GOING FURTHER

その先の向こうへ

Penta-Ocean Construction

Annual Report 2020

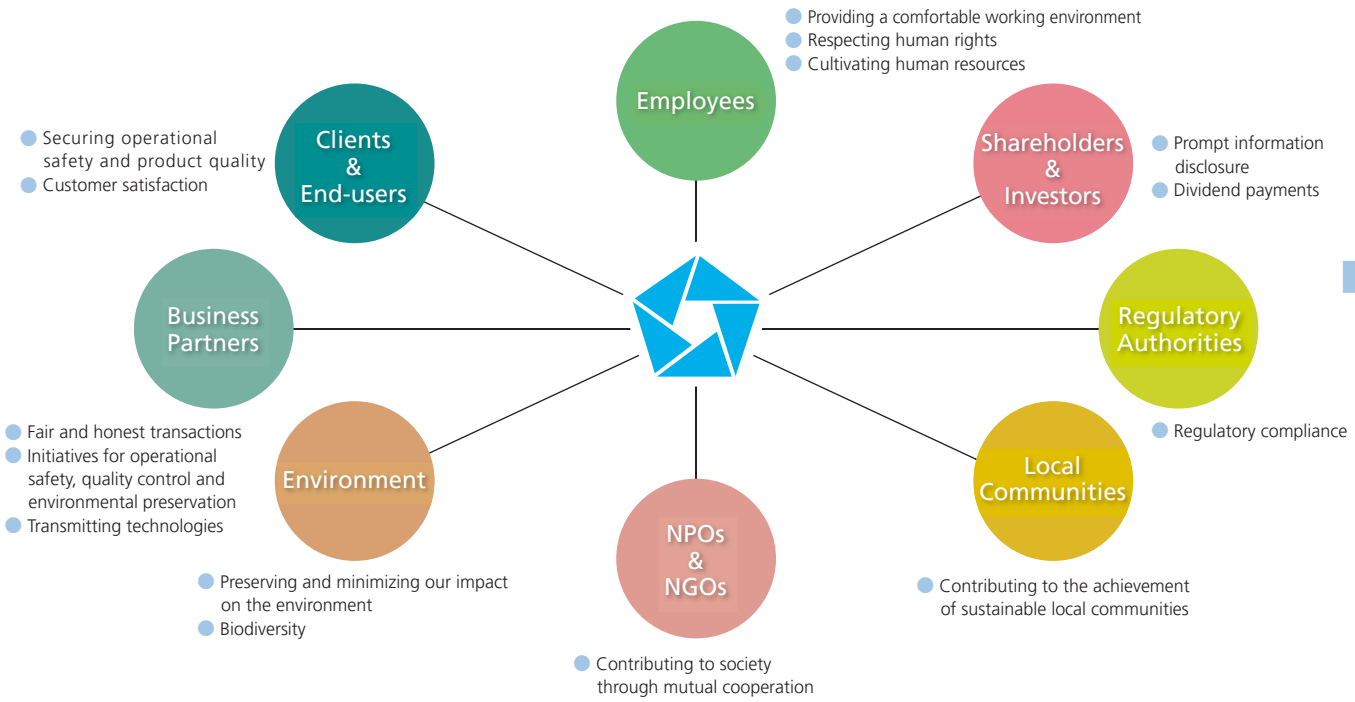
Year Ended March 31, 2020

GOING FURTHER

その先の向こうへ

Since its foundation in 1896 in Kure city, Hiroshima prefecture, Penta-Ocean Construction Co., Ltd. has grown with society by providing an enterprising, up-and-coming spirit and leading-edge construction technologies. After its founding the company has been continuing with a mentality of continually seeking challenges in new field as part of its corporate DNA. A spirit of accepting challenges that never varies, even as times change, and the power of flexible self-innovation to respond to the needs of each new era. At Penta-Ocean, we are never satisfied with things as they are, and we continue to move steadily forward, step by step.

Penta-Ocean Construction Group and Our Stakeholder Engagement Model



Contents

Corporate Policy

Affiliating with Society (S,G)
The Company keeps abreast of continued growth by providing high quality construction services and building trustful relationships with all stakeholders.

Creating a Nature-Rich Environment (E)
The Company strongly believes that the cornerstone of our social and economic activities is delivering a nature-rich environment to the future generations. We create safe and comfortable living and social environments through our earth conscientious operations.

Cherishing a Pioneering Spirit (S,G)
The Company demonstrates an enterprising spirit in dealing with the changes in society that influence our business in order to conscientiously respond to the needs of our customers and communities.

Corporate Vision

"Creative" company for land and sea (S,G)
As a leading contractor in coastal and waterfront areas, we seek to create attractive environments and pursue customer satisfaction and social contribution as an engineering-oriented company.

"Committed" company guaranteeing solid quality (S,G)
We build trustful relationships with our customers and society through providing high quality workmanship and safe products backed by solid technologies.

"Future-oriented" company creating rich environments for the future generations (E)
We establish quality and nurture rich environments throughout the course of our corporate activities and pass on our dreams, hopes and possibilities to the next generations.

Penta-Ocean Construction Group's Corporate Value Chain

Contribution to the sustained growth of society

CSR Policy

Penta-Ocean Construction Group views that its greatest contribution to society is the construction of superior infrastructure. We aim to be a respectable and highly attractive group of companies not only to our shareholders, customers, business partners and employees, but also to local communities by providing high-quality workmanship backed by advanced technologies developed with high regard for safety and ecological considerations.

Dignified Business Conduct	Coexistence with the Environment and Nature	Human Propriety	Information Transparency

Corporate History

– A Glimpse at the Yesteryears of Penta-Ocean Construction

1896

Mr. Jinjiro Mizuno founded Mizuno-Gumi (1896)

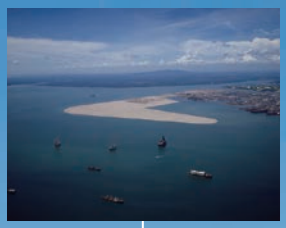
Contract awarded for construction of coastal industrial zone for NKK Corporation (currently JFE Engineering) in Fukuyama City (1961)

Stock listed on the Second Section of the Tokyo Stock Exchange (1962)
Stock listed on the First Section of the Tokyo Stock Exchange (1964)

The company renamed Goyo Kensetsu, and named Penta-Ocean Construction Co., Ltd. in English (1967)

Contract awarded for phase I of construction of artificial island for Kansai International Airport (1986)
Contract awarded for phase II of construction of artificial island for Kansai International Airport (1999)

Contract awarded for Tuas Reclamation in Singapore (1984)



Completion of New Institute of Technology in Nasushiobara City, Tochigi Prefecture (1994)

Celebrated 100th anniversary of the Company's founding (1996)

1950 1970 1990

1896 1960 1980 1996

Phase I
From foundation to development

Phase II
Recovery from WW2, overseas expansion and development in land civil engineering

Phase III
Evolving into a general contractor by strengthening our building construction abilities

Contract awarded for construction of first large-scale quay walls and industrial facilities in the postwar era in Tsukumi Port, Oita Prefecture (1948)

Contract awarded for Suez Canal expansion (1961)
Contract awarded for Suez Canal Widening and Deepening (1974)

Completion of the World Cargo Distribution Center (1993)

Historical Events

1896
- First modern Olympic Games (1896)

1950
- Great Kanto Earthquake (1923)
- World War 2 (1939-1945)
- Arab- Israeli Conflict (1948-1973)

1960
- Completion of Tokyo Tower (1958)
- Launch of the Tokaido Shinkansen (1964)
- 1964 Summer Tokyo Olympic Games (1964)

1970
- Full opening of Tomei Expressway (1969)
- Sapporo Olympic Winter Games (1972)
- First Oil Crisis (1973)
- Second Oil Crisis (1979)

1980
- Launch of the Tohoku Shinkansen (1982)
- The Plaza Accord (and consequent drastic appreciation of the Yen) (1985)

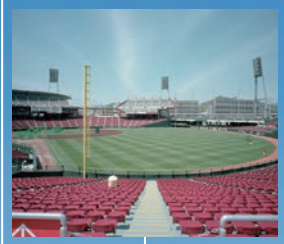
1990
- Great Hanshin Earthquake (1995)
- Sarin Gas Attack on Tokyo Subway (1995)

Since our foundation as Mizuno-Gumi for marine civil engineering works, we have expanded our business horizons through various endeavors. While embarking on overseas ventures well in advance of our competitors, undertaking land civil engineering works, including the construction of tunnels and subways, and building construction works for logistics facilities and large hospitals, we have preserved a vigorous spirit for taking on new challenges in our corporate DNA. Having taken all obstacles and setbacks in our stride, we have a strong conviction that we can further enhance our contribution to society both in Japan and overseas.

Completion of Esplanade-Theatres on the Bay in Singapore (2002)

Completion of Kogouchi Tunnel of New Tomei Expressway (2005)

Completion of MAZDA Zoom-Zoom Stadium Hiroshima (2009)



Completion of ION Orchard, and the Orchard Residence in Singapore (2010)

Completion of a large-scale self-propelled multi-purpose working vessel, "CP-5001" (2012)

Completion of Kure City Hall (2015)

Completion of a multipurpose self-elevating platform ,"CP-8001" (2018)

Completion of Yodobashi Umeda Tower (2019)

2000

2010

2020

Phase IV

Evolution and advancement

Self-propelling trailing suction hopper dredger, "QUEEN OF PENTA-OCEAN," (currently ANDROMEDA V) put into commission in Singapore (1999)

Opening of D-Runway of Tokyo International Airport (2010)

Completion of a self-propelled cutter suction dredger, "CASSIOPEIA V" (2014)

Completion of Sengkang Integrated Hospital in Singapore (2018)

Completion of the Tokyo Port Umi no Mori Tunnel (2020)

2000 — 2010 — 2020 — 2025

- Adoption of the Kyoto Protocol (1997)
- Nagano Olympic Winter Games (1998)
- September 11 attacks, USA (2001)
- Iraq War (2003)
- "EXPO 2005 Aichi," Japan World Exposition (2005)
- Bankruptcy of Lehman Brothers (2008)
- Great East Japan Earthquake (2011)
- Implementation of "Abenomics," Prime Minister Abe's economic stimulus package (2013)
- Tokyo Olympic and Paralympic Games are scheduled to be held (2021)
- COVID-19 (New Coronavirus Infection) (2020)
- EXPO 2025 Osaka, Kansai is scheduled to be held (2025)

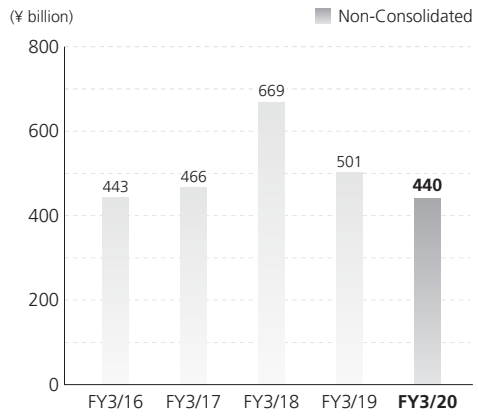
Consolidated Financial Highlights

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31

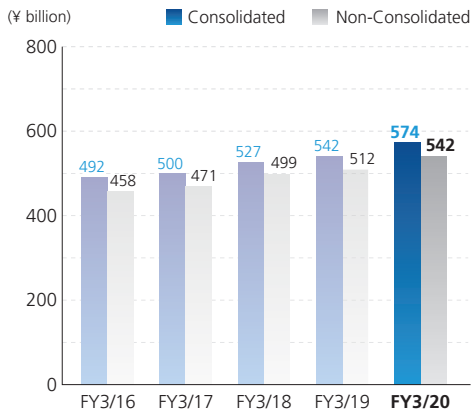
	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Net sales	¥541,949	**¥573,843**	**$5,272,834**
Total assets	383,840	**428,875**	**3,940,781**
Net assets excluding non-controlling interests	126,517	**141,175**	**1,297,204**
Ordinary income	26,569	**32,546**	**299,052**
Income before income taxes	26,560	**32,455**	**298,220**
Net income attributable to owners of parent	18,899	**23,353**	**214,580**
Cash dividends	5,430	**6,859**	**63,028**
Per share of common stock:	Yen		U.S. dollars
Net assets excluding non-controlling interests	¥443.36	**¥494.70**	**$4.55**
Net income attributable to owners of parent	66.22	**81.83**	**0.75**
Cash dividends	19.00	**24.00**	**0.22**

Note: Figures in U.S. dollars are converted for convenience only, at the rate of ¥108.83 per U.S.$1, prevailing on March 31, 2020.

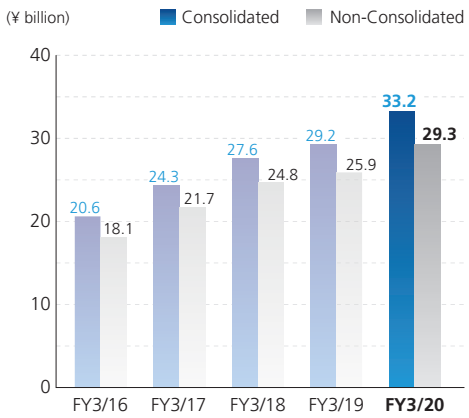
Orders Received



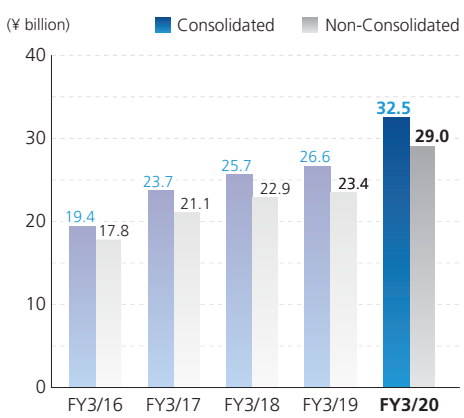
Net Sales



Operating Income



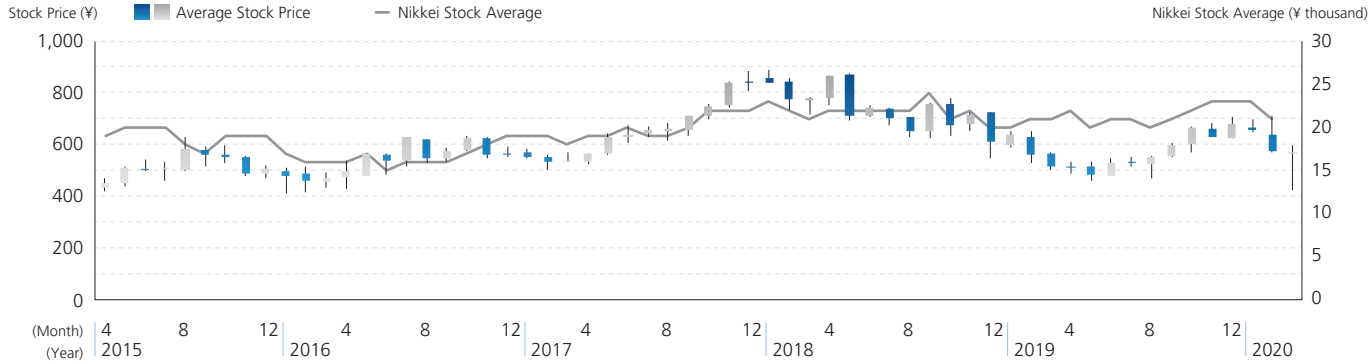
Ordinary Income



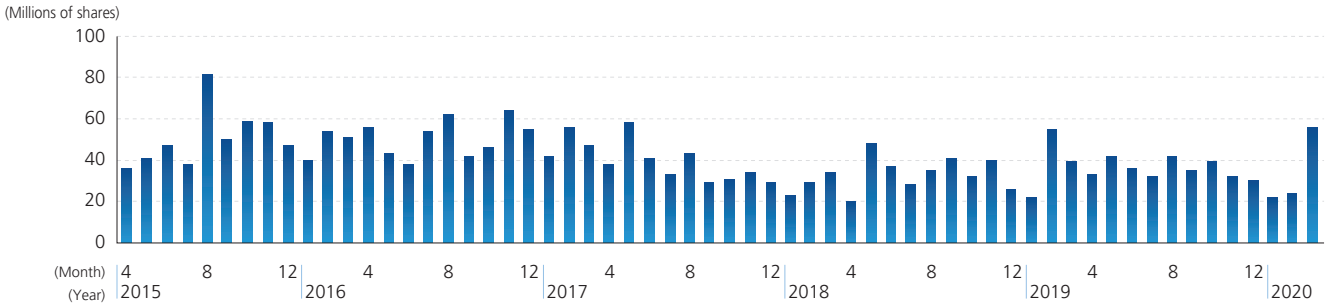
Disclaimer

The information contained in this annual report concerning Penta-Ocean Construction Co., Ltd.'s forward-looking statements and management plans are based on information available to the company at the time that it was created. Please note that actual results may differ from the forecasts indicated here due to a variety of future factors.

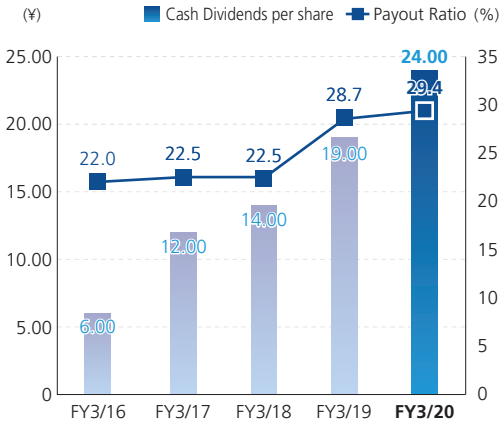
Stock Price Range



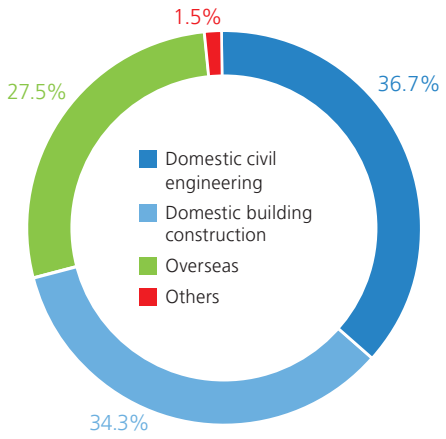
Trading Volume



Cash Dividends per Share and Payout Ratio



Sales by Segments



Business Activities and Environmental Burden

INPUT*1

Power (kWh)*2	49,951,000
Light oil (kL)	68,854
Heavy oil (kL)	30,180
Kerosene (kL)*2	230
Concrete (t)	2,870,000
Asphalt concrete (t)	95,000
Rubble (m^3)	1,013,000
Earth and sand (m^3)	19,340,000
Water (m^3)	1,101,000

*1 Including the international business from FY3/20
*2 Site + office combined number

Research and Technological Development
Planning and Design
Construction
Operation and Repairs
Disassembly

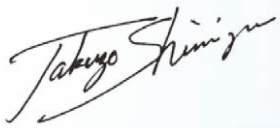
OUTPUT

Amount of CO_2 emissions (t-CO_2)*1	402,000
Amount of construction waste (t)	442,000
Final disposal rate (%)	2.7
Recycling rate (%)	97.3
Amount of soil generated from construction (m^3)	632,000

Environmental conservation/ restoration and communication → Creation of abundant environments → Handing over to the next generation

Message from the President

To affirmatively respond to the customer's trust with reliable safety and product quality, contributing to society through advanced technology



Takuzo Shimizu
President, Chief Executive Officer and Representative Director

Penta-Ocean Construction Co., Ltd. will celebrate its 125th anniversary in April 2021 since its founding as Mizuno Gumi in Kure City, Hiroshima Prefecture in 1896. Our initial business in marine civil engineering works have significantly expanded to land civil engineering and building construction works. Overseas, we have had historical involvement in numerous and notable projects, particularly the Suez Canal Widening and Deepening Project, etc. This year is the 56th anniversary of the establishment of our base in Singapore. Penta-Ocean Construction group aims to become a "genuine global general contractor" with distinctive strengths in port, coastal and waterfront areas and overseas.

Based on the basic CSR policy that "the greatest contribution to society is the construction of high-quality infrastructure," Penta-Ocean Construction Group practices CSR management with an emphasis on ESG (E: environment, S: society, G: corporate governance). Our corporate mission is to affirmatively respond to the customer's trust with reliable safety and product quality, contributing to society through advanced technology. We are deeply aware that each and every employee has a responsibility to society, and we aim to become a highly attractive company to our various stakeholders through our corporate activities. To this end, we are engaged in a variety of initiatives in both our core construction business and other related businesses.

As part of our "environmental" initiatives, we are putting into practice our management philosophies of "Creating a nature-rich environment" and "Cherishing a pioneering spirit," and by taking advantage of our strengths in marine civil engineering, we take on the challenges in offshore wind farm construction field towards its full-fledged implementation in Japan. In the field of building construction, we are working on a Zero Energy Building (ZEB), which aims to achieve net zero energy consumption of the building. We are also contributing to the development of a rich environment through recycling of construction-generated soil and dredged soil and the preservation of coastal sea environments such as seaweed beds and tidal flats, as well as working to reduce the environmental impact by remodeling our work vessels and using environmentally friendly construction machinery. We monitor and evaluate our efforts to reduce the

environmental impact by operating the environmental management system.

As for our "social" initiatives, we contribute to society through our main corporate activities in order to achieve one of our management philosophies "affiliating with society," and at the same time, we engage in a variety of initiatives aiming to become a leading company in Work Style Reform and Productivity Improvement, and also a leading company in Diversity & Inclusion (D&I).

In the current situation of a "New Normal" to live with COVID-19, we are convinced that to continue construction work is our social mission as a main contractor, after strictly implementing infection prevention measures to avoid 3 Cs (Closed spaces, Crowded spaces and Close-contact settings) and secure safety and health for all engineers and skilled workers at the construction sites. We place top priority on infection prevention measures as well as safety. To shift to a "New Normal" working style to consciously raise awareness for social distancing, our initiatives of productivity improvement are considered effective, such as utilizing ICT for non-contact, remote and information-aided construction management, and promoting labor-saving and industrialized construction. In fact, we even positively think that now is an opportune time to accelerate the above-mentioned initiatives, which will lead to realization of Work Style Reform, targeting two-days off per week.

In our D&I promotion efforts, we are working to secure and develop diverse human resources regardless of gender or nationality at home and overseas. In order to promote the active participation of female workers, we will create a comfortable working environment by taking into consideration their life events. As for non-Japanese employees, we have introduced a "Global personnel system," a target management type personnel evaluation and compensation system. We have also established a new global career-track position to recruit international students both in Japan and ASEAN countries and are currently hiring them on a regular basis.

With regard to construction safety, we are working together with our partner companies to prevent occupational accidents by placing the highest priority on safety through the use of the Construction Occupational Health and Safety Management System (PENTA-COHSMS). Overseas, we are working to develop the same Penta-Ocean Standard that we have established in Japan. In addition, we support our partner companies in their Work Style Reform by offering cash-only payment for construction works, encouraging them to enroll in social insurance, and increasing labor costs when they achieve their holiday-acquisition targets, all in an effort to secure future workers to support the construction industry.

Regarding corporate "governance," we practice fair and highly transparent management based on the principle of conducting business activities in a stakeholder-oriented manner. Every year, the Board of Directors verifies the status of the internal control system and conducts a self-evaluation to determine whether the Board of Directors is functioning properly, with the aim of continuously improving corporate governance. We also conduct thorough risk management and provide practical compliance trainings based on the actual cases in our domestic and overseas offices.

In terms of relations with our shareholders and investors, we strive to disclose information in a timely and appropriate manner to help them understand our corporate attitude and approaches, and we conduct proactive public relations and investor relations activities at home and abroad.

Penta-Ocean Construction Group will continue to contribute to society through the construction of high-quality social infrastructure, and will actively engage in ESG-focused CSR activities to enhance its corporate value.

Medium-Term Management Plan (FY3/21–FY3/23)

Now, we have established our "Medium-Term Management Plan (FY3/21–FY3/23)" for the three years from FY3/21 (the beginning year). We will make the effort to achieve the goals in this plan.

The Goal to Aim for
"A Genuine Global General Contractor"
with distinctive features in port, coastal and waterfront areas as well as overseas

1 Social

An Advanced Company in Work Style Reform and Productivity Improvement

- Acceleration of Work Style Reform —Company-wide reform (including overseas) driven by the Work Style Reform Promotion Committee
- Promotion of Productivity Improvement —Promotion of reforming construction and production systems in order to realize Work Style Reform
- With the highest priority on safety and quality, promotion of quality management activities and implementation of measures to prevent occupational accidents —Application of Penta-Ocean Standard

2 Social

An Advanced Company in Diversity & Inclusion (D&I)

- Securing and training diverse human resources —Rapid development of young staff
- Promotion of active participation of women
- Promotion of active participation of non-Japanese employees

3 Environment

A Company that Challenges New Frontiers with Pioneering Spirit

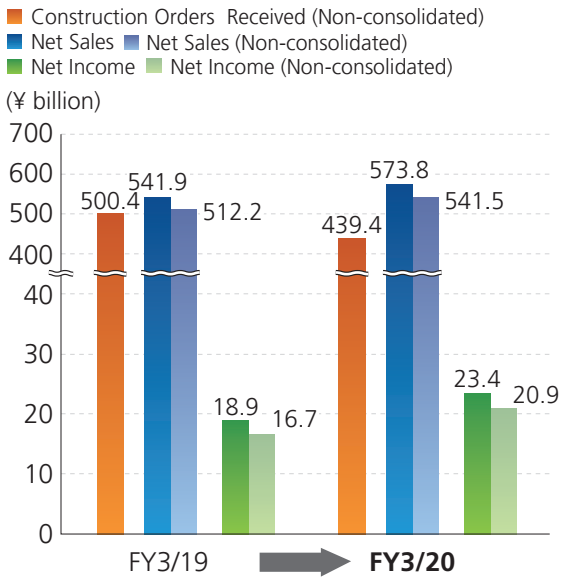
- Entering the field of offshore wind power —Leveraging our strengths of marine civil engineering
- Expert in recycling construction-generated soil and dredged soil —Utilizing our strong coastal resources
- Initiatives for ZEB (Net Zero Energy Building)

4 Governance

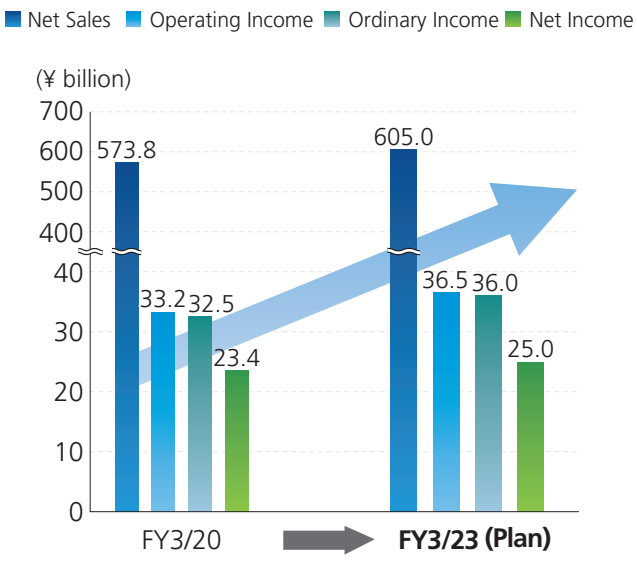
Practicing CSR Oriented Management with Focus on ESG

- Social contribution through our core business, with a focus on stakeholders
- Sustainable improvement of corporate governance and meticulous risk management
- Timely, appropriate and fair information disclosure

Construction Orders Received / Net Sales / Net Income



Revised Medium-Term Management Plan

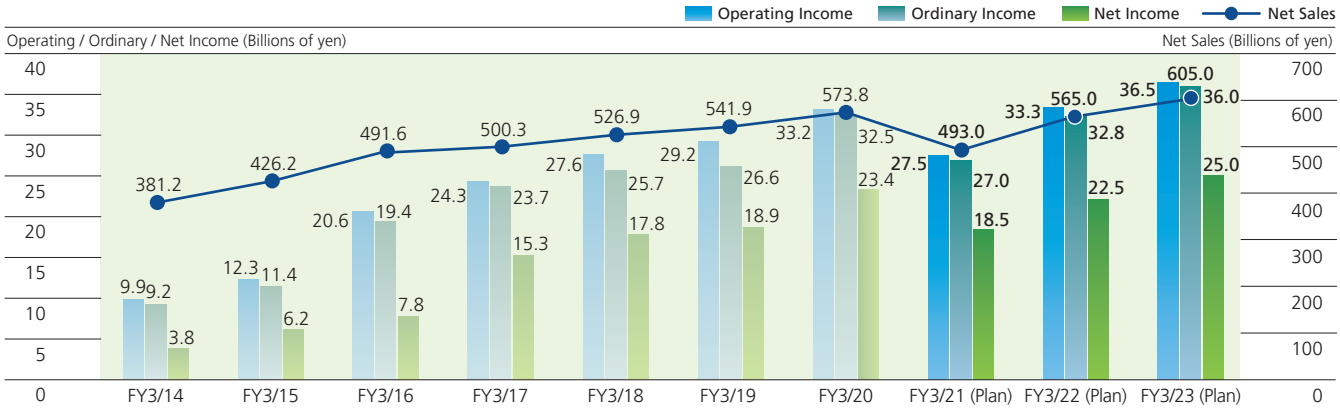


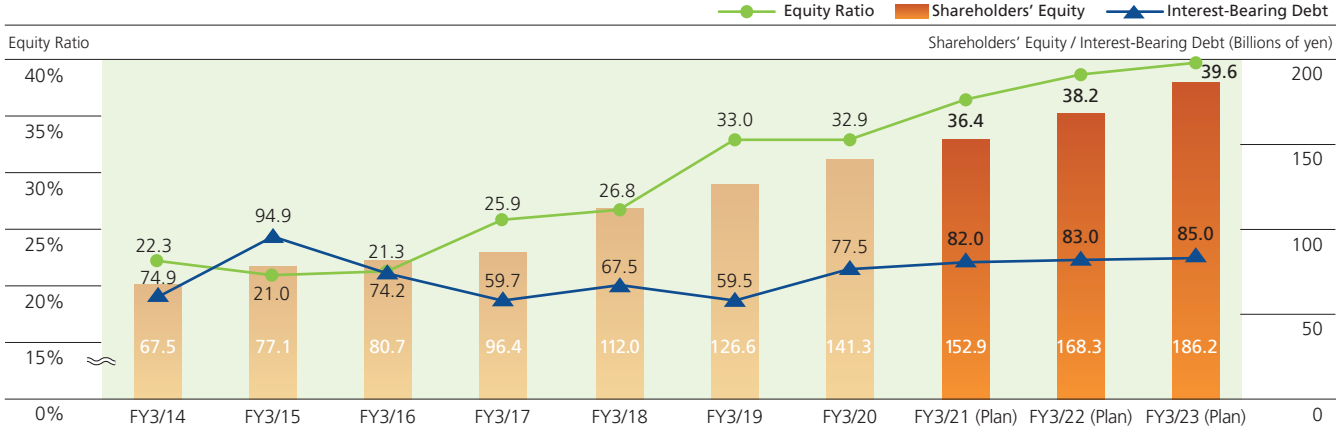
Target Earnings under Medium-Term Management Plan

Medium-Term Management Plan (Billions of yen)

	FY 3/20 (Result)		FY 3/23 (Plan)	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Earnings Targets				
Construction Orders Received	—	439.4	—	600.0
Net Sales	573.8	541.5	605.0	560.5
Gross Profit	51.9	46.7	58.5	52.0
Operating Income	33.2	29.3	36.5	32.0
Ordinary Income	32.5	29.0	36.0	31.5
Net Income	23.4	20.9	25.0	22.0
Earnings Per Share (¥)	¥81.8	¥73.1	¥87.6	¥77.1
Consolidated Financial Targets				
Interest-Bearing Debt	77.5		85.0	
Net D/E Ratio	0.24 times		0.2 times	
ROE	17.4%		10% or higher (14%)	
Payout Ratio	29.4%		30% or higher	

Major Operating Trends/Projection (Consolidated)





Feature 1

Leveraging Collective Group Capabilities to Shorten Construction Time and Achieve High Quality

Yodobashi Umeda Tower

In October 2019, in the vicinity of the North Gate of JR Osaka Station in Kita Ward, Osaka City, we completed construction of Yodobashi Umeda Tower, a large commercial facility that includes a hotel. This project was planned as a collective development, involving renovation of the existing building in the northern area of JR Osaka Station, Yodobashi Camera Multimedia Umeda, and new building expansion utilizing the northern parking lot site.

Through the interdepartmental collaboration of our building construction business unit and civil engineering business unit, the construction of the new building with 35 floors aboveground and four floors underground, the pedestrian deck around the perimeter, and the renovation of the existing building were completed to a high standard in a short span of 27 months, all designed and built by Penta-Ocean Construction.

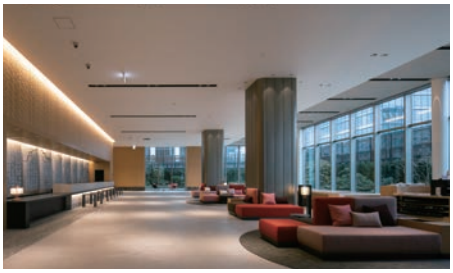
[Outline of the construction project]
Project name: Yodobashi Umeda Unit Development Project
Clients: Yodobashi Holdings, Yodobashi Tatemono
Structure/Number of floors: Steel construction (steel-framed reinforced concrete/reinforced concrete construction in some areas); four floors underground, 35 floors aboveground
Use: Department store, restaurants, hotel, parking lot
Date completed: October 31, 2019

A Place for People to Come Together Near Osaka Station

A large-scale commercial facility offering unprecedented convenience and amusement

Pedestrian deck along the building's perimeter
Completely changed the flow of people from Osaka Station by its opening

LINKS UMEDA, a commercial facility in the lower floors
Representing a facility that combines elegance and glam by creating a thriving commercial area and bringing people together



Hotel Hankyu RESPIRE OSAKA, a hotel in the upper floors
Luxuriously designed to let customers escape from the hustle and bustle of the city

Feature 1 Yodobashi Umeda Tower

Taking on a challenge to construct a largest-scale building in Japan

Leveraged Collective Group Capabilities to Complete the Arduous Construction Project

The Yodobashi Umeda Unit Development Project was the largest domestic design/construction project Penta-Ocean Construction has ever undertaken. Through interdepartmental coordination which is an area of strength of our company, we were able to construct a building that met the needs of our clients. We designed the building with the help of DAIKEN SEKKEI Inc. The characteristic of the project was the difficult conditions we had to work in, including the limited work space due to close proximity to other buildings and public transportations , as well as the soft ground caused by the high groundwater level. While surmounting these issues, in the short span of 27 months, we successfully completed the three key elements of the project, all carried out simultaneously: (1) construction of a new building with four floors underground, 35 floors aboveground consisting of a commercial facility with around 200 stores, a hotel with 1,030 rooms, and an underground parking lot with three levels, (2) construction of a pedestrian deck connecting the perimeter of the existing and new buildings, and (3) renovation of the existing building while stores remained open.

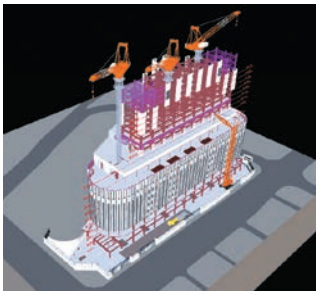
We aim to keep receiving orders for large-scale projects, by leveraging the construction expertise for high-rise buildings cultivated through this project.

Working to Achieve a Short Construction Time: Measures to Improve Productivity

The site was in an area with a high traffic volume nearby JR Osaka Station, and with many high-rise buildings and infrastructure. In order to achieve a short construction time under a safe and efficient work environment, we implemented numerous measures to improve productivity. Through site management initiatives such as pursuing labor-saving construction and utilizing the latest ICT, we were able to achieve the quality and construction time required by our clients.

Utilizing BIM*1: Formulating the Optimum Construction Plan

We used BIM construction simulations to carry out a pre-evaluation of labor-saving construction methods. This enabled us to examine our plans with increased accuracy and formulate a more effective labor-saving construction plan.



Examination of construction procedures by BIM

Examination results reflected in our construction plan

Utilizing ICT*2: For Encouraging Smooth Communication to Reduce Construction Time Loss

For efficient construction process without time loss, effective centralized information sharing between construction managers and subcontractors is vital. During the project, we created a system that immediately shares photos, blueprints, and videos of the site, as well as work instructions, among construction personnel via iPad.

Adopting Precast Concrete and Unitization

We actively adopted construction methods that would reduce the labor required for onsite work, such as using precast concrete for walls and parapets, and unitizing utility piping.

*1 An abbreviation for Building Information Modeling. A 3D model of the building is created on a computer, with all data related to the building design, such as costs and finishing elements, added into the model. A tool utilized throughout the entire life cycle (design, construction, maintenance, etc.) of the building.
*2 An abbreviation for Information and Communication Technology. Technology that helps connect people to people, and people to goods, services, and information.

Column

Applying BIM/CIM expertise accumulated in our international B.U. to domestic operations

In Singapore, where we have been conducting our business activities since 1965, the government began mandating the use of BIM in building permit applications for projects in the public sector from 2013. Operating under such environment, our international project has built up expertise in using BIM for large scale projects, such as the Sengkang General Hospital. In 2018, our company established the BIM/CIM Promotion Group in Singapore, which manages interdepartmental collaboration, such as the creation of BIM/CIM models in Japan and overseas besides Singapore.

Moreover, we created a BIM/CIM Group in the ICT Promotion Office established in April 2020, implementing a framework in which our overseas and domestic offices work together to promote BIM/CIM across the entire Group.

Our Struggles with Soft Ground: Interdepartmental Collaboration

The new building was constructed in Osaka's Umeda district, which is known for being extremely challenging in terms of underground construction due to the high groundwater level and soft ground, a result of being surrounded by the Kyu-Yodo River (collectively Yodo River, Okawa River, Dojima River, etc.). If adequate measures were not put in place when carrying out underground construction, groundwater could have flown into the construction area and had a major impact on our progress.

During construction, we collaborated with the civil engineering business unit, which has high technological capabilities and extensive experience in dealing with soft ground and water, and deployed specialized civil engineers to solve the underground construction issues.

Underground excavation conditions

Controlling Groundwater Level: Smooth Construction, Thanks to the Inverted Construction Method

To complete the construction of the underground structure smoothly, we needed to prevent the inflow of groundwater and keep the excavation equipment operating at high utilization rates. We controlled groundwater level by pumping up the groundwater ahead of excavation using a deep well system, enabling us to maintain high work efficiency throughout the construction.

Displacement Control of Subway Structures

To ensure the safe operation of the nearby subway, we needed to control displacement of subway structures caused by excavation work. We were able to control displacement of these structures by suppressing deformation of the earth retaining walls.

Solution 1
We ensured safety by installing sloped beams in the earth retaining walls to reinforce them, as well as employing an automatic measurement system to monitor displacement and stress in real time.

Solution 2
We added soil buttresses to the earth retaining walls to control deformation.

Project Member Interviews

This was one of the most challenging projects Penta-Ocean Construction has ever carried out. When undertaking this design/build project, we evaluated design and cost estimations countless times over the course of a year and a half. While many proposals were adopted in the areas of design, structure, and equipment, we worked under tight construction time, cost management, and work conditions. We also faced uncertainty, in terms of upfront investments, such as the adoption of new materials. Despite all this, we kicked things into high gear and pushed forward with the project.

Tackling this project with the building construction business unit alone would have proved difficult. We were able to complete it through the collaboration of our building construction business unit and civil engineering business unit, one of our company's strengths. I think the success of the project owes to this collaboration. This success gave us tremendous confidence.

Deputy Head of Osaka Branch and Project Director
Hiroyuki Ando

The building is located in the heart of the city, right in front of JR Osaka Station, and is situated on a narrow space of land with soft ground. We were able to overcome these obstacles and complete construction in the short span of 27 months thanks to the combined efforts of our building construction business unit and civil engineering business unit. I take pride in being involved in the biggest project our company has ever undertaken. At one point, around 100 personnel were stationed at the worksite, and the interaction fostered between personnel is something that I myself and everyone else greatly valued. I'm sure the experience and expertise gained through the construction of a building with four floors underground (20 meters below ground level) and 35 floors aboveground (150 meters above ground level) and underground construction in such close proximity to the subway structure led to the growth of all personnel involved.

Senior Project Manager (Building Construction B.U.)
Takuro Haneda

Around the north side of JR Osaka Station, groundwater level is high, and soft ground is widely distributed throughout the area. Due to this, past underground construction carried out in the same area, particularly works involving the excavation of soft ground, experienced submersion of heavy excavating equipment and major deformation of retaining walls. The project, which faced such highly challenging technical difficulties, was successfully completed within a significantly reduced construction time after overcoming various obstacles. This was thanks to interdepartmental collaboration, which is an area of strength of our company, which combined the technological prowess of the civil engineering business unit and building construction business unit.

There were many difficulties with round-the-clock construction operation, but those were fruitful days, uniting with everybody for our goal.

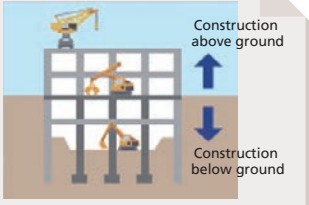
Project Manager (Civil Engineering B.U.)
Kazuto Hata

Column

Inverted construction method

The top down construction method enables above ground construction work to be carried out simultaneously with the excavation and construction of the basement. The basement slabs that are constructed as the excavation progresses will act as lateral bracing for the perimeter earth retaining structure, ensuring safety to nearby structures by minimizing soil movement.

The constructed slab of the first floor acts as a lid that reduces noise and dust. Also, since the upper and lower floors can be constructed at the same time, this helps shorten construction time.



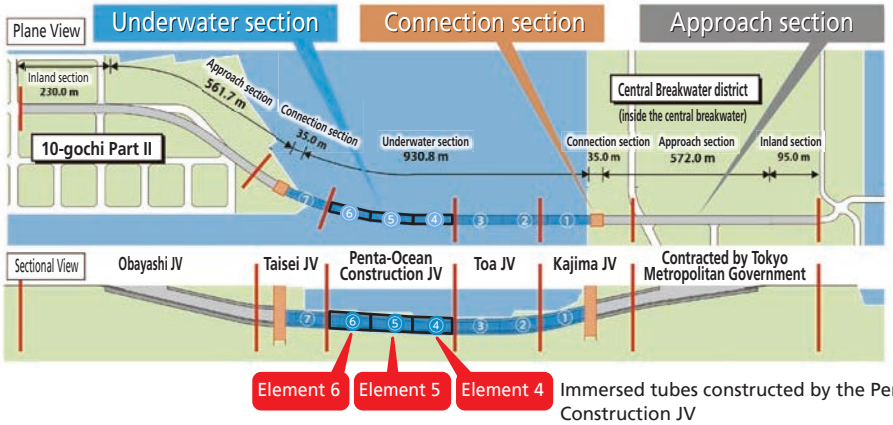
Feature 2

Leveraging our Patented Technology to Shorten Construction Time and Achieve High Quality

Tokyo Umi no Mori Tunnel in Tokyo Bay

The Tokyo Bay Rinkai Road Namboku Route Project is the construction project of a roughly 5.7km four-lane road connecting the Central Breakwater district and Ariake district, which are areas that will serve as venues for the Tokyo Olympics and Paralympics. With the opening of the Namboku Route, the main road connecting Ariake and Aomi district to the Central Breakwater district will become a concurrency (i.e., multiple routes on one roadway). This is expected to improve its logistics functions and enable the road to serve as an access route to the Tokyo Olympics and Paralympics athletes' village and sporting venues, constructed in the Harumi district.

In the Namboku Route there is an undersea tunnel (around 930 meters long), composed of seven immersed tubes linked together. Three of these immersed tubes (segments 4, 5, and 6; around 400 meters of the route) were fabricated and installed through a joint venture between Penta-Ocean Construction, Toyo Construction, and Nippon Steel & Sumikin Engineering. Amid the need to open the route quickly, the tunnel was completed within about four years instead of the typical eight to ten years. The speedy completion owed to extending the length of each immersed tube, filling the steel shell immersed tubes with concrete while floating them on the sea, the application of Penta-Ocean Construction's own Key Element Method, and collaborating with the building construction business unit for the construction of the tunnel's facilities and the tunnel's electrical rooms.



Immersed tubes constructed by the Penta-Ocean Construction JV

What are Immersed Tunnels?: The Processes Involved in Immersed Tube Fabrication and Sinking

The tunnel of the Namboku Route is what is known as an immersed tunnel. To construct these tunnels, a trench is produced by dredging the bottom of the sea or the river, in which the prefabricated elements, known as immersed tubes, are sunk and connected, then covered with soil.

Dredging for producing a trench

Foundation construction

Sinking

Backfill

Fabrication of the steel shell

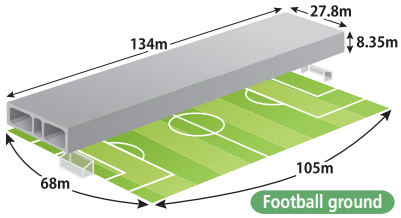
Concrete filling while floating

Towed to the sinking location

Opening

Extending the Immersed Tubes: The Longest Tubes in Japan at 134 Meters Long

To shorten construction time, we extended the length of each immersed tube. The immersed tubes sunken in this projects are the longest immersed tubes in Japan, with each one 134 meters long. The bigger and longer the tubes get, the more difficult it becomes to maintain quality. A high level of precision is required when installing the tubes, but our company's abundant experience in undersea tunnel construction and advanced technical capabilities enabled us to achieve the required level of quality and highly precise installation.



Collaboration of Advanced Technology and Divers' Expert Skills

Millimeter precision is required when sinking immersed tubes. Underwater sensing technology and other advanced technologies are used when constructing the tunnel, but the final adjustments are checked visually by divers.

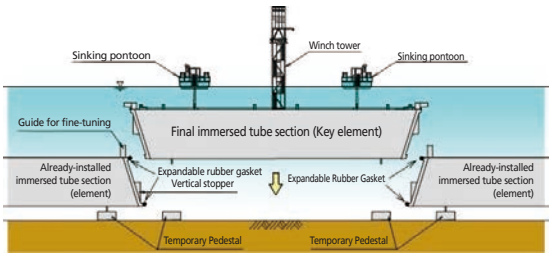
Confirming the accuracy of the installation in Tokyo Bay, which has a visibility of 30 centimeters, is no easy task. The technical brilliance of expert divers enabled us to overcome this difficulty and successfully install the immersed tubes with a high degree of precision.

Patented Technology for Undersea Tunnels

The Key Element Method

Element 6, the final element of the immersed tubes to be installed under our joint venture project, was installed using the Key Element Method, which was developed by our company. The procedure utilizes the final element itself, which is a trapezoid structure, as the jointing element, eliminating the need for conventional final joint construction work and greatly shortening construction time.

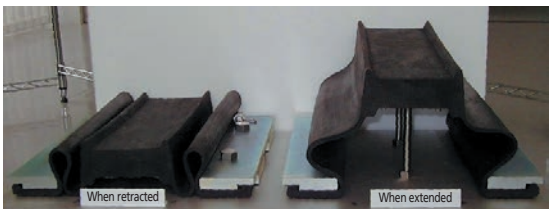
The use of the Key Element Method in this project marks the fourth application of this highly reliable method, which has also been applied for projects such as the Yumesaki Tunnel in Osaka.



Expandable Rubber Gasket

The expandable rubber gasket is a hollow structured water seal made of rubber. It can be expanded by filling it with air or mortar. Combining this with the Key Element Method can deal with measurement errors made during tunnel sinking and deformation of the outer edge due to water pressure, while providing a failsafe system for sealing water.

In this project, it was adopted for Elements 5 and 7, which were connected to Element 6.

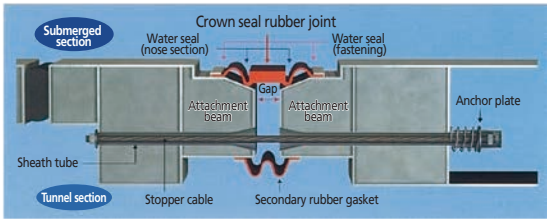


Crown Seal Method

The joint part of the Namboku Route immersed tunnel was installed using the Crown Seal Method in order to ensure high earthquake resistance.

Unlike conventional ridge connection structure, the Crown Seal Joint provides a free space (gap) between joints to absorb large deformations on the joint section caused by earthquakes, greatly reducing any stress the immersed tube body is subjected to.

To prevent water leaking from the gap into the tunnel, the Crown Seal Joint not only has a multi-layered water sealing function, but it is also coupled with a secondary rubber gasket to achieve high level water seal.



Construction of the Tunnel's facilities and Electrical Rooms: Interdepartmental Collaboration

- For the installation of ventilation, lighting, and disaster prevention facilities within the tunnel and electrical room construction, we deployed construction personnel specialized in building facilities and building construction
- Construction personnel from civil engineering, machinery and electronics, building facilities, and building construction worked together, making adjustments for clients and with other construction areas about technologies and construction processes


Tunnel construction


Electrical room construction

Project Member Interviews

Immersed tunnel construction and the technology involved are our forte. We undertook the project with a sense of urgency to complete the construction in time for the Tokyo Olympics. With a short construction timeframe and tremendous workload, particularly for tunnel's facility works after the sinking of the immersed tubes, it was crucial that we avoided any mistakes when carrying out sinking work, a critical point in the construction process. Also, we collaborated with the building construction business unit on construction of the electrical room and the tunnel's facilities, works that cannot be experienced through regular civil engineering projects, to successfully complete the tunnel.


Special Projects Manager
Naoki Kuwahara

This project was my first worksite since joining the company. At the site, in my role as one of the site foremen, I made every effort to gain the trust of my fellow workers by actively communicating with them and always providing well-grounded answers. Amid the tight timeframe, we all shared the same conviction to finish the project in time for the Tokyo Olympics. We managed to complete construction within the specified deadline without any major issues. I felt a huge sense of accomplishment once the project was complete. It made me feel so glad to have joined this company.


Chinatsu Tokimatsu

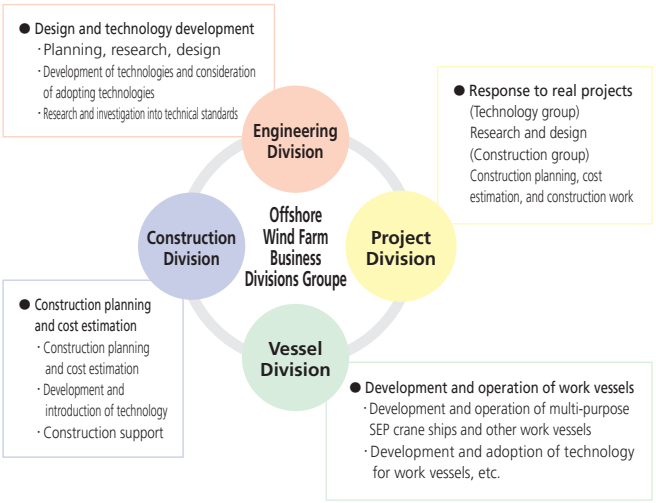
Feature 3

Tackling the Offshore Wind Power Field: Aiming to be a Front Runner

Laws related to operating offshore wind power generation plants in general sea areas have progressed, such as the amendment of the Port and Harbor Act in 2016 and enforcement of the Act on Promoting the Utilization of Sea Areas for the Development of Marine Renewable Energy Power Generation Facilities in 2019. After this, offshore wind power generation projects in Japan took off. Our company is aiming to become a front runner in the offshore wind power field by leveraging our strengths in marine civil engineering.

Establishment of the Offshore Wind Farm Business Divisions Group

Our offshore wind power generation operations first started in 2002, when we constructed Japan's very first offshore wind power facility in the Setana Port area of Hokkaido. From 2009, we planned and built an experimental wind turbine facility of New Energy and Industrial Technology Development Organization (NEDO) off the coast of Kitakyushu as part of a research project conducted by J-Power. In FY 2017, we began construction of CP-8001, a multi-purpose self elevating platform (SEP) equipped with a large crane. In June 2018, we established the Offshore Wind Power Project Team under direct supervision of the civil engineering, and have since been diligently working to enhance our technology. In April 2020, we established the Offshore Wind Farm Business Divisions Group with the aim of strengthening our initiatives for sales, technology, construction, work vessels, and real projects in order to better respond to offshore wind power projects, which continue to pick up steam in Japan. We will enhance our work by cooperation among newly made four divisions and aim to be the front runner in the offshore wind power field.



CP-8001, the Multi-purpose SEP Equipped with a Large Crane: Operating in Various Areas Across Japan

In December 2018, Penta-Ocean Construction completed the construction of CP-8001, the first Japanese multi-purpose SEP equipped with a large crane. The vessel is able to achieve high utilization rate, high accuracy, and safe crane operation even under harsh marine and weather conditions. After undergoing various sea trials in Japanese coastal waters and used in a marine project, the vessel was utilized for the removal of a bottom-fixed offshore experimental wind power facility and a wind observation tower off the coast of Kitakyushu in October 2019. It is now playing an active role in various areas across Japan, such as surveys of the seafloor.

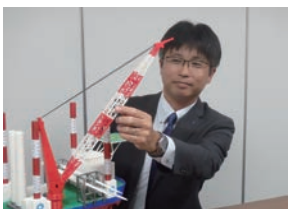
＜Features＞

- Designed to perform installation of large-scale marine structures, such as 10 MW wind turbines
- Operational in deep waters (up to 50 meters)
- Equipped with a latest continuous hydraulic jacking system developed by GustoMSC
- Designed to automatically control the hull position via Dynamic Positioning System (DPS)
- Carries adequate accommodation space and a helicopter deck for emergency human transport

Removal of the experimental wind power facility off the Kitakyushu coast

Project Member Interviews

The construction division, to which I belong, predominantly handles construction plan proposals for offshore wind power facilities and the drawing up of cost estimates for customers. However, we also handle operation planning of CP-8001 for marine projects and seafloor survey, as well as field trials and tests in the ocean. By accumulating expertise as the only Japanese company with a multi-purpose SEP equipped with a large crane, I believe we can enhance our competitiveness in the offshore wind power field, which is expected to take off going forward. Since joining the company, I have been working solely at offshore construction sites, being involved in marine work on outlying islands with difficult weather conditions. At CP-8001's first work site, I served as a supervisor. By utilizing this experience, I hope to play an important role in our company's efforts to become a front runner in the offshore wind power field by establishing our world-leading, high-precision Japanese technology.



Civil Engineering Business Unit
Offshore Wind Farm Business Divisions Groupe
Building Construction Division Manager
Daisuke Nakagawa

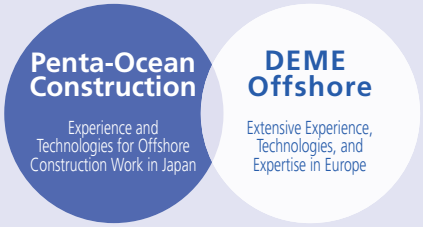
Enhancing our Competitive Edge by Forming Alliances

While developing our own core technologies and human resources as a basic policy, we have also promoted joint research and development with external companies for each theme and project, more actively than before. For the offshore wind power field, we have promoted alliances with external companies as necessary in order to enhance our competitive edge.

Strengthening Our Engineering Capabilities: Alliance with DEME Offshore

In March 2020, we signed a memorandum of understanding (MOU) with Belgium-based DEME Offshore concerning cooperation for constructing offshore wind farms in Japan. As the first step, our company and DEME Offshore will start with the introduction and development of technologies deemed useful and beneficial to the Japanese market, aiming to move onto the joint execution of offshore wind farm projects in Japan.

Combining the Strengths of Penta-Ocean Construction and DEME Offshore



Providing comprehensive solutions

Construction Conditions Particular to Japan

- Japan has a wide variety of seabed grounds, including a mix of sand and bedrock, as well as soft ground
- In addition to the harsh weather and sea conditions, such as high tides and strong winds caused by typhoons and sudden cyclones, seismic force must be taken into account

DEME Offshore

- A subsidiary of the DEME Group, a global offshore marine civil engineering company
- A pioneer in the construction of offshore wind farms in Europe
- Possesses a vast reservoir of expertise and the latest technologies for the construction of offshore wind farms
- Owns seven SEP vessels equipped with large cranes vital in offshore wind farm construction, such as foundation construction and turbine installation, as well as many work vessels used for cable installation, maintenance, etc.

Multi-purpose SEP Equipped with a Large Crane a 1,600t Lifting Capacity Crane: Responding to the Demand for Upsizing of Wind Turbines

Our company is currently constructing a second multi-purpose SEP equipped with a large crane to respond to the trend toward larger offshore wind turbines and their foundations. The construction of this vessel has been outsourced to Singapore-based PaxOcean Engineering. It is slated for completion and delivery in September 2022.

The SEP will be owned by PKY Marine (in which our company has a 65% stake), jointly established by Penta-Ocean Construction, Kajima Corporation, and Yorigami Maritime Construction in February 2020.

＜Characteristics＞

- Equipped with a fully revolving crane with a 1,600t lifting capacity
- Designed to install 10-12MW turbines and various foundations, including monopiles, jackets, etc.
- Can carry multiple 10-12MW class wind turbines for efficient installation works
- Operational in deep waters (up to 50 meters)
- Able to maintain the hull position by Dynamic Positioning System (DPS)

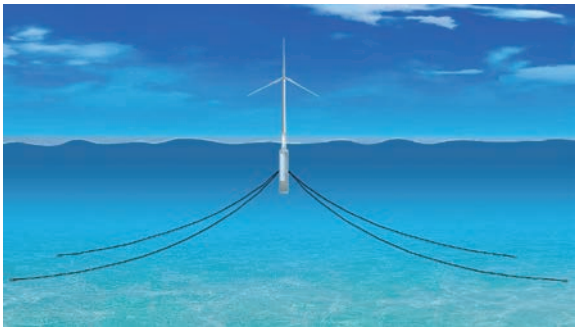
Conceptual image of completed SEP

Developing Technology to Reduce the Cost of Floating Type Offshore Wind Power Generation

In collaboration with TEPCO Holdings and the University of Tokyo, we were successfully selected by NEDO to participate in its "Research and Development on Technologies to Lower the Cost of Floating Offshore Wind Power Generation."

Amid the harsh weather and marine conditions faced in Japan, the installation of floating offshore wind farms is crucial in expanding offshore wind power generation. In order to achieve this, power generation costs need to be lowered. In our research, we will conduct a study on a rational and efficient construction method for spar-type floating structures* capable of mounting a 10MW class wind turbine under the severe weather and marine conditions in Japan.

* A cylindrical floating body which is less susceptible to waves due to the small penetration area in the water's surface.



Conceptual image of a spar-type floating structured offshore wind power

Creation of a Rich Environment

Basic Environmental Guidelines

1. We shall contribute to a recycling-oriented society and preserve the natural environment by taking measures to reduce global warming.
2. We shall prevent environmental accidents.
3. We shall enhance mutual communication with local communities and conduct eco-friendly design and construction, while developing technologies to preserve and restore the environment.
4. We shall communicate with all our stakeholders to enhance their awareness of the importance of environmental preservation.

Environmental Initiatives

Our company is working on manufacturing technologies in consideration of preservation of rich global environment, in order to enhance biodiversity (diversity of ecosystems, diversity of species, and diversity of genes). To create a future in which people and nature coexist, we are conducting research and development based on the technology and experience we have acquired through various construction projects.

Effective Use of Soft Dredged Soil (Calcia Reforming Technology)

Calcia reforming technology improves the physical and chemical properties of dredged soil by mixing the soft dredged soil generated from the port works with the calcia reforming material (materials for controlling the composition and adjusting the particle size of steelmaking slag from converter system) generated in the steelmaking process.

The Calcia reformed soil made by the Calcia reforming technology can be widely applied in marine constructions such as landfill material, partition embankment material, revetment backfill material, and marine embankment material for repairing route burial. It is expected to shorten the construction period and reduce costs.

Our company has developed a high-performance Calcia reforming technology using short fibers and mud improvement materials and is working on dredged soil recycling at ports.

Overview of the Calcia Reforming Technology

The reformed soil can be used in a wide variety of applications including landfill material, levee widening material, embankment material, filling material, etc.

Construction of Calcia Drop-Mixer Vessel

As attention towards a recycling-oriented society increases, there are various plans underway to apply the Calcia reforming technology to utilize dredged soil in reclamation work and other such projects.

To meet those needs, our company has remodeled an existing reclaimer vessel* and equipped them with a system for feeding Calcia reforming material. This is our "Calcia Drop-Mixer" which enable us to obtain the prescribed mixing quality for the resultant material on board.

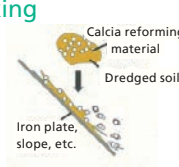
*Reclaimer vessel: A work vessel used in coastal reclamation etc. This vessel unloads soil and sand (via a backhoe or similar equipment) transported by a soil carrying vessel, and discharges it to landfill sites via a conveyor or the like.
*This vessel is co-owned with Kanmon Kowan Construction Co., Ltd.

Concept

☐Supports large-scale construction (2,500 to 4,000m³)
☐Mixing is completed when dropped from the Calcia Drop-Mixer vessel
☐Enables real time quality control (mixing ratio, density, etc.)

Principles of Drop-Mixing

Dredged soil and Calcia reforming material are mixed when down dropped from a conveyor belt or a spreader and collided with an iron plate or a slope or the like.



Schematic diagram of the mixing system

Proven in "Port of Nagoya Motohama Pier Reclamation Work."
Landfill area: 8.5ha
Reformed soil volume: 470,000m³
(140,000m³ mixed by drop-mixing method)

Soil unloading capacity	1,500m³
Boom length, work delivery device height	50m from the ship's side, 12.9m (10°) from sea level
Hull dimensions	L55m×B22m×H4m Draft 2m
Spud	850mm×850mm×19.50m Effective water depth 10m (2 stakes)

Backhoe bucket capacity	11.6m³ (PL)
Dredged soil hopper	40m³ with vibration sieve
Dredged soil belt feeder	with measuring instrument (1 unit)
Calcia Hopper	15.0m³
Calcia supply conveyor	600t/h, 3 units, 1 measuring instrument
1st conveyor, 2nd conveyor, boom conveyor	2,000t/h for each

Awards and Technical Evaluation

"Calcia reformed soil"

- Received the 19th National Land Development Award (in 2017)
- NETIS registration CKB-150001-A
- Ministry of the Environment Environmental Technology Demonstration Project 090-0901
- Basic certification for a restoration technology for the environment in fishing areas (Japan Fisheries Science and Technology Association) No. 26001

"Fiber-reinforced Calcia reformed soil"

- Obtained the technical evaluation certificate (No. 17001) from Coastal Development Institute of Technology (in 2018)

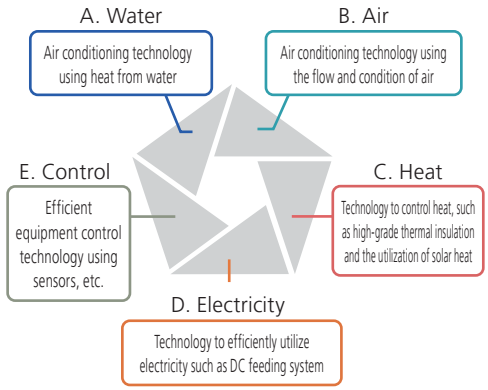
ZEB (Zero Energy Building) Initiative

Energy Saving Renovation for the Experimental Exhibition Building in the Institute of Technology

The experimental exhibition building in the Institute of Technology in Nasushiobara City, Tochigi Prefecture was renovated to energy-saving specifications and has begun operation.

For the empirical research on ZEB technology, the renovation's main concept is to maneuver five factors listed below. We adopted about 30 old and new technologies arranging and fusing them in the building, and are expecting energy saving rate of 72% (excluding energy creation).

The newly renovated experimental exhibition building will be a place where you can experience our company's ZEB technology. Along with giving us the ability to verify the operational effectiveness of the newly introduced ZEB energy saving technologies, the building will be widely utilized for research and development related to ZEB energy saving and indoor environmental technology, as well as for design and technical proposals to customers.



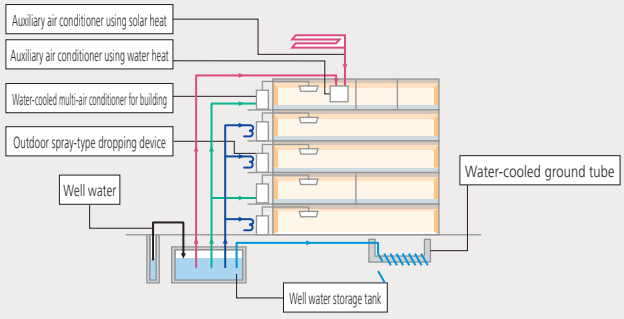

Appearance of the Institute of Technology


Inside of the Institute of Technology (experimental exhibition building)

Maneuvering Heat

Construction of an air conditioning system utilizing geothermal and solar heat from well water

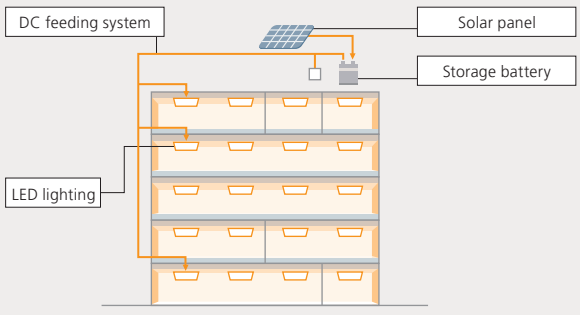
For air conditioning systems, we utilize geothermal heat, whose temperature is constant throughout the year. We are using the well water pumped from underground to improve the efficiency of water-cooling air conditioners and air-cooling air conditioners. In winter, well water is used for auxiliary heating equipment that utilizes a solar heat collector.



Maneuvering Electricity

Construction an efficient lighting system utilizing energy saving technology

We have built an efficient lighting system by combining roof-top solar panels, DC feeding system that enables highly-efficient electrical supply, and LED lighting that can ensure high illuminance with low power consumption.



Achieved an Energy Saving Rate of 115% at Hisamitsu Pharmaceutical Museum

Hisamitsu Pharmaceutical Museum, which acquired "ZEB" certification in 2019, set the energy saving rate at 103% at the time of design including energy creation. But, through one full year of energy monitoring, the actual value of the energy saving rate exceeded the expected rate, reaching 115% and confirming the achievement of the "ZEB."

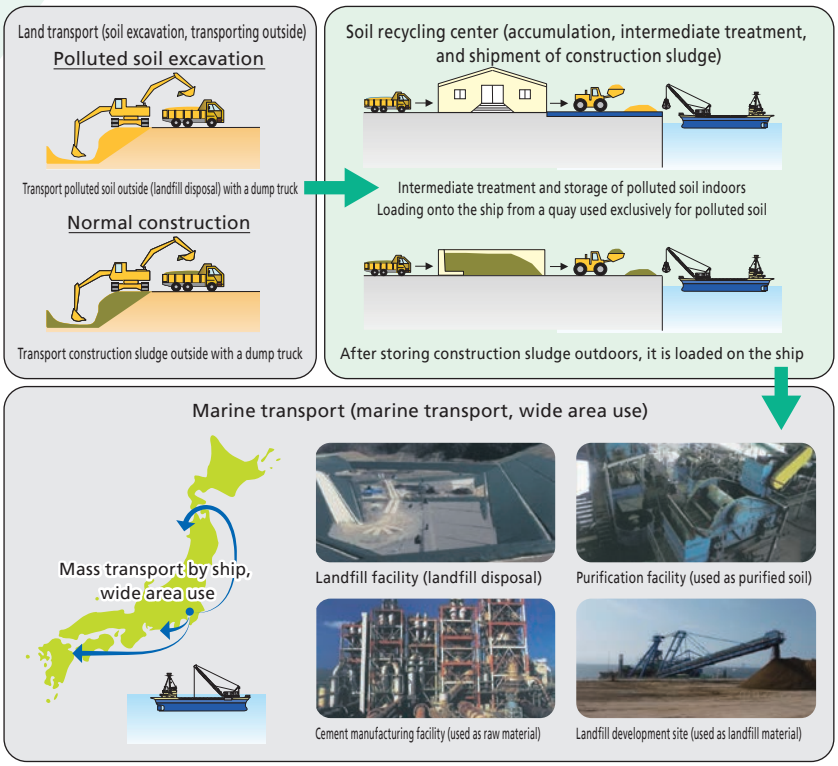
We will continue to promote research and development of ZEB energy saving technologies to meet the needs of our customers and contribute to the realization of a decarbonized society.

Recycling Business

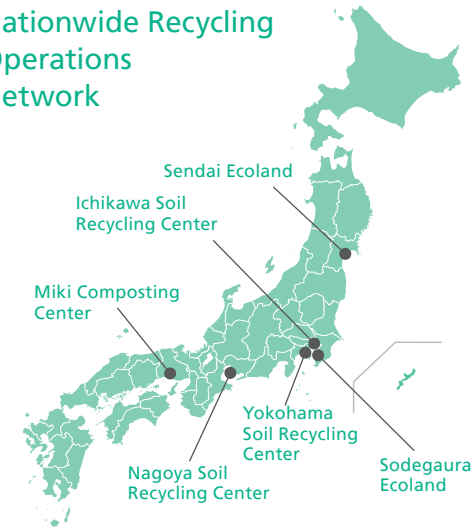
Construction-generated Soil Recycling Business

- Ichikawa Soil Recycling Center
- Yokohama Soil Recycling Center
- Nagoya Soil Recycling Center

Image of the wide area use of construction sludge



Nationwide Recycling Operations Network



Overview of the business

This business operates Soil Recycling Centers (in Ichikawa, Yokohama, and Nagoya) that perform accumulation, intermediate treatment, and shipment of generated sludge to recycle construction sludge and contaminated soil generated in the Kanto and Chubu regions over wide areas.

Characteristics of the business

- Helps reduce the transport distance of trucks by making the most of our positional superiority in the Kanto and Chubu regions.
- Adopts a 24-hour acceptance system.
- Allows mass transport by a large ship using of the quay which can dock up to a 10,000t class ship.


Ichikawa Soil Recycling Center


Yokohama Soil Recycling Center


Nagoya Soil Recycling Center

Construction Sludge Recycling Business (Sendai Ecoland)

Overview of the business

This business promptly processes inorganic sludge from construction work and drilling work (certain type of sludge which cannot be reused, such as cement-bentonite mixture, construction sludge having a high moisture ratio, etc.) into construction material "Shimarussa (reconditioned sand)."

Characteristics of the business

- Since construction sludge, which is industrial waste, goes through the granulation and solidification process without pretreatment (dewatering, drying, etc.), water pollution, noise, vibration, dust, etc. never occur, preventing any impact on the surrounding environment.
- Construction sludge having a high moisture ratio can be granulated and solidified in just a few minutes.

Use of recycled product "Shimarussa (reconditioned sand)"

Since the treated soil has sufficient strength with properties of high-quality sand and gravel, it can be used as civil engineering material.

Main construction projects that generate sludge

- Shield work, propulsion work
- Foundation construction work
- Dredging work
- SMW, continuous wall construction
- Soft ground excavation, etc.


Before treatment


After treatment

*This business is conducted by JAIWAT Co., Ltd. (our wholly owned consolidated subsidiary)

Paper Sludge Incineration Ash Recycling Business (Sodegaura Ecoland)

Manufacturing Water-absorbing Stabilization Material "Watoru"

This business manufactures a water-absorbing mud stabilization material "Watoru" made from paper sludge incineration ash (PS ash) discharged from papermaking companies, and supplies it for construction.

The water-absorbing mud stabilization material "Watoru" is a hydration-treated product made by mixing a special chemical with PS ash generated by papermaking companies. In addition to physical reforming through water-absorbing (with an instantaneous reforming effect), it also presents chemical reforming ability over time (with gradual strength development).

It is highly effective not only for processing dredged soil in harbors, rivers, and lakes, but also for processing mud and sludge generated by excavation on land.

Because this material absorbs (in Japanese, "toru") water from mud, we have named the product "Watoru" ("water toru").

*Technical evaluation/patent
Ministry of Land, Infrastructure, Transport and Tourism, New Technology Information System (NETIS) Registration Technology (Registration No. TH-160010-A)

Panoramic view of the facility

Features of "Watoru"

- ☐High water absorbency : Has an immediate effect, reforming sludge into soil in a few days.
- ☐Deodorant effect : Quickly deodorizes bad odors such as hydrogen sulfide odor of dredged soil.
- ☐Neutralizing and solidifying material : The reformed soil is weakly alkaline and becomes more neutral over time.
- ☐Safety : Treated with a chemical using special chemicals and is not hazardous.

Water-absorbing mud stabilization material "Watoru"

Instantly reforms mud

Before treatment with Watoru

After treatment with Watoru

*This business is conducted by JAIWAT Co., Ltd. (our wholly owned consolidated subsidiary)

Food Waste Recycling Business (Miki Composting Center)

Overview of the business

This business processes and sells compost materials made from organic waste discharged from food-related companies, etc.

Characteristics of the business

- With the automatic agitator (scoop-type) and the forced air circulation (aeration), collected food waste is subject to primary fermentation for about 1 month, and then further fermentation and maturation for about 3 months to produce complete compost.
- Since the Miki Composting Center is located near the Hanshin district with concentration of many food-related companies and easily accessible from interchanges of the expressway, it can contribute to the reduction of waste transport costs.

Use of recycled product (compost "Minami-No-Hikari")

- Because it is made from food waste, it is a safe and nature-friendly organic compost.
- Fully matured after four months of fermentation and aging, there is no unpleasant odor.
- Fully meets the quality standards of the NPO Japan Bark Compost Association, surpassing common composts. It can be used in various situations from full-scale agriculture to landscaping/greening projects and kitchen gardens.

Inside the facility

Panoramic view of the facility

Product "Minami-No-Hikari"

*This business is conducted by Miki Biotech Co., Ltd. (our wholly owned consolidated subsidiary)

Working in Harmony with Society Efforts to Respect Humanity

Work Style Reform

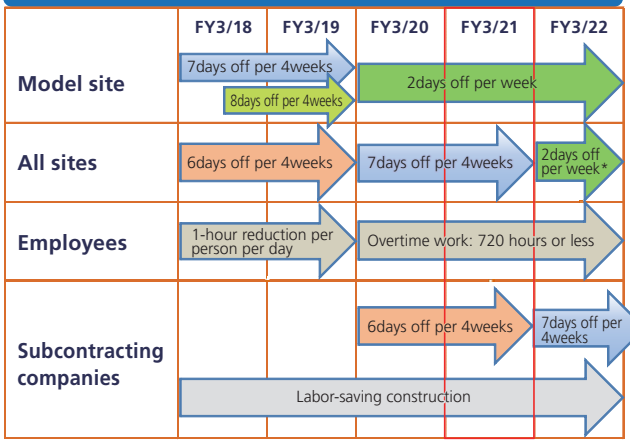
As an advanced company that works on reforming work styles and improving productivity, we are accelerating our company-wide efforts, including overseas branches. We are setting up Work Style Reform Promotion Committee at the headquarters, branches, and international business unit to conduct our Work Style Reforms, which aim to provide workers two days off per week, and to initiate productivity improvement needed for the Work Style Reforms.

Due to the amendment of the Labor Standards Act, the penalties related to violating the overtime work limit will be applied to the construction industry from April 2024. We are working to reduce overtime work by improving productivity with the goal of reducing overtime work for employees to a level that meets the upper limit regulations ahead of schedule by the end of FY3/22.

Penta-Ocean Construction Group Goals

1. Two days off per week by the end of FY3/22 (* Eight days off per four weeks for sites with special construction)
   Achieve less than 720 hours of overtime work by the end of FY3/22
2. Establish a flexible work style system by the end of FY3/21
3. A turnover rate of 5% or less for young employees within their first three years after joining the company by the end of FY3/22
4. Support Work Style Reforms for skilled workers

Schedule



* Aim to close sites for 8 days per 4 weeks by the end of FY3/22
(Action Plan for Achieving Two Days Off per Week)

Achieving a New Way of Working

By the end of FY3/22, as we aim to reduce overtime work hours per year to 720 hours or less, we are working to improve work efficiency and productivity, and visualize work schedules. We also continue to carry out campaigns to reduce overtime work by one hour per person per day.

To save labor in onsite work, we are improving work efficiency by adopting ICT in construction, encouraging clients to digitalize structures, promoting web conferencing, and utilizing iPad apps and WIZDOM.

In April 2020, we established the ICT Promotion Office to promote the use of ICT to achieve new working styles with social distancing, such as encouraging telecommuting.

Work Style Reform Support for Subcontracting Companies

We support the work style reforms of subcontracting companies and skilled workers, for example, by promoting the provision of incentives for skilled workers to take holidays to achieve two days off per week (increasing the labor costs when the holiday acquisition target is achieved).

We are also improving payment conditions to subcontracting companies (abolishing drafts and paying cash), promoting the participation in the Construction Career Up (Advancement) System (CCUS), and providing allowances under the excellent foreman system (CCUS members only).

Mental Health Management System

We are also working on employees' mental and physical health management, for example, by providing consultations by industrial physicians for employees who work a lot of overtime work, and establishing a mental health care system. In particular, to support mental illness, we carry out stress checks of employees once a year for early detection and prevention, and carry out medical examinations and individual guidance by psychiatrists (headquarters medical office).

Personnel Data

	FY3/17	FY3/18	FY3/19	FY3/20
Number of employees (Women in career-track position) (Female technical staff among women in career-track position)	2,572 (32) (23)	2,673 (54) (44)	2,793 (79) (66)	2,893 (89) (76)
Number of new employees (Women in career-track position) (Female technical staff among women in career-track position)	116 (3) (2)	164 (23) (22)	190 (30) (24)	192 (18) (16)
Number of foreign employees (Women)	2,004 (428)	1,800 (432)	1,781 (408)	1,600 (363)
Employment rate for persons with disabilities (%)	2.00	2.20	2.25	2.66
Rate of taking paid holidays (%)	28.7	52.2	53.1	61.9
Rate of taking childcare leave (for women) (%)	85.7	100	100	100

Promoting Diversity & Inclusion (D&I)

As an advanced company that advocates D&I, we actively hire women and non-Japanese employees. We are working to create a working environment where diverse human resources recognize each other's abilities and benefit from one another. We have established an environment and systems in which diverse human resources can play an active role through recognizing the diversity of human rights, nationality, religion, disability, gender, age, sexual orientation, work styles, and values.

As specific numerical targets for D&I, we aim to achieve a female manager ratio of 5% or more, double the number of Japanese female managers, and achieve a new graduate female career-track position employment ratio of 20% or more by FY3/23.

Promotion of Women's Empowerment

To create a work environment where women can work comfortably and are empowered, we examine the conditions of the sites where female technical staff are assigned, based on a checklist that includes the installation status of changing rooms, break rooms, toilets, safety supplies, etc. We also carry out harassment training for onsite workers and subcontracting companies.

Senior female staff members regularly conduct interviews with young female staff members to understand their current situation and provide consultations.

We carry out training for young women in career-track positions, to share career experiences and role models and to provide information on balancing childcare and work.

Global Personnel System

In FY3/18, we adopted a personnel evaluation system for foreign workers in Singapore and Hong Kong, which are the major footholds of our international division. In July 2018, we introduced a grading and remuneration system.

The objective of the personnel evaluation system is to motivate employees to attain their goals, promote personal development, and facilitate communication between superiors and subordinates.

The grading and remuneration system boosts the incentive to perform well and achieve goals by reflecting performance and evaluation in the international division in remuneration, and enhances non-Japanese workers engagement in efforts to achieve their individual targets.

Promotion of Active Participation of Foreign Employees

Every year, we hire about five excellent non-Japanese students, from universities and graduate schools in Japan and ASEAN, who do not speak Japanese as their mother tongue. We are developing human resources who can play an active role in our company both in Japan and overseas, by providing Japanese language education and training for non-Japanese employees after their joining. We hope these students will become engineers who can solve onsite issues, serve to bridge Japanese employees and local staff, and take on managerial positions in the future.

We also established a new personnel system, Global Career-track Position in April 2020, which allows non-Japanese employees to play more active roles.

Employment of Persons with Disabilities

The employment rate of persons with disabilities among all employees is 2.66% as of June 1, 2020. Following the spirit of the Act for Promotion of Employment of Persons with Disabilities, we are making efforts to expand the employment of persons with disabilities using satellite offices.

We have set up workrooms in Mitaka and Yokohama to create an environment where persons with disabilities can work comfortably.

Respecting the Human Rights of Seniors and Utilizing Them

Based on the revised Act on Stabilization of Employment of Elderly Persons, we offer new jobs and new working conditions to all career-track employees and officers who wish to continue working after reaching retirement age.

We also create opportunities for active participation of senior employees, for example, by utilizing senior employees with abundant knowledge and experience as instructors to train young employees at the Safety and Quality Education Center.

Respect for Human Rights

The Diversity Promotion Center established within the Human Resources Department is developing a pleasant workplace where each individual respect human rights, to build a framework for promoting diversity.

We are also working to improve our appreciation of human rights by recruiting slogans for respecting human rights and creating posters and leaflets promoting human rights.

Promotion of Work-life Balance

In FY3/18, we formulated the Fourth Action Plan for Supporting the Development of the Next Generation, and we are implementing a five-year plan to flexibly balance work and personal life such as childcare and nursing care.

As specific initiatives, we produce handbooks to support the balance between work and childcare and nursing care and consultation sheets for those taking childcare leave. These efforts aim to create an easy atmosphere to take childcare and nursing care leaves, and enhance mutual understanding with the company and bosses about working styles and careers after returning to work. Also, we have systems that allow employees to continue working during childcare and nursing care. These systems include promoting active use of the childcare leave system, the nursing care leave system, and other childcare support systems, and holding discussion meetings among those taking childcare leave.

In 2020, we expanded the system for balancing childcare and work, and established a new system for returning to work (promoting reemployment of retired employees due to childcare, nursing care, transfer of the spouse, etc.).

We are creating an easy atmosphere to take leave, as we require our employees to take five days off in a planned manner annually. We also hold work-life balance seminars to foster awareness of the balance between work and personal life.

Childcare Leave

We have a childcare leave system where employees can continue to work even when they have a life event such as childbirth or childcare.

As part of our childcare support system, we have a system that allows shortened working hours and adjusting starting and ending time of the workday (until the child graduates from elementary school at the maximum) to provide an environment where both men and women can easily balance work and childcare.

Nursing Care Leave and Days-off to Care for a Sick Family Member

We offer a long-term nursing care leave system so that employees who need to take care of their families can continue their work.

Also, if an employee has a family member requiring nursing care or has a child before graduating from elementary school, needs to care for a family member or a child, the employee can take 6 to 12 days of leave in addition to the annual paid holidays.

Rate of Taking Annual Paid Leave

In FY3/20, the average rate of taking annual paid leave per employee was 61.9%, and the average number of days of annual paid leave taken was 10.7 days.

In FY3/18, taking paid leave on a half-day basis was newly available. As a result, for example, employees posted away from their families can take a flexible vacation from noon on Friday to noon on Monday and further enhance their private life.

Occupational Safety and Health

Practice with the Highest Priority on Safety and Quality

Health & Safety Activities Guidelines

1. Strive to prevent all accidents as well as industrial accidents, including those involving the public.
2. Prevent occupational diseases, promote mental and physical health and create a comfortable working environment.
3. Conduct health & safety inspection activities in cooperation with employees and subcontracting companies with an aim to improve the health and safety standards.

Promotion of Occupational Safety and Health Activities

Penta-Ocean Construction gives top priority to safety in construction work, with the basic policy of respecting each person. We have built an occupational health and safety management system to eliminate and reduce potential risk factors in our business, to promote the health of workers and create comfortable workplaces, and to improve corporate safety and health standards. We obtained COHSMS Certification from the Japan Construction Occupational Safety and Health Association in 2008, earlier among the peers in the construction industry, and are updating the certificate every three years. We have named the certified system as PENTA-COHSMS and have been implementing continuous safety and health management.

We have acquired the international standard for occupational safety and health management systems (OHSAS18001) overseas, and are working to continuously improve occupational safety and health performance through this system.


COHSMS

認 定 証

COHSMS JCOSHA

建設事業場名：五洋建設株式会社
認 定 番 号：ＪＣ００３－５－Ｎ
認 定 日：２０２０年１０月４日
有 効 期 限：２０２３年１０月３日
所 在 地：東京都文京区後楽２－２－８
認 定 範 囲：別紙のとおり

当協会は、COHSMS ガイドラインに沿って策定した「COHSMS 認定基準」に基づき、貴建設事業場の建設業労働安全衛生マネジメントシステムを評価した結果、その基準に適合していると認められますのでここに認定します。

建設業労働災害防止協会
会 長 今井雅則

Domestic COHSMS certificate


Building and Construction Authority

BCA OHSMS

CERTIFICATE OF REGISTRATION

Occupational Health And Safety

Management System

This certifies that

PENTA-OCEAN CONSTRUCTION COMPANY LIMITED
1 HarbourFront Place
#13-01 HarbourFront Tower One
Singapore 098633

has conformed to the requirements of

OHSAS 18001 : 2007

for the scope of

Piling, Civil Engineering and Building Construction Services

Chief Executive Officer
Building and Construction Authority

Chairman
Building and Construction Authority

Certificate No. 2002/045
Date of original issue: 14.11.2002
Date of issue: 25.04.2019
Date of Expiry: 11.03.2021

Overseas OHSAS18001 certificate

Central Safety and Health Environment Committee

Under the CSR Committee chaired by the President and Representative Director, we have established the Central Safety and Health Environment Committee as a central organization for safety and health environment conservation activities. This Committee deliberates and decides on basic policies and measures to effectively promote health and safety environment activities.

Additionally, based on an annual plan, we regularly carry out the Central Safety and Health Environment Committee patrol to all branches.

Efforts to Enhance Communication

We are promoting a Compassionate and Friendly Greeting Campaign that aims to achieve no accidents and no illnesses, and creating a safe, healthy, and lively workplace culture. In particular, we make every construction staff to call each other by name for deepening the sense of fellowship.

Efforts for Preventing Specific Accidents

We have designated crash and fall accidents and heavy machinery and crane accidents as Specific Accidents to focus our efforts for preventing accidents especially on these accidents. Regarding the prevention of crash and fall accidents, we introduced a Direct Red Card System for Workers Who Do Not Use Safety Belt*1, which suspend a worker from the construction site when he/she is found not using a fall prevention equipment (hereinafter referred to as a safety belt) in a place where safety belt is mandatory. As for the prevention of heavy machinery and crane accidents, we enforced the Zero Heavy Machinery Accident Declaration to reconfirm prohibition of entering a working radius, and to assign guards to prevent any entry. Also, we enforced the Zero Crane Accident Declaration, and for actual measure, we implemented the Exercise 333*2.

*1 Workers who were suspended will return to the site after undertaking the safety training again.
*2 Exercise 333: (1) 3 m away from the suspended load when slinging. (2) Stop hoisting the lifted load at 30 cm. (3) Roll up after 3 seconds after hoisting the lifted load.

Efforts to Thoroughly Coordinate and Communicate During Work

We are making efforts to stop unscheduled work by thorough communication and meeting when changing the work schedule. When it is unavoidable, we order to prepare a Record of Meeting for Unscheduled Work and disseminate it to our staff and subcontracting companies.

■Efforts for Safety and Health in Collaboration with Subcontracting Companies

To ensure quality and safety together with subcontracting companies, we have established the Penta-Ocean Construction Labor Safety Council Association and Labor Safety Councils at all branches, and 1,103 subcontracting companies have joined. The Labor Safety Councils are engaged in various activities to improve knowledge and skills related to labor safety, to eradicate accidents, and to build a smooth cooperation between our company and subcontracting companies.

Examples of Penta-Ocean Construction Labor Safety Council's Activity

(1) Safety and health patrol
Based on an annual plan, the headquarters, branches, and subcontracting companies carry out patrols regularly and the President patrols twice a year.

(2) Safety and Health Environment Promotion Contest
The headquarters, branches, and the Labor Safety Councils are co-sponsoring a Safety and Health Environment Promotion Contest to coincide with the National Safety Week held in June. The President and the Representative Director attends several Safety and Health Environment Promotion Contests nationwide every year to strengthen efforts for safety and health activities.

(3) Implementation of various educational seminars and training

Types of educational seminars	Number of seminars conducted	Number of participants
Education of foremen and safety and health managers	10	175
Skill improvement education for foremen and safety and health managers	13	162
Training for Safety officers	7	463

(4) Other educational seminars/trainings
Seminars for association seniors, business owner education, risk sensitivity education, etc.


President Patrol (November 2019)


Greetings from the President at the Safety and Health Environment Promotion Contest (May 2019)

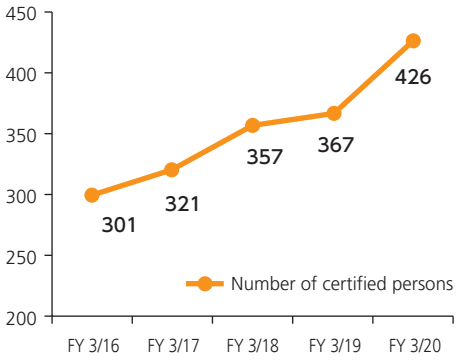
Foremen's Associations

We organize foremen's associations (organizations consisting of foremen and safety and health managers of multiple subcontracting companies) at each site to raise awareness of safety and health among all workers.

Implementation of the Excellent Foreman Certification System

Since FY3/14, we have an Excellent Foreman Certification System to further secure and train future leaders and improve the treatment of construction engineers.

In FY3/20, 426 foremen were certified, and we provided an additional 2,000 yen per day for certified foreman, 1,000 yen per day for foreman who worked more than 100 days a year, and social insurance premiums for the allowance borne by the business owner are paid separately.



■Safety Results

<Domestic : 4 or more days lost>

	FY 3/16	FY 3/17	FY 3/18	FY 3/19	FY 3/20
Number of accidents	19	19	17	21	19
Number of fatal accidents	0	3	1	1	1
Frequency rate	0.89	0.89	0.77	0.89	0.70
Severity rate	0.07	1.12	0.39	0.44	0.31
Total working hours (Thousand hours)	21,309	21,233	22,033	23,630	27,132

<Overseas : 4 or more days lost>

	FY 3/16	FY 3/17	FY 3/18	FY 3/19	FY 3/20
Number of accidents	31	17	17	11	3
Number of fatal accidents	0	2	2	0	0
Frequency rate	0.81	0.27	0.29	0.23	0.07
Severity rate	0.01	0.27	0.30	0.01	0.00
Total working hours (Thousand hours)	38,375	56,467	51,203	48,349	44,598

* Numbers are solely from Penta-Ocean Construction
* Frequency rate indicates the frequency of accidents. Number of fatal casualties due to occupational accidents / total number of actual working hours x 1,000,000
* Severity rate indicates the severity degree of an accident. Total number of lost working days / total number of actual working hours x 1,000

■Applying the Penta-Ocean Construction Standards in Japan and Overseas

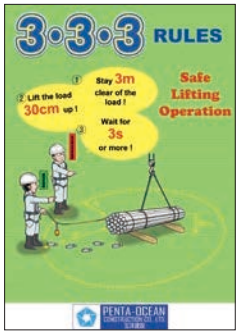
We have been implementing an occupational accident prevention and quality management activities that prioritize safety and quality in Japan and overseas, and named it as the Penta-Ocean Construction Standards. We are diffusing these standards in Japan and overseas and carry out occupational accident prevention activities in collaboration with subcontracting companies.

<Specific efforts>

- Holding Special Safety Day (March 30), Safety Contest (1st day of every month), Safety Week (preparation period: June 1-30, the actual safety week: July 1-7) in overseas
- Implementing Penta-Ocean Construction self-regulation and accident prevention activities (Exercise 333, etc.) in overseas

Safety Week disclosure overseas version


Overseas safety patrol



Exercise 333 poster English version

■Designating a Special Day to Pledge Safety

Special Safety Day (March 30)

On March 30, 2014, a major accident occurred in the Okinotorishima port construction site, claiming lives of seven people. Every year on March 30, a memorial service is held with the bereaved families and the client's attendance.

In addition, in memory of this accident, March 30 is designated as a Special Safety Day, where we conduct simultaneous onsite inspections to reconfirm safety.

Fire Prevention Day (April 20)

On April 20, 1998, a major fire occurred at our construction site, with one deceased, 16 people suffered mild/serious injuries, and one building completely burned down. Taking this accident as a lesson, we designated April 20 as Fire Prevention Day to reconfirm fire prevention measures.

Fire Prevention Day poster

■Safety and Quality Education Center

In April 2018, we established the Safety and Quality Education Center. The Center provides individual education and group education for young staff.

Experienced employees who are familiar with civil engineering, construction, safety, quality, and laws and regulations, provide guidance as an instructor to young employees (from the 2nd to 8th year after joining the company), which number is increasing year by year due to more new graduates hired in recent years. The purpose is to pass on veteran employees' knowledge and experiences to train young employees.

One-on-one education (individual education)

Tailor-made education customized for each student's needs

As part of the education that supplements on-the-job training in the field, we assess each student's current status and provide education customized for each student's needs and raise their awareness to improve the current situation. By explaining the students' education results to their onsite bosses, on-the-job training will be made more efficient.

First -Timer series (group education)

Education for conducting an unexperienced work without trouble

We train young employees to make them familiar with types of constructions with no experience from a student perspective. We will provide practical education applicable in the field, focusing on actual site visits (including photos and videos) instead of relying on classroom lectures.

Creation of educational videos and publication of educational materials

We support implementing a learning and practice cycle by publishing the educational materials on the company intranet, so the young employees can learn ahead of the process and practice it in the field.

Social Contribution Activities

Held "Site Tours for Individual Shareholders"

As part of our IR activities, we held site tours for individual shareholders at civil engineering and constructing sites.

These tours have been held since 2017 to deepen the understanding of our business contents and construction results.

Forty-three shareholders cruised Tokyo Bay visiting our construction properties, and 37 shareholders visited the new construction site of the No. 13 passenger ship terminal.

Going forward, we will continue to make social contributions to broaden the construction industry base while providing tours for individual shareholders to gain their understanding of our technological capabilities and construction results.

Held the 26th Sea Site Tour

The 26th Sea Site Tour sponsored by the Japan Dredging and Reclamation Engineering Association was held at the Namboku Line Immersed Tube Construction Office, and 31 students from the Tokyo University of Science, Tokai University, and Shibaura Institute of Technology were invited.

After explaining the construction outline, students walked in the undersea tunnel before its opening. The students seemed overwhelmed by the scale of the marine civil engineering work. Through this tour, we conveyed the appeal of marine civil engineering work, which is our strength, and raised interest in it.

We will continue to cooperate in activities that convey the appeal of the industry.

Sponsored the 7th Tokyo Port Wild Bird Park Festival

Tokyo Port Wild Bird Park Festival was planned to offer visitors an opportunity to learn about nature, have fun playing in nature, and have a fun day at Tokyo Port Wild Bird Park. There were workshops held by instructors, vegetable harvesting, shell decorations classes, and tidal flat observation tours. Also, nature conservation activities were introduced and live street performances were given by each exhibitor.

In support of the festival's purposes, we exhibited a Penta-Ocean Construction booth with a theme of "Let's observe the creatures on the tidal flats!" At the booth, we set up a corner where you can touch the creatures of the tidal flats so the children could enjoy learning about the environment and the creatures of the tidal flats.

Taking Part in the Kagoshima University Singapore Overseas Training

Our international business unit headquarters in Singapore welcomed a company visit as part of Kagoshima University Singapore overseas training.

We presented the company profile, construction results, ongoing construction work, etc., and explained the role of Japanese construction companies in overseas, and our history and business overseas. Students asked a series of questions about working overseas, and we felt their desire to work overseas. We hope that the students who learned the significance and pleasure of working overseas during this visit will play a leading role in the international community in the future.

We will continue to cooperate in educational activities to develop human resources who will lead the next generation.

Tour of the Institute of Technology was Held for Local Kindergartens

At the Institute of Technology, we held a tour for neighboring kindergarteners. In relation to the Civil Engineering Day (November 18), we have prepared fun learning experiences so that the children can relate to us and to the construction industry.

At the hydraulic laboratory, we conducted an experiment to build a breakwater that could withstand the waves and asked the children to help fill the model with marbles. They applauded and cheered as the sturdy breakwater was built, and the waves did not move the breakwater. Also, we showed them how the construction industry's work is tied to protecting their lifestyles and lives by having them participate in experiments such as how to use pillars to prevent buildings from collapsing and why ground liquefaction occurs. Also, they experienced VR.

Food Donation to the Food Bank Singapore

Our international headquarters in Singapore conducted food drives* and donated food to the Food Bank Singapore.

This fiscal year, 28 staff members participated in the activity and cooperated in the donation. This activity is essential for raising awareness of hunger and food waste.

Through this activity, we contributed to solving hunger issue and raised awareness of our employees in food issues such as wasting food.

* Food drive: An activity where you gather the surplus food at each home and donate it to a food bank. The food bank delivers food to welfare organizations, facilities, and other places where food is needed.

Received the Minister of Agriculture, Forestry and Fisheries Award of the 3rd Infrastructure Maintenance Awards

Our jet pump type sand bypass system that simultaneously preserves sand accumulation in fishing ports and beach erosion won the Minister of Agriculture, Forestry and Fisheries Award, in the Technology Development Category of the 3rd Infrastructure Maintenance Awards. Award winners were Shizuoka Prefecture, the Japanese Institute of Fisheries Infrastructure and Communities, and Penta-Ocean Construction Co., Ltd.

This system adopted at Fukuda Fishing Port in Shizuoka Prefecture uses the jet pump type sand bypass method (J-SB method, patented) developed by our company. This method restores the eroded coast by sucking the sediment in the depositional coast with a fixed jet pump to move it to the eroded coastal area by slurry transfer pipes. Compared to the conventional method of transporting sand from the depositional coast area to the eroded area by dump trucks, problems such as environmental deterioration, including noise and exhaust gas, and traffic congestion are prevented. Thus, the issue of sedimentation and erosion can be solved efficiently.

We will continue to contribute to global environmental conservation through developing technologies.

Received the Special Award of 5th Kensetsu-Komachi Empowerment Promotion Awards

We received a special award (Work Style Reform Promotion Award) at the 5th Kensetsu-Komachi Empowerment Promotion Awards of the Japan Federation of Construction Contractors for the second straight year. This award was established in 2015 to contribute to securing leaders, promoting diversity, and improving the construction industry's image by commending efforts to promote women's empowerment in the construction industry.

The work environment for construction site in the coastal area has improved due to the conversion of the onsite offices of our Osaka branch to satellite offices, and promoting work style reforms by actively utilizing ICT tools and new technologies to allow the employees to have a full two days off weekly. Through these efforts, the construction site has become a comfortable work place for both men and women, which was highly regarded, and led to the award winning.

Received the Ministry of Defense Special Excellent Construction Awards for the Third Consecutive Year

In FY3/20, we received the Special Excellent Construction Award and the Special Excellent Construction Engineer Award at the Ministry of Defense Special Excellent Construction Awards. We won the award for the third consecutive year, following FY3/18 and 3/19.

The work that received the Special Excellent Construction Award is the Nagaura (27) pier maintenance work.

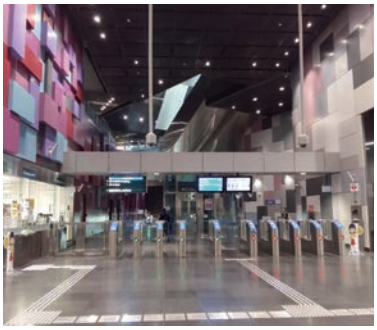
This work was carried out as part of the Japan Maritime Self-Defense Force Nagaura District Development Plan in Yokosuka City, Kanagawa Prefecture, which is being developed by the Ministry of Defense. Among the projects to demolish existing pier and quay for earthquake-resistant reconstruction, this project owed the construction of a new pier. The order was received while there were issues in the surrounding area. Also, due to the construction schedule of the ships to be moored at the new pier, we were required to comply with the construction period. We believe that this award highly evaluated our high technical capabilities, through which we proactively made various proposals leading to successful completion of the project within the construction period.

Received the Outstanding Civil Engineering Achievement Award by Japan Society of Civil Engineers

Lach Huyen International Port Construction Project (Vietnam) received the Outstanding Civil Engineering Achievement Award Group II by Japan Society of Civil Engineers for a groundbreaking project recognized for remarkable contribution to the development of civil engineering technology and society. This award was jointly received by the client, consultant, contractor, and port operator.

As a new infrastructure that supports Vietnam's economic growth and international competitiveness, this project was funded by Japan's ODA special yen loan to maintain an international deep-water port, to increase the volume of cargo handled and maximize the size of ships in the northern part of the country. We were in charge of the construction of Package 6 for reclamation operations, ground improvement work, etc., and of Package 9 for dredging operations for shipping routes and basins. The port opened in May 2018 and is expected to contribute to the development of Vietnam's economy as a gateway to the north harbor.

Received the Excellence Award at BCA Construction Excellence Award 2019



We received the Excellence Award in the Civil Engineering Projects Division at the Construction Excellence Award (CEA) 2019 by the Singapore Building and Construction Authority (BCA). CEA recognizes and commends construction projects that show a high level of construction technology in Singapore.

The work that won the Excellence Award is the construction of Bendemeer Station and associated tunnels for MRT Downtown Line ordered by the Land Transport Authority (LTA) of Singapore.

The construction won the award due to the recognition of features of the construction, such as: (1) Steel-fiber reinforced concrete segment (SFRC segment) of tunnel lining segment, for the first time in Singapore, (2) Four new tunnels constructed in a crowded traditional Singapore buildings area, while operating four tunnel boring machines (TBM) simultaneously, and (3) The subway station building, a large-scale underground structure with four basement floors and one floor above ground, was completed within a strict construction period through strong cooperation between the civil engineering business unit and the building construction business unit. The station has already been operating since October 2017 and is a familiar spot for citizens, which is used by approximately 500,000 people a day.

Measures to Prevent the Spread of the Novel Coronavirus (COVID-19)

Switching to a New Work Style that Secures Social Distancing

-Avoiding the "3 Cs (Closed spaces, Crowded places, Close-contact settings)" is the top priority issue at each construction site like construction safety-

The anti-coronavirus measures provide us with an opportunity to accelerate work style reforms and productivity improvements (labor-saving, no contact, and remoteness)

We recognize that it is our social mission as a contractor to continue our construction work while strengthening and thoroughly implementing measures to prevent the spread of the novel coronavirus, such as avoiding the "3 Cs." By doing so, all on-site engineers and technicians can work safely with peace of mind. In addition to taking all possible measures to prevent the spread of the novel coronavirus, we view these measures as an opportunity to accelerate work style reforms and productivity improvements (labor saving, no contact and remoteness). Thus, we are promoting switching to a new work style that ensures social distancing.

Initiatives at Field Offices

At field offices, we are trying to prevent the spread of the novel coronavirus by taking all possible measures to avoid the "3 Cs," and by thoroughly disinfecting common areas and managing the health of our staff and workers.

Also, we have created "field office" and "work vessel" inspection checklists to strengthen measures for preventing the spread of the novel coronavirus on construction sites, and we conduct inspections based on them.

Thorough disinfection

Expanding hand-washing facilities

Providing disinfectant dispensers at hand-washing facilities

Avoiding the "3 Cs"

Arranging the seats in the office avoiding face-to-face

Arranging the seats in the worker's stations avoiding face-to-face

Measures to prevent the spread of droplets in a meeting room

Securing social distancing during a morning assembly

Remote safety patrol

Health management

Conducting body temperature check before entry to a construction site

Initiatives on Work Vessels

When working onboard the work vessels in a remote location away from the home port, measures different from those of an ordinary field office are required.

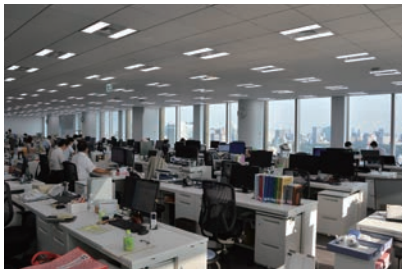
As a leading company in the field of marine civil engineering, we are taking measures to prevent the spread of the novel coronavirus while keeping in mind the unique environment of work vessels.

Control rooms that ensure isolation

Seating arrangements avoiding face-to-face seating in the cafeterias of the vessels

Initiatives in Offices

In the office, we are working to avoid the "3 Cs (Closed spaces, Crowded places, and Close conversations)" by adopting measures such as staggered work hours, diffusion of telework, increasing office space per person by introducing classroom style seating arrangement, and web conferencing. Also, we conduct temperature check at the entrance of the headquarters building using a thermographic camera.



Seating arrangements avoiding face-to-face seating (classroom style)

Body temperature check by thermography (Headquarters)

Promotion of Effective Corporate Governance

Corporate Governance Initiatives

The Penta-Ocean Construction Group shall carry out business management with a high degree of transparency and fairness. We are making efforts to build and strengthen our corporate governance structure to achieve sustainable growth and development of the company, as outlined below.

Continuous Improvement of Corporate Governance

Management and Business Execution

Our company's Board of Directors is composed of 10 directors, including three external ones, and operates in accordance with the laws, regulations, articles of incorporation, in-house rules, and Penta-Ocean Construction Corporate Governance Guidelines. In principle, a meeting of the Board of Directors is held twice a month, to make decisions on important management issues and supervise business operation. In addition, we adopted a system of executive officers, in order to clarify the responsibility for business execution.

Nomination of candidates for executive positions and proposals for executive compensation are made by the Board of Directors after consultation with the Nominating Committee, which is chaired by an outside Member of the Board. The Nominating Committee is composed of all external Members of the Board and a small number of other Members of the Board, not exceeding a majority.

Executive compensation is determined according to a performance-based system, in which executives receive fixed compensation in cash, as well as performance-based compensation via the employee stock ownership plan (ESOP).

We have established the Board of Auditors, which is composed of four auditors including three external auditors. In addition to attending the Board of Directors' Meetings, the auditors also actively participate in important meetings in the Company (e.g. Executive Board Meetings, Group Management Meetings) and monitor the execution of duties of Members of the Board. We believe that such a corporate governance system enables fair, transparent business administration.

Internal Control System

Our company has established a basic internal control policy and developed an internal control system, overseen by the Board of Directors, with the aim of ensuring thorough risk management, compliance with laws and regulations, and the appropriate and efficient performance of business activities. In-house inspection department examines the facilitation and operation of the overall internal control system, especially focusing on the continuance improvement and adequate operation. Their examination results are evaluated by the Board of Directors annually, to confirm whether the internal control system is operated properly based on the basic internal control policy.

Assessing the Effectiveness of the Board of Directors

Every term, the Board of Directors conducts a self-assessment of its effectiveness to improve performance, with each board member providing an evaluation in accordance with Penta-Ocean Construction Corporate Governance Guidelines. Through the self-assessment of FY 2019 conducted in June 2020, we were able to confirm the effectiveness of our current Board of Directors. We will strive to further improve the Board's effectiveness by continuously making the necessary considerations and improvements of issues identified through this assessment.

Establishment of Corporate Governance Guidelines

Our company has established the "Penta-Ocean Construction Corporate Governance Guidelines," as its basic stance for corporate governance and management guidelines. Following the revision of Corporate Governance Code in June 2018, we expanded and revised the guidelines on June 25, 2019.

1 Objectives

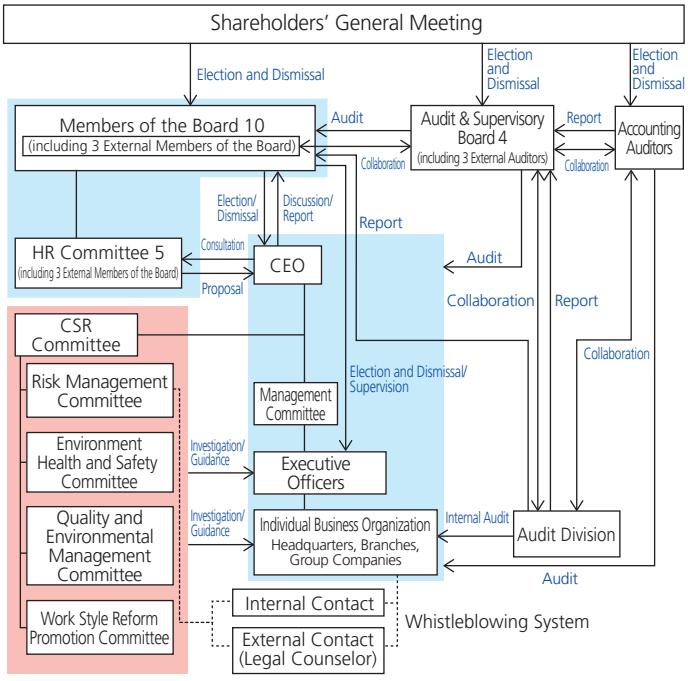
Penta-Ocean Construction makes CSR-oriented management a priority in its corporate philosophy. Pursuant to our corporate creed that "our greatest contribution to society is the construction of high-quality infrastructure," we have set high goals to offer high-quality workmanship backed by advanced technologies developed with high regard to safety and ecological considerations. We strive to achieve sustainable growth and to further enhance our corporate values in order to grow into an even more attractive corporation in the eyes of our various stakeholders.

To achieve this goal, we have decided to place a greater emphasis on enhancing corporate governance, and have established the Penta-Ocean Construction Corporate Governance Guidelines. In accordance with these guidelines, we will strive to expedite our decision-making process and ensure management transparency while responding appropriately to changing business conditions.

2 Structure of the Corporate Governance Guidelines

- Ensuring shareholders' rights and equality
- Proper cooperation with stakeholders other than shareholders
- Appropriate information disclosure and transparency
- Duties of the Board of Directors
- Dialogue with shareholders

Corporate Governance System



Risk Management Initiatives

Penta-Ocean Construction Group effectively and consistently manages various risks that are assumed to occur in the course of its business, such as making efforts to prevent the occurrence of such risks and to minimize losses caused by the risks, which may affect the entire group management.

Risk Management Structure

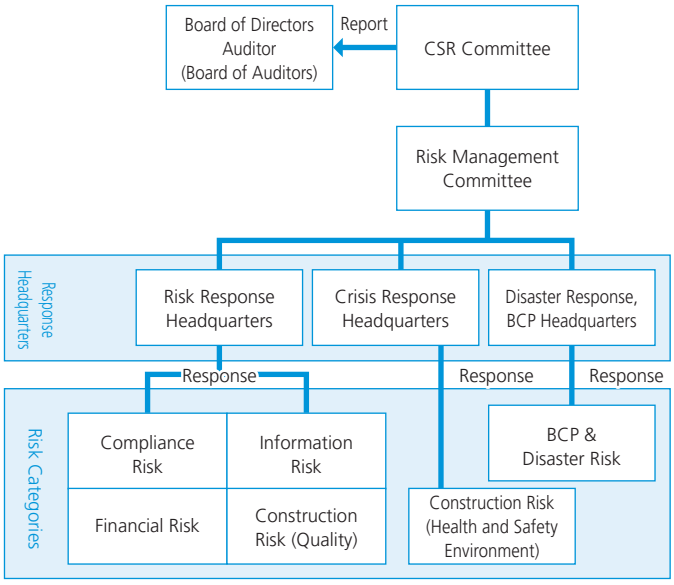
Our company has formed the Risk Management Committee under the CSR Committee, chaired by the Representative Director and the President. The Committee takes the initiative in managing various risks, such as compliance risks inherent in the company, information risks, business continuity plan (BCP), and large-scale disaster risks. Also, the Committee determines the department in charge according to the risk category to promote risk management.

Furthermore, in April 2010, our group implemented the concept of group risk management to strengthen risk management of the Group companies.

By identifying and classifying risks in advance, we have established Risk Management System that enables us to promptly respond according to the type of risk that actually arises. As a result, we will be able to minimize the damage caused by risks, even in the event of unexpected risks. By reviewing the results of our risk management efforts, we will be aware of and prepared for new risks.

Also, in the event of a major risk situation, the Committee establishes a Risk Response Headquarters, headed by the representative director. If a major incident that threatens the continuity of business activities occurs, a BCP Headquarters will be established. If a major work-related accident occurs, a Crisis Response Headquarters will be established, and if a natural disaster occurs, a Disaster Response Headquarters will be established.

Outline of the Risk Management Structure



Information Security Management

In recent years, there has been a steady stream of information-related incidents and accidents, including a leak of personal and other confidential information. As such an incident or accident occurs, the company will suffer immeasurable damage as well as shoulder grave social responsibility. Thus, the company is required to control information appropriately. Furthermore, in the current information society, the company is required to make arrangements and responses based on the information systems environment (electronic bidding, electronic delivery, e-commerce, etc.). After establishing the Information Management System in 2004, we have been reviewing and enhancing the system periodically. Also, by leveraging common groupware, we not only take physical measures for information systems equipment, but also strive to improve the information management technology through providing training such as e-learning information education for all employees and executives (twice a year) and job-specific training.

2003	Issuance of the "Information Management Criteria" regarding the handling of information systems
2004	Introduction of the "Information Management System"
2005	Full implementation of "Personal Information Protection Act" Start of Business Continuity Plan (BCP) activities Signing of the "Confidentiality Agreement" with all business partners
2006	Implementation of internal audit concerning information security Establishment of a Security Policy for six affiliated companies
2008	Implementation of self-check for Information Security
2012	Smart device deployment and revision of the Security Policy
2016	Revision in line with "My Number" System Review of information on Security Policy in accordance with groupware migration
2017	Revision and establishment of Security Policy for 10 affiliated companies

Establishment of the Business Continuity Plan (BCP)

In anticipation of natural and fire disasters, system failures, or other emergency situations that could threaten the continuity of business operations, we have established a Business Continuity Plan (BCP) so that critical business functions can be resumed even during a crisis, particularly in the event of an earthquake directly hitting the Tokyo metropolitan area.

Every September, we perform large-scale BCP disaster drills, aiming to maintain a system that enables smooth implementation of the BCP in an emergency and fosters continuous improvement of the plan.

Specific BCP activities

- Confirming the safety of all group employees and their family members via our safety confirmation system and the damage evaluation of company workplaces
- Back-up information resources at Institute of Technology
- The provision of an alternative base in case the headquarters is affected

The BCP drill carried out in September 2019

Compliance Initiatives

Our Group has established Risk Management Committee in each company of the Group in accordance with the "Basic Compliance Policy," ensuring that all employees and executives of the entire Group comply with laws and regulations, respect social norms and corporate ethics, and act with integrity at all times.

Compliance Training

We provide compliance training to ensure that all employees and executives of the entire Group comply with the laws and regulations, respect social norms and corporate ethics, and act with integrity at all times. In FY 2019, discussion-based training was carried out, as with the year before. Also, compliance training was conducted a total of 217 times across the group, with a total of 10,734 executives and employees taking part.

As part of the training, our international business unit conducted compliance training in ten Asian countries and regions, including Singapore and Hong Kong. 187 Japanese employees and 1,702 non-Japanese employees attended the training. Training for Japanese employees involved learning about the legal systems of each country in which the Group operates. Meanwhile, training for non-Japanese employees was taught by a lawyer employed at a local law firm, and focused on learning about construction industry-related laws and case studies for that particular country. They underwent discussion-based training, receiving lectures on subjects including an introduction to the company code of conduct, explanations about the competition law (Anti-Monopoly Act), bribery, the appropriate use of software, and information leak prevention, as well as case studies. We believe that these training made our Japanese and non-Japanese employees understand the importance of compliance with laws or being involved in any violation at each branch.

Compliance training conducted in Thailand in January 2020

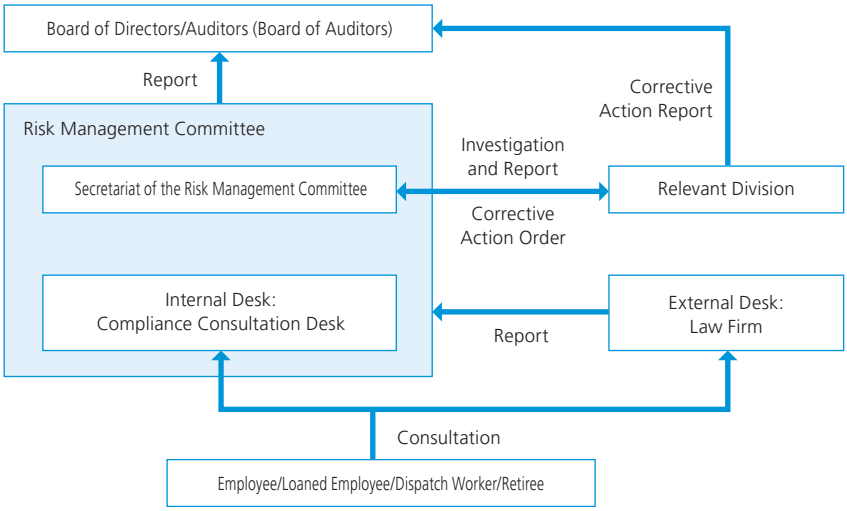
Internal Reporting System

As part of measures to further promote thorough compliance, our company has established an outside office for consulting a lawyer, the Compliance Consultation Desk, apart from an in-house consulting office. Employees can report incidents that may conflict with laws, regulations, corporate ethics, and internal regulations, or a suspected violation of compliance. Our company clearly state the prohibition of retaliation or other disadvantageous treatment of whistleblowers in compliance with the Whistle-Blower Protection Act, and reports can be submitted anonymously if requested.

Moreover, we have established the Harassment Consultation Desk to receive consultations regarding harassment and other issues (i.e., issues related to the various forms of harassment, such as sexual harassment, power harassment, and maternity harassment, as well as other human rights issues).

For received consultations, the Risk Management Committee investigates each case and takes appropriate actions, such as coaching and discipline, in accordance with company regulations.

Outline of the Internal Reporting System



	FY 3/16	FY 3/17	FY 3/18	FY 3/19	FY 3/20
Compliance-related Reports (No. of reports)	1	1	1	1	11
Harassment-related Reports (No. of reports)	0	2	7	7	11

"Guideline for Appropriate Bidding"

In June 2009, we undertook a complete revision of our Antitrust Compliance Manual and issued our Guideline for Appropriate Bidding. In September 2014, we issued the second edition, with enhanced contents. In this Guideline, our group's basic stance for acts of violation is clearly specified, which is: We will not commit, allow others to commit, and overlook illegal acts. Guideline is handed out to executives and employees of the Group, and e-learning training on this Guideline is given annually, to continuously ensure a thorough understanding of the Guideline by all our employees.

Thorough Elimination of Antisocial Forces

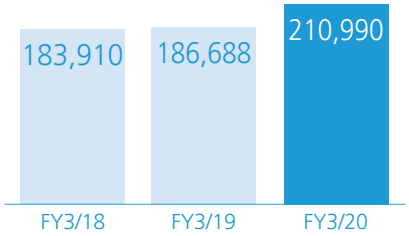
The Risk Management Committee has established a framework that prevents any relations with organized crime groups and other antisocial forces. It also manages and coordinates risks on this front, and has a system in place that enables the immediate response to the emergence of these risks. Furthermore, we carry out various initiatives that encompass our Group's overall business activities, such as providing a wide range of compliance trainings for our employees.

Regarding relationships with our business partners, our contracts (sales of goods contracts, construction subcontracting agreements, etc.) contain provisions for the eradication of antisocial forces.

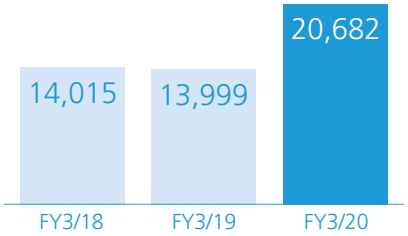
Major Projects in FY3/20

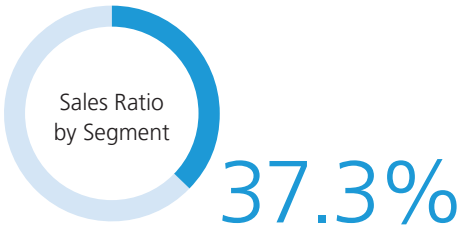
Domestic Civil Engineering

Net Sales (¥ million)



Operating Profit (¥ million)





Nakajima Area Coastal Disaster Recovery Work

Miyagi Prefecture

This is restoration work of the seawall and river dikes in Motoyoshi-cho, Kesennuma City, Miyagi Prefecture, which were damaged by the Great East Japan Earthquake. The seawall is the highest in the prefecture (14.7m) and is designed with consideration for environment and landscape. While playing the important role of disaster prevention, it is also a tourist attraction with a panoramic view of the Sanriku Coast. It has become a symbol of regional reconstruction, ten years after the great earthquake.

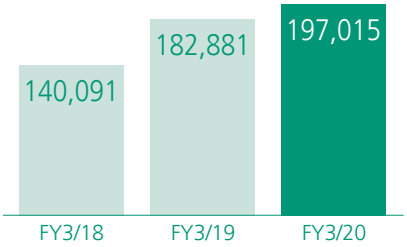
Naha Airport Runway Expansion Work

Okinawa Prefecture

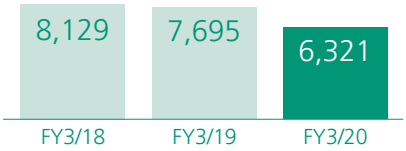
In parallel with the first runway at Naha Airport, this project developed a 1,310m offshore reclaimed area of approximately 160ha and constructed the second runway of 2,700m long and 60m wide. The project was started in January 2014, completed in December 2019, and went into operation in March 2020. We were in charge of multiple sections including the construction and removal of temporary piers, revetment construction, reclamation work and construction of the approach light bridge. With the addition of the new runway, the arrival and departure capacity at Naha Airport has been increased from 135,000 times/year to 240,000 times/year.

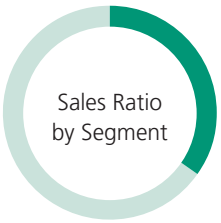
Domestic Building Construction

Net Sales (¥ million)



Operating Profit (¥ million)





34.8%

Yokohama Hammerhead

Kanagawa Prefecture

Located in the Minato Mirai 21 Shinko District of Yokohama City, Yokohama Hammerhead is a complex consisting of CIQ* facilities, commercial facilities and a hotel. The name of the facility comes from the Civil Engineering Heritage "Hammerhead Crane" that exists right next to the facility. It is expected to contribute to the further development of Yokohama City as a new landmark in this area that has inherited the historical landscape. The facility is also designed to receive emergency supplies in the event of a disaster and serves as a regional disaster response base.

*Customs, immigration control and quarantine

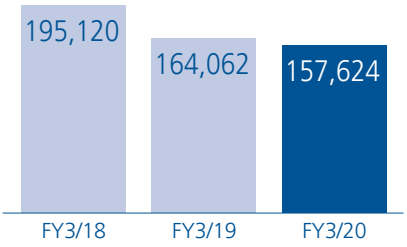
National Diet Library Kansai-kan Archives Building

Kyoto Prefecture

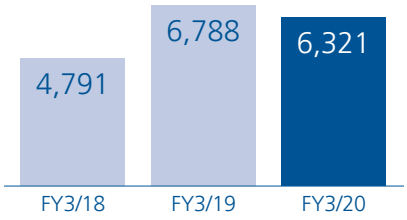
This project is the construction of an additional building dedicated to the storage of approximately five million books in the Kansai-kan of the National Diet Library. To serve the library's primary function, which is to provide large-scale storage that can supplement the Tokyo main library's storage capacity and enable decentralized storage of publications, the new building is a highly sophisticated structure that satisfies functional, safety, environmental and aesthetic requirements in a balanced way. The facility contributes to providing information resources to citizens by storing collected domestic and foreign books and information materials for a long time.

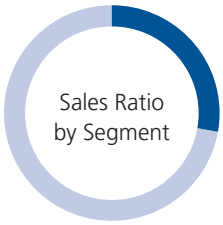
Overseas

Net Sales (¥ million)



Operating Profit (¥ million)



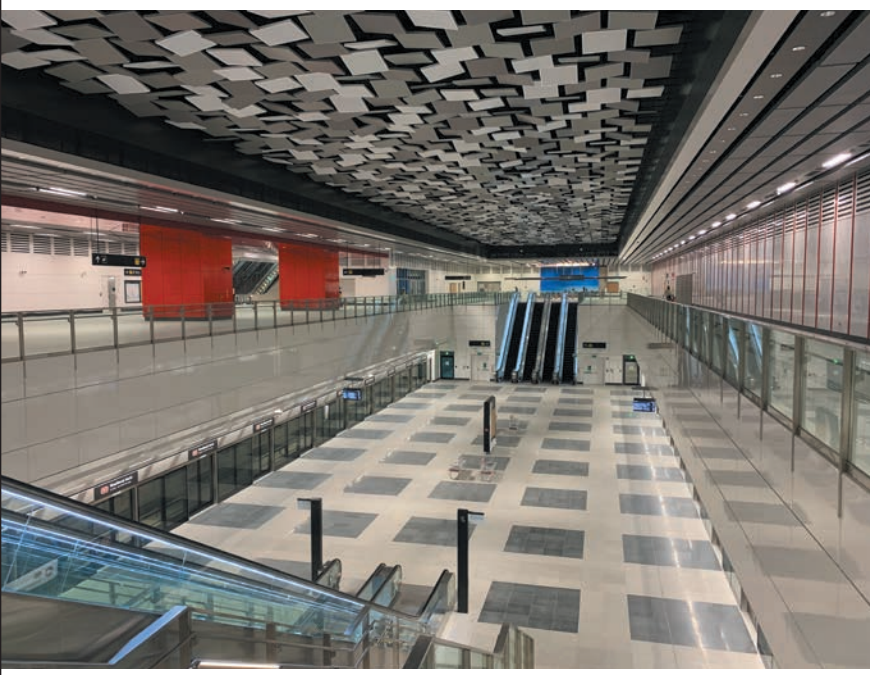


27.9%

Outram Community Hospital

Singapore

This project is part of the redevelopment of the campus of Singapore General Hospital (SGH), which was founded in 1821 and has the longest history in Singapore. Conceived with future expansion of SGH in mind, the project consists of a medium- to long-term medical treatment hospital with a total of 550 beds and rehabilitation facilities, an underground service tunnel connecting to the existing hospitals and connecting bridges, along with the expansion of peripheral arterial roads.



Woodland North Station

Singapore

This project involves constructing a shield tunnel to connect Woodland North Station and an adjacent station on the Thomson East Coast Line Subway, which runs through north and south of Singapore. This station is the northernmost station in Singapore. Future plans are to construct another new station directly connected to Woodland North Station, as well as a new subway line linking Singapore to Johor state in neighboring Malaysia. Commuting workers and travelers between Malaysia and Singapore are expected to flock to this well-frequented station, and for this reason, the new station has wider platforms than other subway stations, while the modern design of the station's building gives a vibrant and lively feel.

Consolidated Financial Statements

Consolidated Five-Year Summary

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
Fiscal years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2016	2017	2018	2019	**2020**	**2020**
Net sales	¥491,564	¥500,336	¥526,902	¥541,949	**¥573,843**	**$5,272,834**
Construction	477,164	487,133	517,526	531,851	**564,136**	**5,183,640**
Other	14,400	13,204	9,376	10,098	**9,707**	**89,194**
Total assets	378,766	372,307	418,423	383,840	**428,875**	**3,940,781**
Net assets excluding non-controlling interests	80,588	96,377	111,971	126,517	**141,175**	**1,297,204**
Ordinary income	19,409	23,709	25,683	26,569	**32,546**	**299,052**
Income before income taxes	14,242	23,028	25,290	26,560	**32,455**	**298,220**
Net income attributable to owners of parent	7,806	15,272	17,826	18,899	**23,353**	**214,580**
Cash dividends	1,715	3,431	4,003	5,430	**6,859**	**63,028**

Per share of common stock:	Yen					U.S. dollars
Net assets excluding non-controlling interests	¥281.87	¥337.10	¥392.27	¥443.36	**¥494.70**	**$4.55**
Net income attributable to owners of parent	27.30	53.42	62.41	66.22	**81.83**	**0.75**
Cash dividends	6.00	12.00	14.00	19.00	**24.00**	**0.22**
Number of employees	3,025	3,074	3,175	3,319	**3,416**	

Note: 1. Figures in U.S. dollars are converted for convenience only, at the rate of ¥108.83 per U.S.$1, prevailing on March 31, 2020.
2. Cash dividends for shares held by BBT amounted to ¥10 million ($95 thousand) are included in cash dividends above.
3. "Development business" presented as a item in net sales is included in "Other" in the year ended March 31, 2019 and thereafter, since its materiality has decreased.
The above amounts in the previous years have been reclassified from "Development business" to "Other" in order to reflect the change in presentation.

Business Performance

The net sales for the group amounted to ¥573,843 million (US$5,272.8 million), an increase of ¥31,893 million (US$293.1 million) (5.9%) compared to the previous consolidated fiscal year, and operating income totaled ¥33,161 million (US$304.7 million), an increase of ¥3,929 million (US$36.1 million) (13.4%) compared to the previous consolidated fiscal year. Ordinary income totaled ¥32,546 million (US$299.1 million), an increase of ¥5,977 million (US$54.9 million) (22.5%) compared to the previous consolidated fiscal year. And, net income totaled ¥23,353 million (US$214.6 million), an increase of ¥4,453 million (US$40.9 million) (23.6%) compared to the previous consolidated fiscal year.

As net sales grew in Japan and the income and expenditure for domestic construction projects improved, gross profit, operating income, ordinary income, and net income attributable to owners of parent increased.

Segment Information

In our Domestic Civil Engineering Business, sales amounted to ¥210,740 million (US$1,936.4 million), an increase of ¥24,363 million (US$223.9 million) (13.1%) compared to the previous consolidated fiscal year due to the smooth progress of the many projects on hand and segment income totaled ¥20,682 million (US$190.0 million), an increase of ¥6,682 million (US$61.4 million) (47.7%) compared to the previous consolidated fiscal year.

In our Domestic Building Construction Business, sales amounted to ¥197,014 million (US$1,810.3 million), an increase of ¥14,133 million (US$129.9 million) (7.7%) compared to the previous consolidated fiscal year due to the completion of the large-scale construction project and segment income totaled ¥6,321 million (US$58.1 million), a decrease of ¥1,375 million (US$12.6 million) (-17.9%) compared to the previous consolidated fiscal year.

In our Overseas Construction Business, sales amounted to ¥157,624 million (US$1,448.4 million), a decrease of ¥6,438 million (US$59.2 million) (-3.9%) compared to the previous consolidated fiscal year due to a decrease in construction projects and segment income totaled ¥6,312 million (US$58.0 million), a decrease of ¥476 million (US$4.4 million) (-7.0%) compared to the previous consolidated fiscal year.

In our Other Businesses, sales amounted to ¥8,464 million (US$77.8 million), a decrease of ¥165 million (US$1.5 million) (-1.9%) compared to the previous consolidated fiscal year and segment loss totaled ¥157 million (US$1.4 million), a decrease of ¥903 million (US$8.3 million) compared to the previous consolidated fiscal year.

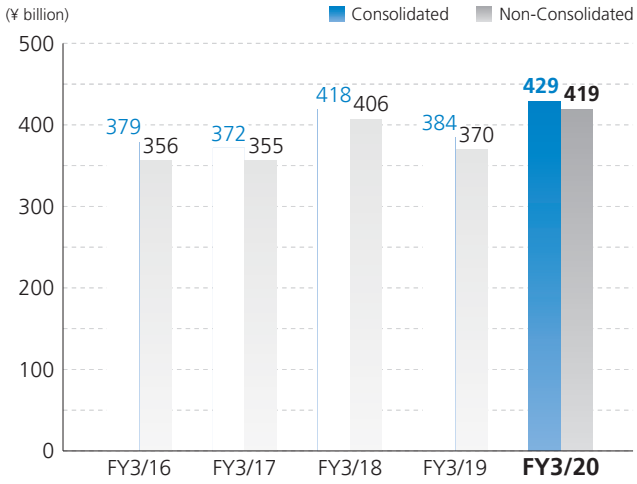
Orders Received and Contract Backlog

As for our non-consolidated construction orders received, the amount of orders in Domestic Civil Engineering Business increased by 18.7% to ¥192,788 million (US$1,771.5 million) due to strong sales of both public and private construction projects. As for Domestic Building Construction Business, the amount of orders in private construction projects decreased 5.0% to ¥165,103 million (US$1,517.1 million) despite the increase of public construction projects. The amount of orders in Overseas Construction Business decreased by 50.3% to ¥81,520 million (US$749.1 million) compared with the previous term due to the delay in a large-scale construction project, even though we received an order for a large-scale port construction in Africa; in total, there was a decrease of 12.2% to ¥439,412 million (US$4,037.6 million).

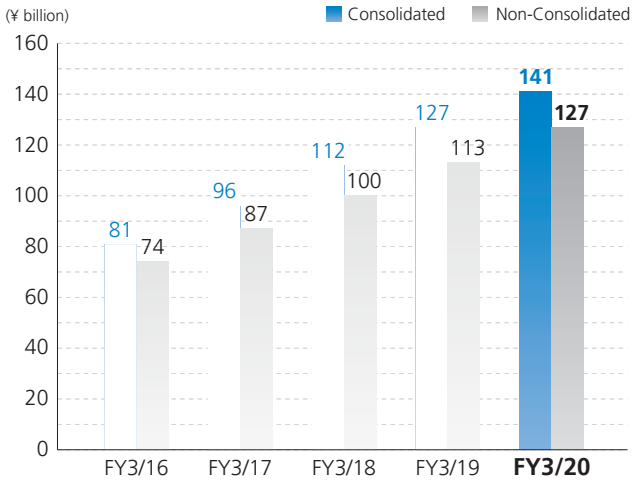
Financial Position

The total assets of our group increased by ¥45,035 million (US$413.8 million) to ¥428,875 million (US$3,940.8 million) from the end of the previous consolidated fiscal year mainly due to the increase in notes receivables and receivables from

Total Assets



Total Net Assets



completed construction projects. Liabilities increased by ¥30,309 million (US$278.5 million) to ¥287,575 million (US$2,642.4 million) from the end of the previous consolidated fiscal year mainly due to the issuance of commercial papers, etc. Net assets increased by ¥14,726 million (US$135.3 million) to ¥141,300 million (US$1,298.4 million) from the end of the previous consolidated fiscal year mainly due to the increase of retained earnings through the posting of net income attributable to owners of parent.

Cash Flows

With regard to cash flow from operations, it resulted in an excess of ¥4,444 million (US$40.8 million) in revenue due to the increase of revenue by ¥11,002 million (US$101.1 million) compared to the previous consolidated fiscal year because net income before income taxes was ¥32,455 million (US$298.2 million) (an excess of ¥6,558 million (US$60.3 million) in expenditures in the previous consolidated fiscal year).

With regard to cash flow from investments, expenditures decreased by ¥2,145 million (US$19.7 million) compared to the previous consolidated fiscal year, but it resulted in an excess of ¥9,082 million (US$83.5 million) in expenditures mainly due to expenditure for construction of vessels (an excess of ¥11,227 million (US$103.2 million) in expenditures in the previous consolidated fiscal year).

Free cash flow, which is the total of cash flow from operations and investments, resulted in an excess of ¥4,638 million (US$42.6 million) in expenditures (an excess of ¥17,785 million (US$163.4 million) in expenditures in the previous consolidated fiscal year).

With regard to cash flow from financial activities, revenue increased by ¥25,957 million (US$238.5 million) compared to the previous consolidated fiscal year, and it resulted in an excess of ¥13,501 million (US$124.1 million) in revenue mainly due to the expenditure for issuing commercial papers (an excess of ¥12,456 million (US$114.5 million) in expenditures in the previous consolidated fiscal year).

From these results, "cash and cash equivalents" as of the end of this consolidated fiscal year increased by ¥7,418 million (US$68.2 million) (20.8%) compared to the end of the previous consolidated fiscal year to ¥43,028 million (US$395.4 million).

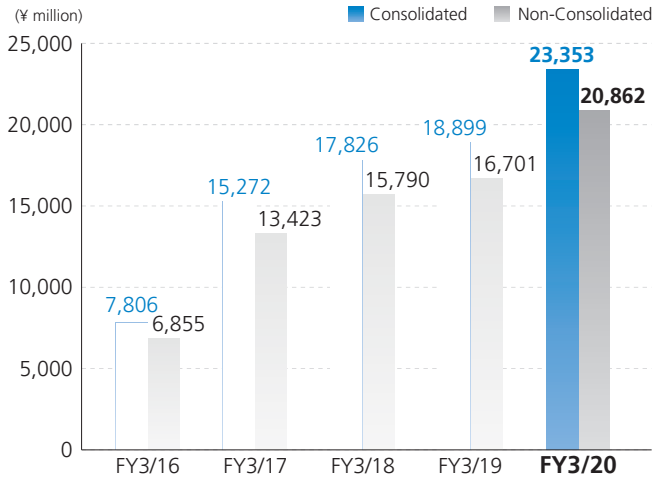
Dividends

Our basic policies are to improve profitability and increase corporate value by forward-looking reinforcement of business infrastructure and implementation of technology development and capital investment, as well as to distribute continuous and stable dividends to shareholders. Under these policies, we aim to achieve a consolidated dividend payout ratio of 25% to 30%. In addition, we plan to make use of internal reserves to the investment for engineering development or equipment investment to improve our corporate value. Regarding the performance of the current fiscal year, there was comprehensive consideration of progress in improving financial soundness and business deployment in the future, and dividends from surplus of the current fiscal year were determined at ¥24 per common share. The total amount of dividends was ¥6,859 million (US$63.0 million).

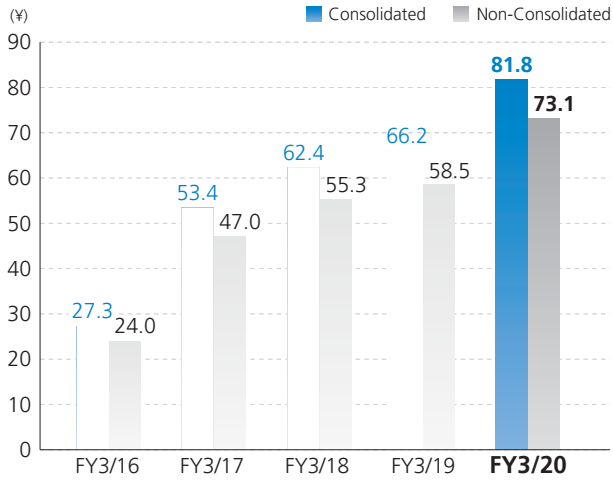
It is also our basic policy to pay a year-end dividend annually, determined by the general shareholders' meetings.

* Exchange rate at the term end: US$1 = ¥108.83

Net Income



Net Income per Share



Consolidated Balance Sheets

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
As of March 31

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Current assets:			
Cash and deposits (Note 18)	¥ 36,204	**¥ 43,621**	**$ 400,822**
Securities (Note 3(3), 6, 7 and 18)	58	**74**	**682**
Trade receivables: (Note 18)			
Notes	2,862	**2,780**	**25,542**
Accounts	215,152	**256,830**	**2,359,920**
Inventories: (Note 3(5))			
Costs on uncompleted construction contracts	10,773	**10,227**	**93,968**
Real estate for sale and development projects in progress	3,074	**1,903**	**17,486**
Other	2,950	**2,715**	**24,950**
Other	3,409	**2,816**	**25,872**
Allowance for doubtful accounts (Note 3(9))	(717)	**(702)**	**(6,451)**
Total current assets	273,765	**320,264**	**2,942,791**
Non-current assets:			
Property, plant and equipment: (Notes 3(6) and 3(8))			
Land	33,710	**33,581**	**308,563**
Buildings and structures	37,582	**37,288**	**342,625**
Machinery, equipment and vehicles	23,956	**21,112**	**193,995**
Dredgers and vessels	82,466	**83,920**	**771,109**
Construction in progress	1,176	**3,873**	**35,590**
Total property, plant and equipment	178,890	**179,774**	**1,651,882**
Less: accumulated depreciation	(97,825)	**(99,846)**	**(917,449)**
Property, plant and equipment - net	81,065	**79,928**	**734,433**
Intangible assets (Note 3(7))	1,345	**1,455**	**13,364**
Investments and other assets:			
Investment securities (Notes 3(3), 6, 7 and 18)	20,024	**17,153**	**157,609**
Long-term loans receivables	108	**102**	**935**
Deferred tax assets (Note 16)	2,918	**6,159**	**56,592**
Net defined benefit asset (Note 17)	1,911	**1,260**	**11,577**
Other (Note 7)	6,006	**5,614**	**51,599**
Allowance for doubtful accounts (Note 3(9))	(3,305)	**(3,060)**	**(28,119)**
Total investments and other assets	27,662	**27,228**	**250,193**
Total non-current assets	110,072	**108,611**	**997,990**
Deferred assets (Note 3(19))	3	—	—
Total assets	¥383,840	**¥428,875**	**$3,940,781**

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Current liabilities:			
Short-term loans payable (Notes 8 and 18)	¥ 19,686	**¥ 18,924**	**$ 173,883**
Commercial papers (Notes 8 and 18)	—	**17,999**	**165,389**
Current portion of long-term loans payable and bonds payable (Notes 8 and 18)	8,842	**15,750**	**144,721**
Trade payable: (Note 18)			
Accounts	119,507	**126,180**	**1,159,424**
Advance received on uncompleted construction contracts	22,611	**20,932**	**192,337**
Deposits received	36,345	**40,063**	**368,123**
Income taxes payable	4,895	**7,357**	**67,602**
Provision for loss on construction contracts (Note 3(12))	1,625	**1,936**	**17,789**
Provision for warranties for completed construction (Note 3(10))	1,335	**2,022**	**18,580**
Provision for bonuses (Note 3(11))	2,805	**2,929**	**26,916**
Other	3,623	**2,911**	**26,747**
Total current liabilities	221,274	**257,003**	**2,361,511**
Non-current liabilities:			
Bonds payable (Note 8 and 18)	20,000	**10,000**	**91,886**
Long-term loans payable (Note 8 and 18)	10,962	**14,858**	**136,525**
Provision for board benefit trust (Note 3(13))	167	**215**	**1,975**
Net defined benefit liability (Note 3(14) and 17)	538	**1,253**	**11,512**
Deferred tax liabilities for land revaluation (Note 9(2))	3,680	**3,680**	**33,810**
Other	646	**566**	**5,209**
Total non–current liabilities	35,993	**30,572**	**280,917**
Total liabilities	257,267	**287,575**	**2,642,428**
Commitments and contingent liabilities (Note 15)			
Net assets:			
Shareholders' equity:			
Capital stock	30,450	**30,450**	**279,794**
Authorized — 599,135,000 shares			
Issued shares - 286,013,910 shares 2019 and 2020			
Capital surplus (Note 9(1))	18,387	**18,387**	**168,949**
Retained earnings (Note 9(1))	69,143	**87,066**	**800,022**
Less: Treasury shares	(383)	**(374)**	**(3,436)**
Total shareholders' equity	117,597	**135,529**	**1,245,329**
Accumulated other comprehensive income:			
Valuation difference on available–for–sale securities (Notes 3(3) and 9(3))	4,596	**2,673**	**24,565**
Deferred gains or losses on hedges	(18)	**45**	**404**
Revaluation reserve for land (Note 9(2))	3,910	**3,910**	**35,931**
Foreign currency translation adjustment (Note 3(2))	(127)	**(167)**	**(1,534)**
Remeasurements of defined benefit plans (Notes 3(14) and 17)	559	**(815)**	**(7,491)**
Total accumulated other comprehensive income	8,920	**5,646**	**51,875**
Non–controlling interests	56	**125**	**1,149**
Total net assets	126,573	**141,300**	**1,298,353**
Total liabilities and net assets	¥383,840	**¥428,875**	**$3,940,781**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Construction business: (Note 3(15))			
Net sales	¥531,851	**¥564,136**	**$5,183,640**
Cost of sales	487,678	**513,945**	**4,722,457**
Gross profit	44,173	**50,191**	**461,183**
Other:			
Net sales	10,098	**9,707**	**89,194**
Cost of sales	7,523	**7,999**	**73,491**
Gross profit	2,575	**1,708**	**15,703**
Total:			
Total net sales	541,949	**573,843**	**5,272,834**
Total cost of sales	495,201	**521,944**	**4,795,948**
Total gross profit	46,748	**51,899**	**476,886**
Selling, general and administrative expenses	17,515	**18,738**	**172,179**
Operating income	29,233	**33,161**	**304,707**
Non-operating income:			
Interest and dividends income	662	**542**	**4,983**
Reversal of allowance for doubtful accounts	145	**252**	**2,319**
Real estate rent	139	**144**	**1,324**
Other	191	**217**	**1,986**
	1,137	**1,155**	**10,612**
Non-operating expenses:			
Interest expenses	846	**925**	**8,497**
Foreign exchange losses	696	**738**	**6,780**
Other	2,259	**107**	**990**
	3,801	**1,770**	**16,267**
Ordinary income	26,569	**32,546**	**299,052**
Extraordinary income (Note 10)	92	**284**	**2,613**
Extraordinary losses (Note 11)	101	**375**	**3,445**
Income before income taxes	26,560	**32,455**	**298,220**
Income taxes： (Notes 3(18) and 16)			
Current	8,115	**10,918**	**100,320**
Deferred	(451)	**(1,818)**	**(16,698)**
	7,664	**9,100**	**83,622**
Net income attributable to:	18,896	**23,355**	**214,598**
Non-controlling interests	(3)	**2**	**18**
Owners of parent	¥ 18,899	**¥ 23,353**	**$ 214,580**

	Yen		U.S. dollars
Net income attributable to owners of parent per share of common stock (Note 20)			
Basic	¥66.22	**¥81.83**	**$0.75**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Net income	¥18,896	**¥23,355**	**$214,598**
Valuation difference on available-for-sale securities	161	**(1,922)**	**(17,664)**
Deferred gains or losses on hedges	(45)	**62**	**572**
Foreign currency translation adjustments	34	**(44)**	**(401)**
Remeasurements of defined benefit plans	(444)	**(1,374)**	**(12,624)**
Total other comprehensive income (Note 13)	(294)	**(3,278)**	**(30,117)**
Comprehensive income	¥18,602	**¥20,077**	**$184,481**
(Breakdown)			
Comprehensive income attributable to owners of parent	¥18,605	**¥20,078**	**$184,494**
Comprehensive income attributable to non-controlling interests	(3)	**(1)**	**(13)**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries

For the year ended March 31, 2019

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	¥30,450	¥18,387	¥54,247	¥(326)	¥102,758
Changes of items during period					
Dividends of surplus			(4,003)		(4,003)
Net income attributable to owners of parent			18,899		18,899
Reversal of revaluation reserve for land			(0)		(0)
Purchase of treasury shares				(57)	(57)
Disposal of treasury shares					—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	14,896	(57)	14,839
Balance at the end of current period	¥30,450	¥18,387	¥69,143	¥(383)	¥117,597

	Millions of yen							
	Accumulated other comprehensive income							
	Valuation difference on available–for–sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥4,435	¥ 26	¥3,910	¥(161)	¥1,003	¥9,213	¥60	¥112,031
Changes of items during period								
Dividends of surplus								(4,003)
Net income attributable to owners of parent								18,899
Reversal of revaluation reserve for land								(0)
Purchase of treasury shares								(57)
Disposal of treasury shares								—
Net changes of items other than shareholders' equity	161	(44)	0	34	(444)	(293)	(4)	(297)
Total changes of items during period	161	(44)	0	34	(444)	(293)	(4)	14,542
Balance at the end of current period	¥4,596	¥(18)	¥3,910	¥(127)	¥ 559	¥8,920	¥56	¥126,573

For the year ended March 31, 2020

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	¥30,450	¥18,387	¥69,143	¥(383)	¥117,597
Changes of items during period					
Dividends of surplus			(5,430)		(5,430)
Net income attributable to owners of parent			23,353		23,353
Reversal of revaluation reserve for land					—
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares				10	10
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	17,923	9	17,932
Balance at the end of current period	¥30,450	¥18,387	¥87,066	¥(374)	¥135,529

	Millions of yen							
	Accumulated other comprehensive income							
	Valuation difference on available–for–sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥4,596	¥(18)	¥3,910	¥(127)	¥ 559	¥8,920	¥ 56	¥126,573
Changes of items during period								
Dividends of surplus								(5,430)
Net income attributable to owners of parent								23,353
Reversal of revaluation reserve for land								—
Purchase of treasury shares								(1)
Disposal of treasury shares								10
Net changes of items other than shareholders' equity	(1,923)	63	—	(40)	(1,374)	(3,274)	69	(3,205)
Total changes of items during period	(1,923)	63	—	(40)	(1,374)	(3,274)	69	14,727
Balance at the end of current period	¥2,673	¥ 45	¥3,910	¥(167)	¥(815)	¥5,646	¥125	¥141,300

For the year ended March 31, 2020

	Thousands of U.S dollars				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	$279,794	$168,949	$635,339	$(3,523)	$1,080,559
Changes of items during period					
Dividends of surplus			(49,897)		(49,897)
Net income attributable to owners of parent			214,580		214,580
Reversal of revaluation reserve for land					—
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares				89	89
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	164,683	87	164,770
Balance at the end of current period	$279,794	$168,949	$800,022	$(3,436)	$1,245,329

	Thousands of U.S. dollars							
	Accumulated other comprehensive income							
	Valuation difference on available–for–sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	$42,228	$(167)	$35,931	$(1,164)	$ 5,133	$81,961	$ 519	$1,163,039
Changes of items during period								
Dividends of surplus								(49,897)
Net income attributable to owners of parent								214,580
Reversal of revaluation reserve for land								—
Purchase of treasury shares								(2)
Disposal of treasury shares								89
Net changes of items other than shareholders' equity	(17,663)	571	—	(370)	(12,624)	(30,086)	630	(29,456)
Total changes of items during period	(17,663)	571	—	(370)	(12,624)	(30,086)	630	135,314
Balance at the end of current period	$24,565	$ 404	$35,931	$(1,534)	$(7,491)	$51,875	$1,149	$1,298,353

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the year ended March 31

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Cash flows from operating activities:			
Income before income taxes	¥26,560	**¥32,455**	**$298,220**
Adjustment to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	7,738	**9,085**	**83,481**
Increase (decrease) in allowance for doubtful accounts	1,991	**(260)**	**(2,390)**
Increase (decrease) in net defined benefit liability	32	**(191)**	**(1,755)**
Decrease (increase) in net defined benefit asset	(352)	**(156)**	**(1,434)**
Interest and dividends income	(662)	**(542)**	**(4,983)**
Interest expenses	846	**925**	**8,497**
Foreign exchange losses (gains)	(622)	**1,368**	**12,572**
Equity in (earnings) losses of affiliates	(9)	**(2)**	**(15)**
Loss (gain) on sales of property, plant and equipment	(76)	**(199)**	**(1,830)**
Loss (gain) on sales of investment securities	2	**(1)**	**(9)**
Loss on valuation of securities and investment securities	1	**—**	**—**
Change in assets and liabilities:			
Decrease (increase) in notes and accounts receivable-trade	481	**(47,399)**	**(435,530)**
Decrease (increase) in costs on uncompleted construction contracts	3,611	**522**	**4,797**
Decrease (increase) in real estate for sale and development projects in progress and other inventories	381	**1,320**	**12,132**
Increase (decrease) in notes and accounts payable-trade	(24,980)	**3,831**	**35,198**
Increase (decrease) in advances received on uncompleted construction contracts	(21,917)	**(1,610)**	**(14,796)**
Increase (decrease) in other provision	549	**1,170**	**10,748**
Other, net	8,751	**13,120**	**120,560**
Subtotal	2,325	**13,436**	**123,463**
Interest and dividends income received	582	**553**	**5,082**
Interest expenses paid	(771)	**(911)**	**(8,378)**
Income taxes paid	(8,694)	**(8,634)**	**(79,333)**
Net cash provided by (used in) operating activities	(6,558)	**4,444**	**40,834**
Cash flows from investing activities:			
Purchase of investment securities	(1,748)	**(146)**	**(1,341)**
Proceeds from sales and redemption of short-term and long-term investment securities	18	**2**	**16**
Purchase of property, plant and equipment	(9,316)	**(9,737)**	**(89,466)**
Proceeds from sales of property, plant and equipment	146	**1,351**	**12,412**
Collection of loans receivable	33	**6**	**53**
Other, net	(360)	**(558)**	**(5,125)**
Net cash used in investing activities	¥(11,227)	**¥(9,082)**	**$(83,451)**

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	¥ 1,899	**¥ 118**	**$ 1,088**
Net increase (decrease) in commercial papers	—	**17,999**	**165,389**
Proceeds from long-term loans payable	8,312	**9,646**	**88,634**
Repayment of long-term loans payable	(8,472)	**(8,842)**	**(81,248)**
Redemption of bonds	(10,000)	**—**	**—**
Cash dividends paid	(3,993)	**(5,422)**	**(49,817)**
Other, net	(202)	**2**	**8**
Net cash provided by (used in) financing activities	(12,456)	**13,501**	**124,054**
Effect of exchange rate change on cash and cash equivalents	739	**(1,445)**	**(13,284)**
Net increase (decrease) in cash and cash equivalents	(29,502)	**7,418**	**68,153**
Cash and cash equivalents at the beginning of the period	65,112	**35,610**	**327,212**
Cash and cash equivalents at the end of the period	¥35,610	**¥43,028**	**$395,365**
(Note) (1) Cash and cash equivalents are comprised as follows:			
Cash and deposits	¥36,204	**¥43,621**	**$400,822**
Less-Time deposits with maturity over three months	(594)	**(593)**	**(5,457)**
Cash and cash equivalents (Note 3(17))	¥35,610	**¥43,028**	**$395,365**

See accompanying Notes to Consolidated Financial Statements.

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries

1. Basis of preparation of consolidated financial statements

The accompanying consolidated financial statements of Penta-Ocean Construction Co., Ltd. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The accounting principles and practices adopted by the overseas consolidated subsidiaries conform to those adopted by the Company.

The figures in these financial statements are shown in U.S. dollars at the conversion rate of U.S.$1=¥108.83, the exchange rate prevailing on March 31, 2020. This is solely for the convenience of readers outside Japan and does not mean that assets and liabilities originating in yen can be converted into or settled in dollars at the above rate.

2. Consolidation

(1) Scope of consolidation and application of equity method

The Company has 28 subsidiaries and 6 affiliated companies as at March 31, 2020.

PKY Marine Co., Ltd. was established and has been included in the scope of consolidation.

The Company consolidated 27 subsidiaries and applied the equity method to 1 affiliated company.

1 subsidiary was not included in the scope of consolidation because it has a small impact on the consolidated financial statements.

1 unconsolidated subsidiary and 5 affiliated companies were not included in the scope of equity method, because they have a small impact on the consolidated financial statements and insignificant on the whole.

(2) Consolidated closing date

Consolidated closing date is March 31.

Closing date for the Company, 11 domestic subsidiaries and 15 overseas subsidiaries including Andromeda Five Pte, Ltd. is March 31. Closing date for 1 overseas subsidiary is December 31. The Company compiled the consolidated financial statements using the financial statements of each company's closing date, and adjustments were made for any material difference incurred between their closing dates and the consolidated closing date.

3. Summary of significant accounting policies

(1) Conversion method of foreign currency transactions of the Company and its domestic subsidiaries and affiliated companies

Transactions in foreign currencies are converted into yen at the exchange rate prevailing at the time of the transactions. Monetary receivables and payables denominated in foreign currencies including foreign cash are converted into yen at the exchange rate prevailing on the closing date. Non-monetary items denominated in foreign currencies are converted into yen at the historical rate. Held-to-maturity bonds denominated in foreign currencies are translated into yen at the exchange rate prevailing on the closing date, securities for purpose of sale and investment securities other than the above are converted into yen from the fair value based on foreign currencies at the exchange rate prevailing on the closing date and stock of subsidiaries and affiliated companies at the exchange rate prevailing at the time of acquisition by the Company, and those are written down, when declined remarkably. The valuation amount of derivative financial instruments resulting from derivative transaction denominated in foreign currencies are translated at the exchange rate prevailing on the closing date based on the fair value or the actual value estimated in foreign currencies excluding those applying hedge accounting. Exchange gains or losses, realized or unrealized, are included in current income.

(2) Conversion method of financial statements of overseas subsidiaries stated in foreign currency

Financial statements stated in foreign currency are translated into yen at the exchange rate prevailing on the closing date except for the components of Net assets which are translated at the exchange rate prevailing at the time of acquisition by the Company and at the historical rate to their increase thereafter.

Exchange differences arising from conversion of balance sheet accounts are stated as foreign currency translation adjustments in Net assets.

(3) Securities and investment securities

Held-to-maturity bonds are determined by the amortized cost method.

Other securities with fair value are stated at fair value based on the market price at the closing date. Valuation differences are included in Net assets as valuation difference on available-for-sale securities and cost of sales are determined by the moving average method.

Other securities with no fair value are stated at moving average cost.

(4) Derivative financial transactions

Derivative financial instruments are stated at fair value.

Hedge accounting is adopted for derivative financial instruments which conform to requirements of hedge accounting.

(5) Inventories

Inventories are stated at identified cost, except for raw materials and supplies which are stated at cost determined by the first-in first-out method.

In the case that the net realizable value falls below the historical cost at the end of the year, inventories except for cost on uncompleted construction contracts are carried at the net realizable value on the closing date.

(6) Property, plant, equipment and Depreciation (excluding leased assets)

Property, plant and equipment are stated at cost and for the

Company and its domestic subsidiaries. Depreciation is calculated using the declining-balance method, except for buildings (other than building fixtures) acquired on or after April 1, 1998 and building fixtures and structures acquired on or after April 1, 2016, which are calculated by the straight-line method. The straight-line method is applied to property, plant and equipment of overseas subsidiaries.

The Company and its domestic subsidiaries primarily use the useful lives and the residual value in accordance with the Corporation Tax Law.

(7) Research and development costs and computer software

Research and development costs are charged to income as incurred.

Computer software purchased for internal use is amortized by the straight-line method over 5 years, the estimated useful life.

(8) Leased assets

For leased assets under finance lease transactions that transfer ownership, the depreciation expense is calculated based on the same depreciation method as is applied to fixed assets owned by the Company and its subsidiaries.

For leased assets under finance lease transactions that do not transfer ownership, the depreciation expense is calculated under the straight-line method based on the assumption that the useful life equals to the lease term and the residual value equals to zero.

(9) Allowance for doubtful accounts

Allowance for doubtful accounts is accounted for using the estimated doubtful account ratio determined based on the past actual bad debt losses for general receivable and on the individual estimated uncollectible amount for any specific doubtful receivables.

(10) Provision for warranties for completed construction

The Company and its consolidated subsidiaries provide provision for the costs of repairs for damages related to completed construction works based on actual damages in the past and estimated amount of compensation for damages in the future.

(11) Provision for bonuses

To provide provision for the payment of bonuses for employees, the expected payment amount at end of this fiscal year is calculated.

(12) Provision for loss on construction contracts

The Company and its consolidated subsidiaries provide provision for future losses from construction contracts outstanding at the fiscal year end.

(13) Provision for board benefit trust

The provision for board benefit trust is recorded for providing stock for directors and executive officers in the future at the estimated amount calculated based on predetermined stock benefit regulation for directors at the fiscal year end.

(14) Net defined benefit liability

Net defined benefit liability is provided based on the projected benefit obligation and plan assets at end of the fiscal year.

Regarding determination of retirement benefit obligation, the benefit formula basis is adopted as the method of attributing expected benefit to the periods until this fiscal year end.

Prior service costs are recognized as an expense when incurred.

Actuarial gain and loss are equally amortized by the straight-line method over the average remaining employees' service years, which should be over 10 years and the amortization starts in the next fiscal year of the respective accrual years.

Regarding lump-sum severance indemnity plan for some of the consolidated subsidiaries, the amount is calculated based on simplified method which assumes that the retirement benefit obligation would be the amount to be paid to employees who voluntarily retired at the year-end.

(15) Recognition of sales and cost of sales

For the construction projects with uncertain work progress by the end of the year, the percentage-of-completion method (based on cost proportion method to estimate the progress of such construction project) has been applied.

For other construction projects, the completed-contract method has been applied.

(16) Hedge accounting

1) Hedge accounting method

Derivative transactions are accounted for primarily using deferral hedge accounting. The special method is applied to interest rate swap agreements that meet the requirements for special treatments.

2) Hedging instruments and hedged items

Hedging instruments are interest rate swap agreements and forward exchange contracts.

Hedged items are long-term loans and monetary receivables and payables denominated in foreign currencies.

3) Hedging policy

The Company enters into interest rate swap agreements and forward exchange contracts to hedge risk from fluctuations in interest rate and forward exchange rates, respectively.

4) Evaluation of the effectiveness of hedge accounting

Control procedures for hedge transactions are executed according to the Company's bylaw. The Examination Committee of Derivative Instruments and the Financial Division in the Company periodically evaluates the effectiveness of hedging.

(17) Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows, consist of cash, deposits which can be drawn out freely and easily converted into cash and short-term investments which have an original maturity of 3 months or less and are not exposed to significant valuation risks.

(18) Income taxes

The Company and its domestic consolidated subsidiaries declare corporation and other taxes on the basis of taxable income calculated under the provisions of the Corporation Tax Law and other tax regulations. Taxable income thus calculated is different from earnings in the account book.

Japanese corporation and other taxes applicable to the Company and its consolidated domestic subsidiaries comprise (a) corporation tax of 23.2 percent on taxable income, (b) enterprise tax of 3.6 percent on taxable income after certain adjustments, (c) prefectural

and municipal taxes averaging 16.3 percent of corporation tax, and (d) local corporation tax of 4.4 percent on taxable income. Enterprise tax paid is deductible for income tax purposes.

Foreign subsidiaries declare income taxes at the rate applicable in each country. Foreign tax credit related to the amount of income taxes paid to foreign tax offices by the Company directly or indirectly, is subject to certain limitations in accordance with Japanese tax regulations.

(19) Deferred assets

Business commencement expenses are amortized using the straight-line method over 5 years and the amortization starts in the fiscal year that business commenced.

(20) Consumption tax

Transactions subject to consumption taxes are recorded exclusive of consumption taxes.

(21) Adoption of consolidated taxation system

The Company and some of its consolidated subsidiaries have adopted consolidated taxation system.

(22) Tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

Implementation Guidance on Tax Effect Accounting (Accounting Standards Board of Japan Guidance No. 28, issued February 16, 2018), was not yet effective for the company in terms of Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (Accounting Standards Board of Japan PITF No.39, issued March 31, 2020).

(23) Reclassifications

Certain amounts in prior year's consolidated financial statements and related footnotes have been reclassified to conform to the presentation in the current year.

4. Additional information

(Performance-linked stock compensation plan for directors and executive officers)

(1) Transaction summary

The Company has introduced the Board Benefit Trust (the "BBT"), a performance-linked stock compensation plan for its directors and executive officers (the "Directors") since the fiscal year 2017. The BBT plan clarifies how the company's performance and its stock value influence the Directors' compensation, which enables the Directors to share not only the benefits of the stock price rise, but also the risks of the stock price decline with its shareholders. Thereby, the BBT plan leads the Directors to aim for more contributions to the improvement of the Company's performance and corporate value over the medium to long-term period.

The Shares are acquired through the trust funded by the company and established based on the BBT (the "Trust"). The BBT plan enables the Directors to be granted the Company's shares and the amount of cash equivalent to the market price of the Company's shares (the "Shares") through the Trust in accordance with the Directors' Stock Compensation Rules stipulated by the Company.

In principle, the Directors are to receive the shares compensation upon their retirement from the position.

(2) The Company's own stock in the Trust

The Company's outstanding shares of the Trust are included in the treasury shares of the net assets based on the book value of the Trust (excluding ancillary expenses). The book values of the treasury shares were ¥ 293 million and ¥ 283 million ($ 2,599 thousand) and the numbers of the stocks were 445,300 shares and 430,500 shares as of March 31, 2019 and 2020, respectively.

(Accounting estimates relative to COVID-19)

The global economy has declined sharply due to spread of COVID-19 and uncertain circumstance would be expected in the future.

The Company and the consolidated subsidiaries (The "Group") have interrupted some constructions due to curfews and so forth in some countries, including Singapore, in South east Asia and in Africa.

It is difficult to predict an impact of COVID-19 as there is no consensus about spread of COVID-19 in the future and a time when it ends. The Group makes accounting estimates for constructions to which the per-centage-of-completion method is applied and others in consideration of the fact that our domestic constructions have basically progressed and our overseas constructions have been temporarily interrupted on the basis of the prediction that there could be favorable construction demand both domestically and internationally in the medium- and long-term, although there could be impacts of COVID-19 in the short-term.

Impacts to economic activities due to spread of COVID-19 are uncertain, so it is possible that it affects to some extent our financial position and operating results if the above assumption changes.

5. Accounting standards issued but not yet effective

- "Accounting Standard for Revenue Recognition"(Accounting Standards Board of Japan Statement No.29, issued March 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition"(Accounting Standards Board of Japan Guidance No.30, issued March 31, 2020)

1) Overview

This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue from customers:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

2) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

3) Impact of the adoption of implementation guidance

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

- "Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan Statement No. 30, issued July 4, 2019)
- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan Guidance No. 31, issued July 4, 2019)
- "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan Statement No. 9, issued July 4, 2019)
- "Accounting Standard for Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan Statement No. 10, issued July 4, 2019)
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (Accounting Standards Board of Japan Guidance No. 19, issued March 31, 2020)

1) Outline

"Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" have been developed and guidance for measurement of fair value and so forth is prescribed on them. They are adopted for fair values of below items.

- Financial instruments on "Accounting Standard for Accounting Standard for Financial Instruments"
- Inventories held for trading purposes on "Accounting Standard for Measurement of Inventories"

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" has been also revised and disclosure requirements for details of fair value of financial instrument according to the levels.

2) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

3) Impact of adopting the accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

- "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (Accounting Standards Board of Japan Statement No. 24, issued March 31, 2020)

1) Outline

The accounting standard intend to disclose outline of adopted accounting principles and procedures in case of no regulation on related accounting standard.

2) Scheduled date of adoption

The Company expects to adopt the accounting standard from the end of the fiscal year ending March 31, 2021.

- "Accounting Standard for Disclosure of Accounting Estimates" (Accounting Standards Board of Japan Statement No. 31, issued March 31, 2020)

1) Outline

The accounting standard intend to disclose information contributing to financial statements user's understanding about accounting estimates which base on amounts on financial statements on this fiscal year and which have a risk affecting significantly to financial statements on next fiscal year.

2) Scheduled date of adoption

The Company expects to adopt the accounting standard from the end of the fiscal year ending March 31, 2021.

6. Securities and investment securities

(1) Held-to-maturity debt securities

As of March 31, 2019	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Securities whose fair value exceeds their book value on consolidated B/S:			
National and local government bonds	¥211	¥216	¥ 5
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥211	¥216	¥ 5
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
National and local government bonds	¥ —	¥ —	¥—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥ —	¥ —	¥—
Total	¥211	¥216	¥ 5

As of March 31, 2020	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Securities whose fair value exceeds their book value on consolidated B/S:			
National and local government bonds	¥154	¥156	¥ 2
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥154	¥156	¥ 2
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
National and local government bonds	¥ —	¥ —	¥—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥ —	¥ —	¥—
Total	¥154	¥156	¥ 2

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
Securities whose fair value exceeds their book value on consolidated B/S:			
National and local government bonds	$1,417	$1,435	$18
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	$1,417	$1,435	$18
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
National and local government bonds	$ —	$ —	$—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	$ —	$ —	$—
Total	$1,417	$1,435	$18

(2) Other securities

As of March 31, 2019	Millions of yen		
	Book value on consolidated B/S	Acquisition cost	Difference
Securities whose book value on consolidated B/S exceeds their acquisition cost:			
Stock	¥16,143	¥ 9,429	¥6,714
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥16,143	¥9,429	¥6,714
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	¥ 417	¥ 590	¥ (173)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥ 417	¥ 590	¥ (173)
Total	¥16,560	¥10,019	¥6,541

(Notes) Since unlisted stocks (balance on consolidated balance sheet ¥2,713 million) have no market value, have no estimated future cash flows and are quite difficult to determine the fair value, they are not included in "Other securities" above.

As of March 31, 2020	Millions of yen		
	Book value on consolidated B/S	Acquisition cost	Difference
Securities whose book value on consolidated B/S exceeds their acquisition cost:			
Stock	¥11,687	¥ 7,008	¥4,679
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥11,687	¥ 7,008	¥4,679
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	¥ 1,946	¥ 2,851	¥ (905)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥ 1,946	¥ 2,851	¥ (905)
Total	¥13,633	¥ 9,859	¥3,774

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Acquisition cost	Difference
Securities whose book value on consolidated B/S exceeds their acquisition cost:			
Stock	$107,387	$64,397	$42,990
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	$107,387	$64,397	$42,990
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	$ 17,878	$26,192	$ (8,314)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	$ 17,878	$26,192	$ (8,314)
Total	$125,265	$90,589	$34,676

(Notes) Since unlisted stocks (balance on consolidated balance sheet ¥2,819 million (U.S. $25,910 thousand)) have no market value, have no estimated future cash flows and are quite difficult to determine the fair value, they are not included in "Other securities" above.

(3) Other securities sold during the fiscal year

As of March 31, 2019	Millions of yen		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	¥18	¥0	¥ (2)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	¥18	¥0	¥ (2)

As of March 31, 2020	Millions of yen		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	¥2	¥1	¥ —
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	¥2	¥1	¥ —

	Thousands of U.S. dollars		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	$16	$9	$ —
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	$16	$9	$ —

(4) Impairment of investment securities

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Other securities			
Stock	¥1	**¥—**	**$—**

7. Pledged assets

The following assets are pledged for fulfillment of construction contracts at March 31, 2019 and 2020.

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Securities	¥ 58	**¥ 74**	**$ 682**
Investment securities	283	**212**	**1,947**
Other (Investment and other assets)	161	**223**	**2,045**
Total	¥ 502	**¥ 509**	**$ 4,674**

8. Short-term and long-term loans, commercial papers and bonds payable

Short-term and long-term loans, commercial papers and bonds payable as of March 31, 2019 and 2020 are summarized as follows

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Short-term loans from banks and insurance companies (The weighted average interest rate is 0.70%.)	¥19,686	**¥18,924**	**$173,883**
Commercial papers (The weighted average interest rate is 0.05%.)	—	**17,999**	**165,389**
Long-term loans from banks and insurance companies due through 2024 (The weighted average interest rate is 0.50%.)	19,804	**20,608**	**189,360**
0.14% unsecured bonds payable due 2020	10,000	**10,000**	**91,886**
0.68% unsecured bonds payable due 2021	10,000	**10,000**	**91,886**
Total	¥59,490	**¥77,531**	**$712,404**

The aggregate annual maturity of short-term and long-term loans and bonds payable after March 31, 2020 is as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2021	**¥52,673**	**$483,994**
2022	**14,654**	**134,650**
2023	**4,328**	**39,768**
2024	**4,022**	**36,959**
2025 and after	**1,854**	**17,033**
Total	**¥77,531**	**$712,404**

9. Net assets

(1) Legal retained earnings and legal capital surplus

The Japanese Corporate Law requires to provide a legal retained earnings equal to 10 percent of cash out flow, that is, payment of dividends approved by the Shareholders' meeting every fiscal years, until the total amounts of legal retained earnings plus legal capital surplus or either of them reach 25 percent of capital stock.

In the consolidated financial statements, those are included in retained earnings and capital surplus, respectively.

(2) Revaluation reserve for land

Lands used for business purposes has been revaluated on March 31, 2000 based on the "Law Concerning Land Revaluation (Law No.34, promulgated on March 31, 1998)" and the "Partial Revision of the Law Concerning Land Revaluation (Law No.24, promulgated on March 31, 1999)". Relating to revaluation excess, the deferred tax on the revaluation is accounted for as a long-term deferred tax liabilities and the remaining revaluation difference is accounted for as revaluation reserve for land in net assets.

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
The difference between the appraisal value of land at the end of the current fiscal year and the book value	¥6,629	**¥6,177**	**$56,760**

Fair values were determined on the basis of Article 2 No.4 and 5 of an Enforcement ordinance No.119 of the Law concerning Land Revaluation promulgated on March 31, 1998.

(3) Valuation difference on available-for-sale securities

Valuation difference on available-for-sale securities is based on the difference between fair market value and book value at March 31.

This amounted to ¥ 2,673 million (U.S. $ 24,565 thousand) gain as of March 31, 2020.

10. Extraordinary income

The composition of Extraordinary income for the fiscal years ended March 31, 2019 and 2020 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Gain on sales of non-current assets	¥87	**¥279**	**$2,564**
Other	5	**5**	**49**
Total	¥92	**¥284**	**$2,613**

11. Extraordinary losses

The composition of Extraordinary losses for the fiscal years ended March 31, 2019 and 2020 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Loss on sales of non-current assets	¥ 12	**¥ 80**	**$ 733**
Loss on retirement of non-current assets	71	**249**	**2,288**
Loss on contribution of securities to retirement benefit trust	—	**46**	**423**
Other	18	**0**	**1**
Total	¥101	**¥375**	**$3,445**

12. Research and development costs

Research and development costs charged to income are ¥ 2,327 million for the fiscal year 2019 and ¥ 2,435 million (U.S. $ 22,375 thousand) for the fiscal year 2020, respectively.

13. Other comprehensive income

The following table presents reclassification and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2019 and 2020:

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Valuation difference on available-for-sale securities			
Amount arising during the year	¥ 247	**¥(2,813)**	**$(25,844)**
Reclassification adjustment for gains and losses realized in net income	0	**45**	**414**
Amount before tax effect	247	**(2,768)**	**(25,430)**
Tax effect	(86)	**846**	**7,766**
Valuation difference on available-for-sale securities	161	**(1,922)**	**(17,664)**
Deferred gains or losses on hedges			
Amount arising during the year	(1,160)	**684**	**6,289**
Reclassification adjustment for gains and losses realized in net income	1,094	**(594)**	**(5,466)**
Amount before tax effect	(66)	**90**	**823**
Tax effect	21	**(28)**	**(251)**
Deferred gains or losses on hedges	(45)	**62**	**572**
Foreign currency translation adjustments			
Amount arising during the year	34	**(44)**	**(401)**
Reclassification adjustment for gains and losses realized in net income	—	**—**	**—**
Amount before tax effect	34	**(44)**	**(401)**
Tax effect	—	**—**	**—**
Foreign currency translation adjustments	34	**(44)**	**(401)**
Remeasurements of defined benefit plans			
Amount arising during the year	(869)	**(1,848)**	**(16,977)**
Reclassification adjustment for gains and losses realized in net income	229	**(132)**	**(1,218)**
Amount before tax effect	(640)	**(1,980)**	**(18,195)**
Tax effect	196	**606**	**5,571**
Remeasurements of defined benefit plans	(444)	**(1,374)**	**(12,624)**
Total of other comprehensive income	¥(294)	**¥(3,278)**	**$(30,117)**

14. Derivative financial transactions

(1) Matters concerning derivative financial transactions

The Company and its consolidated subsidiaries have entered into interest rate swap agreements and forward exchange contracts only for hedging risks from fluctuation in interest rates and foreign exchange rates, not for speculative purposes.

The derivative financial transactions are mainly performed by the Company, and have been made in accordance with the bylaw, which clearly describes purposes, execution and control for transaction.

(2) Matters concerning fair value

The current value for derivative transactions is calculated based on the prices provided by relevant financial institutions. And hedge accounting has been adopted for derivative financial instruments which conform to requirements for hedge accounting. However the transactions that apply to special treatment of interest rate swap are accounted for as if they were integral part of the hedged long-term loans payable, its fair value is included in the fair value of long-term loans payable.

15. Commitments and contingent liabilities

As of March 31, 2020, the Company has liabilities for guarantee to bank loans made by customers amounting to ¥ 116 million (U.S. $ 1,061 thousand).

The Company has agreements on commitment line with 8 banks totaling ¥ 20,000 million (U.S. $ 183,773 thousand) for the purpose of flexible financing. Unused commitment line as of March 31, 2019 and 2020 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Commitment line			
Total of commitment line	¥20,000	**¥20,000**	**$183,773**
Use of commitment	—	**—**	**—**
Total of unused commitment line	¥20,000	**¥20,000**	**$183,773**

16. Tax effect accounting

1.The significant components of deferred tax assets and liabilities are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Deferred tax assets			
Employees' retirement benefits trust	¥ 2,047	**¥ 2,060**	**$ 18,931**
Loss on valuation of real estate for sale	1,542	**1,775**	**16,309**
Allowance for doubtful accounts	1,253	**1,165**	**10,705**
Impairment loss	883	**870**	**7,995**
Provision for bonuses	863	**901**	**8,278**
Provision for loss on construction contracts	498	**593**	**5,447**
Net operating loss carryforwards	271	**261**	**2,399**
Net defined benefit liability	174	**393**	**3,614**
Other	1,225	**1,896**	**17,419**
Total: deferred tax assets	8,756	**9,914**	**91,097**
Less: valuation allowance(*)	(3,041)	**(1,995)**	**(18,335)**
Deferred tax assets	¥ 5,715	**¥ 7,919**	**$ 72,762**
Deferred tax liabilities			
Valuation difference on available-for-sale securities	¥(1,946)	**¥(1,100)**	**$(10,111)**
Prepaid pension cost	(585)	**(386)**	**(3,545)**
Unrealized intercompany income	(105)	**(105)**	**(966)**
Other	(161)	**(168)**	**(1,548)**
Total: deferred tax liabilities	(2,797)	**(1,759)**	**(16,170)**
Net: deferred tax assets	¥ 2,918	**¥ 6,160**	**$ 56,592**

(*) The valuation allowance, which is deduction from deferred tax assets, has significantly varied. The variation was mainly due to decrease of valuation allowance of ¥ 995 million (U.S. $ 9,138 thousand) upon the decision on sale of land in real estate for sale in this fiscal year.

2.The principal details of the material differences between the statutory effective tax rate and the actual burden tax rates after application of tax-effect accounting:

	2019	2020
The statutory effective tax rate	**30.62%**	**30.62%**
(Adjustments)		
Permanent differences (expense)	**1.68**	**1.37**
Permanent differences (income)	**(0.14)**	**(0.10)**
Per capita levy on inhabitant tax	**0.70**	**0.56**
Consolidated adjustments	**(0.01)**	**(0.00)**
Increase (Decrease) in valuation allowance	**(0.53)**	**(3.12)**
Other	**(3.46)**	**(1.30)**
Actual burden tax rate after the application of tax effect accounting	**28.86%**	**28.04%**

17. Retirement benefits

The Company and its other consolidated subsidiaries have funded or unfunded type defined benefit plan and defined contribution plan.

The Company has introduced cash balance plan as defined benefit corporate pension plan (funded only and that solely adopted by the Company), which establishes nominal individual accounts equivalent to funds of funded and annuity amounts. In the nominal individual accounts interest credit based on market interest and contribution credit based on classification and evaluation are accumulated. Retirement benefit trust has established for the defined benefit corporate pension plan.

Based on lump-sum payment plans (unfunded but become funded as a result of establishment of retirement benefit trust), lump-sum payment based on classification and evaluation as retirement benefit.

In lump-sum payment plans held by other consolidated subsidiaries, the simplified calculation methods are applied for retirement benefit liability and service costs.

(1) The changes in the retirement benefit obligation during the years ended March 31, 2019 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Retirement benefit obligation at the beginning of year	¥26,211	**¥26,308**	**$241,733**
Service cost	1,308	**1,395**	**12,819**
Interest cost	26	**—**	**—**
Actuarial gain and loss	443	**(280)**	**(2,575)**
Retirement benefits paid	(1,680)	**(1,804)**	**(16,570)**
Retirement benefit obligation at the end of year	¥26,308	**¥25,619**	**$235,407**

(2) The changes in the plan assets during the years ended March 31, 2019 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Plan assets at the beginning of year	¥28,133	**¥27,681**	**$254,351**
Expected return on plan assets	472	**474**	**4,354**
Actuarial gain	(426)	**(2,128)**	**(19,553)**
Contributions by the Company	836	**848**	**7,791**
Contribution of securities to retirement benefit trust	—	**134**	**1,235**
Retirement benefits paid	(1,334)	**(1,383)**	**(12,707)**
Plan assets at the end of year	¥27,681	**¥25,626**	**$235,471**

(3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2019 and 2020 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Funded retirement benefit obligation	¥25,770	**¥25,042**	**$230,102**
Plan assets at fair value	(27,681)	**(25,626)**	**(235,471)**
	¥ (1,911)	**¥ (584)**	**$ (5,369)**
Unfunded retirement benefit obligation	538	**577**	**5,305**
Net liability for retirement benefits in the balance sheet	¥ (1,373)	**¥ (7)**	**$ (64)**
Net defined benefit liability	¥ 538	**¥ 1,253**	**$ 11,512**
Net defined benefit asset	(1,911)	**(1,260)**	**(11,577)**
Net liability for retirement benefits in the balance sheet	¥ (1,373)	**¥ (7)**	**$ (65)**

(4) The components of retirement benefit expense for the years ended March 31, 2019 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Service cost	¥1,308	**¥1,395**	**$12,819**
Interest cost	26	**—**	**—**
Expected return on plan assets	(472)	**(474)**	**(4,354)**
Amortization of actuarial gain and loss	228	**(132)**	**(1,218)**
Retirement benefit expense	¥1,090	**¥ 789**	**$ 7,247**

Note: Retirement benefit expense of consolidated subsidiaries which adopt the simplified method are included in "Service cost."

(5) The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended 31, 2019 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Actuarial gain and loss	¥(640)	**¥(1,980)**	**$(18,195)**
Total	¥(640)	**¥(1,980)**	**$(18,195)**

(6) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2019 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Unrecognized actuarial gain and loss	¥(805)	**¥1,175**	**$10,797**
Total	¥(805)	**¥1,175**	**$10,797**

(7) The fair value of plan assets, major category, as a percentage of total plan assets as of March 31, 2019 and 2020 are as follows:

	2019	**2020**
Bonds	43%	**45%**
Stocks	47	**44**
General accounts	5	**5**
Cash and deposits	2	**3**
Others	3	**3**
Total	100%	**100%**

Note: Total plan assets include retirement benefit trusts of 11% and 11% that are set up for a corporate pension plan as of March 31, 2019 and 2020, respectively.

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

(8) The assumptions used in accounting for the above plans are as follows:

	2019	**2020**
Discount rates	0.0%	**0.1%**
Expected rates of long-term return on plan assets	1.1 - 2.0%	**1.2 - 2.0%**
Expected rates of increase in salary	3.1 - 4.8%	**3.3 - 4.8%**

18. Financial instruments

(1) Policy for financial instruments

The Company and its consolidated subsidiaries have limited the instruments of fund investment to short term deposits and other, and relied on bonds payable or bank loans for fund procurement.

Regarding credit risk to customers related to notes receivable, accounts receivable from completed construction contracts and other the Company and its consolidated subsidiaries' bylaw has been applied to reduce the risk. Additionally notes receivable, accounts receivable from completed construction contracts and other in foreign currencies are exposed to foreign currency risk, and the Company enters into forward exchange contracts to hedge the risk.

Securities and investment securities include mainly stocks and held-to-maturity bonds are exposed to fluctuation of market value. Those fair values, financial status of the issuers and so on are checked regularly. Accounts receivable-other is mainly credit other than accounts receivable associated with operating transactions and most of the accounts are collected in short term and detail of the balance is reviewed on monthly basis.

Bonds payable and Loans payable are mainly for procurement for operating funds and the Company enters into interest rate swap agreements and manages to fix its interest cost to hedge the risk from interest volatility related to long-term loans payable.

Execution and control of derivative transaction is held in accordance with the Company's bylaw where its purpose, action and control of such transaction are clearly stated and derivative transactions shall not be used for speculative purpose.

(2) Estimated fair value of financial instruments

Book value on consolidated balance sheet, fair value and the difference as of March 31, 2019 are as follows:

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 36,204	¥ 36,204	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	192,200	192,200	—
(3) Securities and investment securities	16,771	16,775	4
(4) Accounts receivable-other	25,815	25,815	—
Total Assets	¥270,990	¥270,994	¥ 4
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	¥115,309	¥115,309	¥ —
(2) Short-term loans payable	19,686	19,686	—
(3) Bonds payable	20,000	20,109	109
(4) Long-term loans payable (*1)	19,804	19,816	12
Total Liabilities	¥174,799	¥174,920	¥121
Derivative transaction (*2)	¥ (26)	¥ (26)	¥ —

(*1) Long-term loans payable includes the current portion of long-term loans payable.
(*2) The debit and credit balances recorded by derivative transaction are offset each other.

(Note 1) Calculation method of financial instruments' fair value and securities and derivative transaction

Assets

(1) Cash and deposits and (4) Accounts receivable-other
Since these items are settled within the short term, the fair values are nearly equivalent to the book values therefore the book value is used.
(2) Notes receivable, accounts receivable from completed construction contracts and other
These items' fair values are the present value, discounted by using interest rate determined based on the term until maturity and credit risk with respect to the receivables categorized by a certain period.
(3) Securities and investment securities
The fair value of stocks and bonds present the market values.

Liabilities

(1) Notes payable, accounts payable for construction contracts and other and (2) Short-term loans payable
Since these items are settled within short term, the fair values are nearly equivalent to book values, therefore the current book value is used.

(3) Bonds payable and (4) Long-term loans payable
The fair values of these items are calculated by discounting the total of principal and interest using interest rate calculated assuming the loan is newly made or the bond is newly issued. Long-term loans payable with floating rate is subject to a special treatment of interest rate swap and is calculated by discounting the total of principal and interest, accounted for as if they were integral part of the interest rate swap, by interest rate that is reasonably estimated and applied in the case of similar loan.

Derivative transaction

It is forward exchange contracts, and fair value is calculated by using a forward exchange rate. However the transactions that apply to a special treatment of interest rate swap are accounted for as if they were integral part of the hedged long-term loans payable, its fair value is included in the fair value of long-term loans payable.

(Notes 2) Since unlisted stocks (balance on consolidated balance sheet ¥3,312 million) have no market value, have no estimated future cash flows and are quite difficult to recognize the fair value, they are not included in "(3) Securities and investment securities".

(Notes 3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2019

	Millions of yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and deposits				
Deposits	¥ 36,129	¥ —	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other	171,855	20,345	—	—
Securities and investment securities				
Held–to–maturity bonds				
National and local government bonds	58	112	41	—
Corporate bonds	—	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	—	—
Other	—	—	—	—
Accounts receivable-other	25,815	—	—	—
Total	¥233,856	¥20,457	¥41	¥—

(Note 4) The redemption schedule for short-term and long-term loans, and bonds payable is disclosed in Note 8.

Book value on consolidated balance sheet, fair value and the difference as of March 31, 2020 are as follows:

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 43,621	¥ 43,621	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	239,344	239,344	—
(3) Securities and investment securities	13,787	13,789	2
(4) Accounts receivable-other	20,266	20,266	—
Total Assets	¥317,018	¥317,020	¥ 2
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	¥118,817	¥118,817	¥ —
(2) Short-term loans payable	18,924	18,924	—
(3) Commercial papers	17,999	17,999	—
(4) Bonds payable (*1)	20,000	20,075	75
(5) Long-term loans payable (*2)	20,608	20,629	21
Total Liabilities	¥196,348	¥196,444	¥ 96
Derivative transaction (*3)	¥ 63	¥ 63	¥ —

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	$ 400,822	$ 400,822	$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	2,199,248	2,199,248	—
(3) Securities and investment securities	126,682	126,700	18
(4) Accounts receivable-other	186,215	186,215	—
Total Assets	$2,912,967	$2,912,985	$ 18
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	$1,091,764	$1,091,764	$ —
(2) Short-term loans payable	173,883	173,883	—
(3) Commercial papers	165,389	165,389	—
(4) Bonds payable (*1)	183,773	184,462	689
(5) Long-term loans payable (*2)	189,359	189,551	192
Total Liabilities	$1,804,168	$1,805,049	$ 881
Derivative transaction (*3)	$ 582	$ 582	$ —

(*1) Bonds payable includes the current portion of bonds payable.
(*2) Long-term loans payable includes the current portion of long-term loans payable.
(*3) The debit and credit balances recorded by derivative transaction are offset each other.

(Note 1) Calculation method of financial instruments' fair value and securities and derivative transaction

Assets

(1) Cash and deposits and (4) Accounts receivable-other
Since these items are settled within the short term, the fair values are nearly equivalent to the book values therefore the book value is used.

(2) Notes receivable, accounts receivable from completed construction contracts and other
These items' fair values are the present value, discounted by using interest rate determined based on the term until maturity and credit risk with respect to the receivables categorized by a certain period.

(3) Securities and investment securities
The fair value of stocks and bonds present the market values.

Liabilities

(1) Notes payable, accounts payable for construction contracts and other, (2) Short-term loans payable and (3) Commercial papers
Since these items are settled within short term, the fair values are nearly equivalent to book values, therefore the current book value is used.

(4) Bonds payable and (5) Long-term loans payable
The fair values of these items are calculated by discounting the total of principal and interest using interest rate calculated assuming the loan is newly made or the bond is newly issued. Long-term loans payable with floating rate is subject to a special treatment of interest rate swap and is calculated by discounting the total of principal and interest, accounted for as if they were integral part of the interest rate swap, by interest rate that is reasonably estimated and applied in the case of similar loan.

Derivative transaction

It is forward exchange contracts, and fair value is calculated by using a forward exchange rate. However the transactions that apply to a special treatment of interest rate swap are accounted for as if they were integral part of the hedged long-term loans payable, its fair value is included in the fair value of long-term loans payable.

(Notes 2) Since unlisted stocks (balance on consolidated balance sheet ¥3,440 million (U.S. $ 31,608 thousand)) have no market value,have no estimated future cash flows and are quite difficult to recognize the fair value, they are not included in "(3) Securities and investment securities".

(Notes 3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2020

	Millions of yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and deposits				
Deposits	¥ 43,596	¥ —	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other	226,598	12,746	—	—
Securities and investment securities				
Held-to-maturity bonds				
National and local government bonds	74	80	—	—
Corporate bonds	—	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	—	—
Other	—	—	—	—
Accounts receivable-other	20,266	—	—	—
Total	¥290,534	¥12,826	¥—	¥—

	Thousands of U.S. dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and deposits				
Deposits	$ 400,589	$ —	$—	$—
Notes receivable, accounts receivable from completed construction contracts and other	2,082,129	117,118	—	—
Securities and investment securities				
Held-to-maturity bonds				
National and local government bonds	682	735	—	—
Corporate bonds	—	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	—	—
Other	—	—	—	—
Accounts receivable-other	186,215	—	—	—
Total	$2,669,615	$117,854	$—	$—

(Note 4) The redemption schedule for short-term and long-term loans, and bonds payable is disclosed in Note 8.

19. Segment information

(Segment information)

1. General information about reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decisions about resource allocation and to assess performance.

The Company is organized into business units based on their products and services and has 3 reported segments as follows:

(1) Domestic civil engineering segment ····· Construction of domestic civil engineering and other
(2) Domestic building construction segment ····· Construction of domestic building construction and other
(3) Overseas segment ····· Construction of overseas and other

2. Information about basis of measurement of reported segment sales, income or loss, assets, and other items

The accounting policies of the segments are substantially the same as those described in the summary of significant accounting policies in Note 3. Segment performance is evaluated based on operating income or loss.

Intersegment sales and transfers are based on prevailing market price.

The Company do not allocate assets to business segments.

3. Information about amount of reportable segment sales, income or loss, and other items

Millions of yen

Year ended March 31, 2019	Reportable segment				Other (Note1)	Total	Adjustments (Note 2)	Recorded amount on consolidated statement of income (Note 3)
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Total				
Net sales:								
Sales to third parties	¥186,377	¥182,881	¥164,062	¥533,320	¥8,629	¥541,949	¥ —	¥ 541,949
Intersegment sales and transfers	311	1	—	312	2,611	2,923	(2,923)	—
Total	186,688	182,882	164,062	533,632	11,240	544,872	(2,923)	541,949
Segment income	14,000	7,696	6,788	28,484	745	29,229	4	29,233
Other item:								
Depreciation	2,644	576	4,074	7,294	447	7,741	(3)	7,738

Millions of yen

Year ended March 31, 2020	Reportable segment				Other (Note1)	Total	Adjustments (Note 2)	Recorded amount on consolidated statement of income (Note 3)
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Total				
Net sales:								
Sales to third parties	¥210,740	¥197,014	¥157,624	¥565,378	¥8,464	¥573,843	¥ —	¥ 573,843
Intersegment sales and transfers	250	1	—	251	2,177	2,427	(2,427)	—
Total	210,990	197,015	157,624	565,629	10,641	576,270	(2,427)	573,843
Segment income	20,682	6,321	6,312	33,315	(157)	33,158	3	33,161
Other item:								
Depreciation	3,757	583	4,305	8,645	443	9,088	(3)	9,085

Thousands of U.S. dollars

Year ended March 31, 2020	Reportable segment				Other (Note1)	Total	Adjustments (Note 2)	Recorded amount on consolidated statement of income (Note 3)
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Total				
Net sales:								
Sales to third parties	$1,936,415	$1,810,288	$1,448,355	$5,195,058	$77,777	$5,272,834	$ —	$ 5,272,834
Intersegment sales and transfers	2,296	6	—	2,302	20,003	22,305	(22,305)	—
Total	1,938,711	1,810,294	1,448,355	5,197,360	97,780	5,295,139	(22,305)	5,272,834
Segment income	190,041	58,082	58,002	306,125	(1,443)	304,681	26	304,707
Other item:								
Depreciation	34,524	5,358	39,556	79,438	4,069	83,507	(26)	83,481

Notes

(1) Division of "Other" includes domestic real estate development, shipbuilding, leasing business, insurance business and environment business.

(2) The adjustment of segment income is intersegment elimination.

(3) Segment income is adjusted with operating income in the consolidated statement of income.

(Related information)

For the year ended March 31, 2019

1. Information of each products and service

Please refer to above.

2. Geographical information

(1) Net sales

Japan	Southeast Asia	Other	Total
¥377,887 million	¥119,516 million	¥44,546 million	¥541,949 million

Note: Net sales are based on customer location, and are divided by country or region.

(2) Property, plant and equipment

Japan	Southeast Asia	Other	Total
¥62,842 million	¥15,028 million	¥3,195 million	¥81,065 million

3. Each main customer

Name of Customer	Net sales	Related segment
Ministry of Land, Infrastructure, Transport and Tourism	¥63,704 million	Domestic civil engineering segment Domestic building construction segment

For the year ended March 31, 2020

1. Information of each products and service

Please refer to above.

2. Geographical information

(1) Net sales

Japan	Southeast Asia	Other	Total
¥416,218 million $3,824,480 thousand	¥101,762 million $935,055 thousand	¥55,862 million $513,299 thousand	¥573,843 million $5,272,834 thousand

Note: Net sales are based on customer location, and are divided by country or region.

(2) Property, plant and equipment

Japan	Southeast Asia	Other	Total
¥63,739 million $585,676 thousand	¥14,131 million $129,845 thousand	¥2,058 million $18,912 thousand	¥79,928 million $734,433 thousand

3. Each main customer

Name of Customer	Net sales	Related segment
Ministry of Land, Infrastructure, Transport and Tourism	¥76,791 million $705,602 thousand	Domestic civil engineering segment Domestic building construction segment

(Information related to Impairment loss on fixed assets by reportable segment)

For the year ended March 31, 2019

There is no impairment loss divided or not divided by reportable segment.

For the year ended March 31, 2020

There is no impairment loss divided or not divided by reportable segment.

(Information related to the amortization of goodwill and unamortized balances)

For the year ended March 31, 2019

None

For the year ended March 31, 2020

None

(Information related to gains on negative goodwill by reportable segments)

For the year ended March 31, 2019

None

For the year ended March 31, 2020

None

20. Amounts per share

1. Per share information is summarized as follows:

	Yen		U.S. dollars
	2019	**2020**	**2020**
Net assets per share	¥443.36	**¥494.70**	**$4.55**
Net income attributable to owners of parent per share	66.22	**81.83**	**0.75**

Basic net income attributable to owners of parent per share is calculated by the weighted average number of outstanding common stocks during the year. Incidentally, shares held by BBT are included in treasury shares to be deducted from the average number of shares during of the year in calculating it. The average number of treasury shares issued and outstanding at March 31, 2019 and 2020 were 620 thousand and 645 thousand, including 449 thousand and 435 thousand of shares and held by BBT, respectively.

2. For the year ended March 31, 2019 and 2020, diluted net income attributable to owners of parent per share is not disclosed, because the dilutive potential of shares of common stock is none.

21. Significant subsequent events

Dividends

For the year ended March 31, 2020

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2020, was approved at the annual general shareholders' meeting held on June 25, 2020 and became effective June 26, 2020:

	Millions of yen	Thousands of U.S. dollars
	2020	**2020**
Cash dividends (￥24 (U.S. $ 0.22) per share)	**¥6,859**	**$63,028**

Dividends for shares held by BBT amounted to ￥10 million ($ 95 thousand) are included in dividends in accordance with the resolution at the annual general shareholders' meeting on June 25, 2020.

Independent Auditor's Report

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Building a better working world

Independent Auditor's Report

The Board of Directors
PENTA-OCEAN CONSTRUCTION CO., LTD.

Opinion

We have audited the accompanying consolidated financial statements of PENTA-OCEAN CONSTRUCTION CO., LTD. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statement of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Building a better working world

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan
June 25, 2020

Makoto Mukai
Designated Engagement Partner
Certified Public Accountant

Naohiko Sawabe
Designated Engagement Partner
Certified Public Accountant

Non-Consolidated Financial Statements

Non-Consolidated Five-Year Summary

Penta-Ocean Construction Co., Ltd.
Fiscal years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2016	2017	2018	2019	**2020**	**2020**
Orders received	¥443,182	¥465,939	¥668,572	¥501,360	**¥439,765**	**$4,040,841**
Civil engineering	195,832	241,165	465,190	248,639	**259,705**	**2,386,333**
Building construction	244,240	222,656	202,728	251,723	**179,707**	**1,651,266**
Other	3,110	2,118	654	998	**353**	**3,242**
Net sales	457,862	471,459	499,165	512,193	**541,530**	**4,975,916**
Civil engineering	235,976	251,329	275,911	281,459	**318,817**	**2,929,499**
Building construction	216,925	216,037	222,531	229,736	**222,359**	**2,043,175**
Other	4,961	4,093	723	998	**354**	**3,242**
Contract backlog	719,343	707,213	875,260	873,475	**759,517**	**6,978,930**
Civil engineering	391,952	378,001	566,711	541,697	**471,162**	**4,329,342**
Building construction	325,349	329,144	308,549	331,778	**288,355**	**2,649,588**
Other	2,042	68	—	—	—	—
Total assets	356,335	355,313	406,373	369,609	**419,497**	**3,854,604**
Net assets	74,456	87,156	100,345	113,121	**126,703**	**1,164,230**
Ordinary income	17,807	21,117	22,932	23,441	**28,984**	**266,321**
Income before income taxes	12,615	20,431	22,497	23,409	**28,877**	**265,338**
Net income	6,855	13,423	15,790	16,701	**20,862**	**191,695**
Cash dividends	1,715	3,431	4,003	5,430	**6,859**	**63,028**

Per share of common stock:	Yen					U.S. dollars
Net assets	¥260.43	¥304.84	¥351.54	¥396.42	**¥443.99**	**$4.08**
Net income	23.98	46.95	55.28	58.52	**73.11**	**0.67**
Cash dividends	6.00	12.00	14.00	19.00	**24.00**	**0.22**
Number of employees	2,522	2,572	2,673	2,793	**2,893**	

Note: 1. Figures in U.S. dollars are converted for convenience only, at the rate of ¥ 108.83 per U.S.$1, prevailing on March 31, 2020.
2. Cash dividends for shares held by BBT amounted to ¥10 million ($ 95 thousand) are included in cash dividends above.
3. "Development business and other" is presented as "Other" in the year ended March 31, 2019 and thereafter, since materiality of development business has decreased.

Non-Consolidated Balance Sheets

Penta-Ocean Construction Co., Ltd.
As of March 31

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Current assets:			
Cash and deposits	¥ 31,238	**¥ 40,455**	**$ 371,725**
Securities	58	**74**	**682**
Trade receivables:			
Notes	1,563	**2,311**	**21,232**
Accounts	204,085	**248,239**	**2,280,978**
Subsidiaries and affiliates	9,356	**5,545**	**50,948**
Inventories:			
Costs on uncompleted construction contracts	10,247	**9,800**	**90,048**
Real estate for sale and development projects in progress	2,481	**1,317**	**12,098**
Raw materials and supplies	1,138	**1,237**	**11,370**
Other	2,388	**2,723**	**25,027**
Allowance for doubtful accounts	(748)	**(715)**	**(6,570)**
Total current assets	261,806	**310,986**	**2,857,538**
Non-current assets:			
Property, plant and equipment:			
Land	31,725	**31,596**	**290,320**
Buildings and structures	34,302	**33,987**	**312,294**
Machinery, equipment and vehicles	18,501	**15,654**	**143,835**
Dredgers and vessels	43,530	**44,091**	**405,138**
Construction in progress	151	**3,819**	**35,092**
Other	369	**340**	**3,134**
Total property, plant and equipment	128,578	**129,487**	**1,189,813**
Less: Accumulated depreciation	(65,384)	**(65,584)**	**(602,634)**
Property, plant and equipment — net	63,194	**63,903**	**587,179**
Intangible assets:	1,258	**1,375**	**12,638**
Investments and other assets:			
Stock of and long-term loans receivable from subsidiaries and affiliates	17,021	**16,899**	**155,281**
Investment securities	19,415	**16,522**	**151,819**
Deferred tax assets	2,732	**5,330**	**48,972**
Other	7,462	**7,518**	**69,074**
Allowance for doubtful accounts	(3,279)	**(3,036)**	**(27,897)**
Total investments and other assets	43,351	**43,233**	**397,249**
Total non-current assets	107,803	**108,511**	**997,066**
Total assets	¥369,609	**¥419,497**	**$3,854,604**

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Current liabilities:			
Short-term loans payable			
Bank	¥ 18,036	**¥ 17,274**	**$ 158,722**
Commercial papers	—	**17,999**	**165,389**
Current portion of long-term loans payable and bonds payable	8,842	**15,750**	**144,721**
Trade payable:			
Accounts	111,247	**119,596**	**1,098,921**
Subsidiaries and affiliates	5,641	**3,608**	**33,152**
Advance received on uncompleted construction contracts	20,551	**20,134**	**185,008**
Deposits received	43,680	**50,501**	**464,034**
Income taxes payable	4,648	**7,080**	**65,054**
Provision for loss on construction contracts	1,623	**1,923**	**17,667**
Provision for warranties for completed construction	1,312	**1,988**	**18,269**
Other provision	2,583	**2,695**	**24,763**
Other	2,529	**2,617**	**24,052**
Total current liabilities	220,692	**261,165**	**2,399,752**
Non-current liabilities:			
Bonds payable	20,000	**10,000**	**91,886**
Long-term loans payable	10,962	**13,682**	**125,719**
Provision for retirement benefits	763	**480**	**4,409**
Provision for board benefit trust	167	**215**	**1,975**
Deferred tax liabilities for land revaluation	3,680	**3,680**	**33,810**
Other	224	**3,572**	**32,823**
Total non–current liabilities	35,796	**31,629**	**290,622**
Total liabilities	256,488	**292,794**	**2,690,374**
Net assets:			
Capital stock			
Authorized - 599,135,000 shares	30,450	**30,450**	**279,794**
Issued shares - 286,013,910 shares in 2019 and 2020			
Capital surplus			
Legal capital surplus	12,380	**12,380**	**113,752**
Other capital surplus	6,007	**6,007**	**55,197**
Total capital surplus	18,387	**18,387**	**168,949**
Retained earnings			
Reserve for advanced depreciation of non-current assets	93	**86**	**791**
General reserve	30,000	**40,000**	**367,545**
Retained earnings brought forward	26,088	**31,527**	**289,689**
Total retained earnings	56,181	**71,613**	**658,025**
Less: Treasury stock	(383)	**(374)**	**(3,436)**
Valuation difference on available-for-sale securities	4,595	**2,672**	**24,563**
Deferred gains or losses on hedges	(19)	**45**	**404**
Revaluation reserve for land	3,910	**3,910**	**35,931**
Total net assets	113,121	**126,703**	**1,164,230**
Total liabilities and net assets	¥369,609	**¥419,497**	**$3,854,604**

Non-Consolidated Statements of Income

Penta-Ocean Construction Co., Ltd.
For the years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Construction business:			
Net sales	¥511,195	**¥541,176**	**$4,972,674**
Cost of sales	469,173	**493,504**	**4,534,631**
Gross profit	42,022	**47,672**	**438,043**
Other:			
Net sales	998	**354**	**3,242**
Cost of sales	985	**1,295**	**11,899**
Gross profit	13	**(941)**	**(8,657)**
Total:			
Total net sales	512,193	**541,530**	**4,975,916**
Total cost of sales	470,158	**494,799**	**4,546,530**
Total gross profit	42,035	**46,731**	**429,386**
Selling, general and administrative expenses	16,168	**17,389**	**159,771**
Operating income	25,867	**29,342**	**269,615**
Non-operating income:			
Interest and dividends income	645	**523**	**4,803**
Interest and dividends income from subsidiaries and affiliates	413	**397**	**3,652**
Reversal of allowance for doubtful accounts	—	**269**	**2,474**
Other	308	**188**	**1,723**
	1,366	**1,377**	**12,652**
Non-operating expenses:			
Interest expenses	867	**946**	**8,695**
Provision of allowance for doubtful accounts	2,077	**—**	**—**
Foreign exchange losses	704	**691**	**6,347**
Other	144	**98**	**904**
	3,792	**1,735**	**15,946**
Ordinary income	23,441	**28,984**	**266,321**
Extraordinary income	63	**260**	**2,392**
Extraordinary losses	95	**367**	**3,375**
Income before income taxes	23,409	**28,877**	**265,338**
Income taxes:			
Current	7,149	**9,794**	**89,995**
Deferred	(441)	**(1,779)**	**(16,352)**
Total income taxes	6,708	**8,015**	**73,643**
Net income	¥ 16,701	**¥ 20,862**	**$ 191,695**

	Yen		U.S. dollars
Net income per share of common stock			
Basic	¥58.52	**¥73.11**	**$0.67**

Company Outline

(As of March 31, 2020)

Company Name	Penta–Ocean Construction Co., Ltd.
Founded	April 1896
Established	April 1950
Headquarters	2–8, Koraku 2–chome, Bunkyo–ku, Tokyo 112–8576, Japan Tel: 81–3–3817–7181 Fax: 81–3–3817–7642
Paid–in Capital	¥30,450 million (U.S.$279.8 million)
Employees	2,893 (3,416 consolidated)
Website	http://www.penta–ocean.co.jp

Members of the Board and Audit & Supervisory Board Members

(As of June 25, 2020)

President, Chief Executive Officer and Representative Director

Takuzo Shimizu

Executive Vice President, Representative Director

Kazuya Ueda

Members of the Board

Tetsushi Noguchi Ryoji Tahara Hiroshi Watanabe
Junji Katsumura Tomoyuki Yamashita Yasuhiro Kawashima*
Hidenori Takahashi* Naoki Furuya*

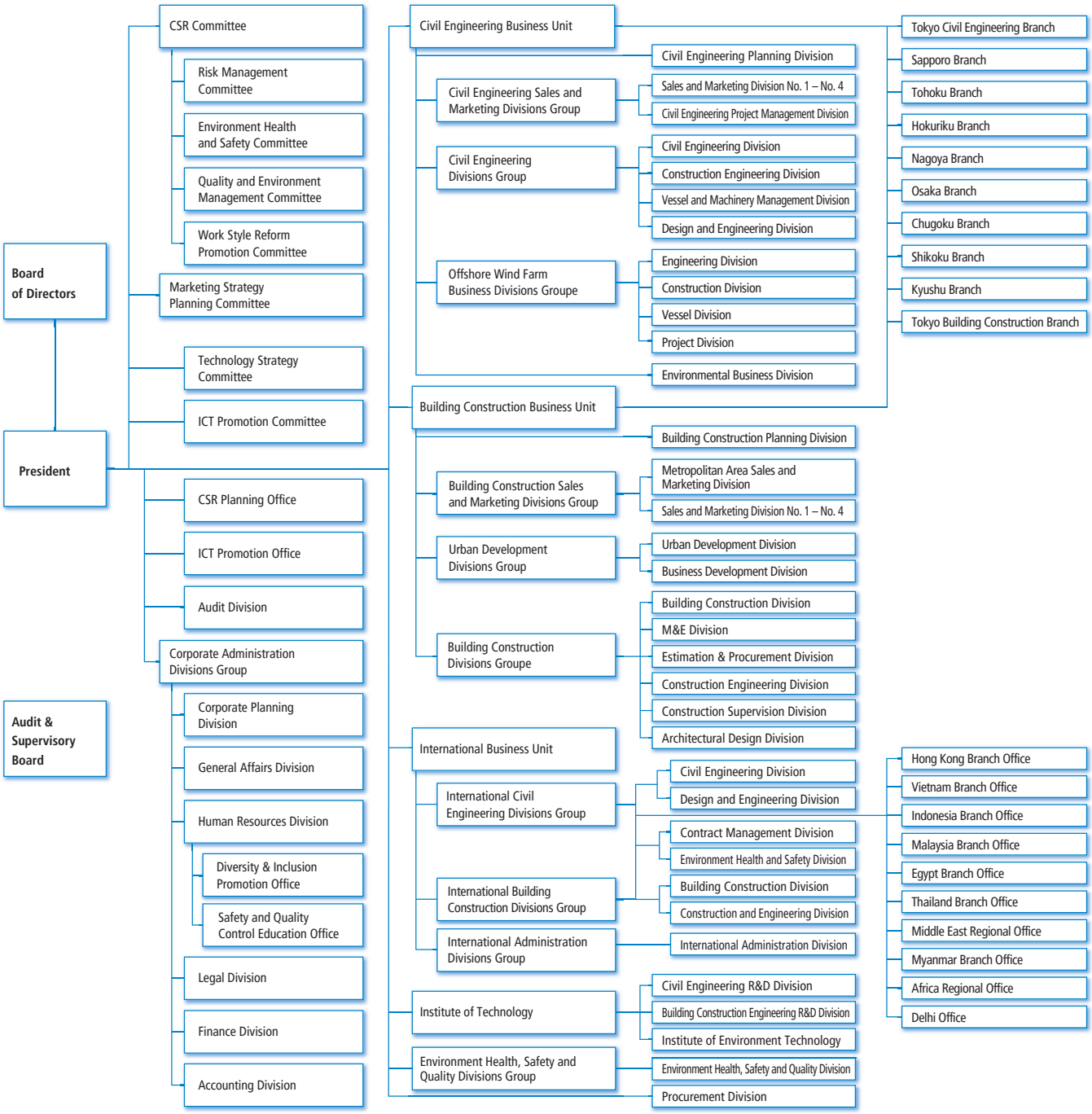
Audit & Supervisory Board Members

Takeshi Miyazono Hideaki Kuraishi* Shin Suganami*
Kyota Shigemoto*

* Indicates external members.

Organization Chart

(As of June 1, 2020)



Penta–Ocean Construction Network

(As of March 31, 2020)

❶ Headquarters
2–8, Koraku 2–chome, Bunkyo–ku, Tokyo 112–8576, Japan
Tel: 81–3–3817–7181 Fax: 81–3–3817–7642

❷ International Business Unit Headquarters in Singapore
1 HarbourFront Place, #13-01 HarbourFront Tower One,
Singapore 098633
Tel: 65–6338–8966 Fax: 65–6337–0987

❸ Hong Kong Branch Office
Unit 601, K Wah Centre, 191 Java Road, North Point,
Hong Kong
Tel: 852–2833–1098 Fax: 852–2572–4080

❹ Vietnam Branch Office
4th Floor, 18 Tran Hung Dao Street, Hanoi, Vietnam
Tel: 84–24–3824–1360 Fax: 84–24–3824–1444

❺ Indonesia Branch Office
Mid Plaza II, 24th Floor, JL. Jenderal Sudirman Kav. 10–11,
Jakarta 10220, Indonesia
Tel: 62–21–570–5484 Fax: 62–21–570–5485

❻ Malaysia Branch Office
Suite 3B–20–6, Level 20, Block 3B Plaza Sentral,
Jalan Stesen Sentral 5
Kuala Lumpur Sentral 50470 Kuala Lumpur, Malaysia
Tel: 60–3–2260–6736 Fax: 60–3–2260–6737

❼ Egypt Branch Office
27 El Falah Street, off Shehab Street, Flat No. 5, 2nd Floor,
Mohandeseen, Giza, Egypt
Tel: 20-2–3345–3207 Fax: 20–2–3345–3206

❽ Thailand Branch Office
17th Floor, Room 1704, Vanit II Building, 1126/2
New Petchburi Road, Makkasan Rajthevee,
Bangkok 10400, Thailand
Tel: 66–2–069–2183 Fax: 66–2–069–2185

❾ Middle East Regional Office
Office No.15327, Jafza LOB 15, P.O. Box 118791, Dubai, U.A.E.
Tel: 971–4–880–8824 Fax: 971–4–880–8834

❿ Myanmar Branch Office
Room 202, La Pyi Wun Plaza, No.37 Alanpya Pagoda Road,
Dagon Township, Yangon 11191, Myanmar
Tel: 95–1–370839 Fax: 95–1–370839

⓫ Africa Regional Office
Av. Julius Nyerere, no. 140, 5 Andar, Maputo, Mozambique
Tel: 258–84–8666114 Fax: 258–21–483144

⓬ Delhi Office
Unit No.1120, 11th Floor, JMD Megapolis, Sector-48, Sohana Road,
Gurgaon–122018, Haryana, India
Tel: 91–124–436 8355 Fax: 91–124–436 8356

Penta–Ocean Construction Group

(As of June 30, 2020)

Consolidated Affiliates

Penta–Ocean Dredging Co., Ltd.	Tokyo, Japan
Yoshin Construction Co., Ltd.	Hiroshima, Japan
Penta Builders Corporation	Tokyo, Japan
Kegoya Dock Co., Ltd.	Hiroshima, Japan
Penta Techno Service Co., Ltd.	Tochigi, Japan
Penta Insurance Services Co., Ltd.	Tokyo, Japan
Jaiwat Co., Ltd.	Miyagi, Japan
Sand Techno Co., Ltd.	Chiba, Japan
Domi Environmental Solutions Co., Ltd.	Tokyo, Japan
Miki Biotech Co., Ltd.	Hyogo, Japan
PKY Marine Co., Ltd.	Tokyo, Japan
Penta–Ocean Marine Holdings Pte. Ltd.	Singapore
Andromeda Five Pte. Ltd.	Singapore
Cassiopeia Five Pte. Ltd.	Singapore
Mercury Five Pte. Ltd.	Singapore
Mars Five Pte. Ltd.	Singapore
Cherry Five Pte. Ltd.	Singapore
UG M&E Pte. Ltd.	Singapore
Penta–Ocean (Malaysia) SDN. BHD.	Malaysia
Angkutlaut Ltd.	Malaysia
PT. Penta Ocean Construction	Indonesia
Siam Goyo Co., Ltd.	Thailand
Thai Penta–Ocean Co., Ltd.	Thailand
Penta–Ocean Construction (Hong Kong) Ltd.	Hong Kong
Penta–Ocean Construction (India) Pvt. Ltd.	India
Penta–Ocean Construction (Lao) Solo Company Limited	Lao
Brichwood Co., Ltd.	Hong Kong
Penta–Ocean Technology Information Advisory (Shenzhen) Ltd.	China
PENTA–OCEAN/HYUNDAI/BOSKALIS JV PTE. LTD.	Singapore

Equity Affiliate

Haneda International Airport Apron PFI Co., Ltd.	Tokyo, Japan

Non–Equity Affiliates

Miyajima Aqua Partners Co., Ltd.	Hiroshima, Japan
Matsuyama Environment Technology Co., Ltd.	Ehime, Japan
Wakkanai Environment Technology Co., Ltd.	Hokkaido, Japan
Zentsuji, Kotohira, and Tadotsu School meal Supplier Co., Ltd.	Kagawa, Japan

Investor Information

(As of March 31, 2020)

Fiscal Year	April 1 – March 31
Common Stock	Authorized: 599,135,000 Issued: 286,013,910 (excluding 210,154 shares of treasury stock)
Stock Listing	First Section of the Tokyo and Nagoya Stock Exchanges
Shareholders	37,463
Transfer Agency	Mizuho Trust & Banking Co., Ltd. 2–8–4, Izumi, Suginami–ku, Tokyo 168–8507, Japan

Major Shareholders

Shareholders	Number of shares held (thousands)	Percentage of shares held (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	31,756	11.1
The Master Trust Bank of Japan, Ltd. (Trust Account)	24,106	8.4
State Street Bank and Trust Company 505001	9,289	3.3
Mizuho Bank, Ltd.	7,059	2.5
Meiji Yasuda Life Insurance Company	6,656	2.3
JPMorgan Chase Bank, N.A. 385151	5,430	1.9
Japan Trustee Services Bank, Ltd. (Trust Account 5)	5,073	1.8
JUNIPER	4,338	1.5
Sompo Japan Nipponkoa Insurance Inc.	4,280	1.5
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,934	1.4

PENTA-OCEAN CONSTRUCTION CO.,LTD.
五洋建設

www.penta-ocean.co.jp

Corporate Identity

Our Pentagon logo represents the five oceans of the world. Penta-Ocean believes there are no borders for the creative mind and with this philosophy has played an active role in every corner of the world.

Mascot Character

"Mr. PENTA" was modeled on an adorable basset hound. We gave him his name from "Penta-Ocean" – the English name of our company.

Printed in Japan