

Medium-Term Management Plan

(Apr 2014 - Mar 2017)

Aug 2014



Review Previous Management Plan



Business results : Exceeded the targets of management plan in orders, net sales and net income.

- Business environment (Apr 2011 - Mar 2014)
 - Demand for recovery from **The Great East Japan Earthquake**
 - Increase of public investments driven by **Abenomics**

➤ 3 years' business highlights

- **Non-consolidated** : Achieved consecutive rise in income and profit for 3 years.

The results for **domestic civil engineering** reflects the demand for public investments.

As for **domestic building and construction**, strategic selection of orders in order to prevent unprofitable projects contributed to the improvement of profitability.

Overseas business continued high level of profitability due to several big projects.

And the improvement of financial account balance pushed up the ordinary income.

- **Consolidated** : Profit from subsidiary companies contributed the achievement of the targets for Mar 2014.

Improvement of Financial Health

- Credit rating upgraded from BBB to **BBB+** (A- Jul 2014).
- Issued **corporate bonds** 2 times (10 billion Yen each).
- Net assets increased 7 billion Yen and capital adequacy ratio improved 1.2%.

(in 100 mil. Yen)

Non-consolidated financial results	Mar 2011	Results			Targets
		Mar 2012	Mar 2013	Mar 2014	Mar 2014
Orders received	2,754	2,965	2,803	4,467	3,050
Net sales	2,794	3,086	3,295	3,559	3,060
Gross profit	231	226	204	222	235
Selling, general and administrative expenses	140	138	133	133	135
Operating income	90	88	71	89	100
Ordinary income	68	76	64	82	80
Net income	19	21	23	33	25

Consolidated financial results	Mar 2011	Results			Targets
		Mar 2012	Mar 2013	Mar 2014	Mar 2014
Net sales	3,023	3,280	3,498	3,812	3,270
Gross profit	253	242	211	247	253
Selling, general and administrative expenses	155	152	147	148	148
Operating income	98	90	65	99	105
Ordinary income	74	74	66	92	84
Net income	22	16	20	38	26
Earning per share (Yen)	8.5	5.7	7.1	13.2	9.0

Consolidated financial status	Mar 2011	Results			Targets
		Mar 2012	Mar 2013	Mar 2014	Mar 2014
Total assets	2,862	3,119	2,967	3,016	
Net assets	605	624	651	675	
Net assets/Total assets ratio	21.1%	20.0%	21.9%	22.3%	23%
Balance of interest-bearing debt	787	812	709	749	672
cash and cash equivalents	461	634	506	326	
Interest-bearing debt	325	178	203	423	
Debt/Equity ratio	1.3times	1.3times	1.1times	1.1times	1.0times

Construction market outlook



Business environment -Recovering-

- Domestic economy is recovering thanks to economic measures and strong domestic and external demand.
- Meanwhile, decrease of consumer spending affected by increase of consumption tax, and instability of overseas economies are concerns about future of the economy.

Market outlook

- **Fiscal policies and Growth strategy of Abenomics** have positive impact on construction industry.
 - Public Investment for : Recovery from the East Japan Earthquake, National Resilience Policy, Measures for enhance of international competitiveness
 - Impact of Government's growth strategy will be on : Recovery of private investment, Promotion of investment for Business Continuity Plan (BCP)
 - Revised National Energy Policy : Investment for Restart and Decommissioning of nuclear reactors, Promotions of LNG and Coal thermal plants, Introduction of recyclable energy are expected.
- **Tokyo Olympic and Paralympic Games in 2020** will boost construction investments in metropolitan area.
 - Stadium, Olympic village and other facilities, related infrastructure, various investment in surrounding area are projected for hosting the Olympic Games.
- **Market expansion is expected in South-East Asia** e.g. Singapore, Hong Kong and other emerging economies.
 - Robust demand for construction propelled by governments in Singapore and Hong Kong.
 - Demand for infrastructure risen in Emerging economies e.g. Vietnam, Indonesia and Myanmar.
- **Various Mega Projects** will be commenced.
 - Domestic : Naha airport, Relocation of Futenma Base, LNG terminal, Bulk port, Cruise Terminal, Tokyo outer ring road, Shinkansen, Linear motor train, etc
 - Tuas Port (Singapore), Int'l Airport 3rd Runway(Hong Kong), Offshore wind farm (Hong Kong), Container Terminal (Vietnam, Indonesia, Myanmar).

Basic Management Policies



Policy : Aim to Win customer's trust and to Contribute to society through the high quality and safe production.

- Strengthen capabilities for technology, site operation, safety and total management
- Develop our brand value
- Establish strong operational foundation



No.1 contractor in coastal and waterfront areas
Drive our business with competitiveness and profitability in coastal and waterfront areas

Strategy

1. Establish technology oriented company : get back to basics and improve operational skills

- Entirely review and improve our skills for technology, operation, safety and total management.
- Reinforce our advantage for comprehensive valuation system and proposal i.e. marketing, technology, operation and cost competitiveness.

2. Develop our brand value as “No.1 contractor in coastal and waterfront areas”

- Aim to expand the business to relevant domain with our advantage in coastal and waterfront areas.
- Develop and apply new technologies to strengthen our advantage.
- Start up new business i.e. recycle of construction generated soil, ground purification, improvement of sea area environment, offshore wind firm etc.

3. Strengthen capabilities for management and organization : permeate strategy through the company

- Focus on profitability to prevent project deficit and problems on quality and safety.
- Integrate total resource for marketing and operation under cross-functional cooperation.

4. Establish strong operational foundations : prepare for future growth

- Accumulate sufficient capital and finance flexibly to strengthen financial constitution.
- Employ and develop excellent human resources, accelerate the young to grow quickly and apply various talent.
- Reinforce total group competitiveness under mutual cooperation and synergy.

Management Targets



Management Targets

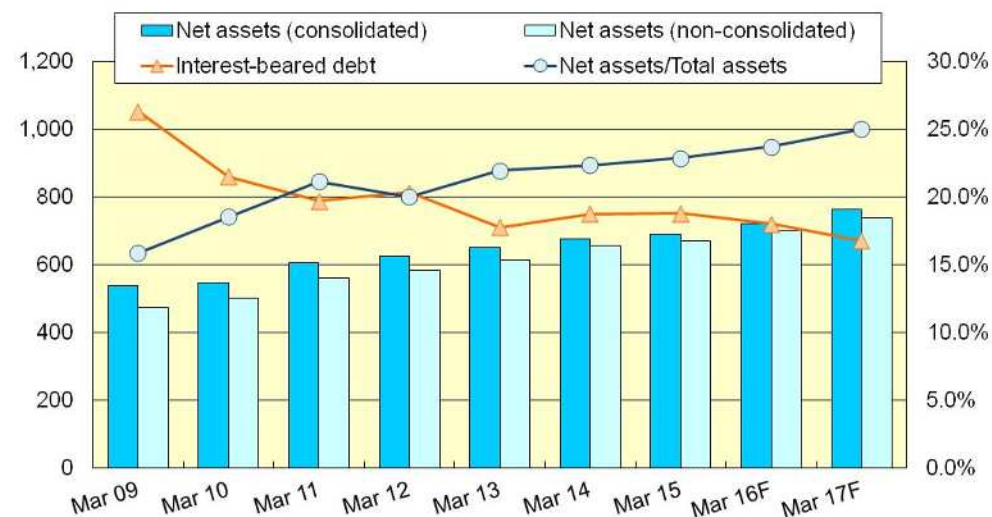
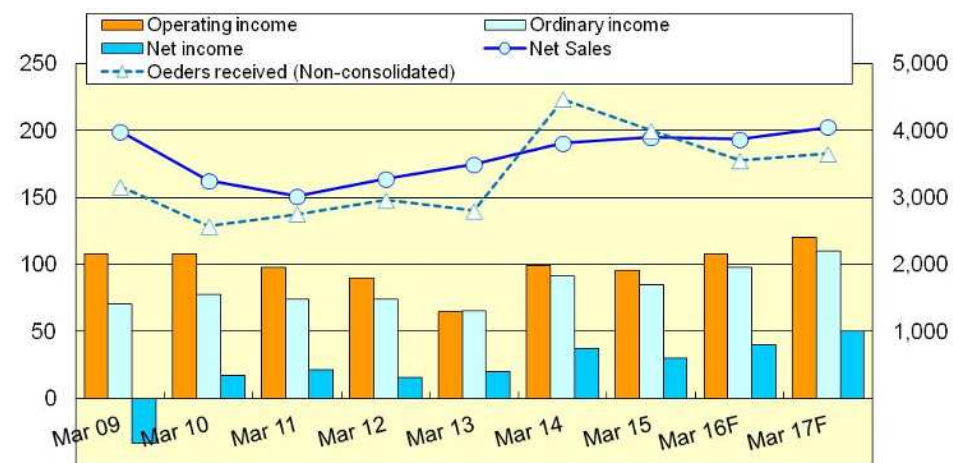
Consolidated Key Figures Mar 2017

- Operating Income 12 bil. Yen or more
- Ordinary Income 11 bil. Yen or more
- Net Income 5 bil. Yen or more
- Net assets/Total assets 25% or more
- Net Debt/Equity Ratio 0.5 times or less

(in 100 mil. Yen)

	Mideum term management plan (Apr 2011- Mar 2014) Results Mar 2014		Mideum term management plan (Apr 2014 - Mar 2017) Targets Mar 2017	
	Non-Consolidated	Consolidated	Non-Consolidated	Consolidated
Financial results				
Amount of orders	4,467		3,650	
Net sales	3,559	3,812	3,740	4,050
Gross profit	222	247	255	280
Operating income	89	99	110	120
Ordinary income	82	92	100	110
Net income	33	38	45	50
Earning per share (Yen)	11.5	13.2	15.7	17.5
Targets(Consolidated)				
Total net assets/Total assets	22.3%		25% or more	
interest-bearing debt	749		670 or less	
Debt/Equity ratio	0.6 times		0.5 times or less	

Transition of Key Figures



Basic Strategy Domestic Civil Engineering



➤ Target Figures Mar 2017 (Non-consolidated)

- Amount of orders **145 bil.**
- Gross profit rate **11% or more**
- Operating income **8 bil.**

➤ Basic strategy

- **Strengthen the capabilities of site operation and technology**
- **Develop our business by catching current business opportunity**

1. Improve the profitability by building the capabilities of site operation and technology

- Establish the capability of site operation for steady safety and quality
- Reduce operation risk and maximize profit
- Engage tight relationship with sub-contractors of high quality and operation skills

2. Expand sales promotion with competitiveness in coastal and waterfront areas

- Start sales activity for big projects in early stage
- Enhance sales promotion to clients located in coastal area and power companies
- Carry out strategic promotion for land civil Engineering

3. Develop competitive and extendable Technology

- Develop the technology for competitiveness, customer satisfaction and corporate brand

4. Promote the environment and new energy business

- Promote the recycle of construction generated soil, improvement of contaminated soil
- Promote the renewable energy, especially offshore wind power

5. Secure and develop human resources for business expansion

- Secure various kind of talents i.e. senior, mid-career, young graduates, and utilize female
- Promote the development of young staff

Target orders

(in 100 mil. Yen)

	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Mar 2017
Marine civil engineering	766	759	810	960	1,000
Land civil engineering	375	708	640	440	450
Total	1,140	1,467	1,450	1,400	1,450

Basic Strategy Domestic Building and Construction



➤ Target Figures Mar 2017 (Non-consolidated)

- Amount of orders **130 bil.**
- Gross profit rate **5% or more**
- Operating income **1 bil.**

➤ Basic strategy

- Increase profit by strengthening sales promotion and site operation of our core business fields and key region

1. Establish corporate brand by reinforcing customer base

- Focus on logistics and residence as our core business fields, and on the metropolitan area as our key region
- Seek large scale projects and design-build orders
- Build close relationship and optimize synergy effects between sales, design and procurement sections

2. Eliminate unprofitable projects with strict valuation of profitability before acceptance of orders

- Improve accuracy of quotations, close relationship with customers and follow-up of the sites

3. Increase profit by strengthening sales promotion and site operation

- Develop the capability of technology, site operation and safety control
- Improve cost competitiveness and procurement system by cooperation with suppliers and enhancement of concentrated purchases

- Improve productivity by developing mechanized method and on-site pre-casting
- Strengthen safety and quality control

4. Develop new technology for upgrading of proposal to customers

- Develop technology for cost competitiveness and shortening of work period
- Develop technology for aseismic capacity, energy saving and labor saving methods

5. Promote efforts for redevelopment business with tight risk management

- Promote continuous efforts for urban redevelopment business
- Involve in participatory business like BOT, BOO etc.

6. Secure and develop human resources for business expansion

- Secure and utilize various kind of talents i.e. senior, mid-carrier, young graduates, and female workforce
- Promote the development of young staff

Target orders

(in 100 mil. Yen)

	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Mar 2017
Residencial	231	176	210	250	250
Non-residencial	858	1,275	1,020	1,050	1,050
Total	1,089	1,451	1,230	1,300	1,300

Basic strategy of Overseas Business



➤ Target Figures Mar 2017 (Non-consolidated)

- Amount of orders **90 bil.**
- Gross profit rate **4% or more**
- Operating income **3 bil.**

➤ Basic strategy

- Establish the steady standing as Asia's leading contractor by enhancing technological capabilities

1. Reinforce and expand customer base

- Gather information and develop organized framework for mega projects
- Pioneer new business bases in Southeast Asia, South Asia and Middle-east Asia, and construct broad intelligence network
- Utilize working vessels for marine construction works

2. Enhance technological capabilities with close cooperation between domestic departments

- Upgrade and advance technology for dredging and reclamation works
- Develop mechanized methods
- Introduce Japanese construction methods in overseas projects

3. Increase profit by strengthening sales promotion and site operation

- Strengthen risk control to quickly find problems

- Engage strong partnership between local subcontractors
 - Integrate and utilize site operation data for tenders
- ### 4. Secure and develop human resources for business expansion
- Develop local managing staff
 - Secure enough site staff with well planned staffing
 - Develop the staff by more job rotation of overseas business

Target orders

(in 100 mil. Yen)

	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Mar 2017
Civil Engineering	178	1,275	870	590	430
Building and Construction	395	274	450	260	470
Total	573	1,549	1,320	850	900

Establish strong operational foundation



➤ Strengthen financial constitution

- Improve net assets/total assets ratio
[Target Mar 2017 (Consolidated) : **25% or more**]
- ✓ Secure profit continuously
- ✓ Improve soundness of balance sheet
- Reduce interest-bearing debt
[Target for Mar 2017 (Consolidated) : **67 bil. or less**]
- Improve net D/E ratio
[Target for Mar 2017 (Consolidated) : **0.5 times or less**]
- ✓ Use flexible financing scheme
- ✓ Implement strict governance of investment

➤ Develop and secure excellent human resources

- Revise HR management system and benefit to motivate employee
- Secure sufficient staff for increased business volume
- ✓ Encourage continued employment of seniors
- ✓ Prepare working environment and promote HR development system for utilization of female workforce

➤ Redevelop IT infrastructure to increase work productivity

- Utilize IT infrastructure for productivity, information sharing and acceleration of decision making
- ✓ Install new groupware and Wi-Fi network for modern working style
- Install new system for accurate cost control

➤ Strengthen corporate governance

- Modernize CSR activities depending on environment
- Enhance risk management
- Implement corporate group governance

➤ Enforce strict safety and quality management

- Execute throughout review and reinforce of safety and quality control
- Implement zero fatal accident
- Prevent labor accident, damage to a third party, and environmental accident
- Reduce and Reuse construction byproduct
- Provide systematic education about safety and quality control to entire group staff

➤ Carry out effective group management

- Reinforce competitiveness and streamline management system of subsidiaries
- Exert greater synergy by mutual cooperation between subsidiaries and parent company
Constructions : Exert the complement with parent company
Others : Secure the profit from outside companies
- Improve compliance, risk management and internal governance.