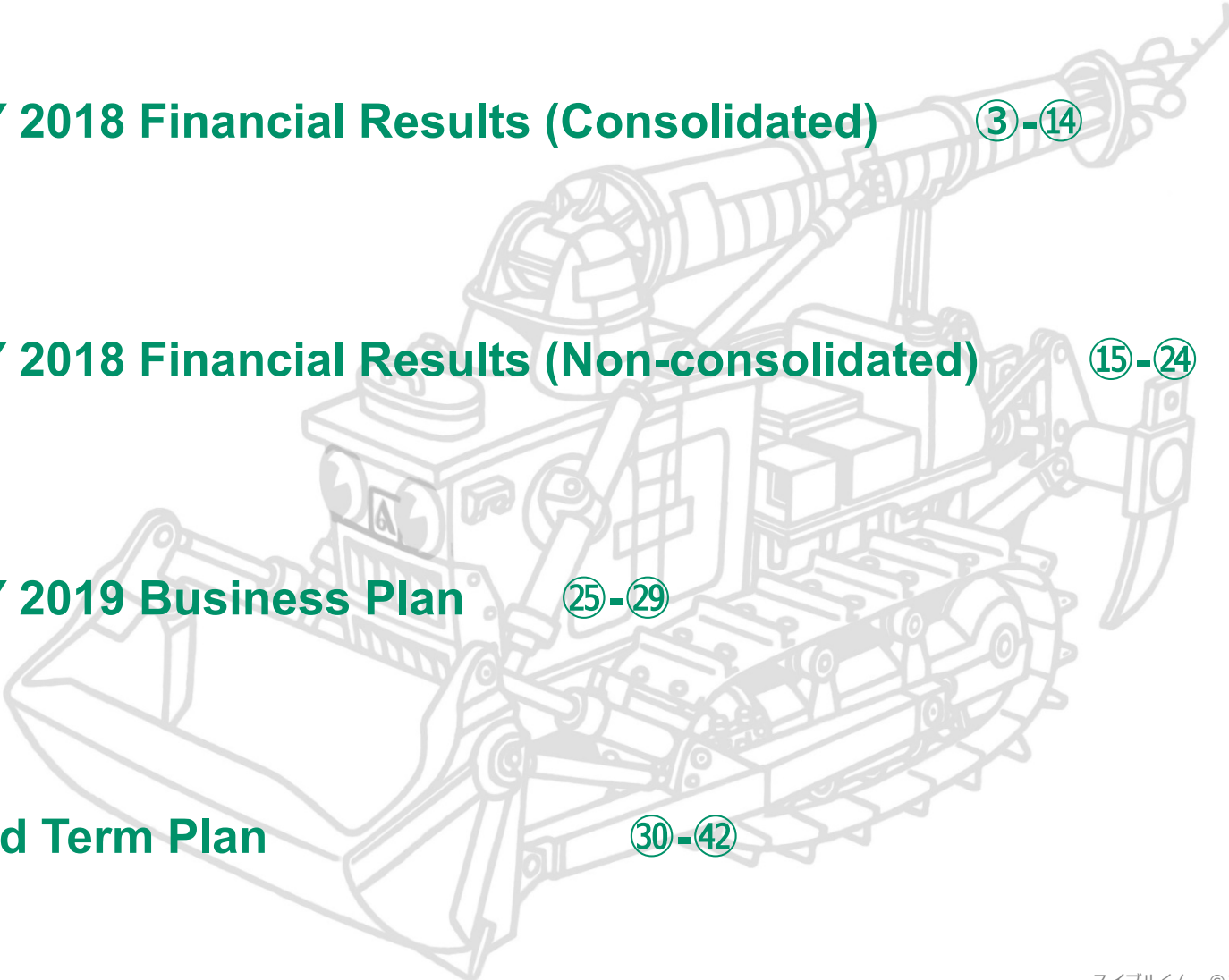
FY 2018 Financial Results & FY 2019 Business Plan



スイブルくん ©こもりまこと

Asunaro Aoki Construction Co., Ltd.
Stock code: 1865
29 May, 2019

Contents

- 
- **FY 2018 Financial Results (Consolidated)** ③-⑭
 - **FY 2018 Financial Results (Non-consolidated)** ⑮-⑳
 - **FY 2019 Business Plan** ㉕-㉙
 - **Mid Term Plan** ㉓-㉜

FY 2019 Financial Results (Consolidated)

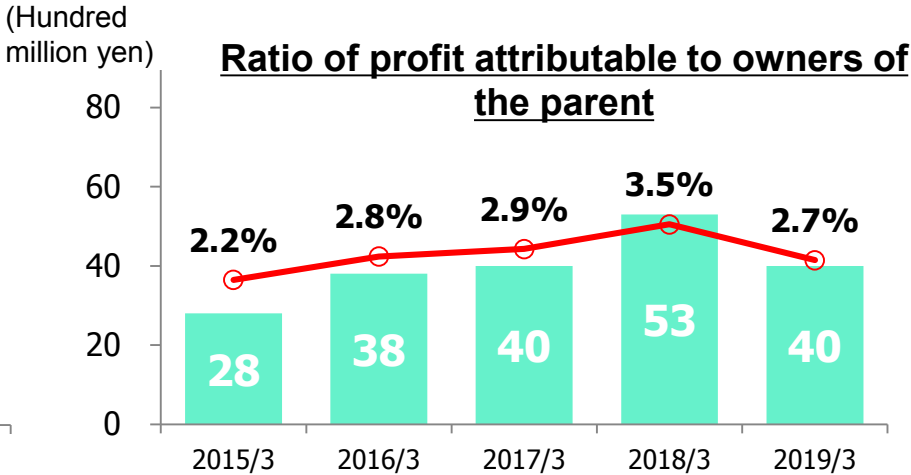
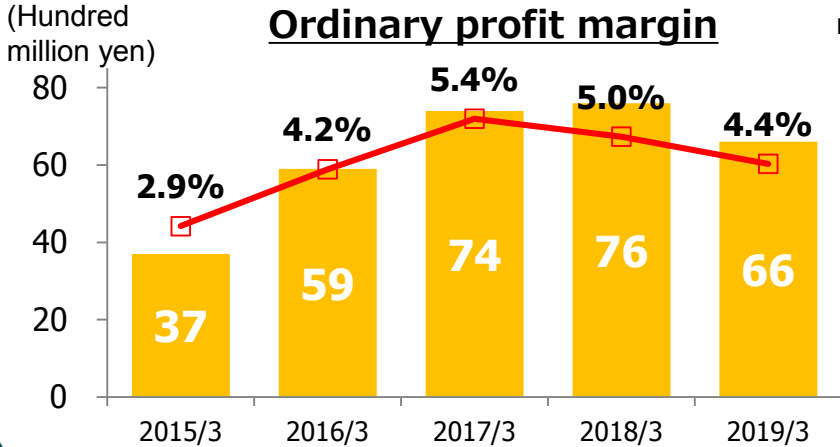
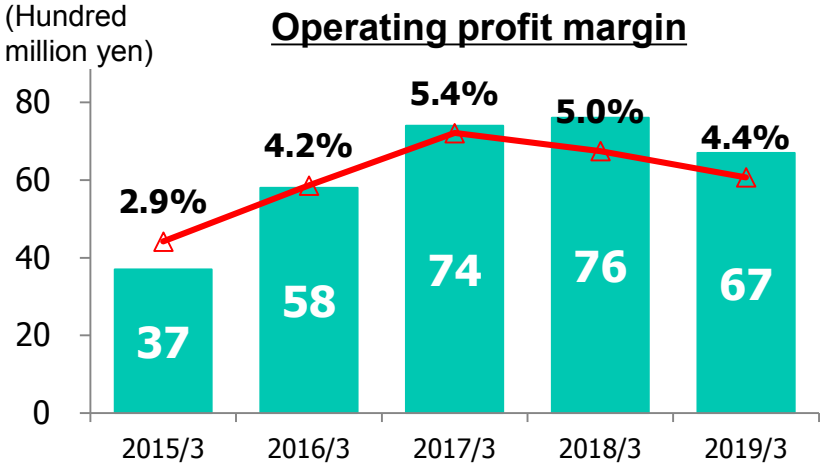
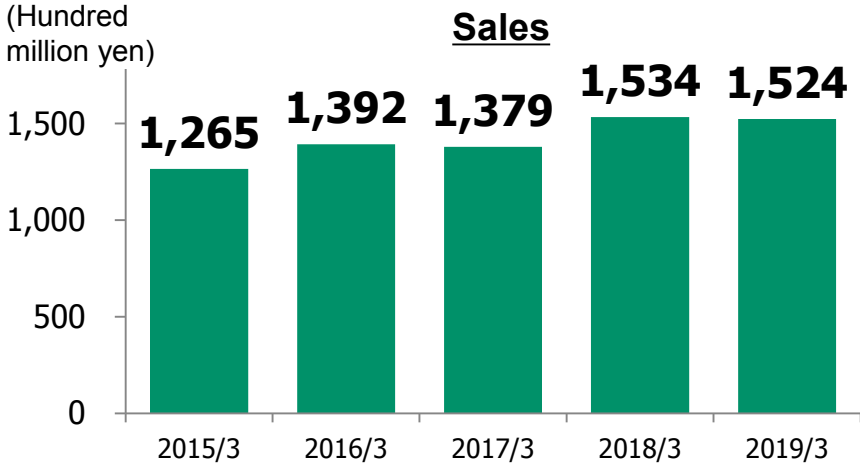
Our group of companies

- Our group of companies is comprised of [Asunaro Aoki Construction Co., Ltd.](#) and [eight other group companies](#). Our business is mainly in [construction and real estate](#).

	Architecture	Civil engineering	Real estate	Main business area
Our company	Asunaro Aoki Construction Co., Ltd.			Japan
Subsidiaries	Mirai Construction Co., Ltd.			Japan
		Toko Geotech Co., Ltd.		Japan
		Aoki Marine Co., Ltd.		Japan
		Asunaro Road Co., Ltd.		Hokkaido
	M's Co., Ltd.			Tokyo area
		Niigata Mirai Co., Ltd.		Niigata Prefecture
		Shimada Gumi Co., Ltd.		Japan
		Access Co., Ltd.		Kansai area

Performance overview (consolidated)

■ Our sales **decreased** year-on-year from the new record high set last fiscal year, as did operating profit, ordinary profit, and profit attributable to owners of the parent which had also reached new record highs last fiscal year.



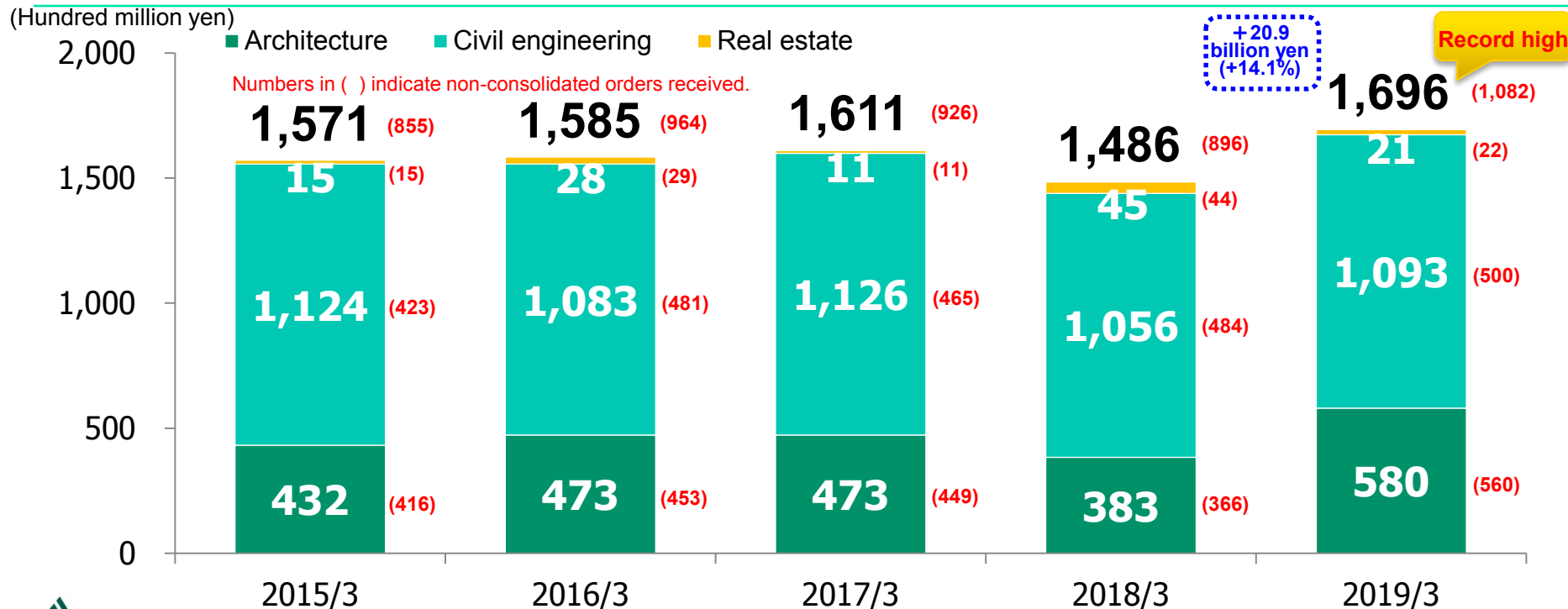
Orders received (consolidated)

(Rounded down to the nearest hundred million yen)

- Architecture **increased** as orders were received in non-residential business including large distribution facility and government building projects, and in (residential) Private Finance Initiative (PFI) projects. Civil engineering **increased** as orders were received for base projects such as for railroads and roads and in renewable energy projects including mega solar. Overall, orders **increased by 20.9 billion yen (+14.1%)** year-on-year **and established a new record high**.

Consolidated/non-consolidated orders received ratio

Overall	1.8 times	1.6 times	1.7 times	1.7 times	1.6 times
Civil engineering	2.7 times	2.2 times	2.4 times	2.2 times	2.2 times
Architecture	1.0 times	1.0 times	1.1 times	1.0 times	1.0 times



Sales (consolidated)

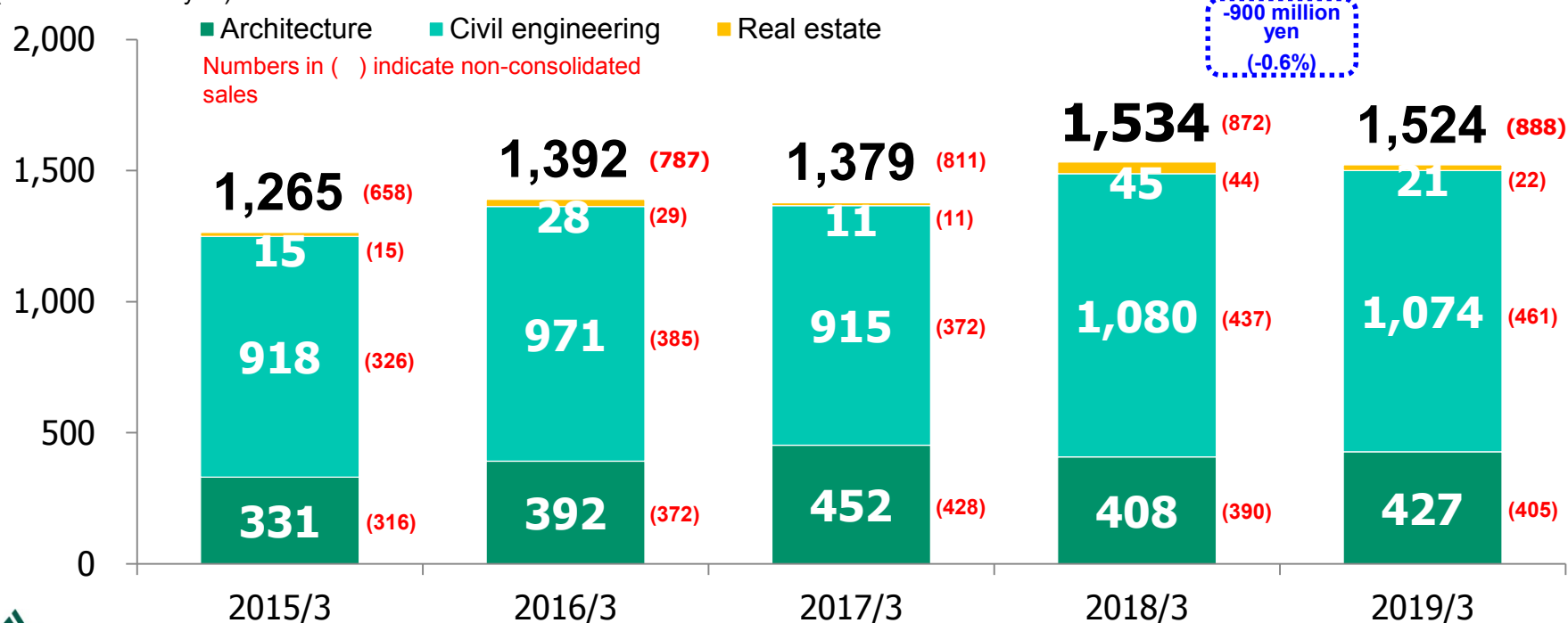
(Rounded down to the nearest hundred million yen)

- Sales revenue in architecture **increased** as current projects progressed smoothly, among other factors. In civil engineering current projects progressed smoothly, but sales **decreased** as some group companies were unable to get more orders for projects during the fiscal year. Overall, sales **decreased by 900 million yen (-0.6%)** year-on-year.

Consolidated/non-consolidated sales ratio

Total	1.9 times	1.8 times	1.7 times	1.8 times	1.7 times
Civil engineering	2.8 times	2.5 times	2.5 times	2.5 times	2.3 times
Architecture	1.0 times	1.1 times	1.1 times	1.0 times	1.1 times

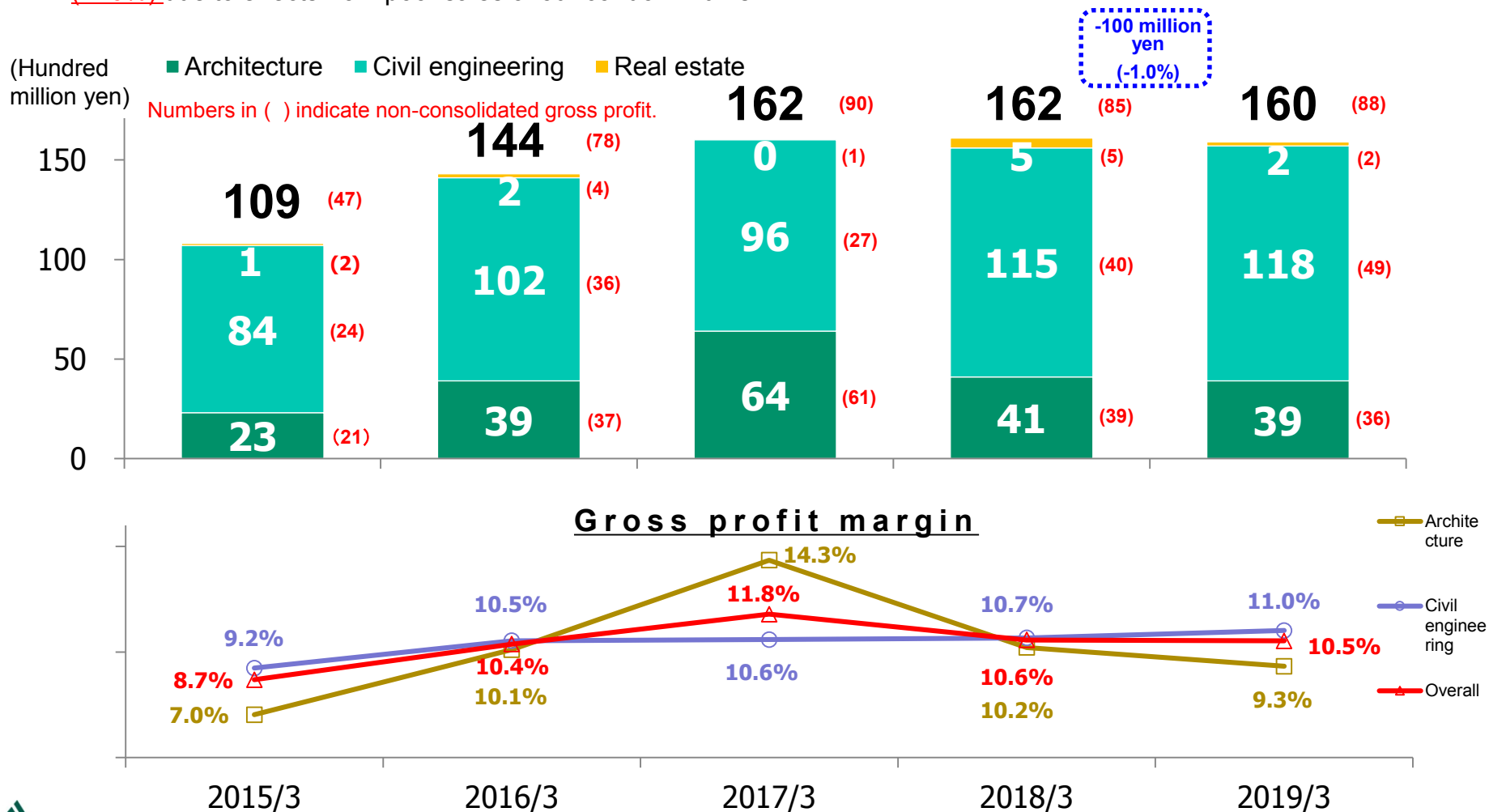
(Hundred million yen)



Gross profit (consolidated)

(Rounded down to the nearest hundred million yen)

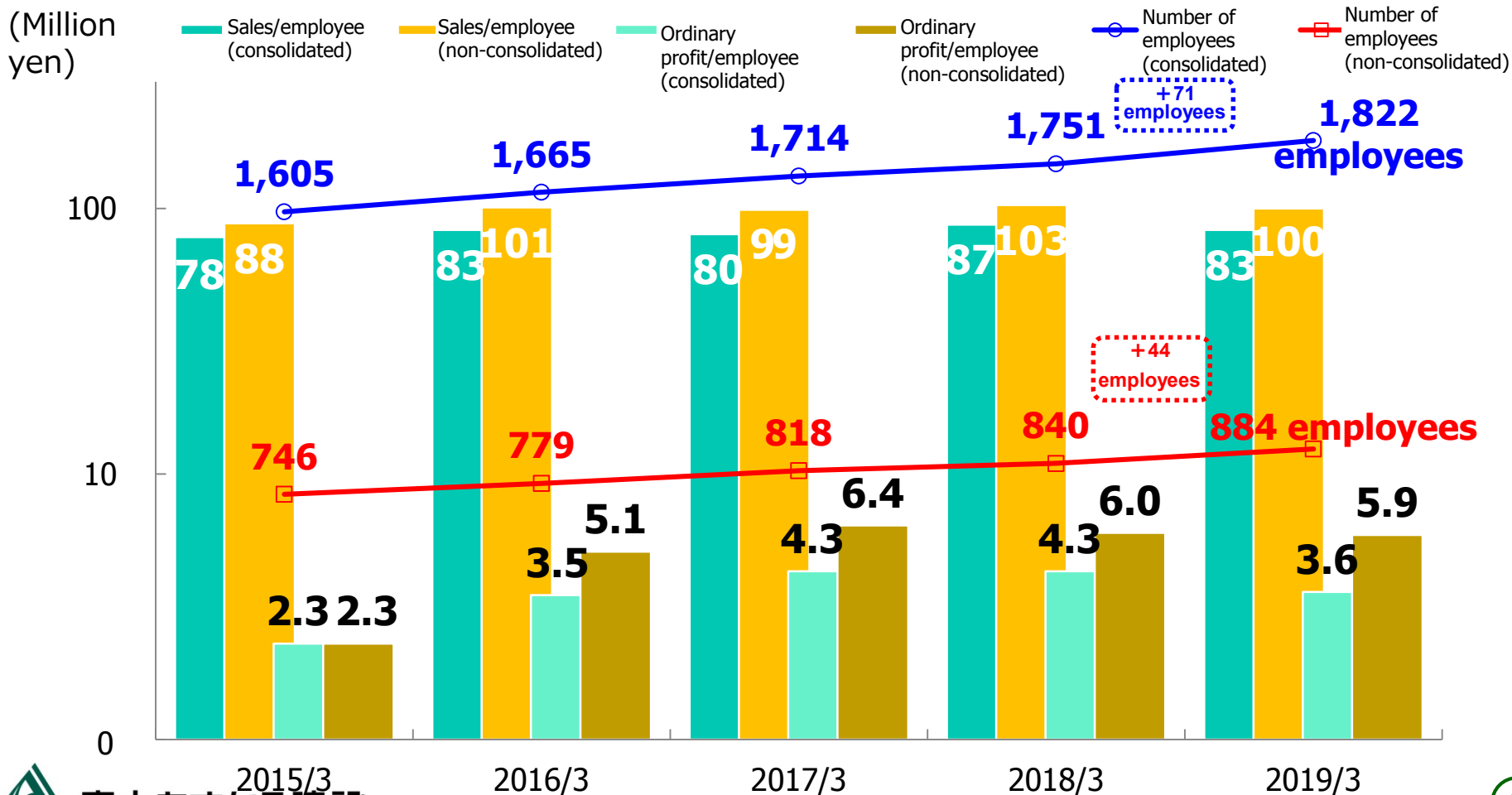
- In architecture, gross profit **decreased** due to decreased profit margin resulting from less highly profitable projects, while gross profit in civil engineering **increased** as our overall sales increase and progress in highly profitable projects overcame effects from low-profitability projects at group companies. Overall, gross profit **decreased by 100 million yen (-1.0%)** due to effects from poor sales of our condominiums.



Number of employees and productivity

(Sales/employee: rounded down to the nearest million yen)
 (Ordinary profit/employee: rounded down to the nearest 100,000 yen)

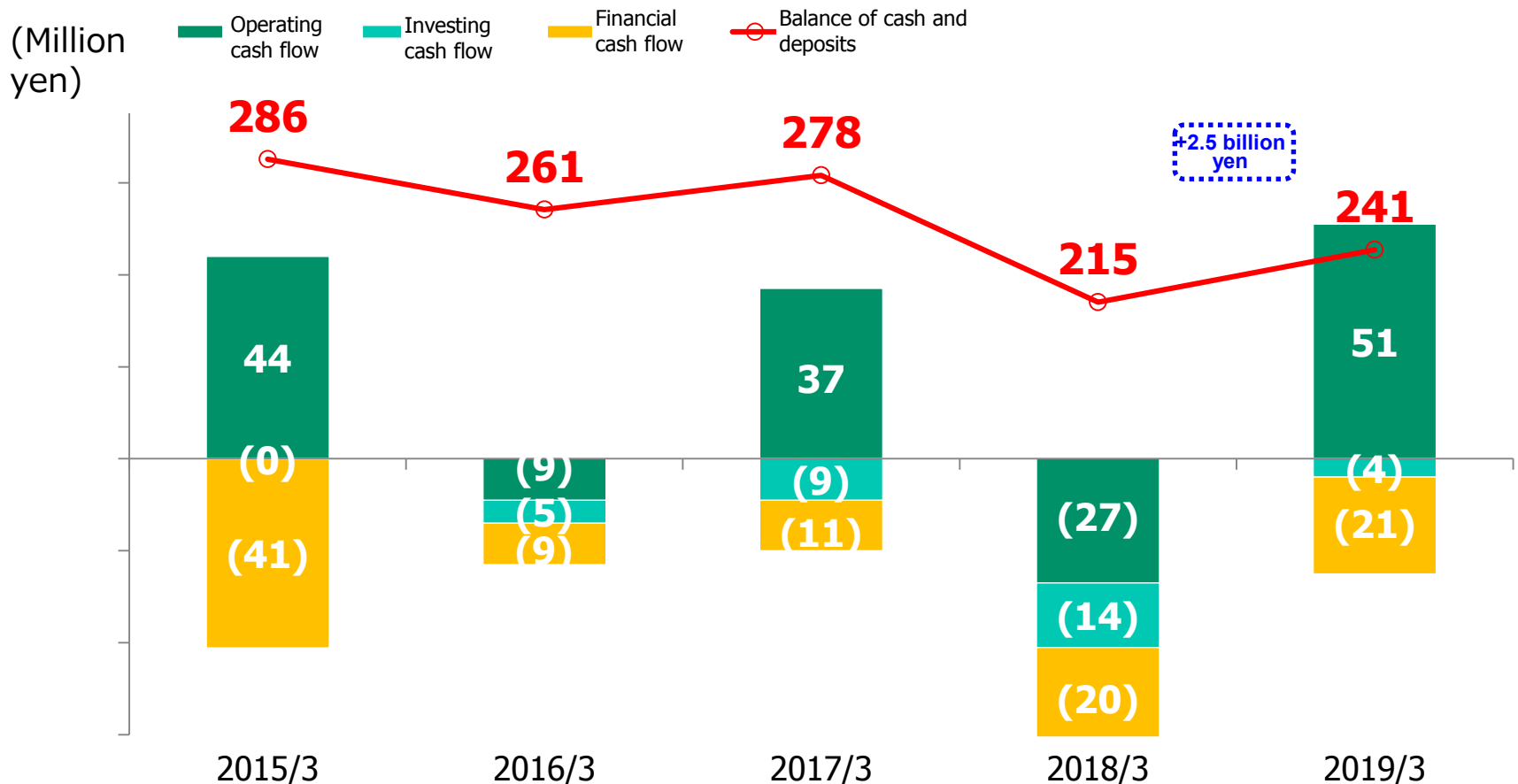
- The number of employees at the end of the fiscal year was **trending upwards** due to ongoing new graduate hiring and similar efforts. Consolidated ordinary profit per employee **decreased** year-on-year as higher general and administrative costs from improved working conditions and larger numbers of staff could not be fully absorbed.



Cash flow (consolidated)

(Rounded down to the nearest hundred million yen)

- Cash flows from operating activities balanced out to **a net cash inflow of 5.1 billion yen** due to factors such as net income before taxes and other adjustments. Cash flows from investing activities recorded a **net cash outflow of 400 million yen** due to acquisitions of tangible assets. Cash flows from financing activities recorded a **net cash outflow of 2.1 billion yen** due to payments of dividends, acquisition of treasury shares, etc. This resulted in an overall year-on-year **increase of 2.5 billion yen** in the balance of cash and deposits.



Balance sheet (consolidated)

(Rounded down to the nearest hundred million yen)

	2018/3	2019/3	+/-
Current assets	942	964	22
Cash and deposits	215	241	25
Notes receivable, accounts receivable from completed projects, other	617	625	8
Real estate for sale	29	18	(11)
Costs from projects in progress	1	4	3
Costs from real estate business	6	—	(6)
Accounts receivable	64	64	0
Other	9	9	0
Allowance for doubtful accounts	(2)	(1)	1
Noncurrent assets	145	138	(6)
Tangible assets	68	63	(5)
Intangible assets	3	3	(0)
Investments and other assets	72	71	(1)
Investment securities	40	41	1
Deferred tax assets	24	22	(2)
Long-term accounts receivable	0	0	(0)
Other	9	8	(0)
Allowance for doubtful accounts	(2)	(2)	0
Total assets	1,087	1,102	15

Current ratio:
200% or more

	2018/3	2019/3	+/-
Current liabilities	345	341	(4)
Accounts payable for construction contracts	233	208	(24)
Advances received on uncompleted construction contracts	36	68	32
Provision for bonuses	15	15	0
Other	61	48	(12)
Noncurrent liabilities	89	86	(2)
Retirement allowances	82	80	(2)
Other	6	6	(0)
Total liabilities	434	428	(6)
Shareholders' equity	648	669	21
Capital	50	50	—
Capital surplus	237	237	—
Retained earnings	387	415	28
Treasury shares	(26)	(34)	(7)
Total accumulated other comprehensive income	3	4	0
Non-controlling interests	0	0	0
Total net assets	652	674	21
Equity ratio	60.0%	61.1%	1.1pt
Total liabilities and net assets	1,087	1,102	15

Zero notes payable balance

Zero loan balance

(Hundred million yen)

Group company performance (1)

(Rounded down to the nearest hundred million yen)



Mirai Construction Co., Ltd.

Main business areas: Offshore construction, port construction, civil engineering, building construction



Construction zone #13 for new passenger boat wharf, quay, and parking area, etc.



Nakagusuku Bay Port sediment disposal zone embankment construction



Kwaragi District channel anchorage dredging project at Hattaro, Port of Hachinohe
(Hundred million yen)

	2015/3	2016/3	2017/3	2018/3	2019/3	
	Actual	Actual	Actual	Actual	Actual	Change%
Orders received	403	306	371	272	291	6.8%
Sales	288	297	263	336	313	(6.7%)
Operating profit	8	10	11	12	6	(48.2%)
Ordinary profit	8	10	11	12	6	(49.1%)
Net income	7	12	8	15	4	(71.7%)
Employees at year end	272	289	306	310	324	

* Orders received and sales are calculated excluding transactions within the group.

Group company performance (2)

(Rounded down to the nearest hundred million yen)



Toko Geotech Co., Ltd.

Main business areas: Construction for slope protection and ground improvement, blasting, heat retention and fire resistance



Construction at Tsuru Land Restoration Zone (Slope protection)



Haneda Airport land infrastructure development construction (Foundation improvement)



Koishiwaragawa Dam construction (Blasting)













Hofu Biomass Power Plant construction (Heat retention, fire resistance)

(Hundred million yen)

	2015/3	2016/3	2017/3	2018/3	2019/3	
	Actual	Actual	Actual	Actual	Actual	Change %
Orders received	210	218	218	226	223	(1.3%)
Sales	212	214	208	222	221	(0.4%)
Operating profit	13	13	13	15	17	9.5%
Ordinary profit	13	13	12	15	17	9.7%
Net income	7	6	8	9	14	45.7%
Employees at year end	378	386	392	396	390	

Other group companies

(Rounded down to the nearest hundred million yen)

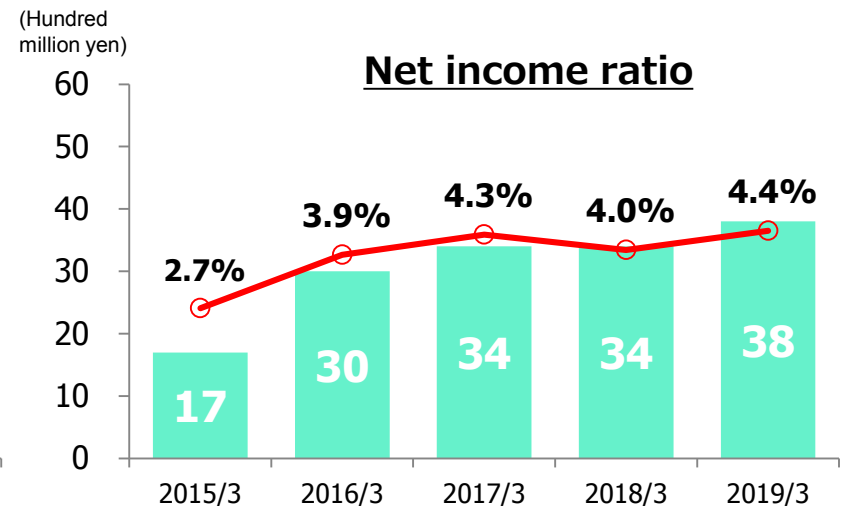
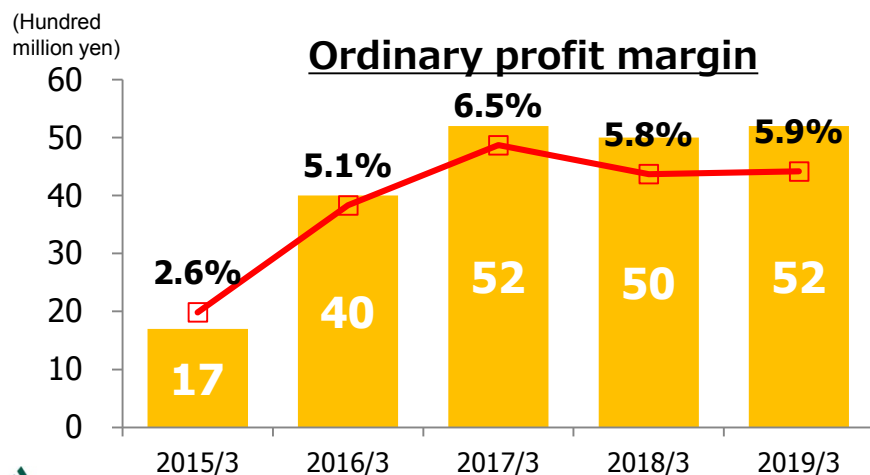
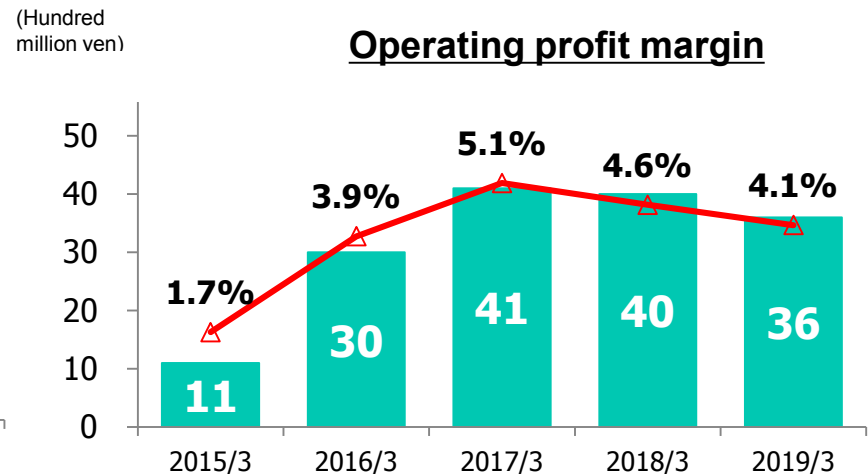
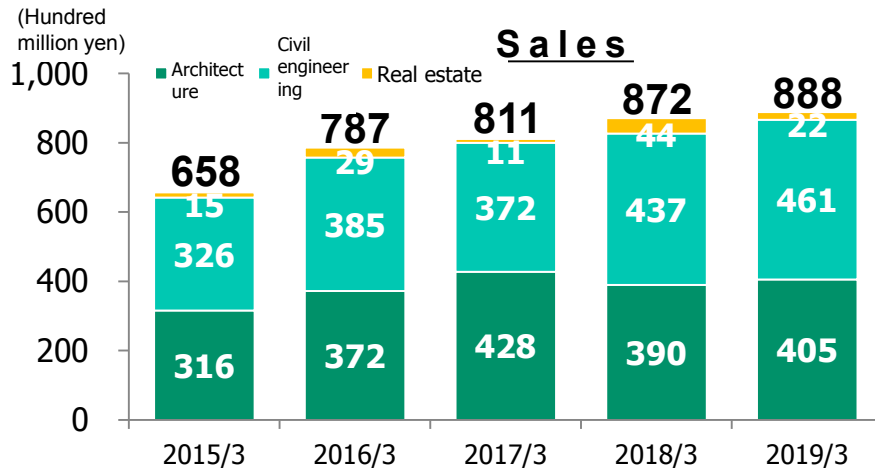
Company	Head office location	Main business areas	2019/3 sales	Number of employees (end March 2019)	
 Shimada Gumi Co., Ltd. Access Co., Ltd.	Yao, Osaka Pref.	Archaeological excavations, civil engineering	37 hundred million yen	101	
 Aoki Marine Co., Ltd.	Higashinada Ward, Kobe	Landfills, dredging, sea transport	31 hundred million yen	59	
 M's Co., Ltd.	Chuo Ward, Tokyo	Architectural renovation	24 hundred million yen	29	
 Asunaro Road Co., Ltd.	Chuo Ward, Sapporo	Road construction, paving, civil engineering, asphalt sales	20 hundred million yen	26	
 Niigata Mirai Co., Ltd.	Yuzawa, Minamiuonuma County, Niigata Pref.	Road construction, paving, civil engineering, asphalt sales	7 hundred million yen	9	

FY 2018 Financial Results (Non-Consolidated)

Performance overview (non-consolidated)

(Rounded down to the nearest hundred million yen)

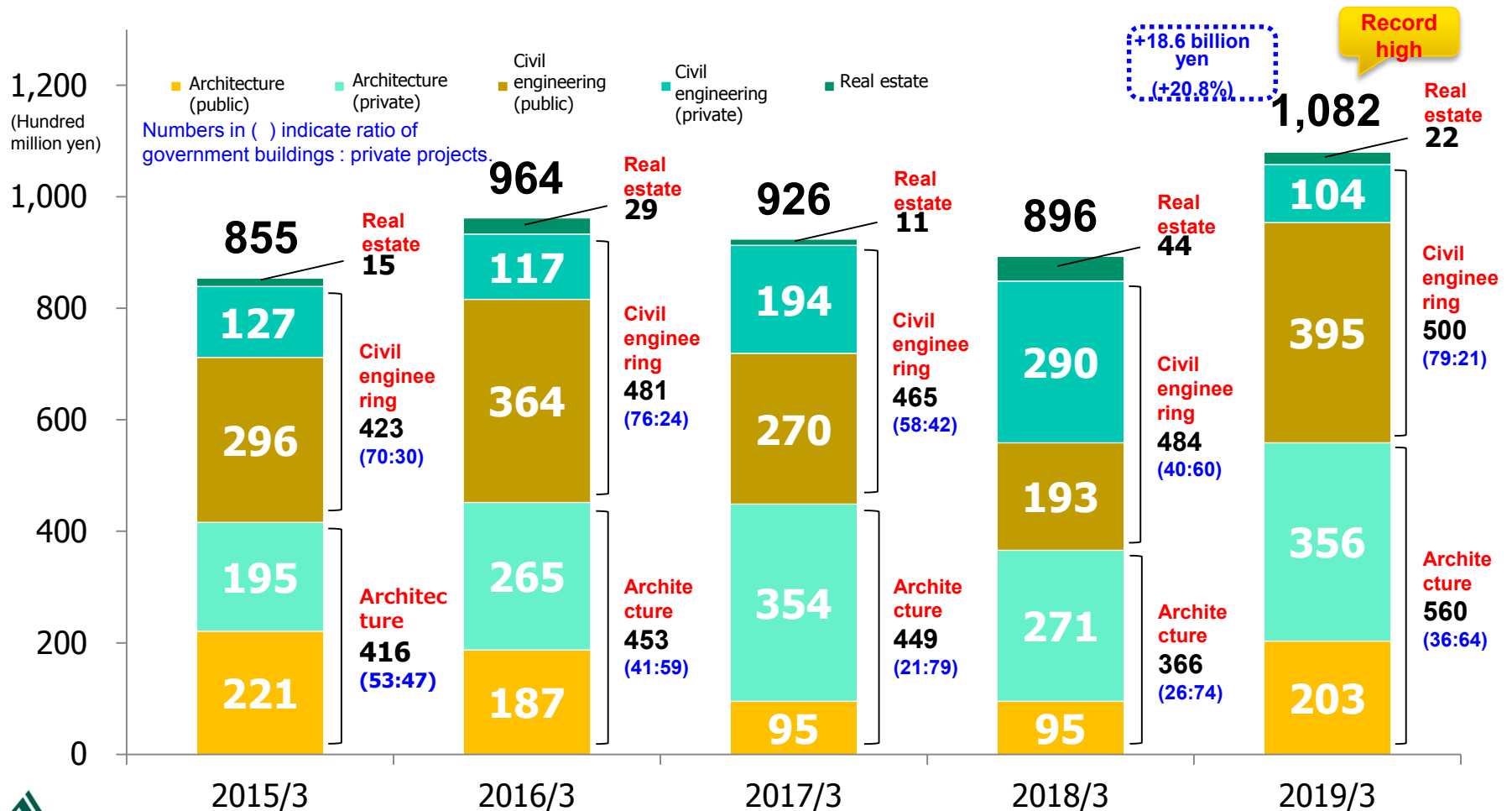
- Sales **increased for the seventh consecutive fiscal year**. Operating profit **decreased** year-on-year due to lower gross profit margin resulting from less highly profitable projects in architecture, poor sales of our condominiums, rising general and administrative costs from improvements to working conditions and larger numbers of staff, and other factors. Ordinary profit **increased** year-on-year due to increased dividend income.



Orders received (non-consolidated)

(Rounded down to the nearest hundred million yen)

- Orders in architecture overall **increased by 19.3 billion yen (+52.7%)** year-on-year due to **increases** for both public and private sector projects. Private sector orders in civil engineering **decreased** due to fallback to normal levels after orders received the previous fiscal year for major renewable energy-related projects, but public sector orders **increased** with both national and local agencies, and civil engineering overall thus experienced a year-on-year **increase in orders of 1.5 billion yen (+3.2%)**. Overall, orders **increased 18.6 billion yen (+20.8%)** year-on-year, **setting a new record high**.



Orders received in architecture (non-consolidated)

(Rounded down to the nearest hundred million yen)

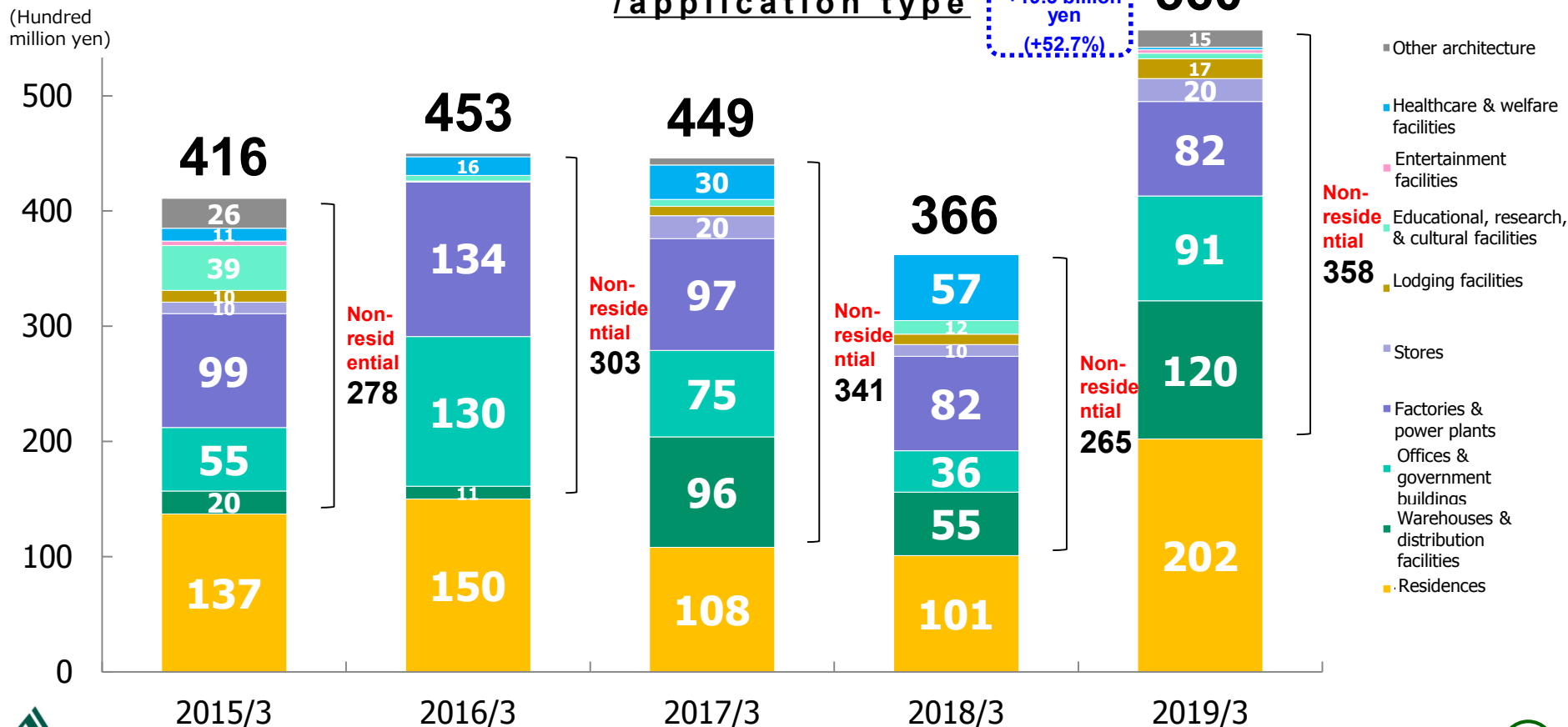
- Orders **increased** in non-residential due to increases in orders for warehouses and distribution facilities and for orders such as government buildings. Orders in residential **increased** due to increases in orders for government-owned housing (including PFI), private condominiums, etc. Overall, orders received in architecture **increased by 19.3 billion yen (+52.7%)** year-on-year.

Numbers are not shown for fields with less than 1 billion yen in orders.

Orders received / application type

+19.3 billion yen
(+52.7%)

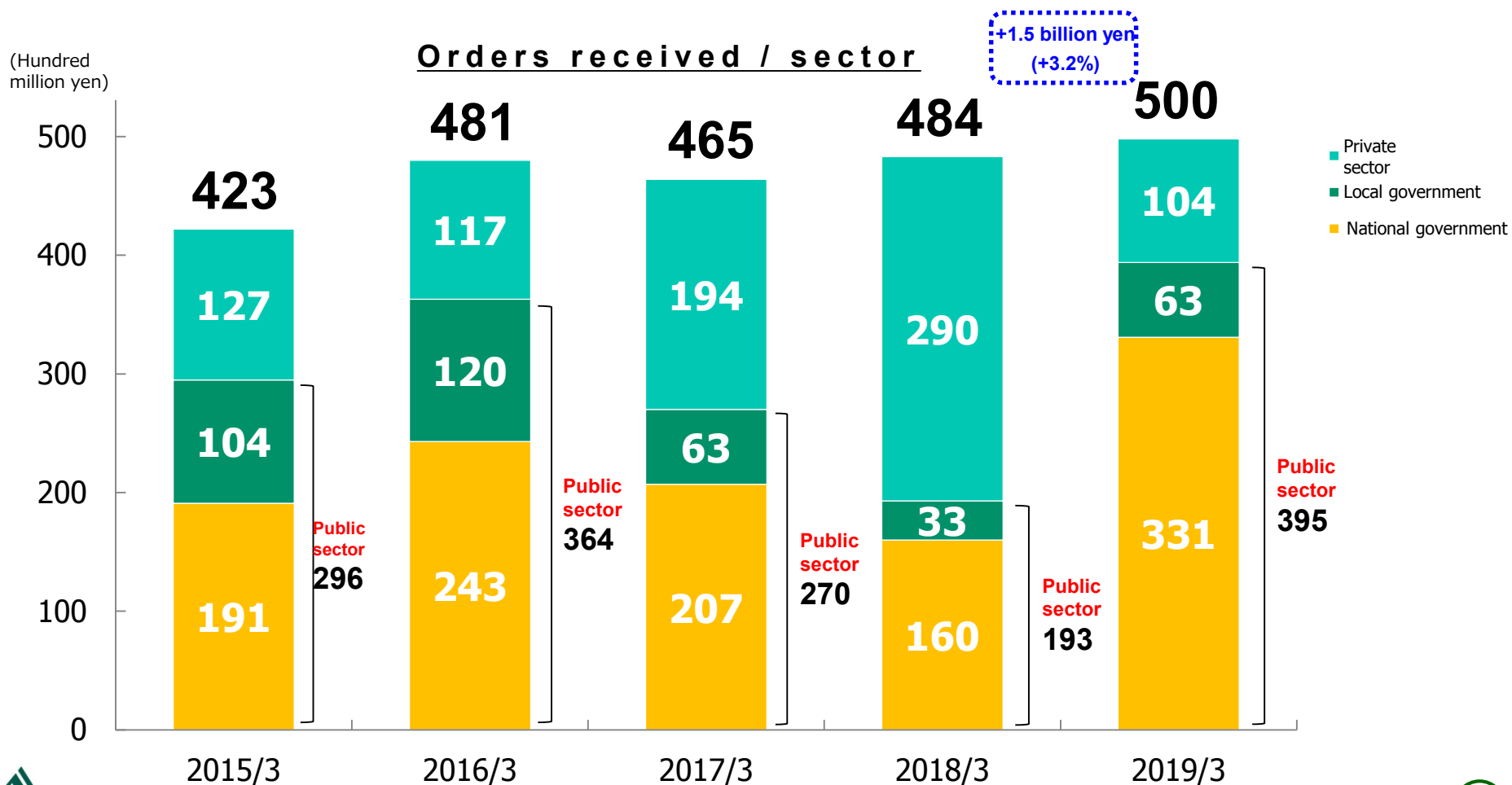
560



Orders received in civil engineering (non-consolidated)

(Rounded down to the nearest hundred million yen)

- Orders in the private sector **decreased** due to fallback to normal levels after orders received the previous fiscal year for major renewable energy-related works, but orders from the public sector **increased** due to more orders received from national agencies for railroads and roads (tunnels, bridge supports, etc.). Overall, orders received in civil engineering **increased by 1.5 billion yen (+3.2%)** year-on-year, **setting a new record high**.



Real estate sales (non-consolidated)

(Rounded down to the nearest hundred million yen)

- The **ABDS (pronounced “Abidas”)** business to support everything from land acquisition to planning & design, construction, sales, and after-sales service **for our condominiums** was launched in FY2012. The Tissage brand also began sales in 2018.

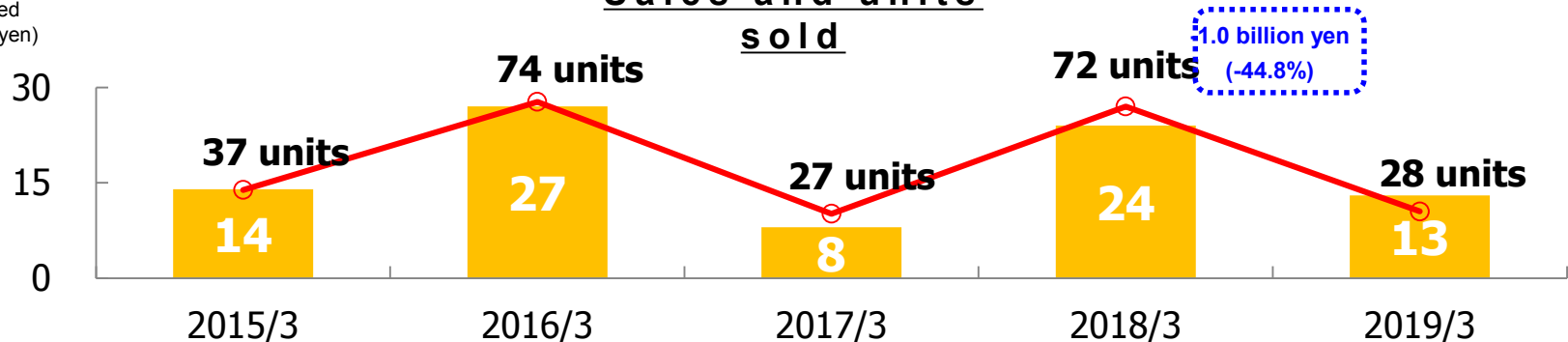
Condo complexes available for sale (as of the end of May 2019)

Name of complex	Location	Total units
ABDS Nishikokubunji	Kokubunji City, Tokyo	27
Tissage Ogikubo	Suginami-Ku, Tokyo	37



Sales and units sold

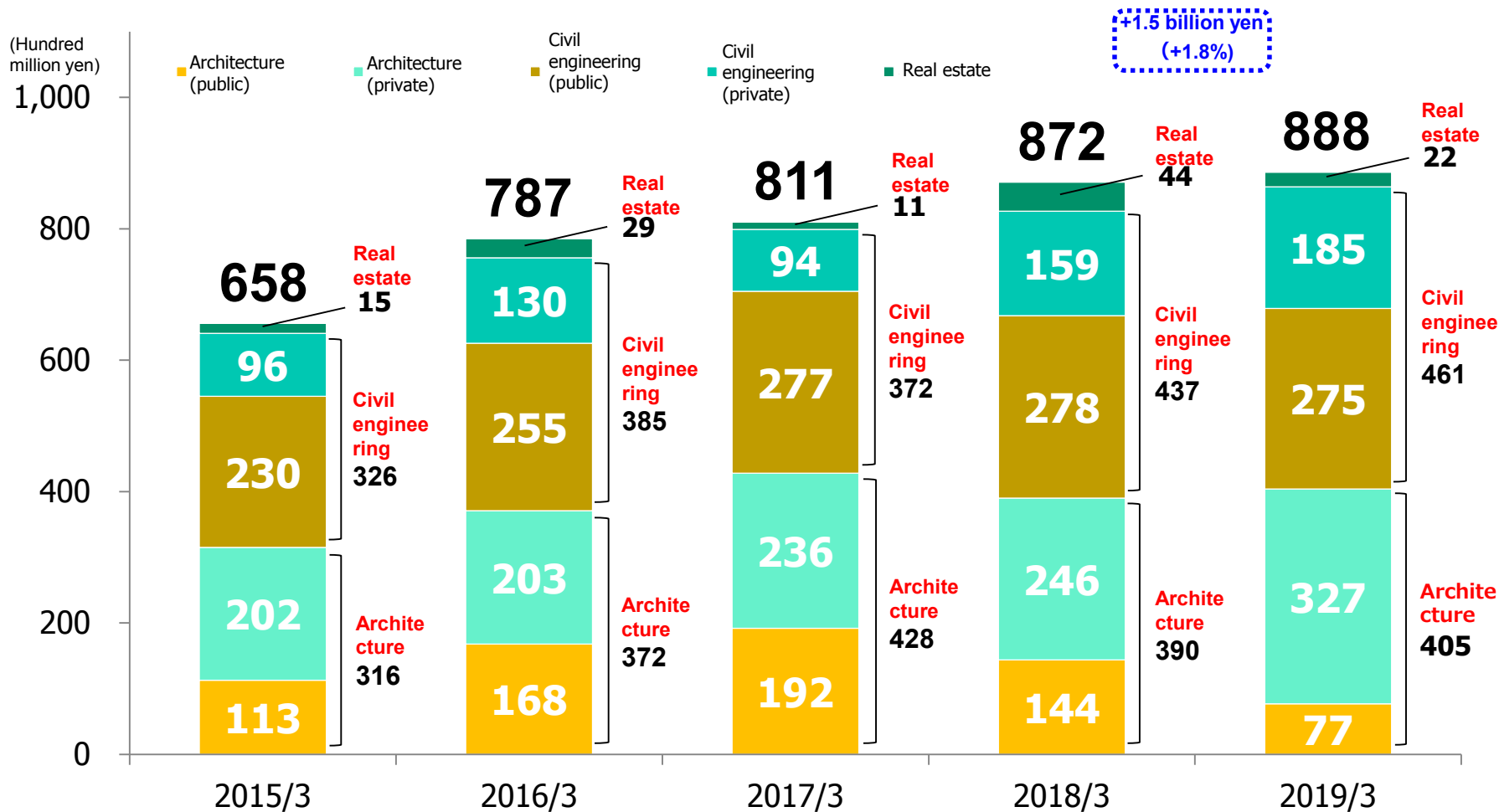
(Hundred million yen)



Sales (non-consolidated)

(Rounded down to the nearest hundred million yen)

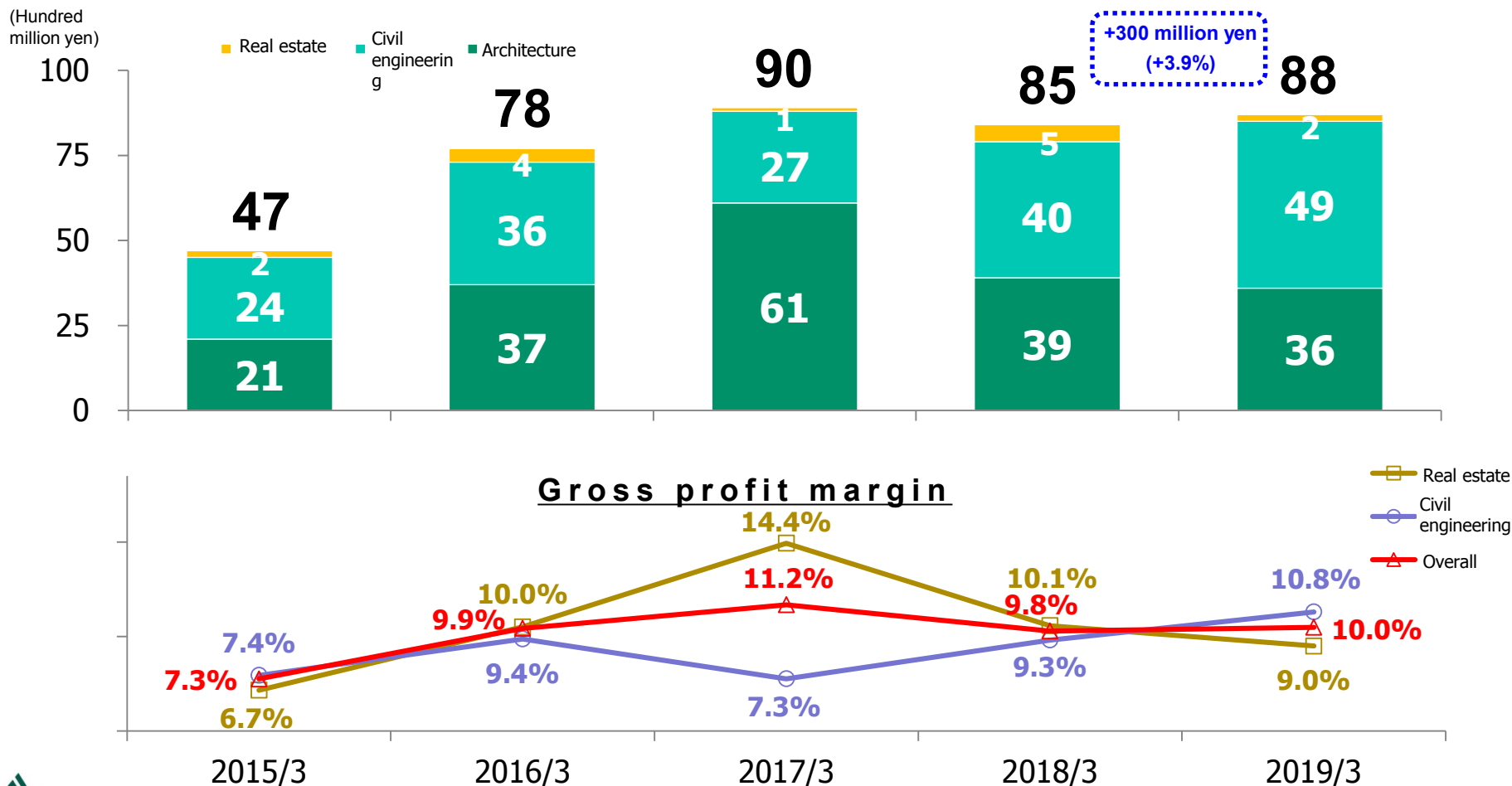
- Sales **increased** as current projects progressed smoothly in both architecture and civil engineering. Overall, sales **increased by 1.5 billion yen (+1.8%)**, which was the **seventh consecutive year** of increases.



Gross profit (non-consolidated)

(Rounded down to the nearest hundred million yen)

- Gross profit **decreased** in architecture due to lower profit margins resulting from a decrease in highly profitable projects, but **increased** in civil engineering due to increased sales and better profit margins resulting from progress in highly profitable projects. Overall gross profit **increased by 300 million yen (+3.9%)** year-on-year.



Major projects completed (architectural works)



New building construction for the Nozomino Complex (tentative name)
(Sakibana Hospital)



New building construction for the Kesenuma government office complex
(Miyagi Prefecture)



Design and construction of the new Sugakawa Region waste treatment facility
(Sugakawa Region Health and Environment Association)



New building construction for Maruai Head Office and Kanno Store (tentative name)
(Maruai Inc.)

Major projects completed (civil engineering works)



Civil engineering land development for SGET Usa Mega Solar Power Station (Hitachi Ltd.)



East road construction for the Hiromi District of Tokai-Kanjo in FY 2015 (Chubu Regional Development Bureau)



Takano Numakawa town road (tentative name: Takagi Tunnel) road improvement project (Minabe, Wakayama Prefecture)



Mutsugaura Fishing Port seaside disaster recovery construction (Iwate Prefecture)

FY 2019 Business Plan

Overall performance

(Rounded down to the nearest hundred million yen)

- Orders received are forecasted to **decrease** on both a consolidated and non-consolidated basis as the completion of current projects is prioritized.
- Sales are forecast to **increase (revenue increase)** on a consolidated and non-consolidated basis due to progress in current projects, efficient operations, and other factors.
- Profits are forecast to **increase (profit increase)** on both a consolidated and non-consolidated basis due to improved gross profit margin and increased sales.

	Consolidated					Non-consolidated				
	2019/3	2020/3				2019/3	2020/3			
	Actual	Mid term plan	Forecast	% change year-on-year	% differential from mid term plan	Actual	Mid term plan	Forecast	% change year-on-year	% differential from mid term plan
Orders received	1,696 Hundred million yen	1,610 Hundred million yen	1,610 Hundred million yen	(5.1) %	— %	1,082 Hundred million yen	960 Hundred million yen	960 Hundred million yen	(11.3) %	— %
Sales	1,524 Hundred million yen	1,550 Hundred million yen	1,550 Hundred million yen	+1.7 %	— %	888 Hundred million yen	920 Hundred million yen	920 Hundred million yen	+3.5 %	— %
Operating profit	67 Hundred million yen	72 Hundred million yen	72 Hundred million yen	+7.4 %	— %	36 Hundred million yen	40 Hundred million yen	40 Hundred million yen	+9.2 %	— %
Operating profit margin	4.4 %	4.6 %	4.6 %	+0.2 pt	— %	4.1 %	4.3 %	4.3 %	+0.2 pt	— %
Ordinary profit	66 Hundred million yen	72 Hundred million yen	72 Hundred million yen	+8.3 %	— %	52 Hundred million yen	52 Hundred million yen	52 Hundred million yen	(0.6) %	— %
Net profit for the fiscal year	40 Hundred million yen	48 Hundred million yen	48 Hundred million yen	+17.3 %	— %	38 Hundred million yen	39 Hundred million yen	39 Hundred million yen	+0.4 %	— %

Performance forecast by segment (consolidated)

(Rounded down to the nearest hundred million yen)

(Hundred million yen)

	2019/3 Actual	2020/3	
		Forecast	% change year-on-year
Orders received	169,601	161,000	(5.1%)
Architecture	58,099	50,500	(13.1%)
Civil engineering	109,303	110,500	+1.1%
Real estate	2,198	—	(100.0%)
Sales	152,452	155,000	+1.7%
Architecture	42,784	47,000	+9.9%
Civil engineering	107,469	108,000	+0.5%
Real estate	2,198	—	(100.0%)
Gross profit	16,048	17,000	+5.9%
	*10.5%	*11.0%	*+0.4pt
Architecture	3,990	4,800	+20.3%
	*9.3%	*10.2%	*+0.9pt
Civil engineering	11,840	12,200	+3.0%
	*11.0%	*11.3%	*+0.3pt
Real estate	217	—	(100.0%)
	*9.9%	*—%	*(9.9pt)

Performance forecast by segment (non-consolidated)

(Rounded down to the nearest hundred million yen)

(Hundred million yen)

	2019/3 Actual	2020/3	
		Forecast	% change year-on-year
Orders received	108,278	96,000	(11.3%)
Architecture	56,023	48,000	(14.3%)
Civil engineering	50,039	48,000	(4.1%)
Real estate	2,215	—	(100.0%)
Sales	88,866	92,000	+3.5%
Architecture	40,549	45,000	+11.0%
Civil engineering	46,102	47,000	+1.9%
Real estate	2,215	—	(100.0%)
Gross profit	8,875	9,400	+5.9%
	*10.0%	*10.2%	*+0.2pt
Architecture	3,649	4,500	+23.3%
	*9.0%	*10.0%	*+1.0pt.
Civil engineering	4,981	4,900	(1.6%)
	*10.8%	*10.4%	*(0.4pt)
Real estate	245	—	(100.0%)
	*11.1%	* —%	*(11.1pt)

Business indexes

	2015/3 Actual	2016/3 Actual	2017/3 Actual	2018/3 Actual	2019/3 Actual	2020/3 Forecast
Dividend per share	15.0 yen	18.0 yen	20.0 yen	22.0 yen	24.0 yen	24.0 yen
Payout ratio (consolidated)	31.9 %	26.2 %	27.7 %	22.9 %	32.3 %	27.3 %
ROE (consolidated)	5.1 %	6.8 %	6.8 %	8.4 %	6.2 %	6.0 % range
Operating profit margin (consolidated)	2.9 %	4.2 %	5.4 %	5.0 %	4.4 %	4.6 %
Capital adequacy ratio (consolidated)	56.4 %	60.0 %	56.8 %	60.0 %	61.1 %	60.0 % range
Number of employees (consolidated)	1,605	1,665	1,714	1,751	1,822	just above 1,800

■ 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** in order to bolster our financial standing, while maintaining a **stable dividend** and providing **returns from our profits according to our business performance**.



AsunaroAoki

青木あすなる建設

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.