

## Message from the President

To live up to the trust of our customers with our reliable safety and quality, and contribute to society with our technology



In April of this year, Penta-Ocean Construction celebrated the 125th anniversary of its founding.

Founded in 1896 as Mizuno Gumi in Kure City, Hiroshima Prefecture, the company has continually expanded its business, from our initial business of marine civil engineering to land civil engineering and building construction. Beginning with the Suez Canal Dredging Project in 1961, our journey abroad has been marked by a number of memorable milestone projects, mostly based in Singapore, since our foray into Singapore in 1964.

At present, our three business units of domestic civil engineering, domestic building construction, and overseas have roughly the same output in terms of net sales. We have developed into a company where these three business units contribute to profits in a balanced manner, and we have posted a record profit for six consecutive terms since FY 3/15.

Under our ESG-oriented management philosophy of “affiliating with society,” “creating a nature-rich environment,” and “cherishing a pioneering spirit,” we aim to become a “genuine global general contractor” with distinctive strengths in port, coastal, and waterfront areas, as well as overseas. A “genuine global general contractor” is a company, free from barriers between civil engineering and building construction businesses as well as between domestic and overseas businesses, and is an “advanced company in Diversity and Inclusion” where diverse human resources, regardless of nationality or gender, can work together with vigour and enthusiasm as well as mutual respect.

We are promoting “Digital” and “Green” initiatives with the enterprising spirit that is part of our corporate DNA. By improving the efficiency of business operations using ICT and BIM/CIM, digitalization accelerates the improvement in productivity. In addition, digitalization is indispensable to the ways of working while coping with the COVID-19, including remote work, contactless activities, and remote business, and we now have a good opportunity to promote it. Not only do we embrace digital transformation to promote our Work Style Reform, but we will also use it to move forward with technological innovation and management reform.

On the green front, we are constantly taking on challenges to achieve carbon neutrality, for example, by constructing offshore wind power generation facilities and converting conventional buildings to Net Zero Energy Buildings (ZEB). In addition, we are lowering CO<sub>2</sub> emissions from our construction activities, and we plan to implement full-scale initiatives aimed at carbon neutrality.

Based on our group’s basic CSR policy: “Our greatest contribution to society is the construction of superior infrastructure,” we are implementing ESG-oriented CSR management. We deeply recognize the responsibility that each and every one of us has toward society through our work, and we strive to use our corporate activities to grow ourselves into a company that is attractive to its diverse stakeholders.

Through ensuring reliable safety and quality backed by advanced technologies, we will deliver the joy and excitement of creating, (building) , to both our customers and society.

We firmly believe that the path that we are about to walk will create our own destiny.

For Penta-Ocean Construction, an era of “new challenge” begins, beyond organizational barriers and borders.



**Takuzo Shimizu**  
President,  
Chief Executive Officer and Representative Director

## Implementing ESG-oriented CSR Management

### [E] Environment

▶ P.22–27

#### Green Initiatives

In the struggle against climate change, the reduction of greenhouse gases has become an urgent matter on a global scale.

As an environmental initiative, we established the Carbon Neutral Promotion Committee and the CN Promotion Office in July 2021 under the CSR Committee chaired by the president. We are strengthening our cross-departmental efforts to reduce greenhouse gases.

With our distinctive strengths in port, coastal, and waterfront areas, our group has launched initiatives to create carbon neutral ports as well as developing offshore wind power generation. In December 2020, the Ministry of Economy, Trade and Industry announced the “Green Growth Strategy for Carbon Neutrality in 2050.” This mentioned the fuel ammonia and hydrogen industries, both of which are located in coastal areas. We therefore expect that ports will become a base for ammonia and hydrogen importation, as well as a construction base for offshore wind power generation facilities.

To contribute to the realization of carbon neutrality, our group is actively engaged in constructing offshore wind power generation facilities and building Net Zero Energy Buildings (ZEB). In addition, we have started taking active measures in response to calls to reduce CO<sub>2</sub> emissions and achieve carbon neutrality in the construction business itself. With respect to marine civil engineering in particular, the CO<sub>2</sub> output tends to be higher than land civil engineering due to emissions from work vessels. Therefore, we will make full-scale efforts to achieve carbon neutrality in port construction while looking ahead to medium- to long-term technological trends. We are also working to create a nature-rich environment through recycling projects for the soil generated by construction and dredging, as well as conservation projects to protect algae beds, tidelands, and other elements of the marine environment. Our environmental management system is monitoring and evaluating our efforts to reduce our environmental impact.



#### Work on the Offshore Wind Power Generation Projects

As the pioneer in offshore wind power construction in Japan, Penta-Ocean Construction is prepared to contribute to achieving the ambitious government target of 10 GW to be powered by offshore wind by 2030 and 30 to 45 GW by 2040. In 2018, we built Japan's first Offshore Installation Vessel equipped with an 800-ton lifting crane, which is necessary for bottom-mounted offshore wind turbine installation. Currently, we are collaborating with Kajima Corporation and Yorigami Maritime Construction Co., Ltd. to build an Offshore Installation Vessel equipped with a 1,600-ton lifting crane to accommodate larger wind turbines. In addition, we plan to upgrade an Offshore Installation Vessel owned by DEME Offshore in Belgium and convert it into a Japanese-flagged vessel. It will be owned by a joint venture company established by DEME and Penta-Ocean. By combining DEME Offshore's wealth of experience and knowledge in Europe with our extensive experience and technology in maritime construction in Japan, we hope to overcome the harsh natural conditions of Japan, such as typhoons, powerful winds caused by meteorological bombs, earthquakes, and complex undersea conditions. We have also started research on the practical application of floating offshore wind power generation. We will continue to invest in the work vessels necessary for offshore wind power construction.

### [S] Society

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#### Promoting Work Style Reform and D&I

As a social initiative, we are committed to contributing to society through our core business to achieve the “empathy with society” that is part of our management philosophy. In addition, we are committed to making various efforts toward becoming an advanced company in Diversity & Inclusion (D&I), reforming workstyles, and improving productivity.

To secure personnel, the construction industry is reforming workstyles aimed at ensuring that all on-site engineers and skilled workers can get two days off every week. The industry is also improving productivity to enable such reform. Since FY 3/18, our company's Work Environment Improvement Committee has been reorganized into the Work Style Reform Promotion Committee, and at both the headquarters and branch offices, we have launched initiatives to improve our workstyles and secure work-life balance. With the revision of the Labor Standards Act, regulations concerning the upper limits to overtime work will be applied to the construction industry from April 2024, with penalties imposed for violations. Consequently, we are actively promoting efforts to reduce working hours and achieve two days off per week for workers. In addition, we are supporting subcontracting companies for workstyle reform and securing staff, for example, by fully paying construction fees in cash, promoting enrollment in social insurance schemes, and raising labor

budgets when holiday acquisition targets are met.

In the D&I promotion efforts, we are committed to securing and fostering diverse human resources both in Japan and overseas, regardless of gender or nationality. For example, to promote women's active participation, we have established an environment that makes it easy to continue working even when life events happen. Furthermore, we have established a global personnel system with a management-by-objective-based evaluation and compensation system for foreign nationals working on-site overseas. In addition, we have newly established a global career track position for foreign exchange students, and we recruit them regularly.



### Promotion of Occupational Health and Safety Activities

Regarding construction safety within Japan, we use our Construction Occupational Health and Safety Management System (Penta-COHSMS) that has been certified by the Japan Construction Occupational Safety and Health Association. Using this system, we work closely with our subcontracting companies to implement industrial accident prevention activities that give top priority to safety. Outside Japan, we have acquired and work under ISO45001, the international standard for occupational health and safety management systems, and we are also working to implement the Penta-Ocean standards we have developed in Japan.

Within Japan, each branch office organizes a labor safety council and promotes health and safety activities in concert with subcontracting companies. In June every year, we hold Safety and Health Environment Promotion Contest across the country in preparation for National Safety Week, which is held in the first week of July every year in Japan. Following the example in Japan, we are doing the same in overseas sites. In addition, our headquarters, branch offices, and subcontracting companies regularly cooperate to carry out safety inspections, and twice a year our president also takes part in such inspections. Furthermore, we are educating and training foremen at our subcontracting companies to raise knowledge, skills, and awareness related to occupational safety.



### Efforts to Prevent the Spread of the COVID-19

Our group believes that our social mission is to continue our work as one of the prime contractors, having taken thorough measures to prevent infection, such as avoiding the 3Cs (Closed spaces, Crowded places, and Close-contact settings), so that all engineers and technicians working on-site can work safely and securely. As with construction safety, we are giving top priority to implementing thorough measures to prevent the spread of infections at work sites. Although construction continued without interruption in Japan in FY 3/21, construction was disrupted overseas in Singapore and Africa. At present, all our construction projects are underway.

We believe that the policy of leading a normal life while coping with the COVID-19 provides us with an opportunity to accelerate productivity improvement by saving labor and moving towards contactless and remote activities, which have been pursued in the reform of workstyles thus far, and we are actively promoting such measures.

## [G] Corporate Governance

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### Promotion of Effective Governance

Regarding corporate governance, we conduct our business activities with a focus on our stakeholders, along with fair and transparent management. We recognize the improvement of corporate governance as an important management issue, and set down our basic concepts and operational guidelines in the "Penta-Ocean Construction's Corporate Governance Guidelines." In accordance with these guidelines, the Board of Directors makes continuous efforts to improve corporate governance. On an annual basis, the Board of Directors reviews the status of internal control systems and carries out a self-evaluation on the effectiveness of the Board itself. Furthermore, in addition to thoroughly implementing risk management, the Board holds practical compliance training sessions based on real-world examples in both Japan and overseas.

In our relationship with shareholders and investors, we make every effort to disclose information in a timely and appropriate manner so that they can better understand the attitude and direction of the company. Additionally, we proactively carry out PR and IR activities both in Japan and overseas.