

# OYO Corporation

## **FY Ending December 2019 2nd Quarter Financial Results**

August 20, 2019

President & CEO  
Masaru Narita

1. Profile of OYO Group
2. Overview of 2Q Financial Results
3. Financial Results by Business Segment
4. Basic Strategy of the Current Medium-Term Business Plan and Status of Progress
5. Forecast of FY2019 Financial Results and Dividend



FY Ending Dec. 2019  
2Q Financial Results

# 1. Profile of OYO Group

# 1. Profile of OYO Group

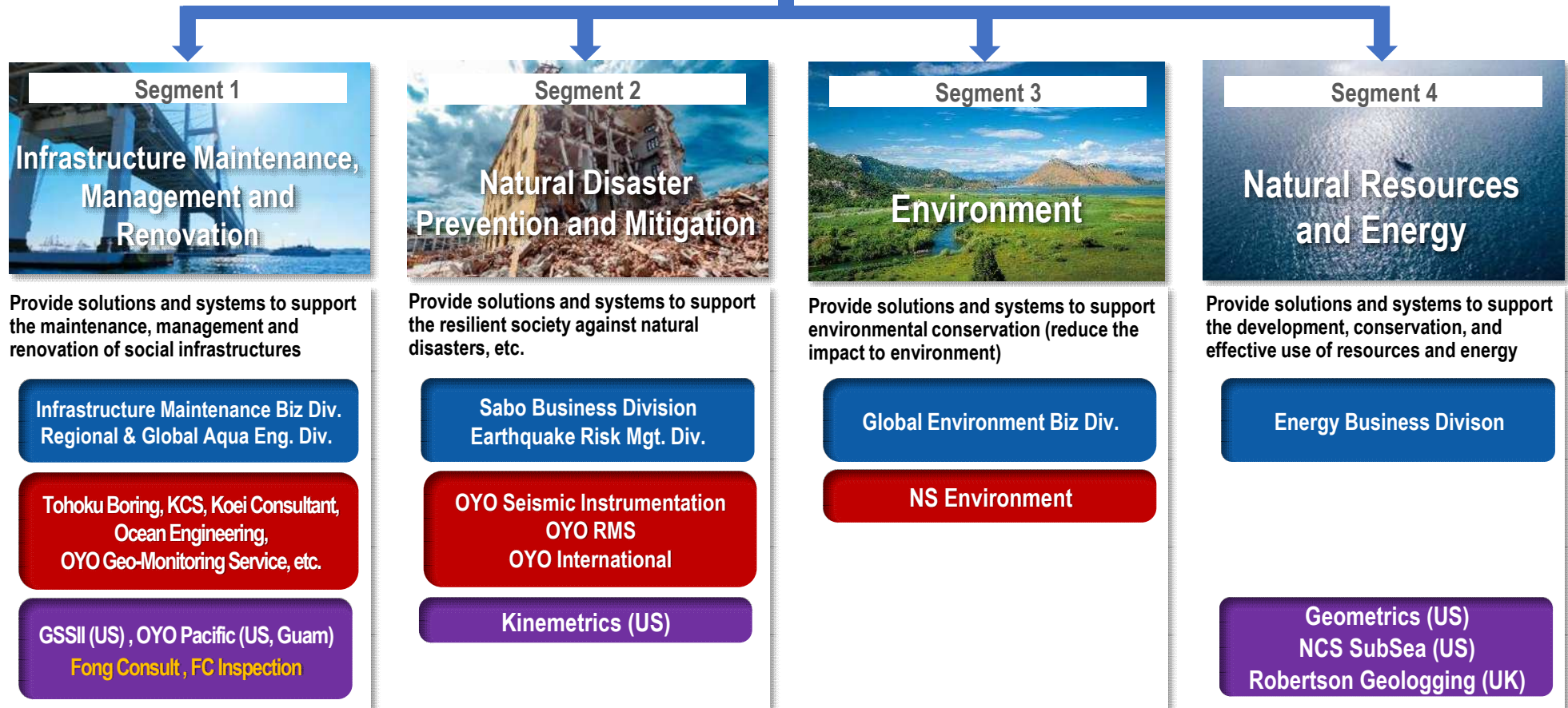
- Non-consolidated divisions
- Domestic subsidiaries
- Overseas group companies

Building a sustainable society

Harmonizing between the Earth  
and Human Society

... Social issues

... Role of OYO Group



※ In addition to the above, there are Instrument & Solution Div. and IT Business Div. as non-consolidated divisions.

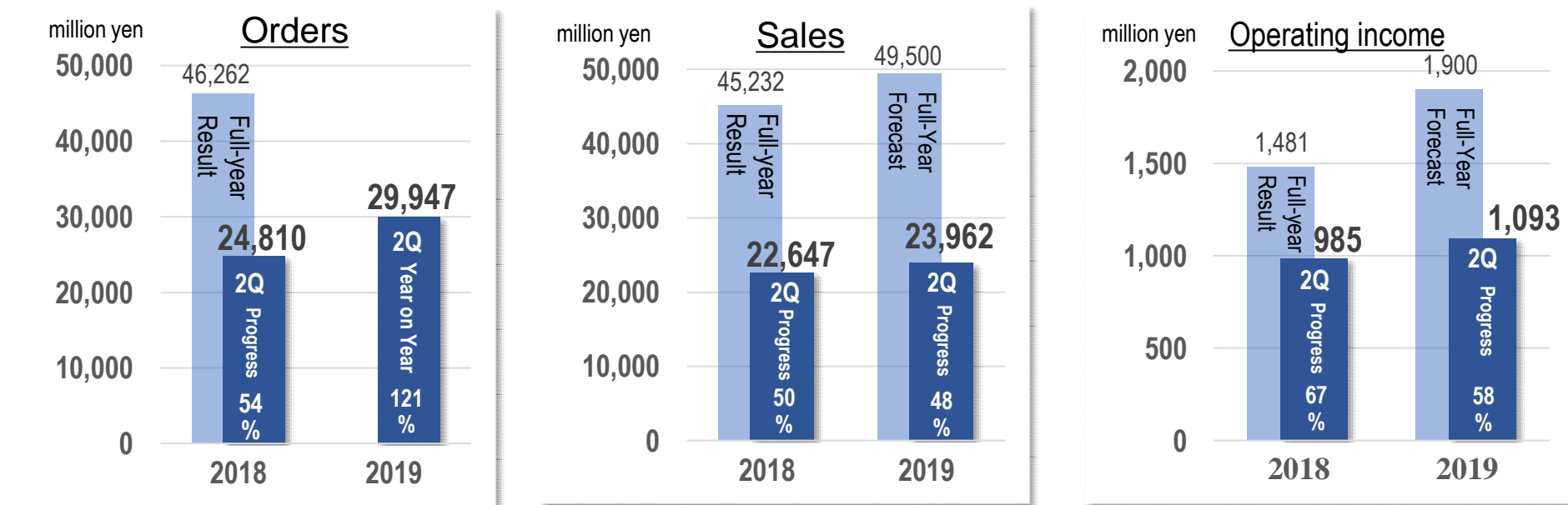
※ Starting this fiscal year, Fong Consult Pte Ltd and FC Inspection Pte Ltd were consolidated. (hereafter “FC” and “FCI”)



FY Ending Dec. 2019  
2Q Financial Results

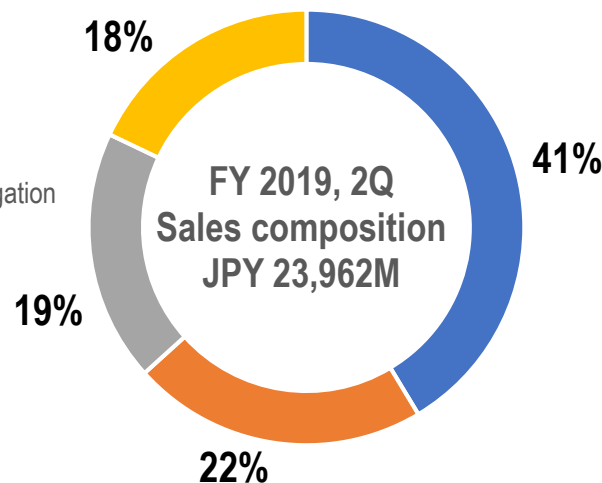
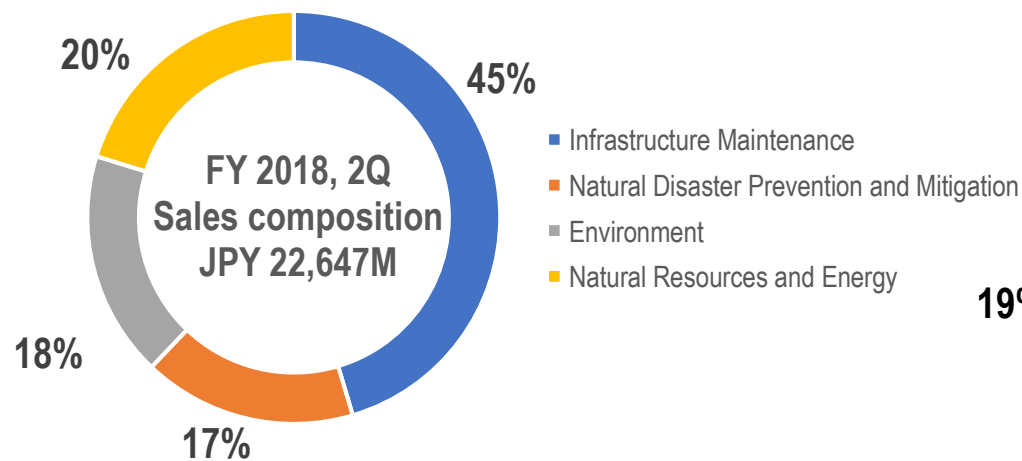
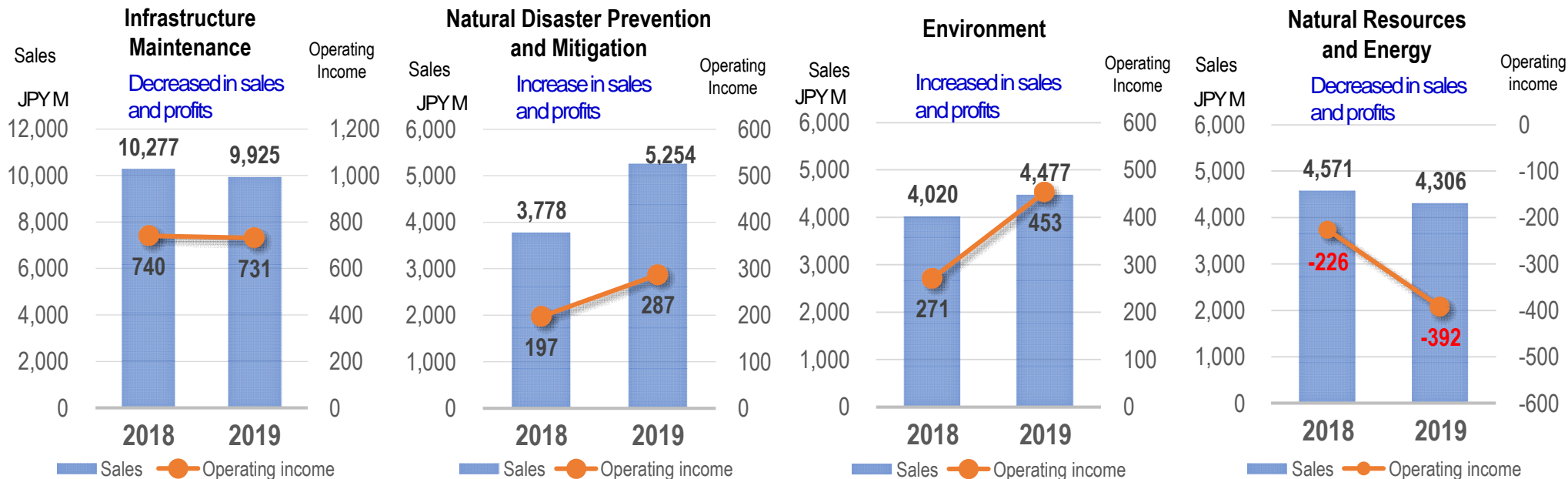
## 2. Overview of 2Q Financial Results

## 2-1. Overview of 2Q Financial Results



- **Increased in sales and operating income** compared to the same period of previous fiscal year.
- **Natural Disaster Prevention and Mitigation and Environment segments led the growth of financial results.**
- Orders grew significantly by more than 20% compared to the same period of previous fiscal year.
- Progress rate against forecasts is about 50% for sales and more than 55% for operating profit.

# 2-2. Overview of 2Q Financial Results by Segment



## Overseas Sales Ratio

2018: 21%



2019: 22%

※ Including JAICA projects

## 2-3. 2nd Quarter PL Summary

- Orders at the beginning of FY 2019 increased by adding those of acquired FC & FCI. (approx. ¥3.54b)
- SG&A expenses in FY2019 increased due to increase of personnel expenses and acquisition of FC & FCI.
- Recorded extraordinary losses due to partial sales of strategic shareholdings.

(Unit: million yen)	2Q FY2019		2Q FY2018		YoY change	
		Sales ratio		Sales ratio	Increase or decrease	Ratio
Outstanding orders at the beginning of fiscal year	21,237	-	16,667	-	+4,570	127.4%
Orders	29,947	-	24,810	-	+5,137	120.7%
Sales	23,962	100.0%	22,647	100.0%	+1,315	105.8%
Cost of sales	16,421	68.5%	15,390	68.0%	+1,031	+0.5P
Gross profit	7,541	31.5%	7,257	32.0%	+284	103.9%
SG&A expenses	6,447	26.9%	6,271	27.7%	+176	102.8%
Operating income	1,093	4.6%	985	4.3%	+108	111.0%
Non-operating profit & loss	209		122			
Ordinary income	1303	5.4%	1,107	4.9%	+196	117.7%
Extraordinary profit & loss	(45)		0			
Net income attributable to owners of parent	804	3.4%	687	3.0%	+117	117.0%





FY Ending Dec. 2019  
2Q Financial Results

## 3. Financial Results by Business Segment

# 3-1. External environments

## 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 (ESG, SDGs)
- Sustained growth of the global economy and steady expansion of infrastructure development and renovation demand
- Concerns about the Brexit (no-deal Brexit)
- Continuing demand for renewable energy development in EU (Wind Power Generation)

Risk

Risk

Tailwind

Tailwind

Tailwind

Risk

Tailwind

## Domestic

- Shrink of the nuclear power plant and expansion of demand for renewable energy (offshore wind power)
- Increasing opportunities for infrastructure, disaster prevention and mitigation projects in line with the expansion of the National Resilience budget
- Demands for reconstruction due to the aging of buildings
- 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

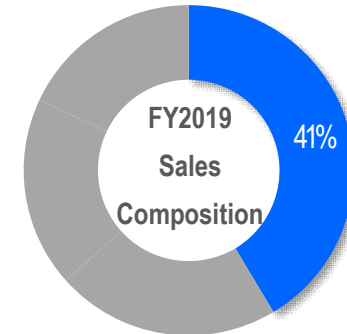
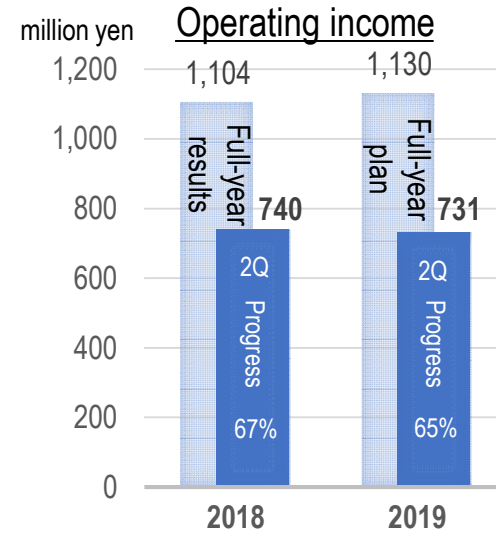
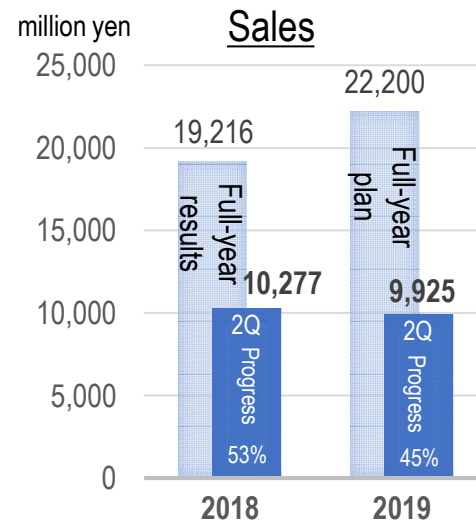
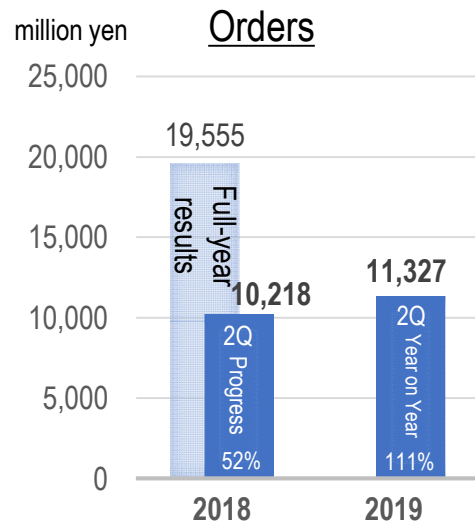
Tailwind

Tailwind

# 3-2. Infrastructure Maintenance, Management, and Renovation Segment

## Business policy

- Expand market share in the fields of transportation, communications, energy infrastructure, basin, groundwater management, against the backdrop of the budget for the National Resilience
- Expand overseas markets through collaboration with group companies by establishing of overseas bases



**Overseas Sales Ratio**

2018: 18%

▼

2019: **21%**

※ Including JAICA projects

## Summary of Performance

**Orders:** Strong growth in Fukushima related and submarine infrastructure business

**110.9% YoY**

**Sales:** Market development type services increased in domestic, but couldn't compensate for the shrink of conventional construction and investment-oriented business. US subsidiaries suffered the impact of US-China trade war

**96.9% YoY**

**Operating Income:** Slight decrease due to decline in sales

**98.8% YoY**

## Market environment

- Expansion of markets related to the National Resilience and i-Construction
- Growing global markets for BIM (Building Information Modeling)
- Demand for infrastructure management in Asia, particularly in Singapore
- Worsening of the international situation (trade friction between the US and China, etc.)

# The major cases in the segment (Firs half of FY2019)

(Market development-oriented products and services to solve social/customer challenges)

Infrastructure Maintenance,  
Management, and Renovation

**OYO**  
oyo corporation

## OYO Corporation

### Infrastructure maintenance and mgmt. field

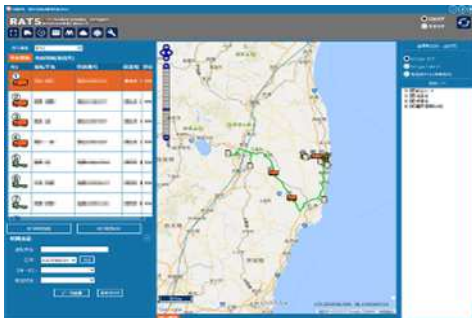
- Road inspection service using ICT for the National Resilience



※ The photos are simulated image

### i-Construction field

- Strong sales by developing waste transport vehicles operation management system, which is essential for Fukushima's reconstruction business



## Domestic group companies

### Regional and global aqua engineering management field

- Well maintenance service
- Effect of restoring the pumping function (Tohoku Boring: Water business is its core business)



### Undersea infrastructure field

- Expansion of undersea surveying to meet the demand for undersea cable maintenance associated with offshore wind power generation (Ocean Engineering: Undersea survey business is its core business)



## Overseas group companies

### Maintenance and management field

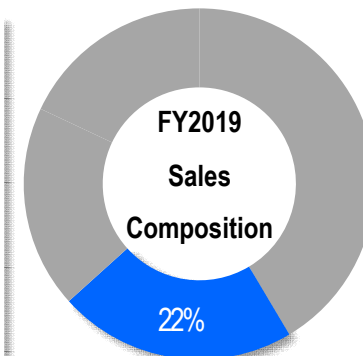
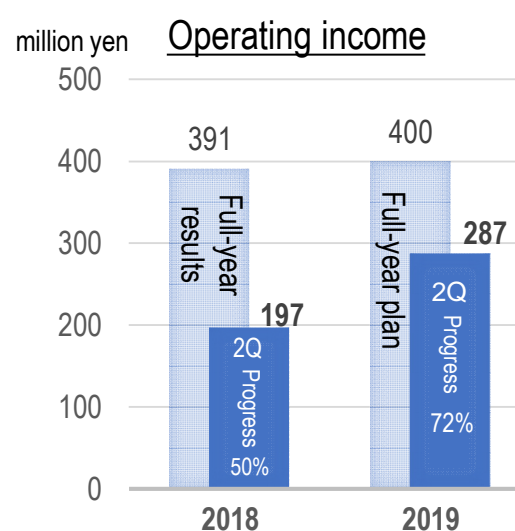
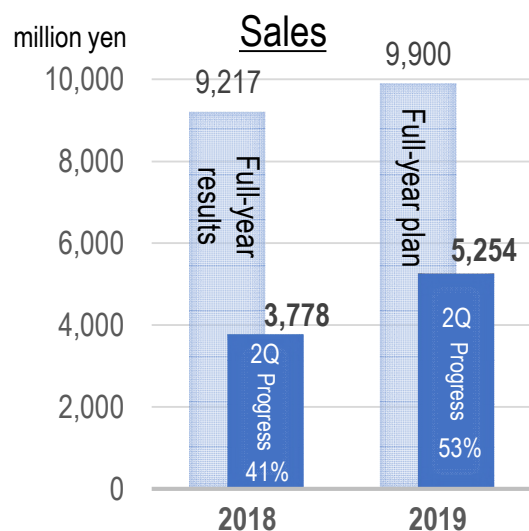
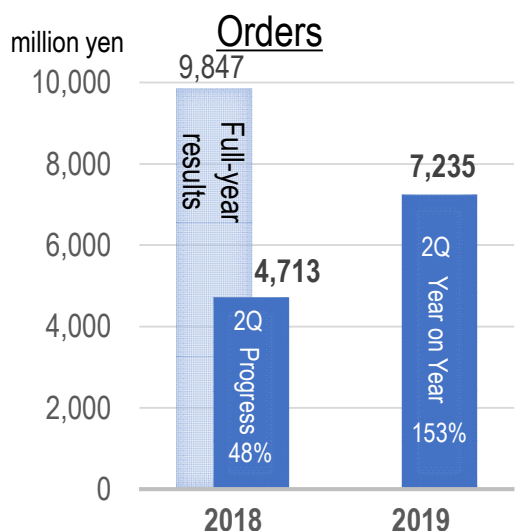
- Strong sales and development of products for structural inspection, pavement quality control, and other applications in the maintenance and management field (GSSI: Rader exploration equipment)



# 3-3. Natural Disaster Prevention and Mitigation Segment

- Expanded market share by providing natural disasters prevention and mitigation solutions against the backdrop of the National Resilience budget (both in Japan and overseas)
- Overseas seismometer business expanded by developing products for consumer in addition to products for specialist

## Business policy



**Overseas Sales Ratio**  
2018: 38%  
▼  
2019: 28%

※ Including JAICA projects

## Summary of Performance

**Orders:** Growth in sediment-related disasters, earthquake countermeasures, disaster monitoring, etc.

**153.5% YoY**

**Sales:** Sediment disasters response increased mainly due to the Heavy Rain Event in western Japan

**139.1% YoY**

**Operating Income:** Increased due to sales increase. Overseas business recovery trend

**145.7% YoY**

## Market environment

- Strengthening for flood control measures business and large-scale budget of the National Resilience in response to the Heavy Rain Event in western Japan
- Effects of the US government closing at the beginning of the year, worsening of the international situation (trade friction between US and China, etc.)
- Improvement of efficiency using ICT and acceleration of interdisciplinary innovation
- Growing global markets for BIM (Building Information Modeling)



# The major cases in the segment (Firs half of FY2019)

(Market development-oriented products and services to solve social/customer challenges)

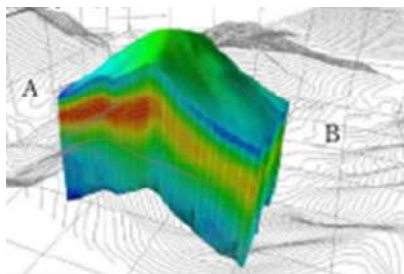
Natural Disaster  
Prevention and Mitigation

**OYO**  
oyo corporation

## OYO Corporation

### The National Resilience field: flood and sediment disasters

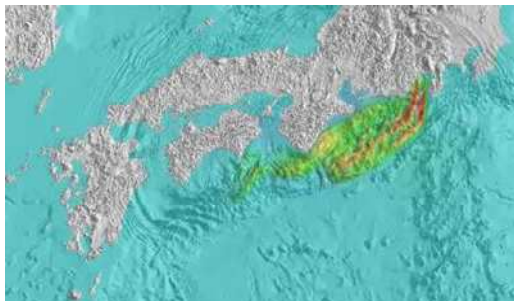
- Landslides and other slope disasters prevention services
- Started of 3D exploration at the actual landslide site



※The photos are simulated image

### The National Resilience field: earthquake and volcanic disasters

- Disaster simulation service (earthquake, tsunami, fire spread)
- Damage estimation, BCP
- Development and upgrading of earthquake and volcano observation system



## Overseas group companies

### Disaster prevention and mitigation field

- Oasis+, a crisis-management earthquake monitoring system, is a BCP-related product that combines seismometers and building diagnosis systems
- Oasis+ installed in a US hospital diagnoses and verifies facility safety in the event of an actual earthquake (Kinometrics: seismometers)

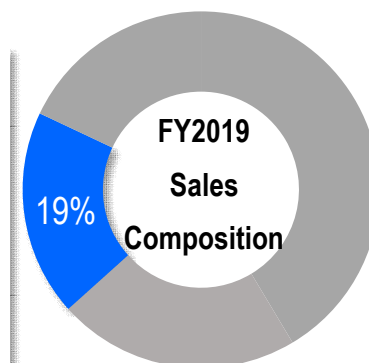
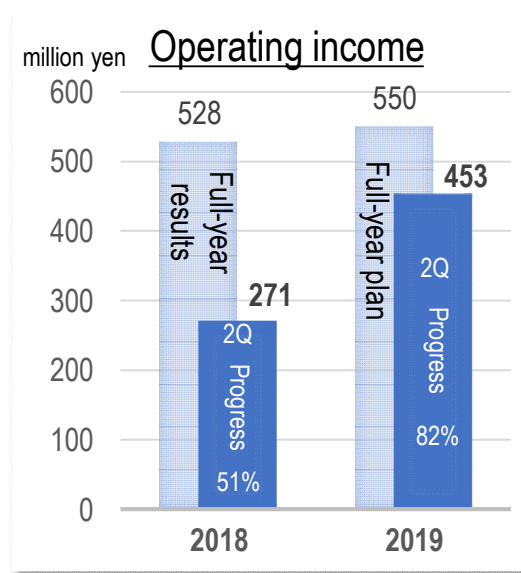
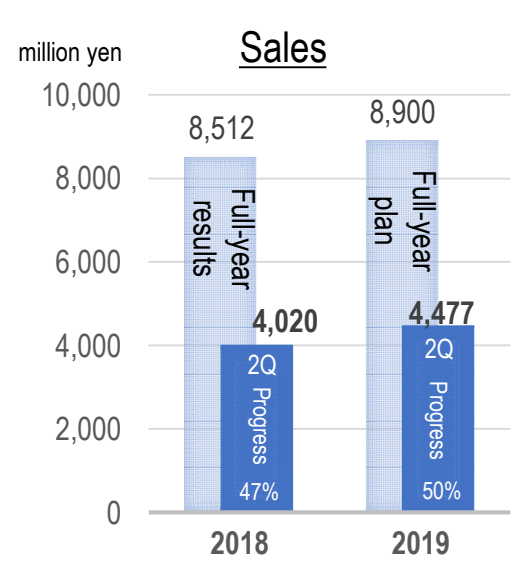
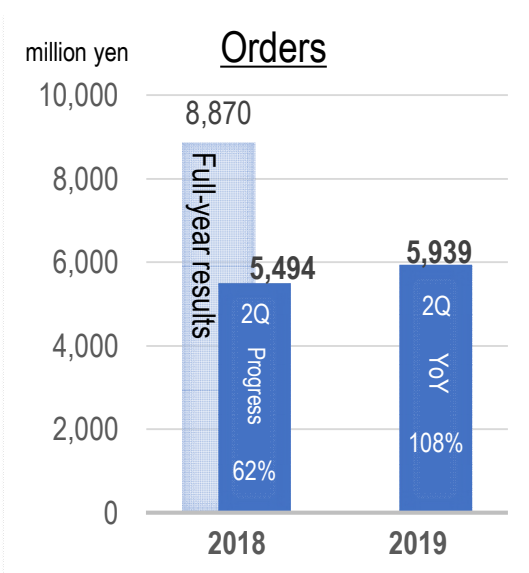


※ The photos are simulated image

# 3-4. Environment Segment

## Business policy

- Expanded market share in areas, which are social challenges, such as Fukushima reconstruction project, recycling-based society, ecological environment, and pollution countermeasures
- Developed solution services to create overseas markets and new markets



**Overseas Sales Ratio**  
2018: — %  
▼  
2019: — %

※ Including JAICA projects

## Summary of Performance

**Orders :** } Driven by Fukushima reconstruction, disaster waste, ecological and forest environment,  
**Sales :** } and pollution countermeasures  
**Operating income:** Increased due to sales increase and improvement in the cost of sales ratio

**108.1% YoY**  
**111.4% YoY**  
**167.2% YoY**

## Market environment

- Fukushima environmental restoration project : Interim storage is picking up speed
- Nationwide strengthening of the asbestos scattering prevention ordinance
- Full-scale implementation of green infrastructure policy (climate change and disaster prevention and mitigation measures by Ministry of Land, Infrastructure, Transport and Tourism)
- Review of Basic Act for National Resilience, and strengthening of disaster waste disposal system

# The major cases in the segment (Firs half of FY2019)

(Market development-oriented products and services to solve social/customer challenges)

Environment

**OYO**  
oyo corporation

## OYO Corporation

### Fukushima reconstruction project

- Quality evaluation and management services for decontaminated soil disposal at interim storage facilities
- Support services for disposal of radioactive waste



### The National Resilience field

- Disaster waste disposal planning service
- Development of training applications for disaster waste disposal practitioners



## Domestic group companies

### Environmental pollution field

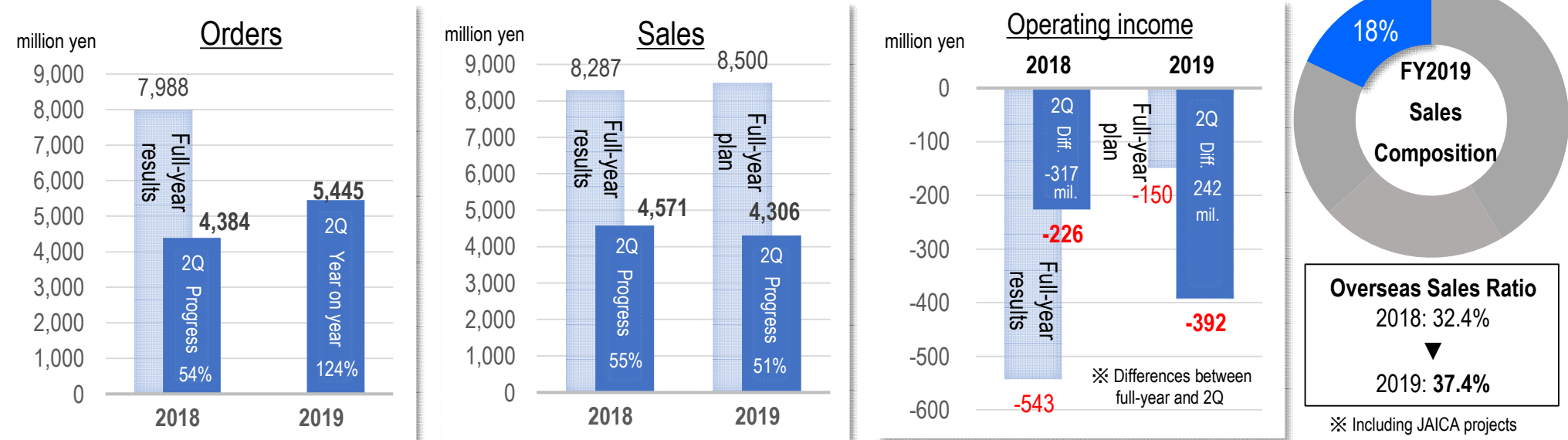
- Asbestos countermeasure:  
Responding to demand for reconstruction of buildings and strengthening of the asbestos scattering prevention ordinance  
Providing “One stop service” from analysis to removal work
- PM2.5 measurement  
Measurement of fine particulate matter in air  
(NS Environment Corp: Quantitative analysis is its core business)





# 3-5. Natural Resources and Energy Segment

- Business policy**
- Domestic: Expand in renewable energy fields such as wind power, geothermal power, and ground-source heat, etc.
  - Overseas: Expand through the cultivation of new customers for resource exploration and high-quality exploration technologies such as 4D exploration.



Summary of Performance	<p><b>Orders:</b> Recovery of offshore wind power and resources market compensate the contraction of nuclear power market <span style="float: right;">124.2% YoY</span></p> <p><b>Sales:</b> Decrease due to a decline in outstanding orders at the beginning of the fiscal year and a delay of offshore wind power generation sales in the second half of the fiscal year <span style="float: right;">94.2% YoY</span></p> <p><b>Operating income:</b> Decrease in sales and worsening costs due to new 3D sea exploration overseas <span style="float: right;">Loss increased</span></p>
Market environment	<ul style="list-style-type: none"> <li>• Expanding the market for renewable energy and offshore wind power generation</li> <li>• Energy policy: Shrink of domestic nuclear power market and expansion of renewable energy markets</li> <li>• Slowdown of global economy: Restrained movement of oil markets</li> <li>• Expanding demand for cost-cutting technologies (seabed oil exploration)</li> </ul>

# The major cases in the segment

(Market development-oriented products and services to solve social and customer challenges)

Natural Resources  
and Energy

**OYO**  
oyo corporation

## OYO Corporation

### Renewable energy sector

- Seabed survey service for renewable energy offshore wind station site (50% share of the domestic market)
- Capital investment into offshore survey steel scaffolding
- Expand market share through seabed exploration technology developed to improve the quality and efficiency of marine surveys



Steel scaffolds



Seabed exploration technology

## Overseas group companies

### Marine Resources Exploration Field

- Oil exploration using P-Cable, a high-precision 3D exploration technologies
  - Developed new customers and exploration areas: African ocean
  - Obtained high reputation for 4D exploration, which performs 3D exploration in time series
- (NCS Subsea: Three-dimensional offshore exploration services)





FY Ending Dec. 2019  
2Q Financial Results

## 4. Basic Strategy of the Current Medium-Term Business Plan and Status of Progress

## 4-1. Basic Strategy of the Current Medium-Term Business Plan

Basic  
Strategy

1

Growth  
Strategy

**Establish the OYO brand in four business fields**

Expand business by developing and providing market development-oriented solution services that solve social challenges

Infrastructure  
Maintenance,  
Management and  
Renovation

Natural Disaster  
Prevention and  
Mitigation

Environment

Natural  
Resources  
and Energy

Basic  
Strategy

2

Technology  
Strategy

**Create new value and cultivate the market through three-dimensional ground information technology**

Key Theme I: Develop ICT platform for utilizing various information

→ Establish information infrastructure and developing new markets by utilizing 3D technologies

Key Theme II: Strengthen R&D functions

→ Strengthen the development system through cooperation with group/external companies

Basic  
Strategy

3

Global Strategy

**Conduct M&As to accelerate the business expansion strategy, and launch solution system into overseas market**

Key Theme I: Conduct M&As to accelerate global business expansion

→ Expand overseas business by using local companies

Key Theme II: Expand solution service business into overseas markets

→ Expand 3D exploration systems and IoT cloud services into overseas markets

## 4-2. Current Status of Growth Strategy

**Growth Strategy: In each area of expertise (segment), expand business by developing and providing market development-oriented solution services that solve social challenges**

	Previous Medium-Term Business Plan “Step 2014”	Current Medium-Term Business Plan “Jump18”			
		2018	1H 2019	2H 2019	2020
OYO Group		Changed to new segments			
OYO Corporation	Increase Divisions: strengthen products and services ※ coexist with Branch System	Complete switched to the Division System			
Domestic Group Companies	Clarify core businesses of each company Clarify products and services				
Overseas Group Companies	Review the Sales Strategy Shift from specialized niche markets				

- Products and services improved → 2Q orders increased in all segments (compared with 2Q of the previous fiscal year)

**【 Major Improvements in OYO Corp. and Domestic Group 】**

Shifted from “Technology-oriented single-item service” to  
“Solution services that meet social and customer needs”

**【 Major Improvements in Overseas Group 】**

Shifted from “High-precision measuring instruments for researchers and specialists” to  
“Specific Products, Products + Systems”

## 4-3. Current Status of Technology Strategy (1)

### **Technology Strategy: Create new value and cultivate the market through three-dimensional ground information technology**

#### ➤ **Key Theme I: Develop ICT platform for utilizing various information**

Establish information infrastructure and develop new markets by utilizing 3D technologies

- Establish information infrastructure
  - Compiled in-house ground information into database
  - Collected weather data, etc.
  - Collected monitoring data for various sensors
- Three-dimensional technology
  - Joined bSI, building SMART International, which is an international standardization organization for the BIM market
  - Constructed Three-Dimensional Exploration Verification Center (technology development and quality assurance)
  - Started demonstration experiment of three- dimensional exploration technology in the construction business.



BIM is an abbreviation for Building Information Modeling. It is a solution that adds attributes such as physical properties, costs, and management information to digital models of three-dimensional structures created on computers, and uses the information in every process from designing and construction to maintenance and management of structures.

## 4-3. Current Status of Technology Strategy (2)

### ➤ Key Theme II: Strengthen R&D functions

Strengthen the development system through cooperation with group/external companies

- Cooperate with group companies: Utilized technical resources within the Group
  - Combined technologies within the Group: Developed seabed exploration system from micromotion probing device
- Establish development system including external collaboration:  
Jointly developed technologies and products through active external collaboration
  - Disaster countermeasures for information support system for local governments (KDD, TOYOTA, OYO)
  - Developed low-cost sensors for multi-point real-time monitoring (Abit Corp., OYO)
  - Developed AI model for interpretation of landform with sediment disaster risk  
(Mizuho Information & Research Institute, Incubit Inc., OYO)



## 4-4. Current Status of Global Strategy

**Global Strategy: Conduct M&As to accelerate the business expansion strategy, and launch solution system into overseas market**

➤ **Key Theme I: Conduct M&As to accelerate global business expansion**

- ◆ Acquisition of Fong Consult and FC Inspection in Singapore
  - Entered into the infrastructure market of Singapore
  - Business development bases in the Asian region



➤ **Key Theme II: Expand solution services into the overseas markets**

- ◆ Expanded three-dimensional exploration systems and IoT cloud services into the overseas markets
  - Sales of three-dimensional exploration systems (Singapore)
  - Proposed our road inspection technology to the Singapore government via Fong Consult and FC Inspection
  - Introduced PDC, a real-time liquefaction determination device (Taiwan)



## 4-5. Current Status of Corporate Governance

### Strengthen corporate governance, including improving employee quality of life

#### ➤ Improve employee quality of life

- Improve productivity: Promote work style reform through ICT utilization, etc.
- Continuous support for childcare and women's participation:  
"Platinum Kurumin," "Eruboshi."
- Enhancement of a pleasant work environment  
Personnel transfer without relocations, telecommuting system



#### ➤ Strengthen CSR Activities

- Strengthen Compliance: Increased members of Compliance Division
- Obtained "Business Continuity and Social Contribution" of Resilience Certification



#### ➤ Corporate governance

- Strengthen the "monitoring function" of the Board of Directors:  
Three outside directors (more than one-third of directors)
- Enhance the transparency:  
Voluntary Nomination and Compensation Advisory Committee



FY Ending Dec. 2019  
2Q Financial Results

## 5. Forecast of FY2019 Financial Results and Dividend

# 4-1. FY2019 Consolidated Financial Results Forecast

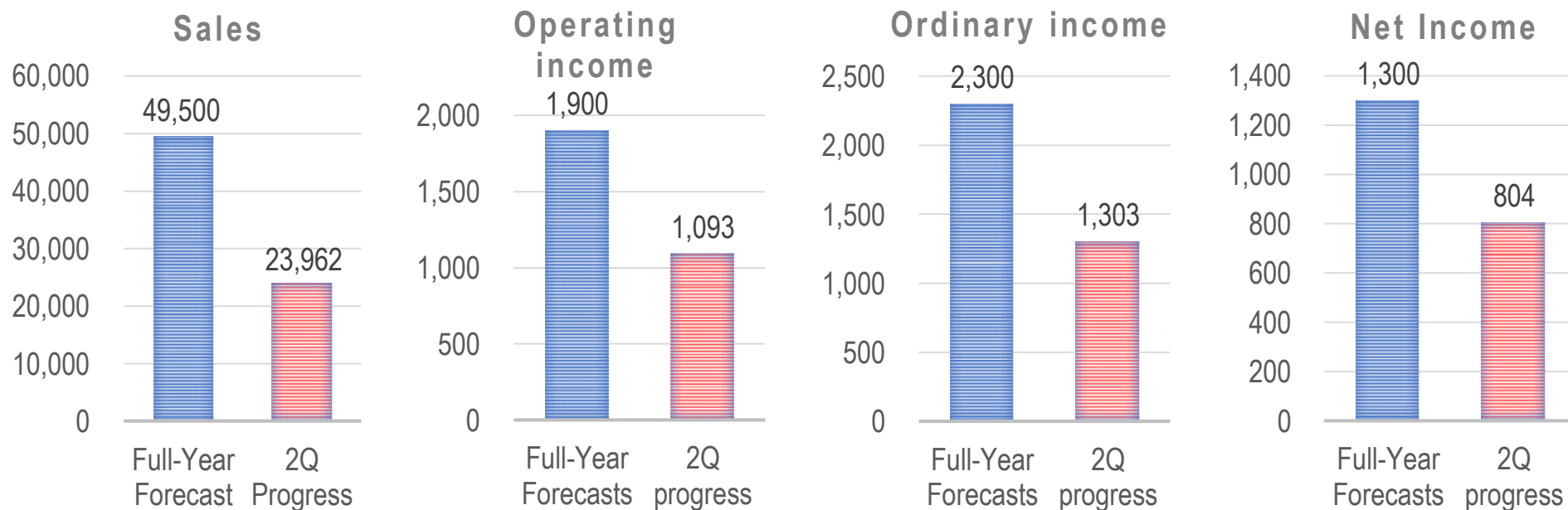
	(million yen)	FY2019 Forecast	2Q FY2019 Results	2Q FY2019 Progress ratio	2Q FY2018 Progress ratio
<b>Sales</b>		<b>49,500</b>	<b>23,962</b>	<b>48%</b>	<b>48%</b>
Infrastructure Maintenance		22,200	9,925	45%	53%
Natural Disaster Prevention and Mitigation		9,900	5,254	53%	41%
Environment		8,900	4,477	50%	47%
Natural Resources and Energy		8,500	4,306	51%	55%
<b>Operating income</b>		<b>1,900</b>	<b>1,093</b>	<b>58%</b>	<b>67%</b>
Infrastructure Maintenance		1,130	731	65%	67%
Natural Disaster Prevention and Mitigation		400	287	72%	42%
Environment		550	453	82%	62%
Natural Resources and Energy		(150)	(392)	-	-

- **Infrastructure Maintenance, Management and Renovation:**  
Promote market development-oriented services and focus on responding to overseas infrastructure demand
- **Natural Disaster Prevention and Mitigation:**  
Expect the business related to National Resilience to remain robust
- **Environment**  
Promote business related to disaster waste disposal plans and asbestos countermeasures
- **Natural Resources and Energy**  
Secure sales related to offshore wind power generation and overseas sales related to seabed oil exploration services

# FY2019 Consolidated Financial Results Forecast

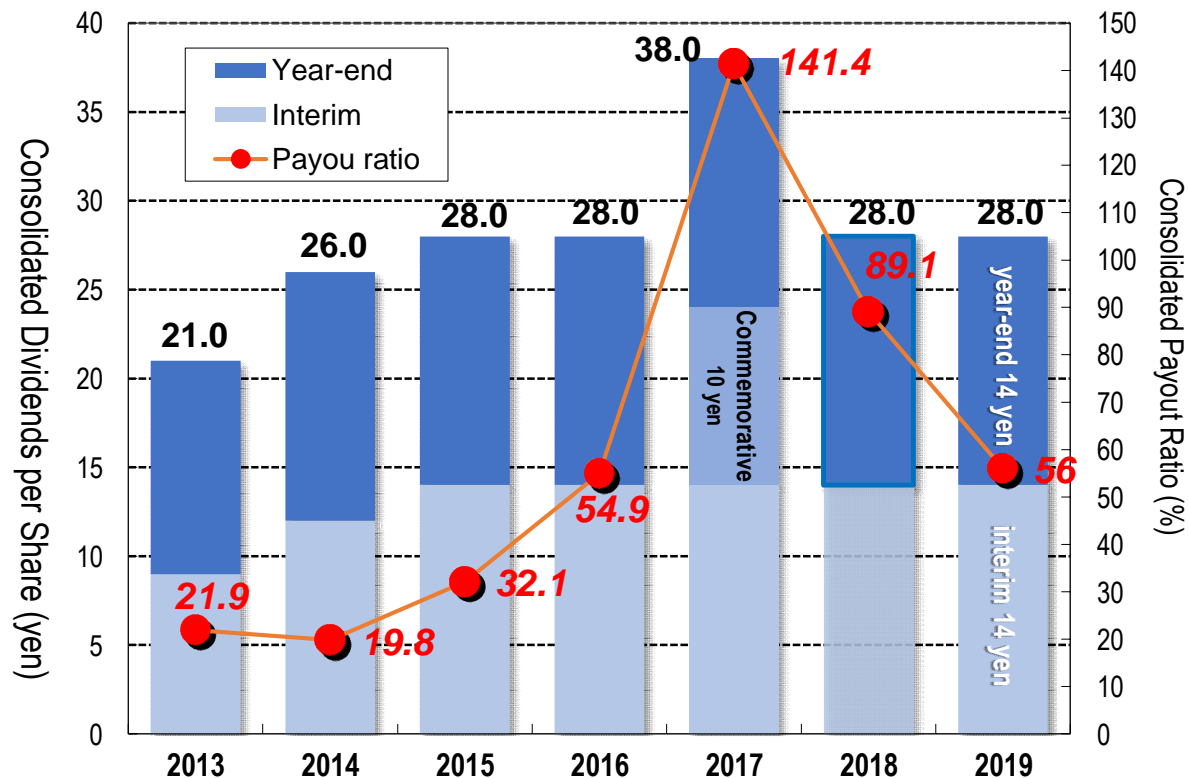
- The full-year forecasts for consolidated financial results are as announced at the beginning of the fiscal year

(Unit: million yen)



## 4-2. Dividend forecast (interim and year-end)

Dividends per Share and Consolidated 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

Thank you for your attention