

Financial Review



[Summary of Fiscal 2020 Performance](#) ▾

[Improvement of financial strength and enhancement of capital efficiency](#) ▾

[Investment for Vision 2030](#) ▾ [Funding](#) ▾ [Shareholder Return Policy](#) ▾

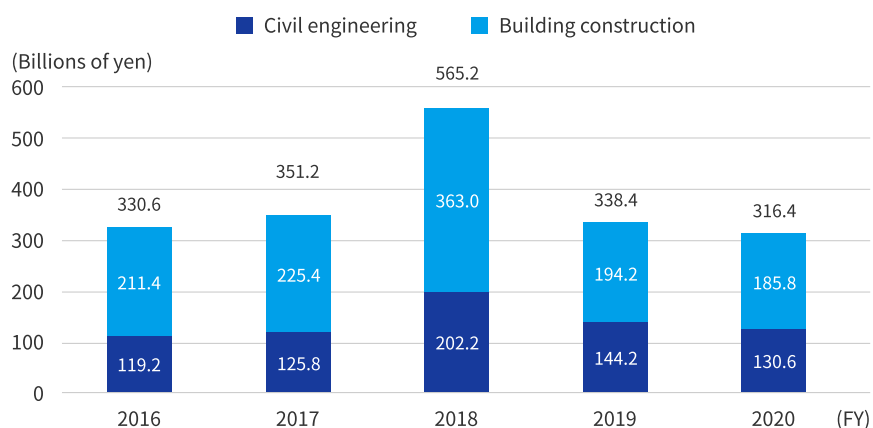
[Toward Sustainable Growth](#) ▾

Summary of Fiscal 2020 Performance

With regard to the order environment for fiscal 2020, public works investment remained firm, but the private sector took a cautious stance on capital expenditures, resulting in the amount of individual construction orders received of 316.4 billion yen (down 22.0 billion yen from the previous year). Consolidated net sales stood at 421.6 billion yen (down 50.8 billion yen from the previous year) with profit attributable to owners of parent of 8.7 billion yen (down 6.8 billion yen from the previous year) due to the fact that most of the large-scale construction works were in the early stages of construction and sales of overseas subsidiaries decreased mainly due to the impact of COVID-19.

In fiscal 2021, the final year of the Medium-term Management Plan 2019-2021 (the "Medium-term Plan"), it will be difficult to achieve the performance targets of the Medium-term Plan due to the impact of COVID-19. Looking ahead to the future, however, we will continue to make efforts to enhance our competitiveness and create corporate value.

Construction Orders Received (non-consolidated)



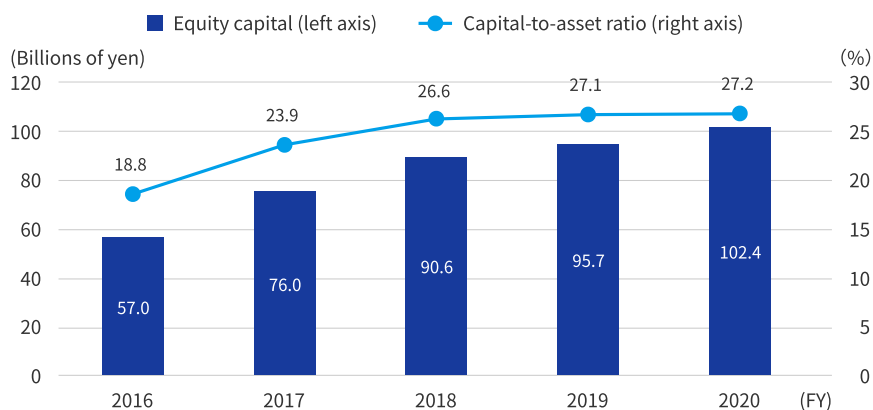
	FY2019 Result	FY2020 Result	FY2021 Forecast	Medium-term Management Plan Target
Net sales	472.4 billion yen	421.6 billion yen	432.0 billion yen	500.0 billion yen
Operating income margin	5.2%	3.7%	4.3%	6% or more
ROE	16.7%	8.8%	Around 9.5%	12% or more
Capital-to-asset ratio	27.1%	27.2%	Around 27%	30% or more
Total return ratio	30.8%	43.8%	31.2%	30% or more

Improvement of financial strength and enhancement of capital efficiency

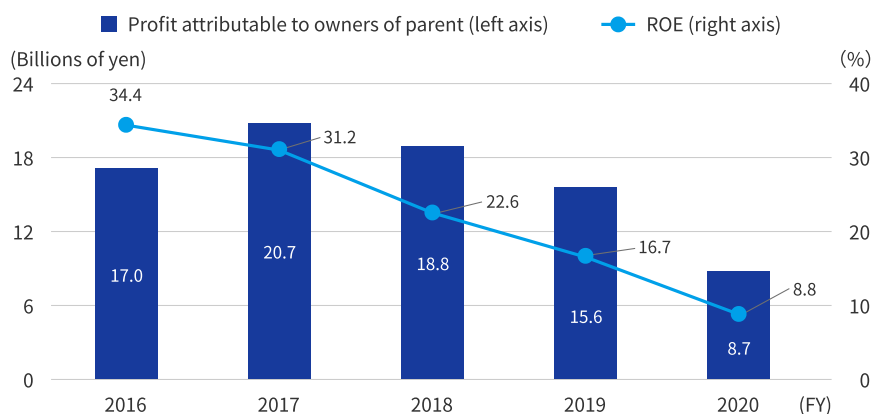
We are improving our financial strength with equity capital of 102.4 billion yen (capital-to-asset ratio of 27.2%) as of March 31, 2021. Although ROE for fiscal 2020 was 8.8%, down from the previous year, we will continue to work on improving profit margins and asset efficiency. Our policy for cross-held stocks is to reduce those which are no longer worthwhile for us to hold by selling them based on the assessment of each individual stock. In fiscal 2020, we sold two stocks (34 million yen) held by our associates.

Net cash flows provided by operating activities amounted to 16.7 billion yen mainly due to progress in the collection of construction receivables.

Equity capital / Capital-to-asset ratio



Profit attributable to owners of parent / ROE



Investment for Vision 2030

Considering the period covered by the Medium-term Plan to be a period for which we will accelerate investment for the Group's sustainable growth, we have set an investment plan of a total of 50.0 billion yen in three years. In fiscal 2020, we made Sumitomo Mitsui Construction Steel Structures Engineering Co., Ltd. and DPS Bridge Works Co., Ltd. into subsidiaries through M&A, and invested in a project of operating floating solar power generation plants, bringing the cumulative investment amount to approximately 24.0 billion yen. We aim to expand new businesses centering on construction peripheral business and renewable energy. We will create competitive new businesses by proactively making investments as necessary.

In making investments, the Group manages investment risks through a process in which the Business Investment Examination Committee and other committees conduct comprehensive assessment in terms of investment scale, consistency with business strategy, returns and risks, followed by a review by the Board of Directors. In addition, even after investments are made, relevant departments follow up attentively by monitor the progress.

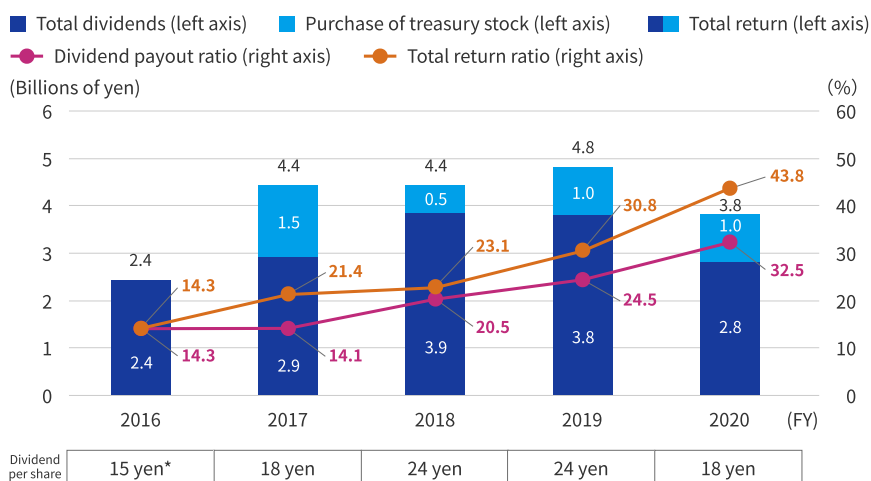
Funding

The Company procures necessary funds in a flexible and stable manner, mainly through borrowings from financial institutions including syndicated loans, as well as by executing a committed credit line agreement as a credit facility. In addition, the Company issued the [first series unsecured corporate bonds](#) to diversify sources of funding. As demonstrated by the D/E ratio of 0.6 times and negative net interest-bearing debt as of March 31, 2021, we will continue to maintain financial soundness.

Shareholder Return Policy

The Company's shareholder return policy is to return profits to shareholders including repurchase of treasury stock while further improving our financial strength and targeting the total return ratio (consolidated) of 30% or more, as set forth in the Medium-term Plan. In fiscal 2020, we paid an annual dividend of 18 yen per share, resulting in the consolidated dividend payout ratio of 32.5%, and repurchased treasury stock amounting to 1.0 billion yen, resulting in the consolidated total return ratio of 43.8%. While continuing to maintain our financial soundness so that we can make investment for growth in line with Vision 2030 and respond to the changing business environment, we will seek for increased shareholder returns. In addition, we will further enhance our dialogue with our shareholders and institutional investors to deepen their understanding of and trust in the Group.

Dividend payout ratio / Total return ratio



* Reflecting the 1-for-5 stock consolidation.

Toward Sustainable Growth

Fiscal 2021 is the final year of the Medium-term Plan. Toward realizing the theme of “Accelerate changes,” we will materialize the basic policies: “Change construction process,” “Strengthen overseas business,” and “Expand business domain.”

In addition, to achieve our Vision 2030: “To be a construction company that globally supports and connects “People” and “Communities” with a new value,” we will promote initiatives for sustainability and solve social issues from a global perspective, whereby achieving the Group’s sustainable growth.

The Group will work hard to improve corporate value by maintaining the financial soundness and increasing shareholder returns through continuous improvement of profitability and capital efficiency, and appropriately allocating capital resources for growth investments to achieve sustainable growth.

In addition, we will promote ESG management to solve social and environmental issues, pay close attention not only to economic value but also to non-financial value, and ultimately realize a sustainable society and a sustainable growth of the Company.