

Financial Results for 2Q of FY3/18 & Forecasts for FY3/18

Nov. 2017



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Mr.PENTA

【Disclaimer】

This documents contains forward-looking statements. These statements are not guaranteed of future performance and involve risks and uncertainties and actual results may materially differ from those contains in the forward-looking statements as a result of various factors.

Orders Received for 2Q of FY3/18 (Non-Consolidated)

- Domestic Civil Engineering: Orders received in public sector remained steady, despite a reactionary drop reflecting the amount of the large-scale projects in private sector for the same period of the previous year.
- Domestic Building Construction: Orders received, mainly in private sector projects, steadily maintained.
- Overseas: FY3/18 forecast has been upwardly revised, owing to the large-scale project in Bangladesh.

		FY3/17 2Q	FY3/18 2Q	Change fm FY3/17 2Q	YoY	(JPY bn)			
						FY3/17	FY3/18 Forecast	FY3/18 Revised Forecast	Achievement ratio
Domestic Civil Engineering	Public Sector	52.9	59.4	6.5	12.4%	113.4	117.0	117.0	50.8%
	Private Sector	49.8	20.3	-29.5	-59.3%	74.0	43.0	43.0	47.1%
	Total	102.7	79.7	-23.0	-22.4%	187.4	160.0	160.0	49.8%
Domestic Building Construction	Public Sector	19.3	4.2	-15.1	-78.3%	46.0	10.0	10.0	41.8%
	Private Sector	86.3	92.6	6.3	7.3%	130.2	190.0	190.0	48.8%
	Total	105.6	96.8	-8.8	-8.3%	176.2	200.0	200.0	48.4%
Overseas	Civil Engineering	31.7	189.5	157.8	497.2%	53.8	110.0	230.0	82.4%
	Building	25.8	2.2	-23.5	-91.3%	46.5	40.0	10.0	22.4%
	Total	57.5	191.8	134.3	233.5%	100.2	150.0	240.0	79.9%
	Civil Engineering	134.4	269.2	134.8	100.3%	241.2	270.0	390.0	69.0%
	Building Construction	131.4	99.0	-32.3	-24.6%	222.7	240.0	210.0	47.2%
	Construction Total	265.8	368.2	102.4	38.5%	463.8	510.0	600.0	61.4%
Real Estates and Others		1.7	0.3	-1.4	-80.4%	2.1	1.0	1.0	33.5%
Total		267.5	368.5	101.1	37.8%	465.9	511.0	601.0	61.3%

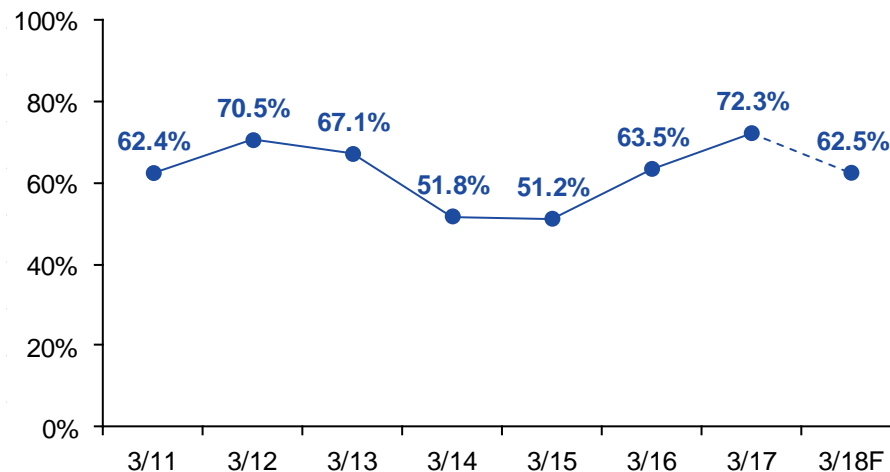
■ Proportion of Orders Received Results (Non-Consolidated)

● Domestic Civil Engineering

(JPY bn)

		FY3/15	FY3/16	FY3/17	FY3/18		
		Result	Result	Result	FY3/18 (Forecast)	FY3/18 2Q	Achievement ratio
Proportion of Public & Private	Public Sector	147.8	114.9	113.4	117.0	59.4	50.8%
	Private Sector	41.4	38.3	74.0	43.0	20.3	47.1%
	Total	189.1	153.2	187.4	160.0	79.7	49.8%
	Proportion of Private Sector	21.9%	25.0%	39.5%	26.9%	25.4%	—
Proportion of Marine & Land	Marine Civil Engineering	96.8	97.2	135.4	100.0	52.7	52.7%
	Land Civil Engineering	92.3	56.0	52.0	60.0	26.9	44.9%
	Total	189.1	153.2	187.4	160.0	79.7	49.8%
	Proportion of Marine Civil	51.2%	63.5%	72.3%	62.5%	66.2%	—

Marine Civil Portion

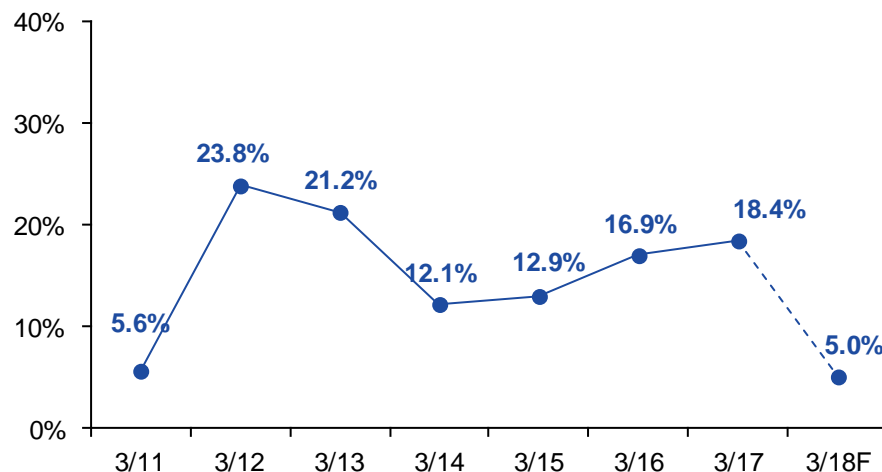


● Domestic Building Construction

(JPY bn)

		FY3/15	FY3/16	FY3/17	FY3/18		
		Result	Result	Result	FY3/18 (Forecast)	FY3/18 2Q	Achievement ratio
Proportion of Public & Private	Public Sector	48.7	17.9	46.0	10.0	4.2	41.8%
	Private Sector	122.7	127.2	130.2	190.0	92.6	48.8%
	Total	171.4	145.1	176.2	200.0	96.8	48.4%
	Proportion of Private Sector	71.6%	87.6%	73.9%	95.0%	95.7%	—
Proportion of Residential & Non-Residential	Residential	22.2	24.6	32.4	10.0	2.6	26.0%
	Non-Residential	149.3	120.5	143.8	190.0	94.2	49.6%
	Total	171.4	145.1	176.2	200.0	96.8	48.4%
	Proportion of Residential	12.9%	16.9%	18.4%	5.0%	2.7%	—

Residential Portion



Business Results for 2Q of FY3/18

- Net sales increased for the third consecutive quarter/
Profits and net income increased for the fifth consecutive quarter -

■ Non-Consolidated

● **Net Sales: JPY236.9 bn (YoY +JPY9.0 bn)**

- Domestic Civil: Increase due to the steady progress of marine civil projects
- Domestic Building: Decrease due to the completion of several large-scale projects in the previous quarter
- Overseas: Increase due to the steady progress of many large-scale projects

● **Total Gross Profit: JPY20.1 bn (YoY +JPY1.9 bn)**

- Domestic Civil: Increase due to the increased completed construction contracts
- Domestic Building: Decrease due to the reduced completed construction contracts
- Overseas: Increase due to the increased completed construction contracts and improved profit ratio

● **SG&A: JPY7.7 bn (YoY +JPY0.1 bn)**

● **Operating Profit: JPY12.4 bn (YoY +JPY1.8 bn)**

● **Recurring Profit: JPY12.6 bn (YoY +JPY3.1 bn)**

- Non-Operating Income improved JPY1.3 bn owing to foreign exchange gains and other factors

● **Net Income: JPY9.2 bn (YoY +JPY3.2 bn)**

■ Consolidated

● **Total Gross Profit: JPY21.8 bn (YoY +JPY2.0 bn)**

Owing to the increased profits of the Non-consolidated performances

● **Operating Profit: JPY13.4 bn (YoY +JPY1.8 bn)**

● **Recurring Profit: JPY13.7 bn (YoY +JPY3.1 bn)**

● **Net Income: JPY9.9 bn (YoY +JPY3.1 bn)**

(JPY bn)

	Non-Consolidated				Consolidated			
	FY3/18 2Q		Changes from FY3/17 2Q		FY3/18 2Q		Changes from FY3/17 2Q	
Domestic Civil	80.2		13.0		85.8		13.5	
Domestic Building	65.1		-6.3		67.1		-5.8	
Overseas	91.3		2.1		93.8		2.4	
Completed Construction Contracts	236.5		8.9		246.6		10.1	
Real Estates	0.3		0.2		0.3		0.2	
Others					3.9		-0.7	
Net Sales	236.9		9.0		250.8		9.6	
Domestic Civil	9.9	12.4%	1.7	0.2p	10.6	12.4%	2.0	0.4p
Domestic Building	7.7	11.8%	-0.8	-0.1p	7.9	11.8%	-0.7	-0.1p
Overseas	2.6	2.9%	1.1	1.2p	2.7	2.9%	1.2	1.3p
Gross Profit on Construction	20.2	8.5%	2.0	0.6p	21.3	8.6%	2.4	0.7p
Real Estates	-0.1	-41.1%	-0.1	-32.0p	-0.1	-51.0%	-0.1	-38.1p
Others					0.7	17.2%	-0.3	-5.1p
Total Gross Profit	20.1	8.5%	1.9	0.5p	21.8	8.7%	2.0	0.5p
SG & A	7.7	3.3%	0.1	-0.1p	8.4	3.4%	0.2	-0.1p
Domestic Civil	5.8	7.2%	1.6	1.1p				
Domestic Building	5.0	7.6%	-0.8	-0.5p				
Overseas	1.8	2.0%	1.0	1.1p				
Real estates and others	-0.2	-49.1%	-0.0	28.0p				
Operating Profit	12.4	5.2%	1.8	0.6p	13.4	5.4%	1.8	0.5p
Non-Operating Income/Expenses	0.3		1.3		0.3		1.3	
Recurring Profit	12.6	5.3%	3.1	1.1p	13.7	5.5%	3.1	1.1p
Extraordinary Income/Expenses	0.0		-0.0		0.1		-0.0	
Income before Taxes	12.7	5.3%	3.0	1.1p	13.8	5.5%	3.0	1.0p
Net Income	9.2	3.9%	3.2	1.3p	9.9	3.9%	3.1	1.1p

	FY3/18 2Q		Changes from 3/17		FY3/18 2Q		Changes from 3/17	
Total Assets	383.7		28.4		397.3		25.0	
Net Assets	93.3	24.3%	6.1	-0.2p	103.4	26.0%	7.0	0.1p
Interest-bearing Debt	66.3	17.3%	8.3	1.0p	68.0	17.1%	8.3	1.1p
Cash and Deposits	97.6		33.1		104.5		32.0	
Net Debt	-31.2	-8.1%	-24.8	-6.3p	-36.5	-9.2%	-23.7	-5.8p

Business Forecasts for FY3/18

(JPY bn)

	Non-Consolidated									
	2Q					Entire term				
	FY3/17 2Q		FY3/18 2Q		Change fm FY3/17 2Q		FY3/17		FY3/18 Forecast	
Domestic Civil	67.2		80.2		13.0		143.0		175.0	
Domestic Building	71.4		65.1		-6.3		145.9		150.0	
Overseas	89.1		91.3		2.1		178.4		190.0	
Completed Construction Contracts	227.7		236.5		8.9		467.4		515.0	
Real Estates and Others	0.2		0.3		0.2		4.1		1.0	
Net Sales	227.8		236.9		9.0		471.5		516.0	
Domestic Civil	8.2	12.2%	9.9	12.4%	1.7	0.2p	17.0	11.9%	19.0	10.9%
Domestic Building	8.5	11.9%	7.7	11.8%	-0.8	-0.1p	16.3	11.1%	13.9	9.3%
Overseas	1.5	1.7%	2.6	2.9%	1.1	1.2p	2.9	1.6%	5.5	2.9%
Gross Profit on Construction	18.2	8.0%	20.2	8.5%	2.0	0.6p	36.2	7.7%	38.4	7.5%
Real Estates and Others	-0.0	-9.1%	-0.1	-41.1%	-0.1	-32.0p	0.7	16.9%	0.1	10.0%
Total Gross Profit	18.2	8.0%	20.1	8.5%	1.9	0.5p	36.9	7.8%	38.5	7.5%
SG & A	7.6	3.3%	7.7	3.3%	0.1	-0.1p	15.3	3.2%	16.5	3.2%
Domestic Civil	4.1	6.1%	5.8	7.2%	1.6	1.1p	8.8	6.1%	10.1	5.8%
Domestic Building	5.8	8.1%	5.0	7.6%	-0.8	-0.5p	10.9	7.4%	8.1	5.4%
Overseas	0.8	0.9%	1.8	2.0%	1.0	1.1p	1.5	0.8%	3.8	2.0%
Real estates and others	-0.1	-77.1%	-0.2	-49.1%	-0.0	28.0p	0.5	12.9%	0.0	0.0%
Operating Profit	10.6	4.7%	12.4	5.2%	1.8	0.6p	21.7	4.6%	22.0	4.3%
Non-Operating Income/Expenses	-1.0		0.3		1.3		-0.5		-0.5	
Recurring Profit	9.6	4.2%	12.6	5.3%	3.1	1.1p	21.1	4.5%	21.5	4.2%
Extraordinary Income/Expenses	0.1		0.0		-0.0		-0.7		-1.0	
Income before Taxes	9.6	4.2%	12.7	5.3%	3.0	1.1p	20.4	4.3%	20.5	4.0%
Net Income	5.9	2.6%	9.2	3.9%	3.2	1.3p	13.4	2.8%	13.5	2.6%

		FY3/18 2Q		Change fm FY3/17		FY3/17		FY3/18 Forecast	
Total Assets		383.7		28.4		355.3		370.0	
Net Assets		93.3	24.3%	6.1	-0.2p	87.2	24.5%	97.2	26.3%
Interest-bearing Debt		66.3	17.3%	8.3	1.0p	58.0	16.3%	58.0	15.7%
Cash and Deposits		97.6		33.1		64.4		46.0	
Net Debt		-31.2	-8.1%	-24.8	-6.3p	-6.4	-1.8%	12.0	3.2%

Consolidated										
2Q					Entire term					
FY3/17 2Q		FY3/18 2Q		Change fm FY3/17 2Q		FY3/17		FY3/18 Forecast		
72.3		85.8		13.5		154.5		185.0		
72.9		67.1		-5.8		149.8		155.0		
91.4		93.8		2.4		182.9		195.0		
236.5		246.6		10.1		487.1		535.0		
4.7		4.2		-0.5		13.2		10.0		
241.2		250.8		9.6		500.3		545.0		
8.7	12.0%	10.6	12.4%	2.0	0.4p	18.4	11.9%	20.3	11.0%	
8.7	11.9%	7.9	11.8%	-0.7	-0.1p	16.8	11.2%	14.4	9.3%	
1.5	1.7%	2.7	2.9%	1.2	1.3p	3.1	1.7%	5.6	2.9%	
18.9	8.0%	21.3	8.6%	2.4	0.7p	38.2	7.8%	40.3	7.5%	
1.0	21.6%	0.5	12.7%	-0.5	-8.9p	2.7	20.1%	2.2	22.0%	
19.9	8.2%	21.8	8.7%	2.0	0.5p	40.9	8.2%	42.5	7.8%	
8.2	3.4%	8.4	3.4%	0.2	-0.1p	16.6	3.3%	18.0	3.3%	
11.7	4.8%	13.4	5.4%	1.8	0.5p	24.3	4.9%	24.5	4.5%	
-1.0		0.3		1.3		-0.6		-0.5		
10.6	4.4%	13.7	5.5%	3.1	1.1p	23.7	4.7%	24.0	4.4%	
0.1		0.1		-0.0		-0.7		-1.0		
10.7	4.4%	13.8	5.5%	3.0	1.0p	23.0	4.6%	23.0	4.2%	
6.8	2.8%	9.9	3.9%	3.1	1.1p	15.3	3.1%	15.5	2.8%	

		FY3/18 2Q		Change fm FY3/17		FY3/17		FY3/18 Forecast	
		397.3		25.0		372.3		390.0	
		103.4	26.0%	7.0	0.1p	96.4	25.9%	108.5	27.8%
		68.0	17.1%	8.3	1.1p	59.7	16.0%	60.0	15.4%
		104.5		32.0		72.5		51.0	
		-36.5	-9.2%	-23.7	-5.8p	-12.7	-3.4%	9.0	2.3%

● Financial plans

○ Stipulation of “payment by cash” rule to subcontractors

(abolition of bill payment)

- Improvement of subcontracts –Social demand
- Strengthening partnership with subcontractors by improving payment conditions
 - ⇒ To be procured by steady operating cash flow with our core business and cash reserves
 - ⇒ Based on the favorable issuing conditions, we issued JPY10 bn of corporate bonds in Sep. 2017

○ Capital investment : JPY8 bn -JPY9 bn

- Flexible decisions for main business reinforcement
- Including the investment in SEP barge under construction (Scheduled for completion during FY3/19)

○ Efficient fund procurement and foreign exchange risk management

- Thorough cash flow management of domestic and overseas projects
- Foreign exchange risk reduction by implementing various hedging techniques

● Capital policies

○ Sharing profits with shareholders

- Stable and continuous dividend payout

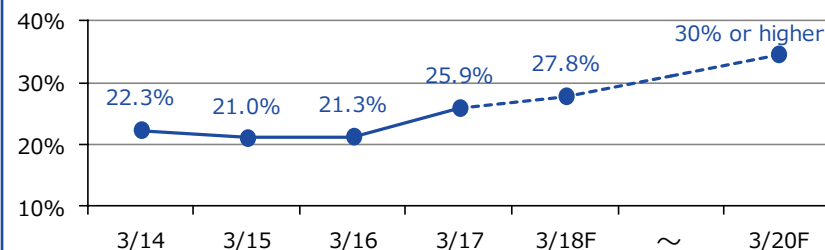
- Short-term: Enhancement of capital structure
Target equity ratio: 30% or higher (FY3/20)
- Target dividend payout ratio (consolidated): 20-25%
Forecast for FY3/18: Dividend per share 12 yen
Dividend payout ratio 22%

Transition of cash flow and debt

(JPY bn)

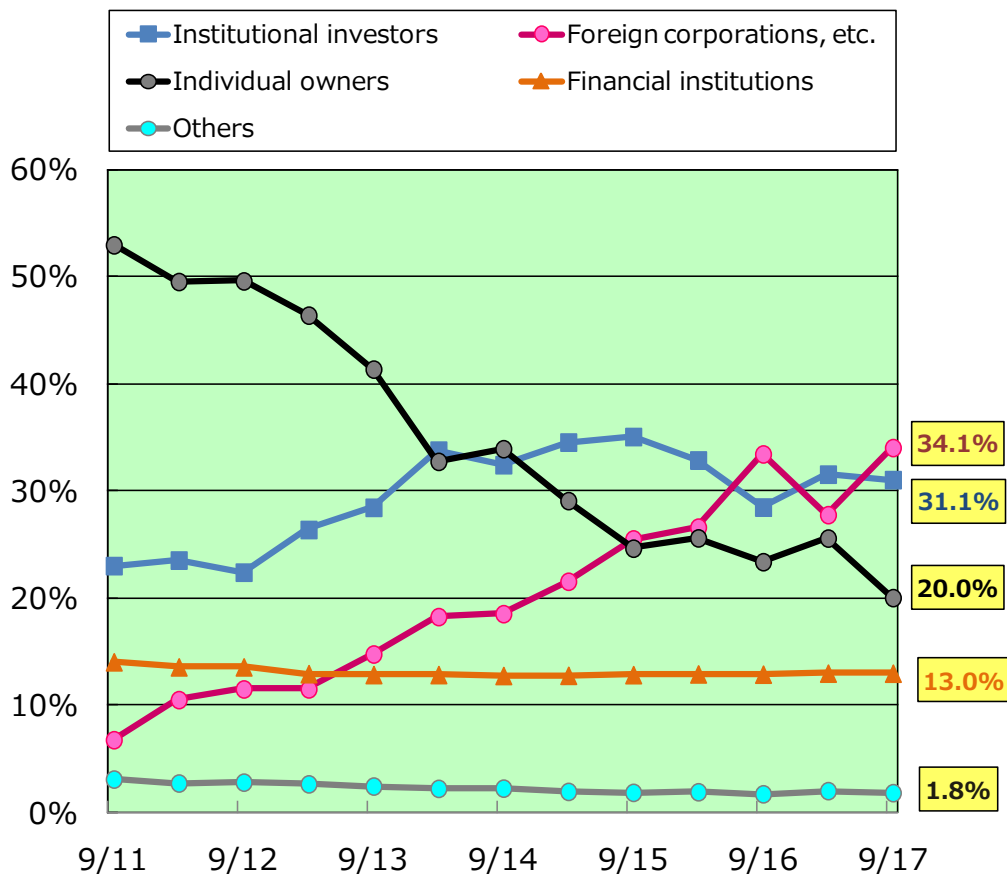
	3/17	Mid-term Management Plan (FY3/18 - FY3/20)		
		3/18F	3/19F	3/20F
Consolidated				
Cash flow from operations	31.3	-9.0	-6.0	14.0
Cash flow from investment	-9.1	-9.0	-9.0	-8.0
Cash flow from financing	-15.5	-3.5	-4.0	-4.0
Balance of cash and deposit	72.5	51.0	32.0	34.0
Balance of debt with interest	59.7	60.0	60.0	60.0
(Change from the previous year)	-14.5	0.3	0.0	0.0
Non-Consolidated				
Balance of cash and deposit	64.4	46.0	27.0	29.0
Balance of debt with interest	58.0	58.0	58.0	58.0
(Change from the previous year)	-14.5	0.0	0.0	0.0

Equity ratio



Major Shareholders

- Issued common stock: 286,013,910
- Number of shareholders: 31,055 (decrease of 8,186 from Mar. 2017)
- Component: Institutional investors 31.1% (-0.5p), Foreign corporations, etc. 34.1% (+6.3p), Individual owners 20.0% (-5.6p), Financial institutions 13.0% (-0.0p), Others 1.8% (-0.2p)



Top 10 shareholders

As of 30 Sep. 2017

Name of shareholders	Shares held (in thousands)	Voting right ratio(%)
Japan Trustee Service Bank, Ltd. (Trust account)	33,120	11.6
The Master Trust Bank of Japan, Ltd. (Trust account)	15,456	5.4
Mizuho Bank, Ltd.	7,059	2.5
Meiji Yasuda Life Insurance Company	6,656	2.3
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	5,138	1.8
Japan Trustee Service Bank, Ltd. (Trust account 5)	5,029	1.8
CBNY— GOVERNMENT OF NORWAY	4,995	1.7
Japan Trustee Service Bank, Ltd. (Trust account 9)	4,825	1.7
JUNIPER	4,547	1.6
Sompo Japan Nipponkoa Insurance Inc.	4,280	1.5
Total held by top 10 shareholders	91,109	31.9