

OYO Corporation

**FY Ending December 2018
Financial Results**

February 28, 2019

President & CEO
Masaru Narita

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2. Forecast of FY2019 Financial Results
3. Status of Progress in each Business Segment
4. Efforts for Next Growth
5. Progress in Medium-Term Business Plan,
“Jump 18”

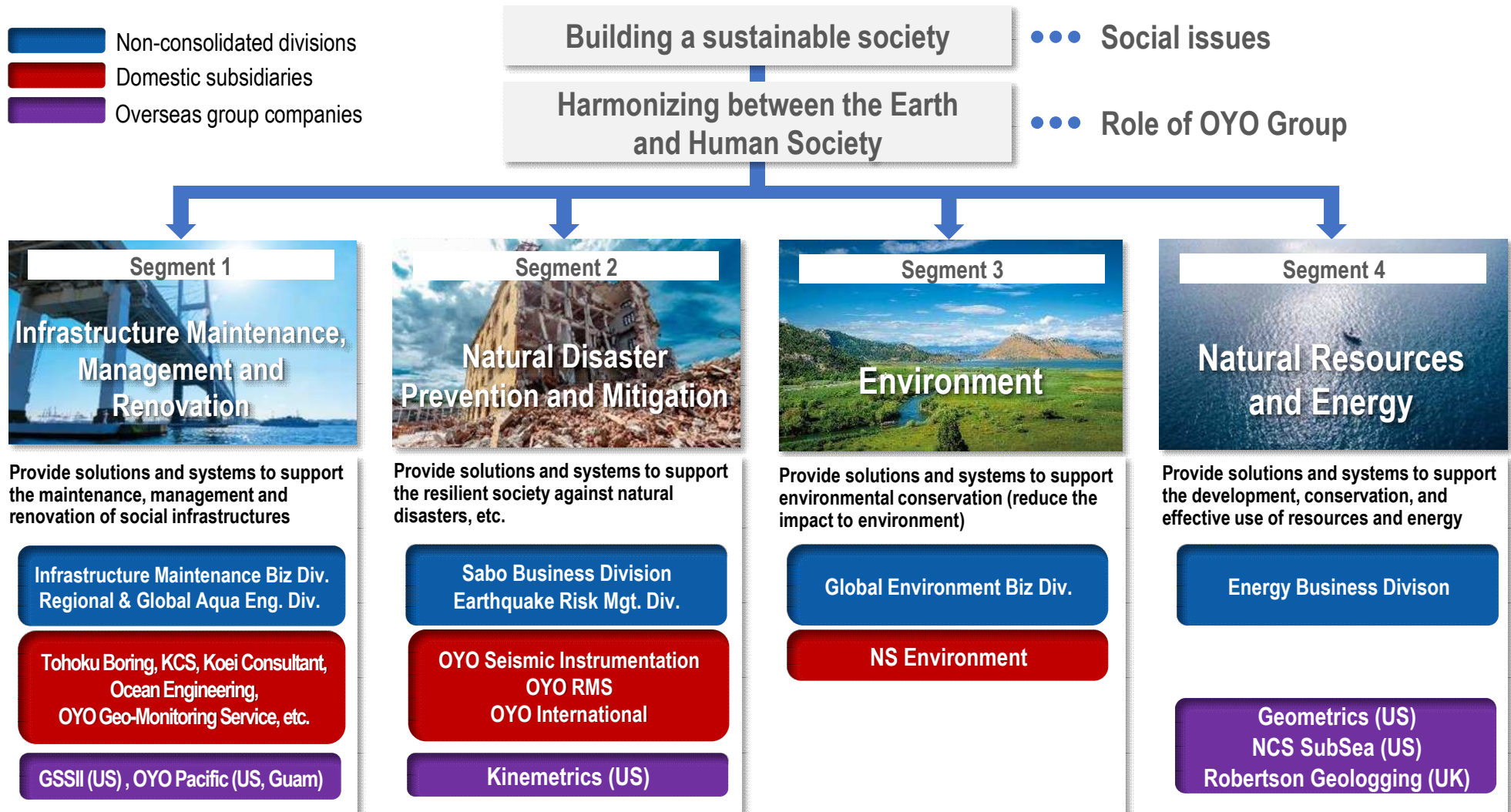


FY Ending Dec.2018
Financial Results

1. Overview of FY2018 Financial Results

Profile of OYO Group

The four segments selected in the previous medium-term plan, “Step14,” will resolve social issues and expand the OYO Group business.



Highlights of FY2018 Financial Results

(Unit: JPY M)	FY 2017	FY 2018	YoY Changes	
			Changes	Ratio (%)
Orders	45,805	46,262	456	101.0
Sales	45,957	45,232	(724)	98.4
Gross profit	13,213	14,152	939	107.1
Operating income	855	1,481	625	173.2
Ordinary income	1,220	1,913	693	156.8
Net income attributable to owners of parent	747	804	57	107.6

Sales decreased. Operating income increased by 73.2% and Ordinary income increased by 56.8%

Topics

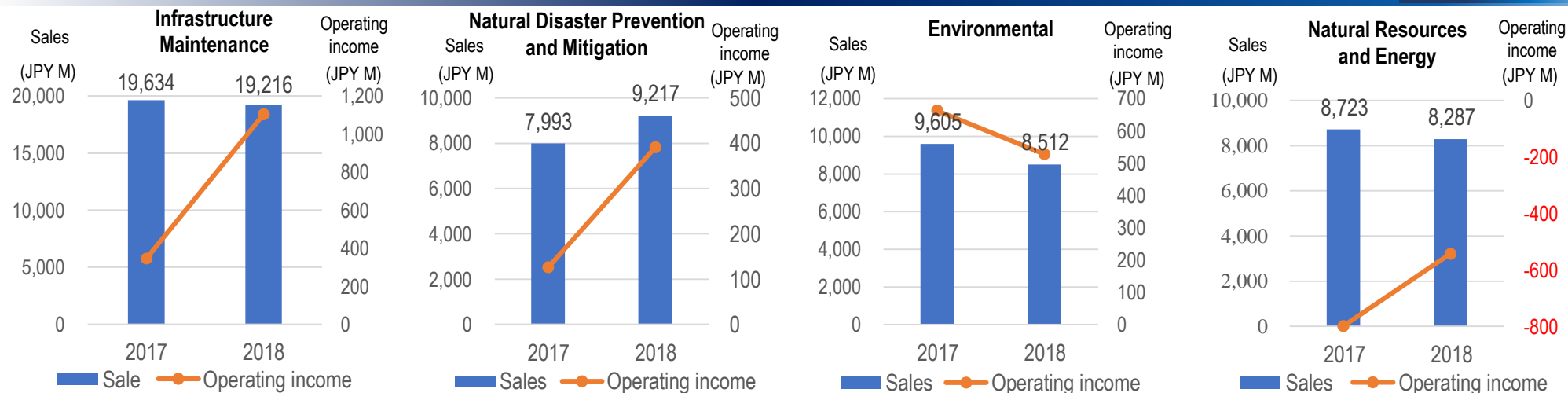
- ✓ Driven by Infrastructure and Maintenance Biz and Natural Disaster Prevention and Mitigation Biz (Due to demand for infrastructure renewal, Heavy Rain Event in western Japan, etc.)
- ✓ Sales from large-scale projects (JPY 1.7 billion) in the previous fiscal year decreased in the Environment business.
- ✓ In the Natural Resources and Energy business, the operating loss in the resource exploration field was reduced.

Positive factor

Negative factor

Positive factor

Financial Results by Business Segment



Efforts in FY2018

Achievements

	Efforts in FY2018	Achievements
Infrastructure Maintenance, Management and Renovation	<ul style="list-style-type: none"> - Cooperation between offices and business divisions has little effect. - Progress the conversion from technology providing service to solution providing service 	<ul style="list-style-type: none"> - GSSI recorded the highest results by focusing markets and products - Domestic group companies clarifying core business increased both sales and profits - Non-consolidated sales and profits decreased due to focusing conventional investigation and equipment sales
Natural Disaster Prevention and Mitigation	<ul style="list-style-type: none"> - Respond to the Heavy Rain Event in western Japan - Convert to solution providing services 	<ul style="list-style-type: none"> - Increased both sales and profits due to non-consolidated and overseas operations - Some domestic companies showed low performance due to conventional-styled business
Environment	<ul style="list-style-type: none"> - Aggressively cultivate disaster waste market - Expand social issues-conscious business (Asbestos countermeasure, Energy Audits, Green Infrastructure) 	<ul style="list-style-type: none"> - Both sales and profit declined (non-consolidated) due to lack of large-scale orders - Disaster waste business and Fukushima environment support project showed strong performance (Non-consolidated) - Asbestos countermeasure and Energy Audits are strong (in Japan)
Natural Resources and Energy	<ul style="list-style-type: none"> - Cultivate customers and sales areas, changed development processes - Develop new markets to replace the shrinking nuclear power business - Expand offshore wind-power generation related sales 	<ul style="list-style-type: none"> - Despite unstable resource prices, operating loss decreased - Nuclear power plant related sales significantly decreased (90% year-on-year) - Offshore wind power generation related orders expanded

Clarified Achievements and Challenges

Growth trend in businesses with clarified markets and products lines

- Accelerated growth by clarifying focused market and objective of products
- Increased market opportunities through product conversion to solution-based systems
- Continued strong performance by clarifying the company's core business and providing solution services / packaged services
- Steadily expanded market share by differentiating services centered on superior technologies
e.g. disaster waste disposal planning service, erosion control support system, removed soils transportation control systems, etc.



Non-consolidated base growth is Group's challenges

- **Without stopping the trend of decreasing sales and profits in the conventional business depending on public works*** which accounts for more than half of sales and personnel
* Business that passively implements the works specified by government / public offices
- **Conventional consciousness and the Branch System obstruct business growth**



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2. Forecast of FY2019 Financial Results

Forecast of FY2019 external environment

Overseas

- Trade friction between the US and China
- Unstable resource prices (economic slowdown in China and expansion of protectionism)
- Crude oil prices are unstable, but development of oil fields started.
- Increased worldwide awareness of disaster prevention and environmental conservation
- Sustained growth of the global economy and steady expansion of infrastructure development and renovation demand
- Concerns about the Brexit (no-deal Brexit)
- Continued demand for renewable energy development in EU

Risk

Risk

Tailwind

Tailwind

Tailwind

Risk

Tailwind

Domestic

- Shrink of the nuclear power plant and expansion of demand for renewable energy
- Increased opportunities for infrastructure, disaster prevention and mitigation projects in line with the expansion of public works budgets
- Rush demand due to the increase in the consumption tax
- Increasing demands for disaster prevention and mitigation due to frequent and intensified natural disasters
- Demand for improving efficiency and productivity through ICT

Risk

Tailwind

Tailwind

Tailwind

Tailwind

Tailwind

Forecast of FY2019 Financial Results

(Unit: JPY M)	FY 2018	FY 2019	YoY changes	
			Change s	Ratio (%)
Sale	45,232	49,500	4,267	109.4
Operating income	1,481	1,900	418	128.3
Operating income ratio	3.3%	3.8%	—	+0.5%
Ordinary income	1,913	2,300	387	120.2
Net income attributable to owners of parent	804	1,300	496	161.6



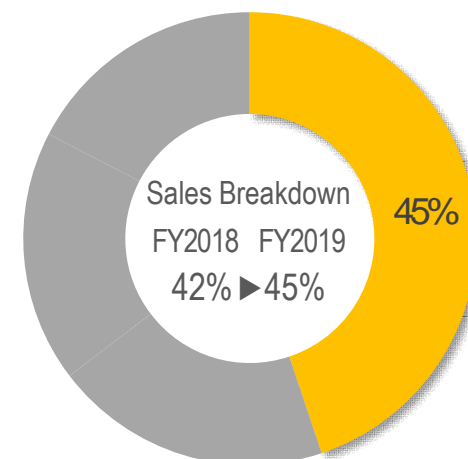
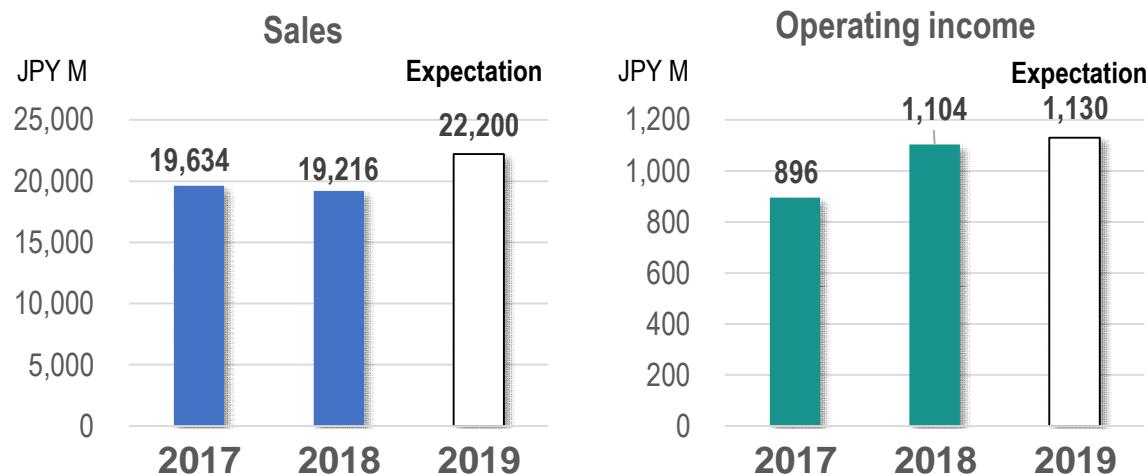
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3. Status of Progress in each Business Segment

Infrastructure Maintenance, Management, and Renovation

FY2018: Sales dec., Profit inc.

FY2019: Sales inc., Profit inc.



Major Efforts and Results in FY2018

Launched products that meet global infrastructure renewal demand

GSSI: 9% increase in sales

Struggled in the National Resilience field
(negative effect of coexistence of Division System and Branch System)

11% decrease in sales
(non-consolidated)

Focused on water infrastructure and urban redevelopment projects

Domestic G: 5% increase in sales

M&A for overseas expansion of infrastructure business (Fong Consult, FCI)

Contribute from FY2019

Major Efforts in FY2019

Consolidate Singapore companies. Expand business by leveraging group synergies

Expand inspection and renewal works in response to strengthened budget for the National Resilience

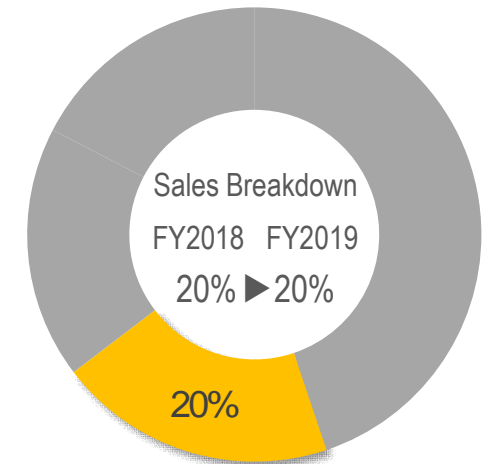
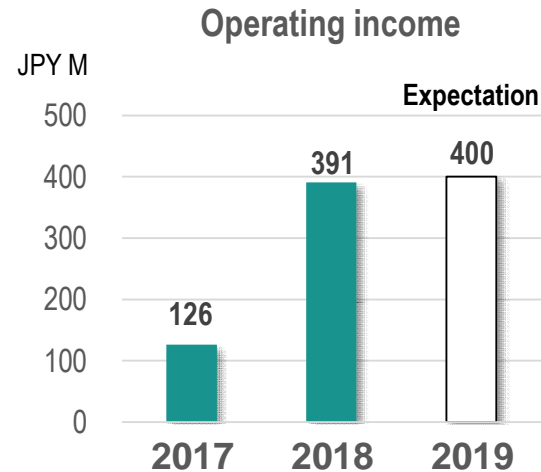
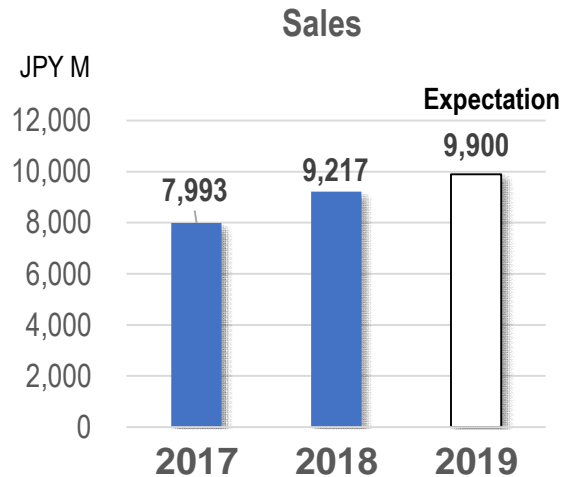
Invest in 3D mapping of underground facilities through 3D geophysical exploration

Target
Sales: 115.5 %
(compared to 2018)

Natural Disaster Prevention and Mitigation

FY2018: Sales inc., Profit inc.

FY2019: Sales inc., Profit inc.



Major Efforts and Results in FY2018

Nationwide response to the Heavy Rain Event in western Japan led by Business Divisions

Sabo Business Div., Regional and Global Aqua Engineering Business Div., etc. :
20% increase in sales

Restored orders by utilizing seismometer system to evacuation guidance services

Kinematics: 9% increase in sales

Major Efforts in FY2019

Focus on natural disaster prevention and mitigation business in response to the strengthening of the National Resilience budget

Develop the technologies to reduce slope disasters using 3D models and create the new markets

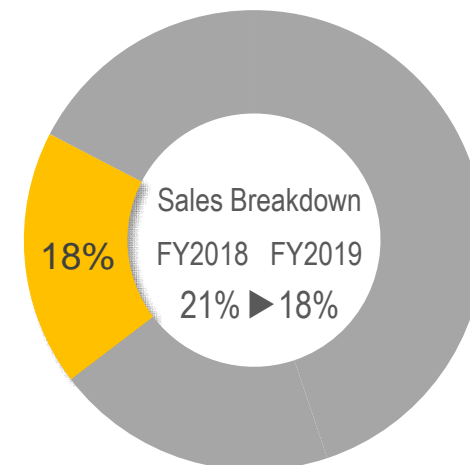
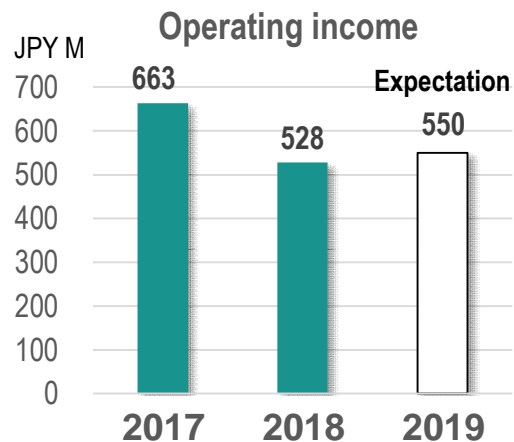
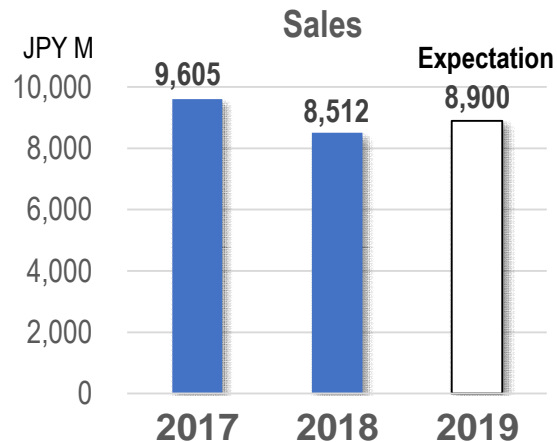
Establish Earthquake Risk Management Division and strengthen earthquake-resistant business: Non-consolidated

Target
Sales: 107.4%
(compared to 2018)

Environment

FY2018: Sales dec., Profit dec.

FY2019: Sales inc., Profit inc.



Major Efforts and Results in FY2018

Decreased sales and profits due to the reaction to large-scale sales (construction) in the previous year

Global Environment Business Div.:
24% decrease in sales

Good performance in such areas as the Fukushima environmental restoration support project and disaster waste-related services

Global Environment Business Div.:
10% increase in orders

Steady orders from the private sector in asbestos countermeasure service

NS Environment: 4% increase in orders

Major Efforts in FY2019

Enhance environmental assessment service related to wind power generation : NS Environment

Strengthen cooperation within Group in the Fukushima environmental restoration

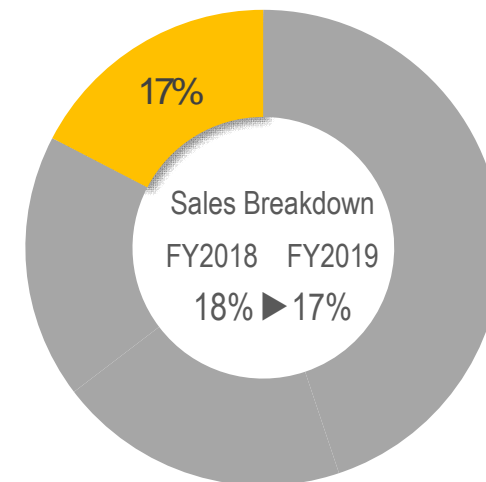
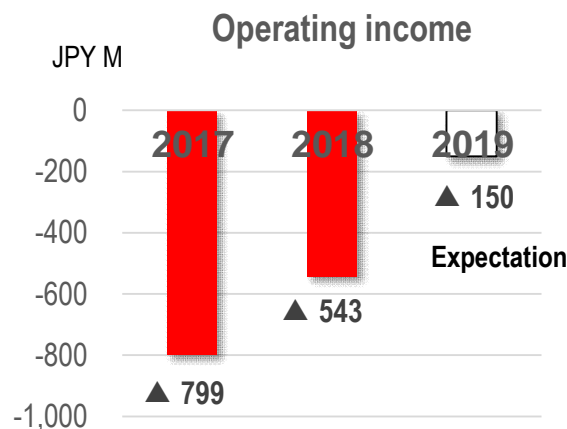
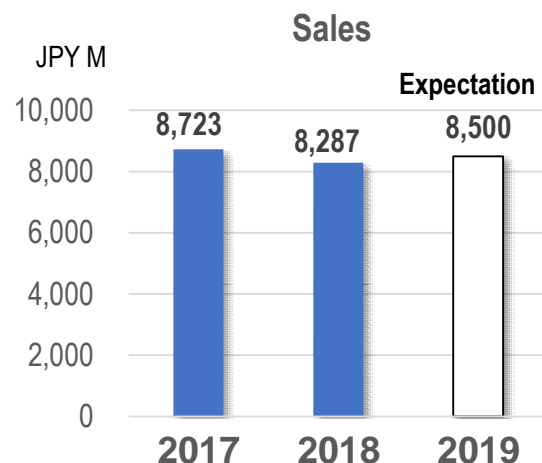
Improve our superiority by combining with the disaster waste field and earthquake disaster prevention fields

Target
Sales: 104.6%
(compared to 2018)

Natural Resources and Energy

FY2018: Sales dec., Profit inc.

FY2019: Sales inc., Profit inc.



Major Efforts and Results in FY2018

Development of new undersea survey technology in line with expansion of offshore wind power market

Capital investment into offshore survey steel scaffolds

Energy Business Division:
Capital investment of 250 million yen

Earthquake-resistant business related to nuclear power has run its course

Energy Business Division:
10.1% decrease in sales

Orders are on an increasing trend and operating loss is on a shrinking trend despite the continuing weakness of the natural resource market conditions

NCS Subsea, Inc.

Major Efforts in FY2019

Improve service capabilities in the offshore wind power market through CAPEX

Expanding demand for 3D offshore exploration services in the crude oil market

Develop 3D ground information services in power generation business

Target
Sales: 102.6%
(compared to 2018)



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4. Efforts for Next Growth

Efforts and Results of R&D/CAPEX: Common with All Segments

Expand next-generation technological base using ICT

- Create ICT platforms (create new businesses, improve business efficiency)
- Differentiate and add value to our services through ICT
- Create new markets in the public sector (disaster prevention and mitigation, infrastructure maintenance and renovation) and the environmental sector
- Increase corporate value by realizing higher profitability and diversity of human resources through highly efficient work styles

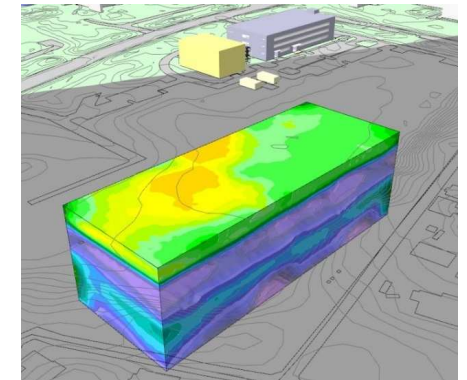
Develop 3D physical exploration technologies and BIM

- Develop 3D physical exploration technologies that aim to make the ground visible
- It is essential fundamental technology for BIM (Building Information Modelling), which is the mainstream of construction management utilizing ICT
- Differentiate and add value to our services which use 3D technologies

Develop monitoring services using satellite images

- Develop wide-area ground-transformation monitoring service
(Use in infrastructure maintenance business, disaster prevention and mitigation business and environmental business)
- Differentiate and add high value with monitoring accuracy in milliunit

Concluded advisory agreement
on AI with Mizuho Information &
Research Institute



Efforts and Results of R&D/CAPEX:

Infrastructure Maintenance, Management and Renovation

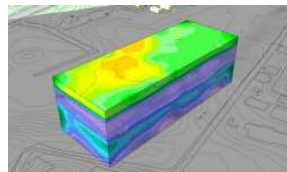
Joined in int'l standardization organization in BIM Markets

- Joined the building SMART International
- Aim for international standardization of ground modelling in BIM market and establishing the market
- **Strategic investment with a view of global BIM market expansion**



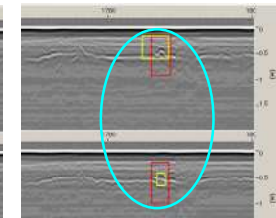
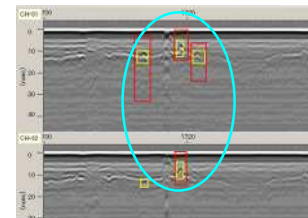
Apply 3D physical exploration technologies into infrastructure management field

- Developed 3D physical exploration technology which covers from shallow part to deep part (50m)
- Completed system development and verification of field experiment
- Applied to underground facilities management market



Developed service utilizing AI

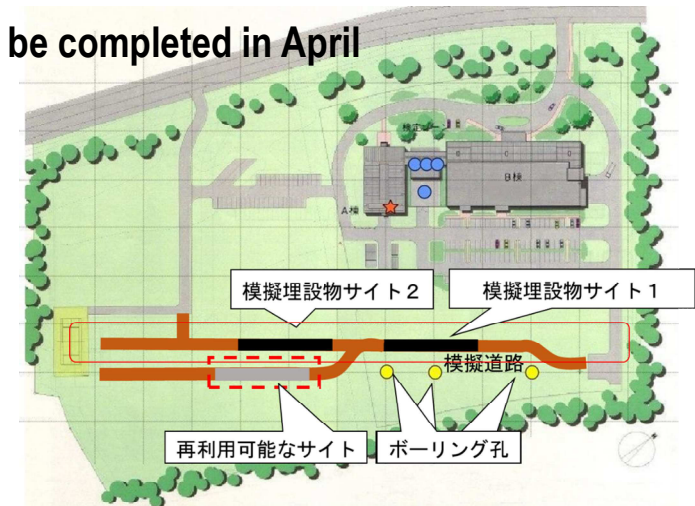
- Utilize AI to explore cavities beneath road surface



3D mapping technology for underground facilities

- Developed 3D mapping technology for underground facilities, which is expected to be highly marketable for the safe use of underground space
- Construction of a dedicated test site on Tsukuba office site
- It can be used as an open facility for outside

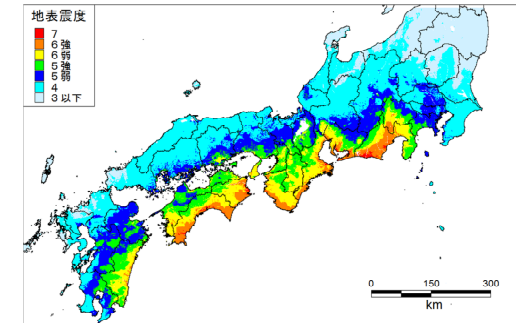
Test site will be completed in April



Efforts and Results of R&D/CAPEX: Natural Disaster Prevention and Mitigation

Promoting joint research with universities

- Continued the donated course, Disaster Mitigation Research Center in Nagoya University, for **cutting-edge disaster mitigation research**
- Developed economic damages estimation method and disaster mitigation support system for wide-area disasters
- Developed economic damage estimation method and verifying its applicability



Promoting joint research with external organizations

- Two research tasks were adopted in “Strengthening of National Resilience (disaster prevention and mitigation)” section of **the Cross-ministerial Strategic Innovation Promotion Program (SIP)**
- Research and development period: from FY2018 to FY2022



Development of next-generation disaster prevention and mitigation services

- Together with KDDI and Toyota Motor, started a study of disaster prevention and mitigation services using big data.
- Disseminate disaster prevention information in real time by combining probe data obtained through cars, information through mobile phones, and data through low-cost sensors



Environment

Promoting joint research with universities

- Donated to the research fields in Hokkaido University:
“Social technology system for material cycle and energy” (until May 2018)
“Biomass community planning” (from October 2018 to September 2021)
- Study of “Appropriate management system for non-native species (Environmental DNA)” (Kobe University)



Expanding the ecological environment business

- Developed non-destructive diagnostic system using AI for preventing fallen trees accidents
- Developing and introducing technology for greening devastated lands (desert afforestation) overseas



Natural Resources and Energy

Started pilot operation of geothermal power generation business

- Aiming for pilot operation of small-scale geothermal power generation projects, candidate sites are selected and in preparation
- By operating actual geothermal power generation, we aim not only to conduct geological survey business, but also to expand the scope of our business into consulting services of power generation business.

M&A in line with Global Strategies

Purchase of companies in Singapore (January 2019)

**Strengthening infrastructure maintenance business (overseas)/Demonstrating Group synergy
Expansion to overseas infrastructure maintenance and management markets**



Fong Consult Pte. Ltd

Design, Design review,
Construction management



FC Inspection Pte. Ltd

Inspection and check
of construction



Started technical exchange through 3D
technologies and construction inspection

Increasing Corporate Value

**Target corporate
image of our Group**

**Become a company whose value is easily understood
by society**

Become a company that is easy to work for

Commitments to SDGs goals shall be decided



Improvement of work environment

- No personnel transfers with relocation in principle
- Introduction/promotion of satellite offices
- Expansion of the flexible working system
- Telecommuting system
- Development of system to improve efficiency and automate on-site operations (ICT platform)
- Workplace safety, improvement of work environment

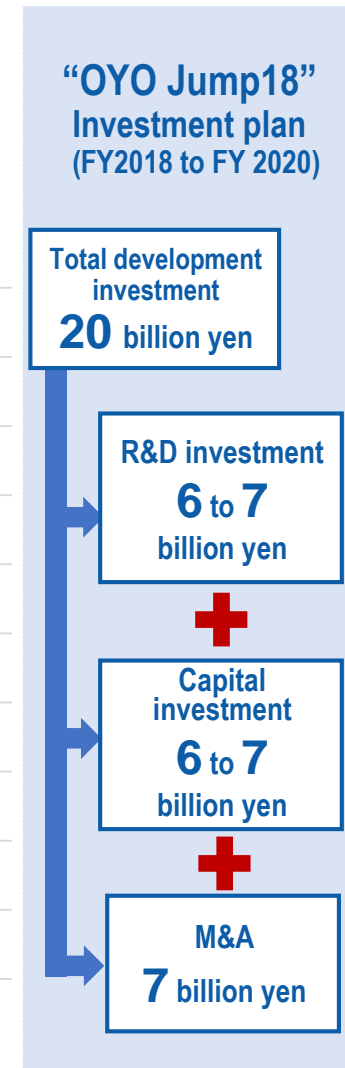
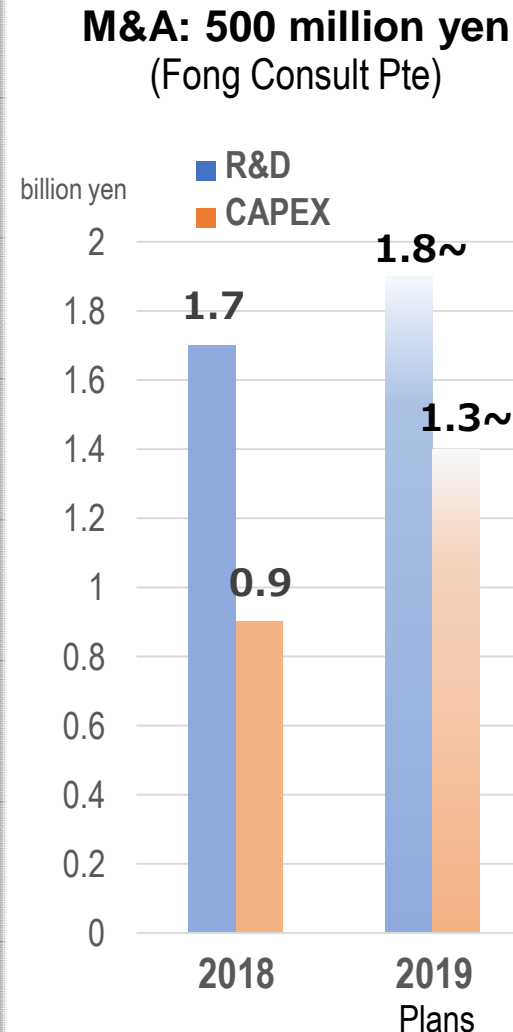
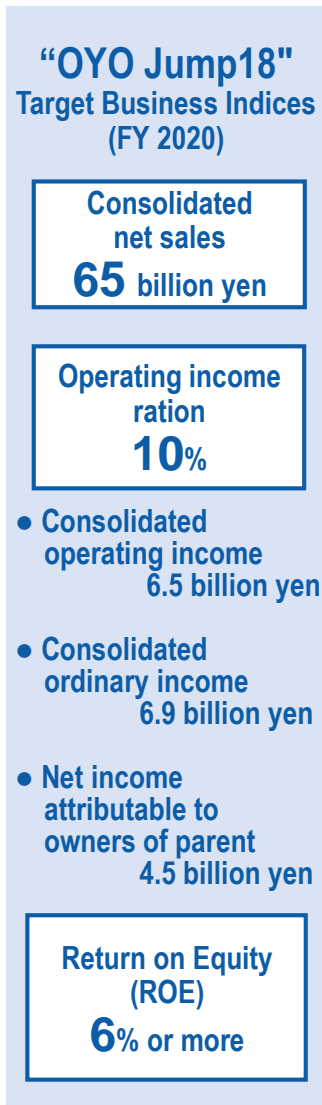
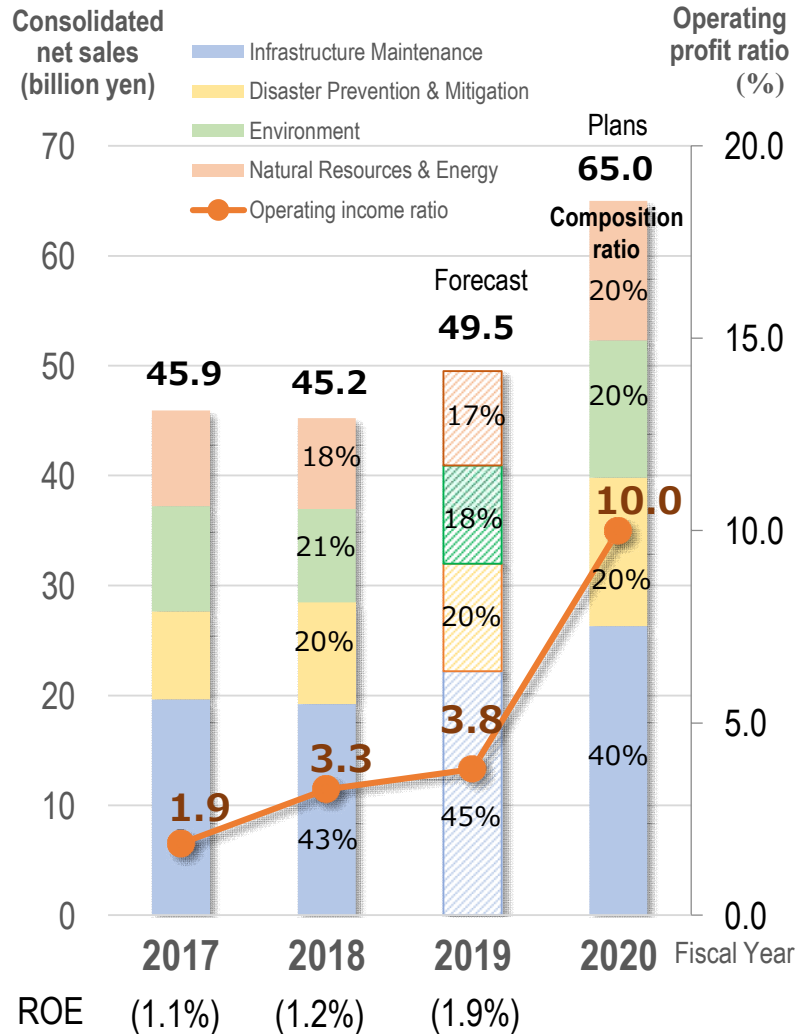
- Develop easy-to-understand products and services based on social issues
- Clarify the objective and timing of achievement of each business
- Implement AI and ICT in products and services, raise added value, and improve operating efficiency



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5. Progress in Medium-Term Business Plan, “Jump 18”

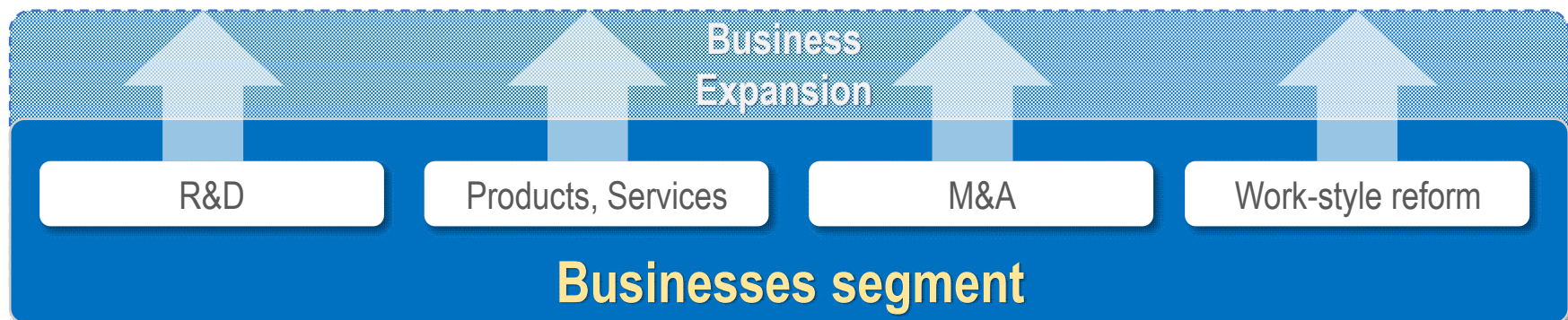
Financial Results, R&D and CAPEX



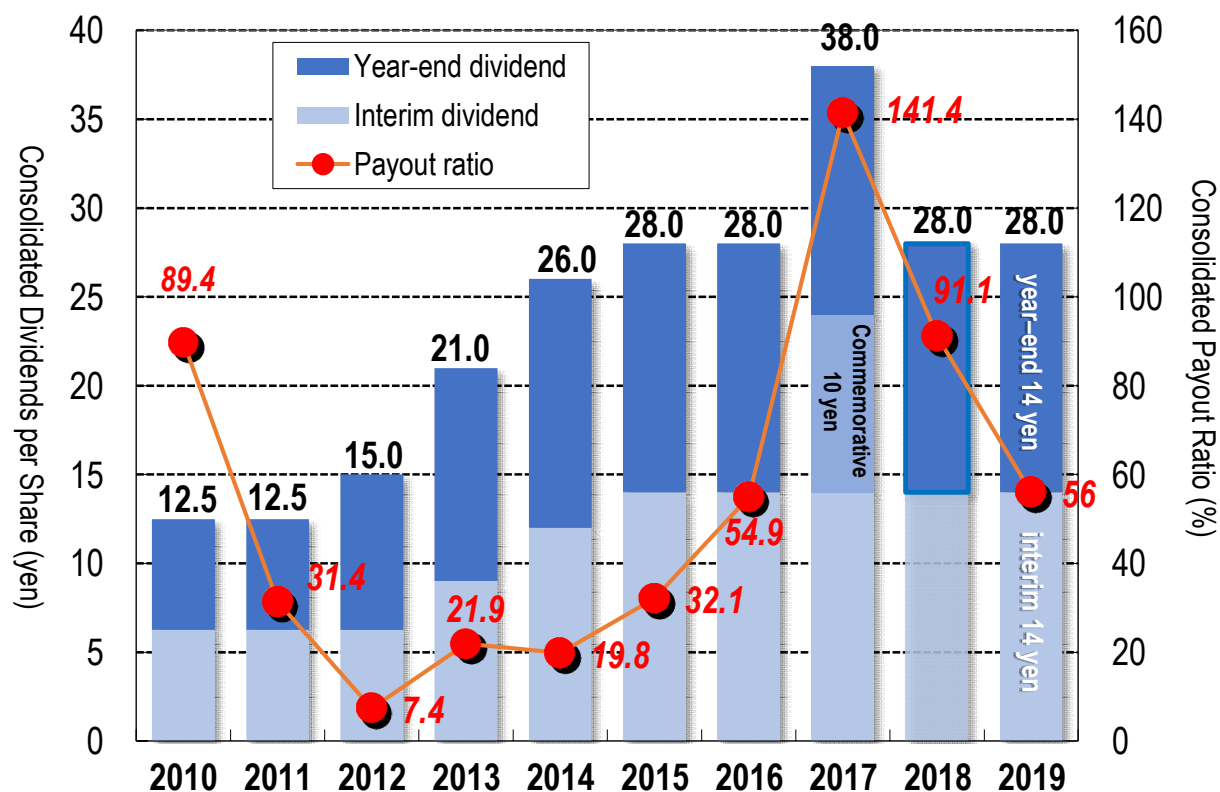
※ In addition to the above, development will be carried out using external funds (R&D for SIP: 400 million yen for 5 years)

- ✓ Active collaboration with other companies (2018)
- ✓ Started building ICT platforms (2018)
- ✓ Almost completed the clarification of business of group companies (remaining two companies) (2018)
- ✓ Completed replacement of core systems (2018)
- ✓ Completed transition to “Division System” (non-consolidated) (January 2019)
- ✓ Established IT Innovation Planning Headquarters (January 2019)

Each segment implement management measures for growth and expand its business



Dividends per Share and Consolidated Dividend Payout Ratio



Dividend policy

**Consolidated
Payout Ratio**

30~50%

**with the aim for
stable dividend**

Dividend Forecast for FY 2019

(Per Share)

Interim dividend 14.0 yen

Year-end dividend 14.0 yen

Annual dividend 28.0 yen

**Capital efficiency
Improvement**

**Purchase and cancellation of treasury stock (February 2018)
1,000,000 shares (acquisition price: 1,410 million)**



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References

FY2018 Financial Results and FY2019 Forecasts (Segment Information)

(Unit: million yen)	FY 2017	FY 2018	YoY (%)	FY 2019	YoY(%)
New Orders	45,805	46,262	101.0	49,500	107.0
Infrastructure Maintenance	20,439	19,555	95.7	21,000	107.4
Disaster Prevention & Mitigation	8,514	9,847	115.7	11,100	112.7
Environment	8,067	8,870	110.0	9,300	104.8
Natural Resources and Energy	8,784	7,988	90.9	8,100	101.4
Sale	45,957	45,232	98.4	49,500	109.4
Infrastructure Maintenance	19,634	19,216	97.9	22,200	115.5
Disaster Prevention & Mitigation	7,993	9,217	115.3	9,900	107.4
Environment	9,605	8,512	88.6	8,900	104.5
Natural Resources and Energy	8,723	8,287	95.0	8,500	102.5
Operating income	855	1,481	173.2	1,900	128.3
Infrastructure Maintenance	896	1,104	123.2	1,130	102.4
Disaster Prevention & Mitigation	126	391	309.9	400	102.3
Environment	663	528	79.6	550	104.2
Natural Resources and Energy	(799)	(543)	-	(150)	-
Ordinary income	1,220	1,913	156.8	2,300	120.2
Net income attributable to owners of parent	747	804	107.6	1,300	161.6