

Financial Results for 3Q of FY3/23 & Revised Business Forecasts for FY3/23

Feb. 2023



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【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 3Q of FY3/23 & Forecasts for FY3/23

(Non-Consolidated)

○ Domestic Civil Engineering :

Increased significantly thanks to orders received for projects including the largest scale domestic port construction project and an offshore wind farm construction project.

○ Domestic Building Construction :

Increased significantly thanks to orders received for projects including the largest scale domestic redevelopment project as well as multiple waste disposal facility construction projects.

○ Overseas :

Increased significantly thanks to orders received for projects including a large-scale hospital construction project in Singapore and a large-scale port construction project in Indonesia

(JPY bn)

		FY3/22 3Q	FY3/23 3Q	Change fm FY3/22_3Q	YoY	FY3/22	FY3/23 Forecast	FY3/23 Revised Forecast	Achievement ratio
Domestic Civil Engineering	Public Sector	69.0	134.1	65.1	94.4%	104.9	230.0	215.0	62.4%
	Private Sector	43.7	70.6	26.9	61.5%	60.6	70.0	85.0	83.1%
	Total	112.7	204.7	92.0	81.6%	165.5	300.0	300.0	68.2%
Domestic Building Construction	Public Sector	9.9	34.3	24.4	245.6%	12.1	15.0	50.0	68.6%
	Private Sector	101.8	127.2	25.4	24.9%	147.9	215.0	180.0	70.7%
	Total	111.8	161.5	49.7	44.5%	160.1	230.0	230.0	70.2%
Overseas	Civil Engineering	9.6	26.1	16.5	172.4%	47.6	80.0	30.0	87.1%
	Building Construction	6.7	91.3	84.7	1270.5%	0.4	70.0	95.0	96.1%
	Total	16.3	117.5	101.2	622.4%	48.0	150.0	125.0	94.0%
	Civil Engineering	122.3	230.9	108.6	88.7%	213.1	380.0	330.0	70.0%
	Building Construction	118.4	252.8	134.4	113.5%	160.4	300.0	325.0	77.8%
	Construction Total	240.7	483.7	242.9	100.9%	373.5	680.0	655.0	73.8%
Others		1.2	0.2	-1.0	-81.4%	1.4	0.5	0.5	45.3%
Total		242.0	483.9	241.9	100.0%	374.9	680.5	655.5	73.8%

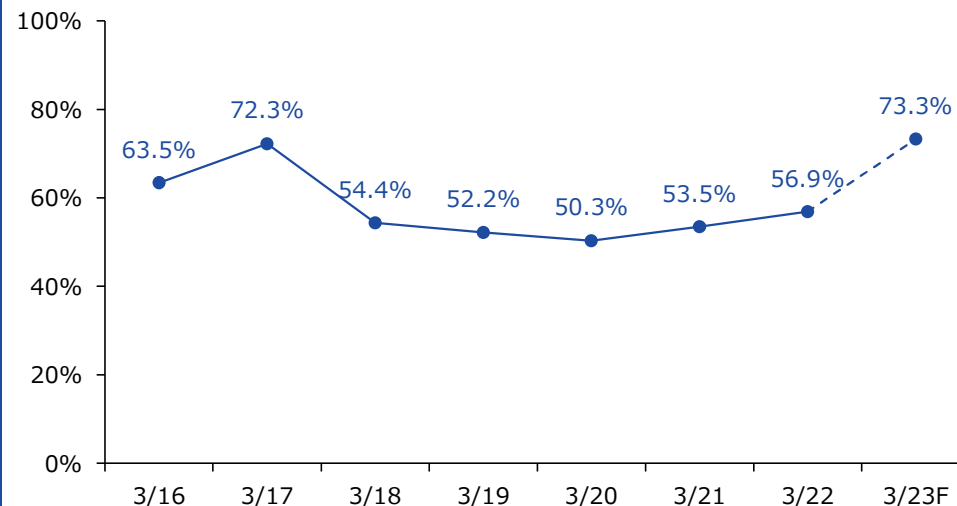
■ Proportion of Orders Received Results (Non-Consolidated)

● Domestic Civil Engineering

(JPY bn)

		FY3/20	FY3/21	FY3/22	FY3/23			Achievement ratio
		Result	Result	Result	FY3/23 F (May 2022)	FY3/23 F (Feb 2023)	FY3/23 3Q	
Proportion of Public & Private	Public Sector	126.7	125.8	104.9	230.0	215.0	134.1	62.4%
	Private Sector	66.1	59.9	60.6	70.0	85.0	70.6	83.1%
	Total	192.8	185.7	165.5	300.0	300.0	204.7	68.2%
	Proportion of Private Sector	34.3%	32.3%	36.6%	23.3%	28.3%	34.5%	—
Proportion of Marine & Land	Marine Civil Engineering	97.0	99.3	94.2	220.0	220.0	161.1	73.2%
	Land Civil Engineering	95.7	86.3	71.3	80.0	80.0	43.6	54.5%
	Total	192.8	185.7	165.5	300.0	300.0	204.7	68.2%
	Proportion of Marine Civil	50.3%	53.5%	56.9%	73.3%	73.3%	78.7%	—

Marine Civil Portion

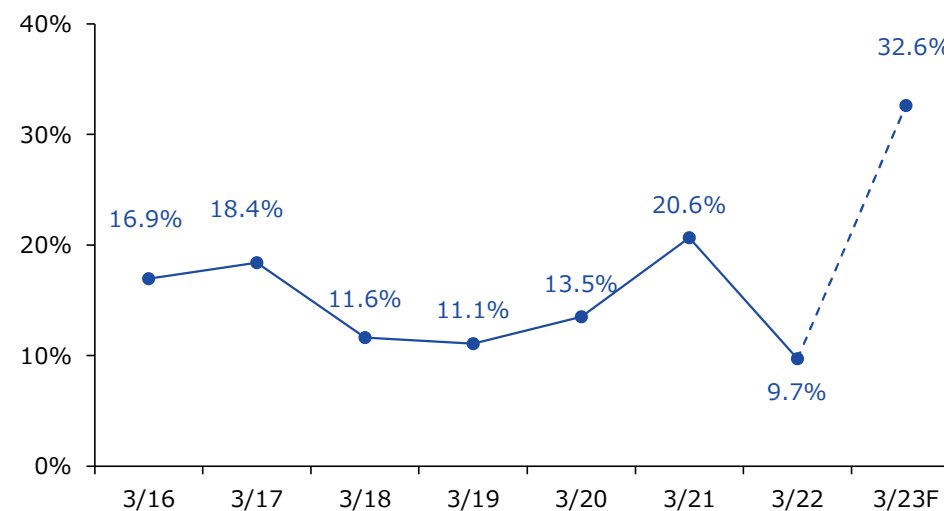


● Domestic Building Construction

(JPY bn)

		FY3/20	FY3/21	FY3/22	FY3/23			Achievement ratio
		Result	Result	Result	FY3/23 F (May 2022)	FY3/23 F (Feb 2023)	FY3/23 3Q	
Proportion of Public & Private	Public Sector	24.5	37.3	12.1	15.0	50.0	34.3	68.6%
	Private Sector	140.6	140.9	147.9	215.0	180.0	127.2	70.7%
	Total	165.1	178.2	160.1	230.0	230.0	161.5	70.2%
	Proportion of Private Sector	85.2%	79.1%	92.4%	93.5%	78.3%	78.8%	—
Proportion of Residential & Non-Residential	Residential	22.3	36.8	15.6	70.0	75.0	71.0	94.7%
	Non-Residential	142.8	141.4	144.5	160.0	155.0	90.5	58.4%
	Total	165.1	178.2	160.1	230.0	230.0	161.5	70.2%
	Proportion of Residential	13.5%	20.6%	9.7%	30.4%	32.6%	44.0%	—

Residential Portion



Business Results for 3Q of FY3/23

Posted an operating loss despite an increase in sales – Overseas projects sustained construction losses

■ Non-Consolidated

● **Sales : JPY 323.9 bn (up JPY 16.9 bn YoY)**

➢ Domestic Civil Engineering & Domestic Building Construction : Increased thanks to steady progress of projects in hand

➢ Overseas : Decreased slightly

● **Gross Profit : JPY 6.7 bn (down JPY 19.1 bn YoY)**

➢ Domestic Civil Engineering : JPY 16.5 bn (down JPY 3.4 bn YoY)

Decreased due to declined profit margins of projects at hand despite a higher number of project completions

➢ Domestic Building Construction : JPY 6.2 bn (down 0.8 bn YoY)

Decreased due to the surges in construction material prices etc. despite a higher number of project completions

➢ Overseas : JPY -16.1 bn (down JPY 14.7 bn YoY)

Construction losses (approx. JPY 16.0 bn)

*Additional losses for 1 project, losses for 4 new projects
+ Surges in construction material prices, labor costs and fuel prices, etc.

+ Poorer earnings in vessel management

● **SG&A Expenses : JPY 14.9 bn (up JPY 0.3 bn YoY)**

● **Operating Profit : JPY -8.1 bn (down JPY 19.5 bn YoY)**

● **Ordinary Income : JPY -10.4 bn (down JPY 21.7 bn YoY)**

● **Net Income : JPY -7.6 bn (down JPY 15.6 bn YoY)**

■ Consolidated

● **Net Sales : JPY 347.2 bn (up 20.6 bn YoY)**

● **Gross Profit : JPY 9.2 bn (down JPY 19.8 bn YoY)**

● **Operating Profit : JPY -7.3 bn (down JPY 20.3 bn)**

● **Ordinary Income : JPY -9.9 bn (down JPY 22.6 bn YoY)**

● **Net Income : JPY -7.3 bn (down JPY 16.3 bn YoY)**

	Non-Consolidated						Consolidated					
	FY3/22 3Q		FY3/23 3Q		Change from FY3/22 3Q		FY3/22 3Q		FY3/23 3Q		Change from FY3/22 3Q	
Domestic Civil	117.7		128.6		10.9		127.3		136.7		9.4	
Domestic Building	104.8		112.2		7.4		105.7		113.9		8.2	
Overseas	83.4		82.9		-0.6		86.9		89.6		2.7	
Construction Total	305.9		323.6		17.8		319.8		340.2		20.3	
Others	1.1		0.2		-0.8		6.8		7.0		0.3	
Net Sales	306.9		323.9		16.9		326.6		347.2		20.6	
Domestic Civil	19.9	16.9%	16.5	12.8%	-3.4	-4.1p	21.3	16.7%	17.0	12.4%	-4.3	-4.3p
Domestic Building	7.0	6.7%	6.2	5.5%	-0.8	-1.1p	7.1	6.7%	6.5	5.7%	-0.6	-1.0p
Overseas	-1.4	-1.6%	-16.1	-19.4%	-14.7	-17.7p	-0.7	-0.8%	-15.3	-17.1%	-14.7	-16.4p
Gross Profit on Construction	25.5	8.3%	6.6	2.0%	-18.9	-6.3p	27.7	8.7%	8.2	2.4%	-19.5	-6.3p
Others	0.3	30.8%	0.1	49.4%	-0.2	18.6p	1.3	18.6%	1.0	13.8%	-0.3	-4.8p
Total Gross Profit	25.8	8.4%	6.7	2.1%	-19.1	-6.3p	29.0	8.9%	9.2	2.6%	-19.8	-6.2p
SG & A	14.5	4.7%	14.9	4.6%	0.3	-0.1p	16.0	4.9%	16.5	4.7%	0.5	-0.2p
Domestic Civil	12.0	10.2%	8.3	6.4%	-3.7	-3.8p	13.0	10.2%	8.4	6.1%	-4.6	-4.1p
Domestic Building	1.8	1.7%	0.9	0.8%	-0.9	-0.9p	1.7	1.6%	1.0	0.9%	-0.7	-0.7p
Overseas	-2.7	-3.3%	-17.4	-20.9%	-14.6	-17.7p	-2.5	-2.9%	-17.2	-19.2%	-14.6	-16.3p
Others	0.3	28.1%	0.1	41.1%	-0.2	13.0p	0.8	11.6%	0.5	6.7%	-0.3	-4.9p
Operating Profit	11.3	3.7%	-8.1	-2.5%	-19.5	-6.2p	13.0	4.0%	-7.3	-2.1%	-20.3	-6.1p
Non-Operating Income or Expenses	-0.1		-2.3		-2.2		-0.2		-2.5		-2.3	
Ordinary Income	11.3	3.7%	-10.4	-3.2%	-21.7	-6.9p	12.7	3.9%	-9.9	-2.8%	-22.6	-6.7p
Extraordinary Income or Expenses	0.3		0.0		-0.3		0.3		0.0		-0.3	
Income before Taxes	11.6	3.8%	-10.4	-3.2%	-21.9	-7.0p	13.1	4.0%	-9.8	-2.8%	-22.9	-6.8p
Net Income	8.0	2.6%	-7.6	-2.3%	-15.6	-5.0p	9.0	2.8%	-7.3	-2.1%	-16.3	-4.8p
Total Assets	456.0		476.0		20.0		467.4		486.4		19.0	
Net Assets	139.8	30.7%	125.7	26.4%	-14.2	-4.3p	159.8	34.1%	146.8	30.2%	-13.0	-4.0p
Interest-bearing Debt	85.8	18.8%	135.1	28.4%	49.2	9.6p	92.6	19.8%	142.4	29.3%	49.9	9.5p
Cash and Deposits	40.0		41.1		1.1		44.8		47.3		2.4	
Net Debt	45.8	10.1%	94.0	19.8%	48.2	9.7p	47.7	10.2%	95.2	19.6%	47.5	9.4p

Revised Business Forecasts for FY3/23

Forecasts for FY 3/23 (Consolidated) – Further downward revision

● **Sales : JPY 485.0 bn (unchanged from Nov. 2022 forecasts & down JPY 30.0 bn from May 2022 forecasts)**

- Domestic Civil Engineering: JPY 190.0 bn (unch. & down JPY 15.0 bn)
- Domestic Building Construction: JPY 155.0 bn (unch. & down JPY 10.0 bn)
- Overseas: JPY 130.0 bn (unch. & down JPY 5.0 bn)

● **Gross Profit : JPY 27.0 bn (down JPY 18.5 bn from Nov. 2022 forecasts & down JPY 26.5 bn from May 2022 forecasts)**

- **Domestic Civil Engineering:** JPY 29.0 bn (down JPY 1.5 bn & down JPY 5.0 bn)
 - Short of initial targets due to fewer completions compared to the initial forecasts as well as lower profit margins, despite increases both in sales and profits year on year
 - However, maintained high profit margins of 15% level thanks to completions in marine projects in 4Q and the improved earnings in vessel management (Profit margins improved from 12.4% in 3Q to 15.3% for the entire fiscal year)
- **Domestic Building Construction:** JPY 9.5 bn (down JPY 1.0 bn & down JPY 3.0 bn)
 - Profit margin in the 6% range, but missed target due to material price hikes, etc.
- **Overseas:** JPY -13.0 bn (down JPY 16.0 bn & down JPY 18.5 bn)

Construction losses: JPY 16.0 bn (JPY 9.0 bn for the previous FY – A total of JPY 25.0 bn in the last two Fys combined)

- Price hikes in construction materials and equipment, fuel costs, etc. + Manifestation of **construction risk of individual project** (technical issues, procurement of materials and equipment, subcontractor agreement) and FX risks
- **(Additional loss for 1 project)** A polder project in Singapore: **JPY 5.0 bn** (JPY 6.0 bn incurred in the last FY, JPY 11.0 bn in total)
- In addition to original non-conformity in ground conditions and COVID-19 impact. Surges in material and equipment prices and increases in expenses to expedite the project
- **(Losses for new projects)** Hong Kong projects (civil engineering & building construction) and ODA projects (loans & grants) **Approx. JPY 11.0 bn in total**
- Risks: (HK, civil engineering – Disapproval of alternative plans, (HK, building construction – Issues with M&E subcontracting agreement, (ODA loan) – Technical issues, (ODA Grants) – equipment procurement, FX losses
- **(Measures taken)** Bidding stage: Thorough implementation of front-loading (understanding every possible risks and identifying the countermeasures, calculation of accurate original construction costs), Construction stage: Implementing timely management and guidance by Singapore Headquarters (building optimized teams for sites as well as an “all-team” support structure)

● **Operating Profit : JPY 4.5 bn (down JPY 18.0 bn & down JPY 27.0 bn)**

● **Net Income : JPY 0.5 bn (down JPY 14.0 bn & down JPY 20.5 bn)**

【Consolidated】	FY3/23F					FY3/24F		
	FY3/23F (Nov 2022)		FY3/23F (Feb 2023)		Change From FY3/23F	FY3/24F Outlook (Feb 2023)		Change From YoY
Net Sales	485.0		485.0		0.0	613.0		128.0
Domestic Civil Engineering	190.0		190.0		0.0	260.0		70.0
Domestic Building Construction	155.0		155.0		0.0	185.0		30.0
Overseas	130.0		130.0		0.0	155.0		25.0
Others	10.0		10.0		0.0	13.0		3.0
Total Gross Profit	45.5	9.4%	27.0	5.6%	-18.5	55.0	9.0%	28.0
Domestic Civil Engineering	30.5	16.1%	29.0	15.3%	-1.5	39.0	15.0%	10.0
Domestic Building Construction	10.5	6.8%	9.5	6.1%	-1.0	11.5	6.2%	2.0
Overseas	3.0	2.3%	-13.0	-10.0%	-16.0	3.0	1.9%	16.0
Others	1.5	15.0%	1.5	15.0%	0.0	1.5	11.5%	0.0
SG&A	23.0	4.7%	22.5	4.6%	-0.5	23.0	3.8%	0.5
Operating Profit	22.5	4.6%	4.5	0.9%	-18.0	32.0	5.2%	27.5
Ordinary Income	21.5	4.4%	2.0	0.4%	-19.5	31.5	5.1%	29.5
Net Income	14.5	3.0%	0.5	0.1%	-14.0	22.0	3.6%	21.5

※ **Business forecasts for FY 3/24 will be announced in May 2023**

(Reference) Outlook for FY 3/24 (Consolidated)

- **Sales expected to exceed JPY 600 bn (record high) thanks to progress of large-scale projects**
- **Business outlook: Sales JPY 613.0 bn, Operating profit JPY 32.0 bn, Net income JPY 22.0 bn** *with FY 3/23 level profit margins (15% for civil engineering projects, 6% for building construction projects, 2% for overseas projects)

Shareholder returns *We maintain the basic policy for profit distributions

- **Targets(Consolidated): Total payout ratio 40% + dividend payout ratio at 30% or higher**
- FY 3/23: We maintain the forecast dividend amount despite the downward revision
- Ordinary dividend : **JPY 24 (as the initial forecasts made in May 2022)**
- Share buybacks: Not planned for the current term

Table of Revised Business Forecasts for FY3/23

(JPY bn)

	Non-Consolidated										Consolidated									
	FY3/22		FY3/23F (Nov 2022)		FY3/23F (Feb 2023)		Change from FY3/23F (Nov 2022)		Change from FY3/22		FY3/21		FY3/23F (Nov 2022)		FY3/23F (Feb 2023)		Change from FY3/23F (Nov 2022)		Change from FY3/22	
Domestic Civil Engineering	160.6		180.0		180.0		0.0	0.0%	19.4	12.1%	174.2		190.0		190.0		0.0	0.0%	15.8	9.1%
Domestic Building Construction	151.7		150.0		150.0		0.0	0.0%	-1.7	-1.1%	153.4		155.0		155.0		0.0	0.0%	1.6	1.0%
Overseas	115.3		120.0		120.0		0.0	0.0%	4.7	4.0%	120.4		130.0		130.0		0.0	0.0%	9.6	8.0%
Construction Total	427.6		450.0		450.0		0.0	0.0%	22.4	5.2%	448.0		475.0		475.0		0.0	0.0%	27.0	6.0%
Others	1.4		0.5		0.5		0.0	0.0%	-0.9	-64.5%	10.2		10.0		10.0		0.0	0.0%	-0.2	-2.3%
Net Sales	429.0		450.5		450.5		0.0	0.0%	21.5	5.0%	458.2		485.0		485.0		0.0	0.0%	26.8	5.8%
Domestic Civil Engineering	26.0	16.2%	29.0	16.1%	28.5	15.8%	-0.5	-1.7%	2.5	9.6%	27.6	15.9%	30.5	16.1%	29.0	15.3%	-1.5	-4.9%	1.4	4.9%
Domestic Building Construction	10.5	6.9%	10.0	6.7%	9.0	6.0%	-1.0	-10.0%	-1.5	-14.6%	10.8	7.0%	10.5	6.8%	9.5	6.1%	-1.0	-9.5%	-1.3	-12.2%
Overseas	-4.4	-3.8%	2.0	1.7%	-14.0	-11.7%	-16.0	-800.0%	-9.6	219.5%	-3.4	-2.8%	3.0	2.3%	-13.0	-10.0%	-16.0	-533.3%	-9.6	283.3%
Gross Profit on Construction	32.2	7.5%	41.0	9.1%	23.5	5.2%	-17.5	-42.7%	-8.7	-26.9%	35.1	7.8%	44.0	9.3%	25.5	5.4%	-18.5	-42.0%	-9.6	-27.3%
Others	0.5	32.7%	0.0	0.0%	0.0	0.0%	0.0	-	-0.5	-100.0%	2.2	21.3%	1.5	15.0%	1.5	15.0%	0.0	0.0%	-0.7	-31.2%
Total Gross Profit	32.6	7.6%	41.0	9.1%	23.5	5.2%	-17.5	-42.7%	-9.1	-28.0%	37.2	8.1%	45.5	9.4%	27.0	5.6%	-18.5	-40.7%	-10.2	-27.5%
SG & A	19.3	4.5%	20.5	4.6%	20.5	4.6%	0.0		1.2		21.3	4.6%	23.0	4.7%	22.5	4.6%	-0.5		1.2	
Domestic Civil Engineering	15.5	9.7%	17.5	9.7%	17.0	9.4%	-0.5	-2.9%	1.5	9.4%	16.6	9.5%	18.5	9.7%	17.0	8.9%	-1.5	-8.1%	0.4	2.2%
Domestic Building Construction	3.5	2.3%	3.0	2.0%	2.0	1.3%	-1.0	-33.3%	-1.5	-43.5%	3.6	2.4%	3.0	1.9%	2.0	1.3%	-1.0	-33.3%	-1.6	-45.1%
Overseas	-6.2	-5.4%	0.0	0.0%	-16.0	-13.3%	-16.0	-	-9.8	158.7%	-5.9	-4.9%	0.0	0.0%	-15.5	-11.9%	-15.5	-	-9.6	163.5%
Others	0.4	30.1%	0.0	0.0%	0.0	0.0%	0.0	-	-0.4	-100.0%	1.5	15.1%	1.0	10.0%	1.0	10.0%	0.0	0.0%	-0.5	-35.4%
Operating Profit	13.3	3.1%	20.5	4.6%	3.0	0.7%	-17.5	-85.4%	-10.3	-77.5%	15.9	3.5%	22.5	4.6%	4.5	0.9%	-18.0	-80.0%	-11.4	-71.8%
Non-Operating Income or Expenses	-0.1		-1.0		-2.0		-1.0		-1.9		-0.3		-1.0		-2.5		-1.5		-2.2	
Ordinary Income	13.2	3.1%	19.5	4.3%	1.0	0.2%	-18.5	-94.9%	-12.2	-92.4%	15.7	3.4%	21.5	4.4%	2.0	0.4%	-19.5	-90.7%	-13.7	-87.2%
Extraordinary Income or Losses	0.4		-0.5		0.0		0.5		-0.4		0.4		-0.5		0.0		0.5		-0.4	
Income before Taxes	13.6	3.2%	19.0	4.2%	1.0	0.2%	-18.0	-94.7%	-12.6	-92.6%	16.1	3.5%	21.0	4.3%	2.0	0.4%	-19.0	-90.5%	-14.1	-87.6%
Net Income	9.1	2.1%	13.0	2.9%	0.0	0.0%	-13.0	-100.0%	-9.1	-100.0%	10.8	2.3%	14.5	3.0%	0.5	0.1%	-14.0	-96.6%	-10.3	-95.4%
Total Assets	456.0		440.0		440.0						467.4		470.0		470.0					
Net Assets	139.8	30.7%	146.3	33.2%	133.3	30.3%					159.8	34.1%	167.7	35.6%	153.7	32.7%				
Interest-bearing Debt	85.8	18.8%	86.0	19.5%	86.0	19.5%					92.6	19.8%	96.0	20.4%	96.0	20.4%				
Cash and Deposits	40.0		39.0		47.0						44.8		44.5		52.5					
Net Interest-bearing Debt	45.8	10.1%	47.0	10.7%	39.0	8.9%					47.7	10.2%	51.5	11.0%	43.5	9.3%				
Net D/E Ratio (Point)	0.3		0.3		0.3						0.3		0.3		0.3					
Return On Equity (ROE)	6.5%		9.1%		0.0%						6.8%		8.9%		0.3%					