# **Construction Market Outlook**

### Short-Term Outlook

Public Works Projects:

Declining trend; selection and focus; heavy allocation to sectors related to public comfort and safety, such as disaster prevention and national land conservation

- Private-Sector Demand: Economic recovery signs had emerged, but demand subsided again due to impact of the major earthquake
- Large-Scale Projects: Haneda Airport expansion project completed in the fiscal years ended March 31, 2011-2013
- Overseas:

Southeast Asia to continue brisk growth with projects such as the MRT in Singapore and 10 major projects in Hong Kong

#### **Medium-Term Prospects**

#### Public Works Projects:

Public Works Projects: Declining trend will ease, but growth cannot be expected; further selection and concentration of business

Private-Sector Demand:

Gradual economic recovery, growth in capital investment and recovery of housing market, but with disparities among industries, firms and regions

#### • Large-Scale Projects:

Progress on projects such as airport/harbor hubs, preservation of remote islands, the Linear Chuo Shinkansen (bullet train) and environment-related works

#### • Overseas:

Singapore and Hong Kong remain strong; new business opportunities in Southeast and South Asia

## Time of technology and price competition in which only firms with superior technology and project planning skills can survive

### **Target Firm Image**

# "No. 1 Contractor in Coastal and Waterfront Areas"

Transition from general contractor model to core business-integrated model

# Great East Japan Earthquake Recovery & Restoration Initiatives

#### **Mission of the construction industry**

Preserve Japan's lands and protect the safety and comfort of Japan's citizens, by building infrastructure that is essential for people's daily activities

#### **Policy of the Penta-Ocean Group**

To fulfill the mission of the construction industry, the Penta-Ocean Construction Group will devote its full capabilities to the recovery and restoration from the major earthquake

# **Basic Management Policies**

- 1. Maintain business volume
- Maintain present business volume, avoid a diminishing equilibrium -
- 1) Maintain present business volume
- 2) Business orientation
- Marine civil engineering works: Maximize profit, approach future projects proactively Building Construction: Narrow down regions and sectors, build organization capable of overcoming competition
- Overseas: Gradual expansion centered on countries with branch offices (Singapore, Hong Kong, Vietnam)

New sectors: Begin commercializing feasible projects within 3 years

#### 2. Build competitiveness

- Outperform the competition, increase market share -
- 1) Build competitiveness through technology
- 2) Build competitiveness by upgrading construction capabilities
- 3) Build an organization that is unbeatable in total cost competition

#### 3. Further improve quality of operations

- Corporate management begins with quality –
- 1) Strengthen technological capabilities
- 2) Revitalize in-house employee training and organization3) Improve operating effectiveness and revise direct/indirect
- expense ratio through integration of back-office sections
- 4) Strengthen managerial systems for overseas risks

#### 4. Enter new fields, undertake capital investment - Continued investment for growth -

- 1) Expand from the construction and contracting business into peripheral sectors
- 2) Implement continuous capital investment to bolster construction capabilities
- 3) Actively cooperate with different industries, research laboratories

#### 5. Strengthen the operating base

- Firm up the foundation for further growth –
- 1) Increase return on equity
- 2) Effectively utilize and steadily sell asset holdings
- 3) Continuously reduce interest-bearing debt, and diversify and stabilize funding sources

# Earnings Targets under Our Management Plan

				(¥ billion)
	Medium-Term Management Plan (2012-2014)			
	2012 Plan		2014 Plan	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Earnings Targets				
Construction Orders Received	¥	¥300.0	¥ —	¥305.0
Net Sales	327.0	306.0	327.0	306.0
Gross Profit	24.6	22.8	25.3	23.5
SG&A	15.1	13.8	14.8	13.5
Operating Income	9.5	9.0	10.5	10.0
Ordinary Income	7.4	7.0	8.4	8.0
Net Income	2.1	2.0	2.6	2.5
Earnings Per Share (YEN)	7 or greater		9 or greater	
Consolidated Financial Targets				
ROE	22% or greater		23% or greater	
Interest-Bearing Debt	¥77.2 or less		¥67.2 or less	
D/E Ratio	1.2 x or less		1.0 x or less	

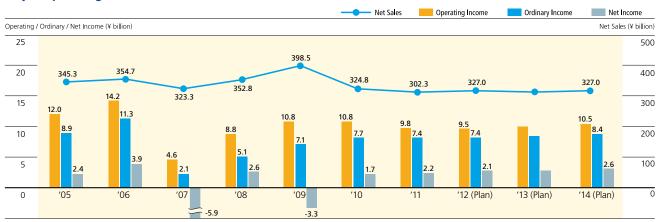
### **Shareholder Dividend**

Stable shareholder dividend

•Planned 2012 year-end dividend: ¥2 per share

### Major Targets for 2014 (Consolidated)

- •Ordinary Income: ¥8.4 billion or greater
- •Net Income: ¥2.6 billion or greater
- •EPS: ¥9 or greater
- •ROE: 23% or greater



### Major Operating Trends/Plan (Consolidated)

