

Medium-term Management Plan from FY 3/24 to FY 3/26

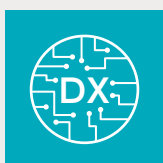
▶ The Goal to Aim for

"A Genuine Global General Contractor" who practices sustainability management
 - Contributing to continuous development of society by providing sustainable construction -



A Company that Provides High-quality Social Infrastructures and buildings

- Construction of high-quality social infrastructure and buildings (Sustainable construction)
- Sharpening competitive edge and implementing our comprehensive strengths backed by technology



An Advanced DX Company that Promotes On-site Profitability Improvement

- Promotion of DX
- Efficiency improvement in design, construction and management
- Digitization of on-site documents and information sharing
- Enhancement of remote on-site supporting system



An Advanced GX Company that Creates Rich Global Environment

- Tackling GX initiatives with a pioneering spirit
- CN promotion in construction activities
- Contributing to achieve carbon neutrality through core businesses
- Creation of a rich environment



An Advanced D&I Company that Empowers Diverse Human Resources

- Securing and developing diverse human resources
- Evolution of D&I – empowerment of female and non-Japanese employees
- Acceleration of work style reforms



Practicing Sustainability Management

- Promotion of Sustainability Management
- Respect for Humanity: Respect for human rights and ensure occupational health and safety
- Promotion of effective governance

▶ Aiming towards the Achievement of the Mid-Term Management Plan (FY 3/24 to FY 3/26)

We have formulated a three-year "Medium-Term Management Plan (FY 3/24 - FY 3/26)," with FY 3/24 being the first year of the plan. Under the previous Medium-Term Management Plan (FY 3/21 - FY 3/23), we fell short of our performance targets because of the significant construction losses we had suffered in overseas projects. However, thanks to the orders received for the largest-ever scale projects both in the domestic civil engineering and building construction arenas, our projects at hand at the beginning of FY 3/24 exceeded JPY 1 trillion. As several large-scale projects including the above gain full traction both at home and abroad under the newly formulated Medium-Term Management Plan (FY 3/24 - FY 3/26), we expect to renew the record-high sales and profits during the period of this plan.

Under the new Medium-Term Management Plan, we aim to become a "Genuine Global General Contractor" that practices sustainability management. To achieve this goal, we have identified eight materiality areas related to ESG: (1) responding to climate change issues, (2) creation of a rich environment, (3) construction of high-quality social infrastructure and buildings, (4) enhancing technology development and capabilities, (5) promotion of Diversity & Inclusion, (6) respecting human rights and building sustainable supply chain, (7) ensuring occupational health and safety, and (8) promotion of effective governance.

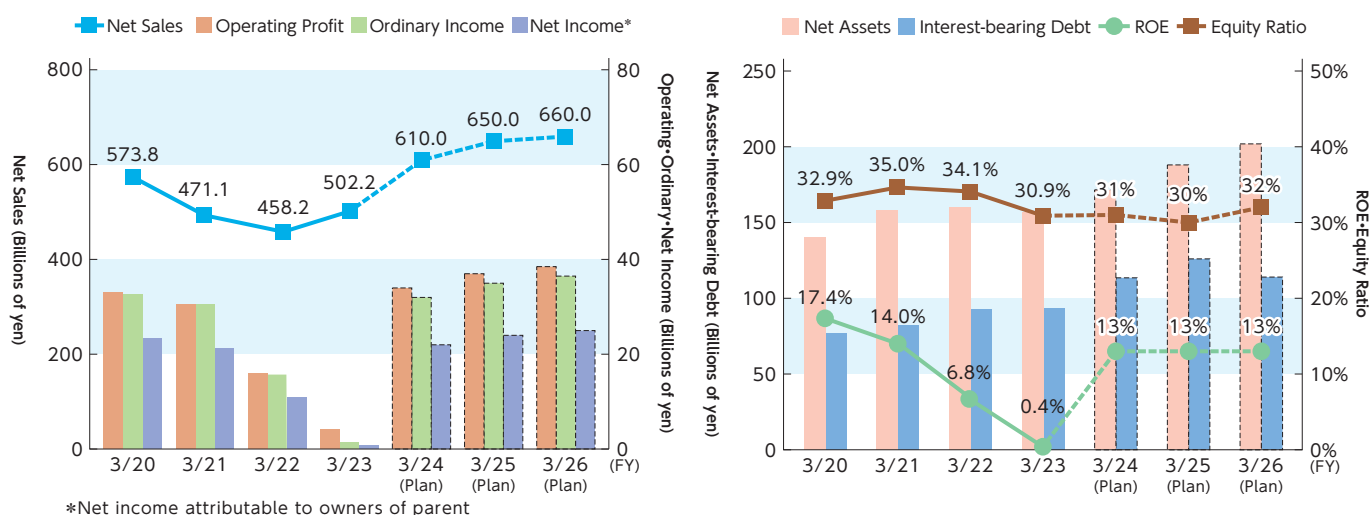
At Penta-Ocean Construction Group, not only do we strive to deliver reliable safety and quality backed by advanced technologies in our construction business activities, but we will also endeavor to tackle all sustainability issues from an ESG perspective, thereby leading to sustainable corporate growth and enhancement of corporate value.

Management Targets (Consolidated)

Management Targets (FY 3/26)

Net Sales	Ordinary Income	Net Income	ROE	Shareholder return
FY 3/23 Result ¥502.2 billion	FY 3/23 Result ¥1.4 billion	FY 3/23 Result ¥0.7 billion	FY 3/23 Result 0.4%	FY 3/23 Result Payout ratio: 1,002.0%
▼	▼	▼	▼	▼
¥660.0 billion	¥36.5 billion	¥25.0 billion	10% or higher	Total return ratio: 40%

Trends/Projection of KPI (Consolidated)



Investment and Financial Plan (Consolidated)

Investment Plan
○Capital Investment: Approx. JPY 30 bn/year
●Construction of large-scale work vessels for offshore wind construction
●DX and GX initiatives for work vessels
○R&D investment: approx. JPY 3 billion/year
●Strengthening technological development to promote DX and GX initiatives

Financial Plan
○Balance of debt with interest : JPY 114bn (FY 3/26)
○Funding due to increasing business volume
●Funding in response to capital investment toward expansion of offshore wind construction
●Funding in response to working capital needs due to increasing business volume
○Countermeasures against foreign exchange risk
●Strengthen efforts for balancing foreign currency-denominated receivables and payables
●Execution of cost-effective FX hedging (utilization of borrowings in foreign currencies)

Targets and Basic Strategies by Business Units (Consolidated)

Domestic Civil Engineering BU	Domestic Building Construction BU	International BU
Achieving sustainable business expansion with high engineering capabilities	Strengthening management base eyeing sustainable business expansion	Recovery of International Business Unit and steps towards its sustainable development
Final year targets (FY 3/26)	Final year targets (FY 3/26)	Final year targets (FY 3/26)
●Net Sales ¥265 bn	●Net Sales ¥215 bn	●Net Sales ¥170 bn
●Gross Profit Margin 16.6%	●Gross Profit Margin 6.0%	●Gross Profit Margin 2.9%
●Operating profit ¥30.7 bn	●Operating profit ¥4.8 bn	●Operating profit ¥2.2 bn

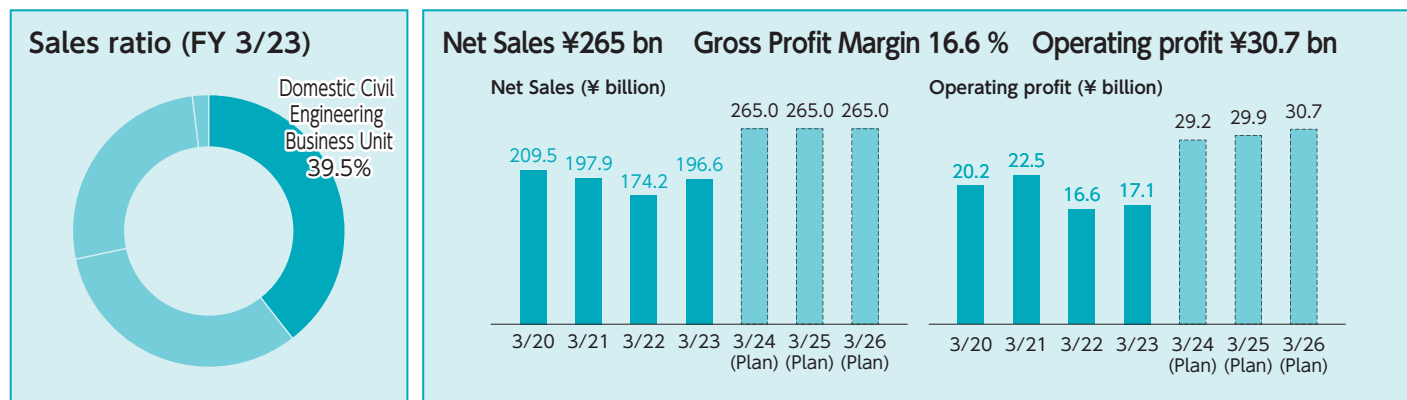
Domestic Civil Engineering Business Unit

▶ Goal to aim for

Achieving sustainable business expansion with high engineering capabilities

- National resilience, reinforcing defense forces, reorganization and restructuring of waterfront areas, offshore wind construction -

▶ Final year targets (Consolidated) (FY 3/26)



▶ Basic strategies

In the Domestic Civil Engineering Business Unit, in addition to steady public investment such as measures to strengthen national resilience, strengthen the international competitiveness of ports and airports, and strengthen defense capabilities, private investment from the perspective of economic security remains robust. Furthermore, demand for renewable energy is also strong, with offshore wind power generation expected to take off from FY 3/28 onward, once construction in the general offshore area begins. In FY 3/23, we had an excellent performance, winning projects such as one of Japan's largest-scale port construction projects and offshore wind power construction projects. Consequently, we saw a significant increase in contract backlog, confirming the expansion of business scale in the new Medium-Term Management Plan.

Under the new Medium-Term Management Plan commencing this fiscal year, we aim to achieve a considerable increase in revenues through the safe and steady construction of abundant projects at hand. In order to take on the challenge of sustainable business expansion from FY 3/27 onward, we will promote target-oriented technological development and enhancement of technological capabilities, including DX, GX, strengthening of national resilience, strengthening of defense capabilities, renewal and revitalization of coastal areas, and offshore wind power generation, while securing and nurture human resources to support these efforts.

1. Implementing comprehensive strength by front-loading approach

- Gathering technological expertise and human resources across and beyond organizational boundaries -

- Strengthening efforts to win large-scale marine civil projects by leveraging our comprehensive strength

-Target-oriented technology development, enhancement of engineering capabilities (use of DX and AI, productivity improvement by using PCa technology)
-Reorganization and restructuring of waterfront areas (CN ports, CN industrial complex)

(Renewal of port facilities, conversion to CN related facilities)

- Strengthening and expanding land civil projects through strategic efforts

-Focusing on mountain tunnels, shield tunnels, elevated roads and bridge renewals

- Enhancing initiatives as a front runner in offshore wind field

-Gathering technical expertise and seeking partners across and beyond national boundaries, establishment of collaboration structure

-Expanding our fleet of work vessels and developing vessel operation systems, above includes both bottom-fixed type and floating type farms

- Promoting initiatives in the marine environment field (collaboration with subsidiaries administering environmental business)

-Resource recycling: recycling of construction generated soil and dredged soil, etc.

(Utilization of Calcia, a reforming material and Watoru, a mud-reforming material)

-CO₂ absorption using blue carbon and Calcia-modified soil, etc.

2. Promotion of DX and productivity improvement

- Efficiency improvement and sophistication of construction management system through the use of BIM/CIM and AI

-Visualization of construction progress using LiDAR (light detection and ranging), etc.

-Automatic and autonomous machine operation using digital twins

- Digitization of on-site documents, use of digital apps, expansion of iPad use among foremen

- Promotion of PCa technology: promoting widespread use of PCa technology for pier superstructures, etc.

3. Promotion of GX

- CN initiatives in construction business activities (especially use of low-carbon fuel for work vessels, electrification of cranes, use of ICT and AI)
- Use of low-carbon materials: low-carbon/carbon-negative concrete
- Absorption of CO₂ using blue carbon, etc. in coastal areas

4. Human Resource Development

- Securing and nurturing human resources in response to business volume expansion
- Nurturing human resources capable of handling large-scale project planning and site management
- Early development of young employees' work skills and changing the mentality of mid-career and senior employees towards reskilling
- Compliance with overtime hour cap regulations: Ensuring organizational initiatives not dependent on individual efforts

▶ Major Projects in FY 3/23

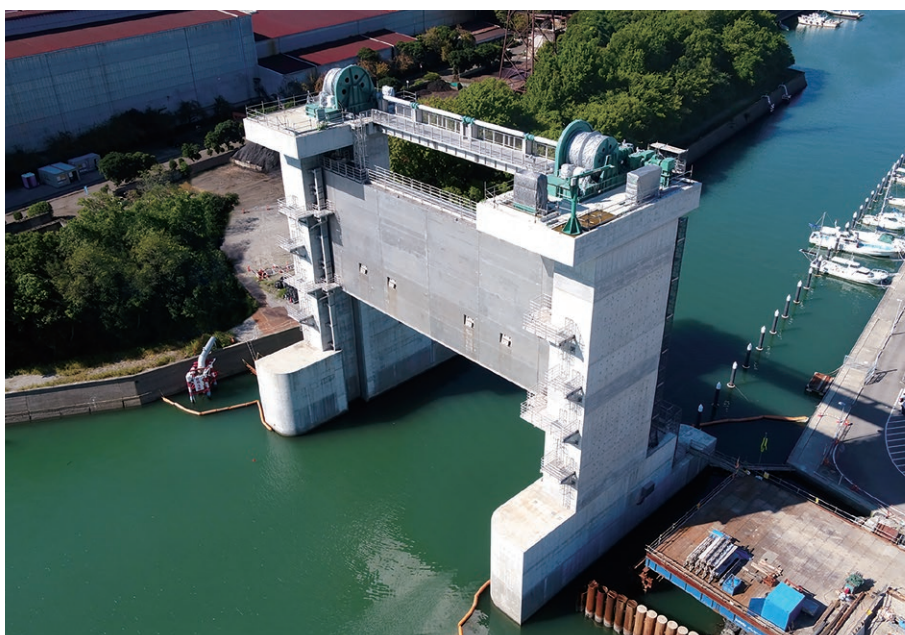
Oya Fishing Port Seawall Construction (Miyagi Prefecture)

A new seawall was constructed with a height of T.P.+10.04m to protect Oya Fishing Port and the adjacent areas in Kesennuma City against tsunami. Furthermore, the city road from National Route 45 to Oya Fishing Port was raised to accommodate the development of the Bus Rapid Transit (BRT) system.



Wakayama Shimotsu Port Coast Hikata Sluice Gate Construction (Wakayama Prefecture)

To mitigate the disastrous damages from massive tsunamis anticipated in the event of a Nankai Trough earthquake, countermeasures that combine seismic reinforcement, raising the elevation of seawalls and the installation of sluice gates and tsunami breakwaters, are being taken in the Kainan area. The Hikata Sluice Gate, built as part of these countermeasures, is one of the largest roller gate-type sluice structures in Japan.



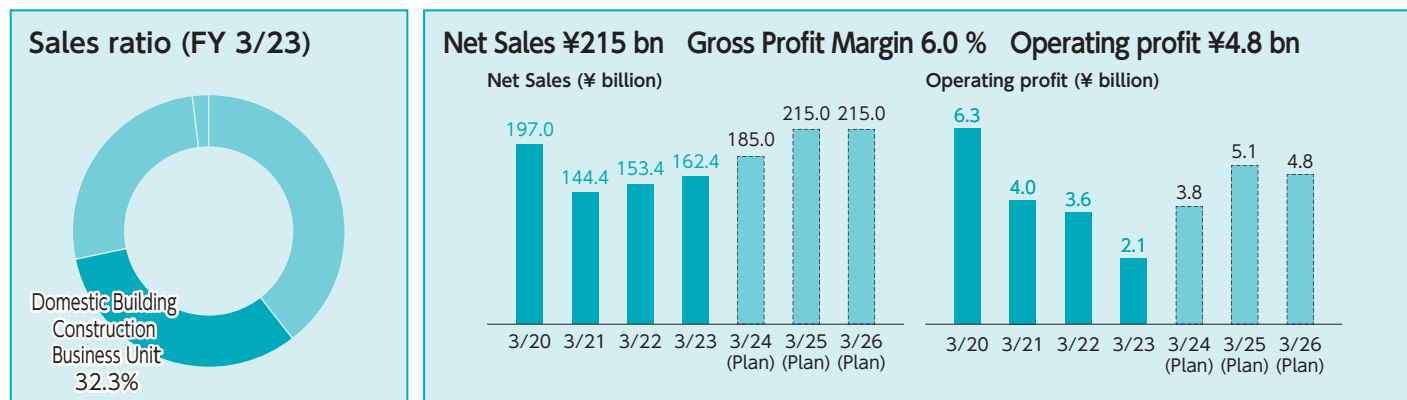
Domestic Building Construction Business Unit

▶ Goal to aim for

Strengthening management base eyeing sustainable business expansion

- Enhancement of proposal and construction capabilities backed by technological expertise -

▶ Final year targets (Consolidated) (FY 3/26)



▶ Basic strategies

The business environment surrounding the arena of building construction continues to pose challenges in terms of profits, as we are witnessing an additional upward pressure on already high construction costs, due to the prolonged spread of COVID-19, the depreciation of Japanese yen, and soaring material prices caused by the invasion of Ukraine by Russia. Despite these circumstances, the Domestic Building Construction Business Unit enjoys the favorable order intake, helped by the strong logistics demand and robust private capital investment eyeing the post-COVID era. The contract backlog increased significantly as we had received multiple orders for large-scale logistics and environment-related construction projects, including one of Japan's largest-scale redevelopment projects.

In the new Medium-Term Management Plan commencing this fiscal year, the business volume is expected to increase significantly thanks to a substantial number of on-hand projects. In addition to the existing areas of focus (logistics facilities, medical and welfare facilities, residential buildings and environmental facilities), we are aiming for sustainable business expansion by enhancing our efforts in growing and promising areas (data centers, commercial facilities, national-defense related facilities). Furthermore, in an attempt to strengthen our management base, we will leverage our capabilities to propose better solutions to clients and to ensure successful project execution through front-loading approaches, backed by our technical prowess.

1. Implementing comprehensive strength by front-loading approach**- Gathering technological expertise and human resources through inter-departmental collaboration and alliance -**

- Further enhancement and growth in focused areas and expansion in promising areas
- Focused areas (logistics facilities, medical and welfare facilities, residential buildings and environmental facilities)
- Growing/promising areas (data centers, commercial facilities, national-defense related facilities)
- Front-loading approaches to promote comprehensive strength (marketing, design, engineering and construction)
- Strengthening proposal capability and cost competitiveness backed by technology
- Proposals incorporating DX (productivity improvement) and GX (ZEB, etc.) initiatives
- Taking on technologically complex foundation work, large-scale development projects; Collaboration with civil engineering BU
- Medical, production facilities: Collaboration with specialized design firms
- Data centers etc.: Collaboration with specialized M&E companies
- Strengthening procurement capacities: Close information sharing with subcontractors and suppliers
- Enhancing construction capability: Early involvement of project managers
- Strengthening initiatives for large-scale statutory redevelopment projects and redevelopment projects led by private sectors, as well as contributing to early commercial-scale use
- Efforts to be involved in PFI/PPP projects (collaboration with the civil engineering BU, projects in waterfront areas)

2. Promotion of DX and productivity improvement

- Promoting application of Digital Twin technology using BIM
- Creating more appealing proposals, sharing construction progress management information
- Standardization of on-site ICT tools, use of digital apps, and expansion of iPads use among foremen of subcontractors
- Active on-site introduction of labor-saving, manpower-saving, and unitization technologies

3. Promotion of GX

- Promotion ZEB and ZEH-M in design-and-build projects
- Introducing energy-saving and energy-creating technologies, establishing methods for estimating energy saving effects
- Active application of environment-friendly (low-carbon) concrete "CELBIC". Technology development of carbon-negative concrete, Use of wooden structures and materials
- Use of green hydrogen as energy (monitoring at new Muroran factory)

4. Human Resource Development

- Securing and nurturing human resources in response to business volume expansion (new graduates, mid-career employees)
- Providing young employees with practical training through the Task Support Center (for the duration of 8 years after joining the company)
- Compliance with overtime hour cap regulations: Ensuring organizational initiatives not dependent on individual efforts
- Establishment of an on-site support system for documentation, etc., utilizing outsourcing

▶ Major Projects in FY 3/23

Hilton Hiroshima (Hiroshima Prefecture)

Hilton Hiroshima, the Hilton Group's first hotel in the Chugoku and Shikoku regions, opened in October 2022. This 420-room full-service hotel features large ballrooms that can accommodate MICE events, including international conferences. As a new landmark of Hiroshima, which boasts rich tourist resources, the hotel is expected to contribute to the further development of the regional economy.



GLP Okinawa Urasoe Anshin General Distribution Center (Okinawa Prefecture)

This facility is the first multi-tenant warehouse in Okinawa Prefecture to be developed by GLP Japan Inc. As one of the largest such facilities in the prefecture, it was jointly developed with Anshin Co., Ltd. Because of its sea front location, various countermeasures against salt damage, strong winds, and overtopping waves were taken in collaboration with the Civil Engineering Business Unit. A pair of Shisa, or guardian lion statues, made by Mitsuo Arakaki's workshop is situated at the entrance.

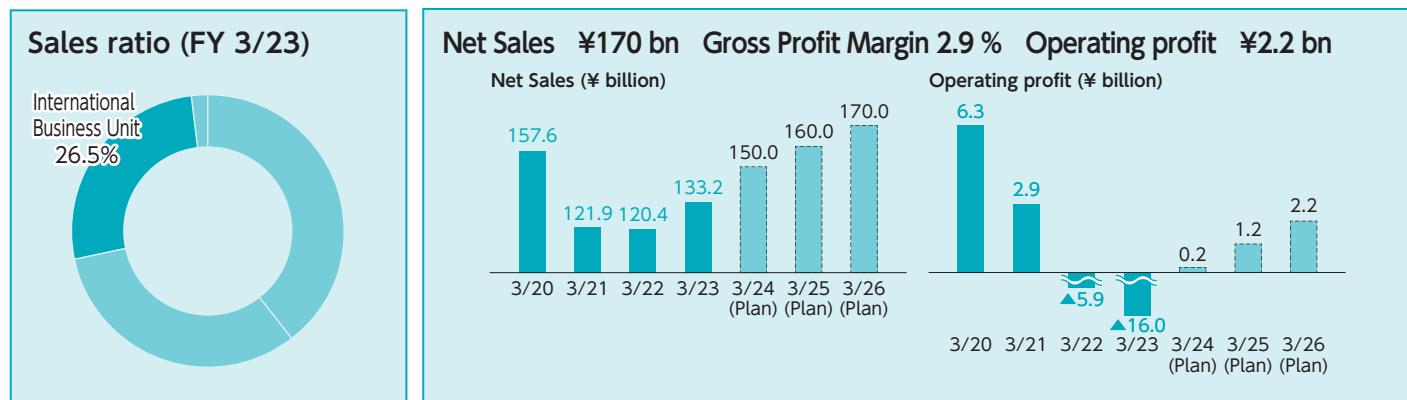


▶ Goal to aim for

Recovery of the International Business Unit and steps towards its sustainable development

- Target-oriented and profit-focused initiatives -

▶ Final year targets (Consolidated) (FY 3/26)



▶ Basic strategies

The International Business Unit suffered construction losses of approximately JPY 25 billion in the two years FY 3/22 and FY 3/23 combined, mainly in a reclamation project in Singapore, large-scale civil engineering works and building construction projects in Hong Kong, and ODA-financed port projects in Africa due to the project lockdown during the COVID pandemic and the effects of soaring material prices and labor costs. On the other hand, supported by robust construction investment, the contract backlog increased, thanks to numbers of projects in Singapore including a railroad facility at the border with Malaysia, a subway system, and a large hospital, as well as an ODA-financed large port development project in Indonesia.

Under the new Medium-Term Management Plan commencing this fiscal year, the business volume is expected to increase thanks to the abundant projects at hand. Although the profit margin level is expected to recover at a slower pace because the high percentage of loss-making projects up to the last fiscal year places a burden in net sales, we will strive to restructure and sustainably develop the International Business Unit, one of our three business pillars through effective target identification and profitable project selection.

1. Implementing comprehensive strength by front-loading approach

- Gathering technological expertise and human resources through inter-departmental collaboration and alliance -

- Use of profit-oriented marketing strategies backed by technology
- Implementation of target-oriented (size and usage) initiatives in each business area
- Early identification of technical issues and risks, as well as appropriate measure of construction cost
- Studying countermeasures against foreseen risks prior to project start, within and beyond the department in charge
- Promotion of strategic marketing initiatives for operation of proprietary work vessels
- More organizational construction management led by the HQ in Singapore
- Risk elimination and timely responses by front-loading approach, raising the level of contracting and site management (by inter-departmental sharing of failure cases)
- Enhancing competitiveness in Singapore
- Collaborating with KBE (civil engineering, equity method affiliate), UG M&E (M&E, subsidiary) to enhance marketing abilities, cost competitiveness and construction capability
- Inter-departmental collaboration to work on large-scale ODA projects and projects affiliated with Japanese companies
- Implementation of POC Standards (for safety and quality) across business units

2. Promotion of DX and productivity improvement

- Improvement of labor-saving initiatives and safety & quality management through use of ICT
 - Promoting application of Digital Twin technology using BIM Information sharing and construction progress management through promotion of IDD*1
 - Productivity improvement through DfMA*2, MiC*3 (PPVC*4), PCa, etc.
- *1 IDD : Integrated Digital Delivery
*2 DfMA : Design for Manufacturing and Assembly
*3 MiC : Modular Integrated Construction
*4 PPVC : Prefabricated Prefinished Volumetric Construction

3. Promotion of GX

- CN Promotion in construction activities
- Low-carbonization of work vessels by improving fuel efficiency and use of low-carbon materials
- Use of renewable energy in construction offices (installation of solar power generation systems)
- Strengthening initiatives for energy-efficient building projects

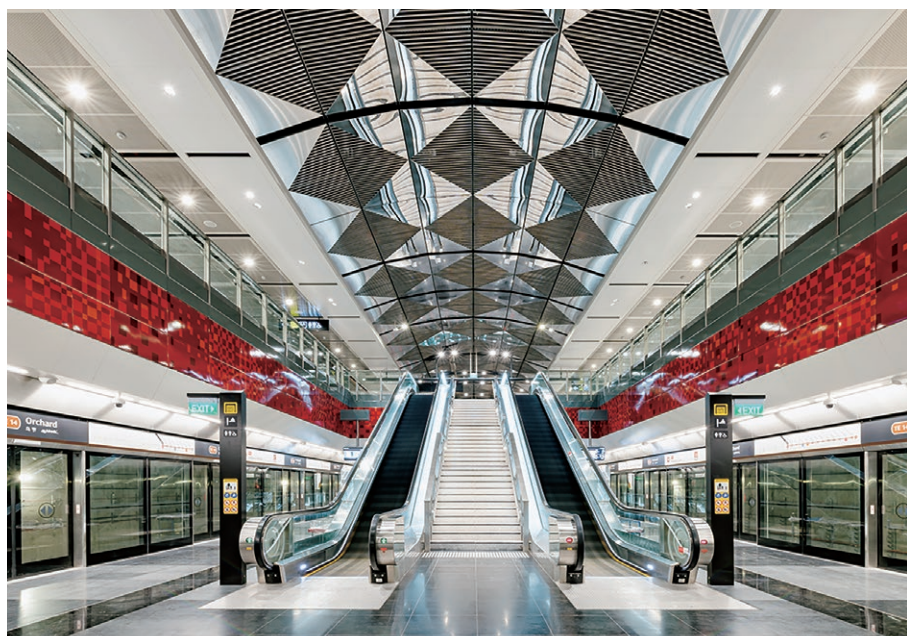
4. Human resource development

- Active promotion of non-Japanese employees to senior management positions
- Strategic allocation of third-country national employees working globally
- Empowerment of global career-track employees (Japanese and ASEAN students)
- Organizing training on DX, GX, and reskilling
- Promotion of work style reform on construction sites

► Major Projects in FY 3/23

Thomson Line T219 (Singapore)

This project involved the construction of Orchard Station on the Thomson-East Coast Line, Singapore's sixth subway line, including adjacent tunnels, cripple sidings, and underground access passages. In constructing underground access passages linking to the skyscraper ION Orchard, which Penta-Ocean Construction constructed, and the existing MRT station from the new station, pipe roofing and underpinning methods were adopted by fully utilizing BIM/CIM.



Haven of Hope Hospital Expansion Project (Hong Kong)

The Haven of Hope Hospital, located in Tseung Kwan O in the east of Kowloon District, has been expanded to accommodate an additional 160 beds, a rehabilitation facility, and a nursing care support center. While the existing hospital was still in use, the construction was done with great concern for vibration, noise, and safety. It is envisaged that the expanded hospital will help enrich and develop the medical and healthcare services in Hong Kong.

