

[Business Strategies]

Overseas Business



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Business Characteristics and Strengths

Taking advantage of networks we have built in Asia ahead of others, we support Japanese companies in entering overseas markets and participate in ODA projects in order to play a part in building bases that support the development of international society.

We have an extensive proven track record of execution of construction projects in Asia east of India, beginning with our entry into the Thailand market in 1971. Further, with that track record and history as a backdrop, we have established the foundation of our overseas business by building relationships of trust with contractees and local partners. We will offer proposals that best fit the local environment based on the cutting-edge technologies and optimum process management that we developed in Japan, share the Company's spirit of building infrastructure, and operate a construction business that is based on high-level safety management and quality control systems. As such we are contributing to the development of various countries.

Opportunities and Risks as well as Basic Policies of the Medium-term Management Plan 2019–2021 as Countermeasures

Opportunities

- Expansion of the infrastructure improvement market in emerging nations
- Commercialization of new business overseas

Risks

- Shortage of personnel required for overseas business
- Intensification of competition with Japanese general contractors, local businesses, and Chinese and Korean companies
- Major fluctuations such as political and economic situations, exchange rates, and legal systems affecting entry into overseas markets
- Occurrence of terrorism, coups, natural disasters, and infectious diseases affecting entry into overseas markets
- Impact of COVID-19

Basic Policies of the Medium-term Management Plan 2019–2021 as Countermeasures

1. Steadily expanding overseas construction business
2. [Expanding and globalizing support for education through HDC*](#)
3. Creating new earnings bases

* HDC: Human Resources Development Center

Our Perception of Business Environment

In civil engineering, we can expect plenty of potential demand for urban and transportation infrastructure improvements with the assumption of rapid population growth and concentration of population into urban areas in Asia and Africa. Meanwhile, in building construction, we are required to employ a business strategy that adapts to changes in the social environment amid the COVID-19 crisis.

Results and Major Efforts in Fiscal 2020

We executed a business strategy aiming for the construction of a system for 100.0 billion yen in orders received outside Japan, as set forth in the Medium-term Management Plan. In fiscal 2020, however, consolidated orders received outside Japan decreased 27.9% from the previous fiscal year to 55.8 billion yen. This was attributed to various adverse effects brought about by the ongoing COVID-19 pandemic, including postponement of bidding due to delays in bidding-related work engaged by contractees and consulting firms in civil engineering; and a series of cancellations and postponements of projects for entry into overseas markets owing to sluggish investment in overseas projects by the manufacturing, warehousing and transportation industries in building construction. Also, gross profit declined 2.4 billion yen from the previous fiscal year to 3.6 billion yen.

In civil engineering, we have been making proactive efforts in high-quality ODA projects, especially in Southeast Asia and South Asia, where we can display the Company's advantage. As a result, we received an order for the CP203 section of the Jakarta Mass Rapid Transit Project (Phase 2) in the Republic of Indonesia. In addition, we began construction under the Jamuna Railway Bridge Construction Project (WD2) in the People's Republic of Bangladesh. We have also been making efforts in Guam with a focus on local public-work projects, including those of U.S. forces, and received orders such as for repair work on runways at the airport.

In building construction, we have been working to enhance our abilities in sales, proposals, and cost competitiveness. As a result, we received order for projects from Japanese companies operating overseas as well as from excellent non-Japanese local companies and foreign-owned companies, and thereby continued making contributions to the development of countries where we have been working. Further, in addition to our efforts to date, especially in factory and commercial facility projects, we received an order for the construction of large office building (Siam Patumwan House) ordered by an excellent local company in Thailand.

Given the circumstances surrounding the COVID-19, the Administration Department at each branch implemented comprehensive healthcare measures, including a service for urgent transportation from abroad. We also embarked on the review of business continuity plans (BCPs) set by offices outside Japan and local subsidiaries.

Fiscal 2021 Policies

In fiscal 2021, we will continue constructing a system for 100.0 billion yen in orders received outside Japan, as set forth in the Medium-term Management Plan. We are promoting six important topics for this goal: 1) accomplishment of the Sixth Medium-term Management Plan, 2) improvement of productivity – implementation of DX –, 3) promotion of sustainability – implementation of SX –, 4) promotion of work style reforms, 5) strengthening of corporate governance, and 6) safe culture and supreme quality assurance.

Accomplishment of the Medium-term Management Plan

To accomplish the Sixth Medium-term Management Plan, we aim at ensuring the achievement of the fiscal year target budget of overseas business. To this end, in civil engineering, we will explore projects in new areas, enhance our business property, and assist branches in bidding for important projects. At the same time, in building construction, we will put in place a sales system to explore new commercial, housing and plant projects as well as projects by Western and Taiwanese companies and excellent local companies. Also, the Design Department and Mechanical & Electrical Construction Department at each branch will work at full capacity to assist overseas sites in receiving orders and reducing defects. Furthermore, we will work to expand into new business areas, such as roll-out of floating solar power generation systems in other countries and investment of surplus at local subsidiaries. We will also promote the cultivation of global human resources by expanding our networks through stronger interdepartmental cooperation inside and outside Japan and raising the level of technical ability. Additionally, we will strengthen our legal support system to further facilitate support for the sites in different countries.

Initiatives for digital transformation (DX)

To improve productivity through the implementation of DX, we will accelerate our effort to roll out the digitalization at the sites to all our overseas sites, including BIM, which has already started in Singapore ahead of other countries, through the BIM Group.

Initiatives for sustainability transformation (SX)

To promote sustainability through the implementation of SX, we will provide support for the business of floating solar power generation systems in Taiwan and work to roll out the system in other countries overseas. We will also move forward with the exploration of and initiatives for environment-related projects.

Promotion of work style reforms

To promote work style reforms, we will implement stricter working hours management and provide guidance to raise awareness among employees. To this end, we will also make necessary improvements in our organizational structure. In addition, we will work to provide support for female employees who wish to work abroad and improve the environment of workplaces that accept such female expatriates.

Strengthening of corporate governance

To strengthen our corporate governance, we will strive to instill and establish a corporate culture to raise the awareness of compliance. We will also clarify our decision making by quantifying risks through the implementation of the Risk Assessment System. Meanwhile, we will strengthen our cooperation with affiliates so as to increase the Group's comprehensive strength.

Pursuit of a safety culture and supreme quality assurance

For a safety culture and supreme quality assurance, we will ensure to nip potential major accidents and material quality defects in the bud by sharing risks with project sites through the further enhancement of the Project Management System (PMS). To this end, we will drive the cooperation between the Safety, Environment & Production Management Division and departments in charge of PMS, and thereby heighten the momentum toward the establishment of a safety and quality culture as well as for operational improvements. At the same time, we must avoid a situation where employees become too accustomed to the current situation under the COVID-19 crisis, which may lead to our infection prevention measures becoming a mere shell or dead letter. To do this, we will continue holding liaison meetings through the involvement of site leaders. We will also regularly revise the manual on how to respond to the occurrence of infection and provide on-site training.

Efforts to Strengthen the Foundation of Overseas Business

Construction of a new railway bridge that will contribute to increasing the efficiency of the distribution network and thereby support strong economic development

In the People's Republic of Bangladesh, the demand for rail transportation is expected to spike against the backdrop of the recent strong economic development. Amid such circumstances, aging railway facilities have caused many problems, including speed and weight limits and delays in trains. As such, it has become a pressing issue for the country to improve its railway network so that it can meet the expected demand growth. In particular, the Jamuna Multipurpose Bridge (approximately 100 km northeast of the capital city Dhaka) built across the Jamuna River running in the middle of the country is currently used both as a road bridge and a railway bridge. The bridge is a part of the Trans-Asian Railway and provides a crucial link to neighboring India. However, the facilities are getting old and problems, such as vibration problem and cracks, have surfaced.

The Jamuna Railway Bridge Construction Project is designated to build a new railway bridge in parallel with the Jamuna Multipurpose Bridge with yen loans backed by the Japanese government. The objective of this project is to meet the future demand for rail transportation and improve its safety, as well as to contribute to increasing the efficiency of Bangladesh's distribution network both in the country and between neighboring countries.

The Company will undertake the construction of the steel pipe sheet pile (SPSP) foundation in the west section.



Maruni Project Manager



Rendering of the Jamuna Railway Bridge Construction Project (WD2)