

New Medium-term Management Plan from FY3/18 to FY3/20

May 2017



Contents

- Review of the previous Medium Term Management Plan (FY3/15-FY3/17) 1
- Construction Market Outlook 2
- Prospects toward 2021, the 125th anniversary 3
- Strategies of the Medium-term Management Plan (FY3/18-FY3/20) 4
- Management Targets 5
- Business Plans (FY3/18-FY3/20) 6
- Financial and Capital Policies 7
- Domestic Civil Engineering 8
- Domestic Building Construction 9
- Overseas 10



Mr.PENTA

【Disclaimer】

This documents contains forward-looking statements. These statements are not guaranteed of future performance and involve risks and uncertainties and actual results may materially differ from those contains in the forward-looking statements as a result of various factors.

Review of the previous Medium Term Management Plan (FY3/15-FY3/17)

Record-high earnings for the third consecutive term

Environment

Robust construction investment both in the public and private

- More profitable deals at the time of order receipt due to better market environment
 - Improved profitability at the time of construction due to labor-saving initiatives and new technology implementation
- Stable labor and material cost (rise → flat /slight decline)

Results - Reflecting volume increase and better profitability in domestic projects

- Record-high orders received (consolidated, overseas)
 - Non-consolidated JPY716.5 bn (Overseas JPY355.9 bn)(FY3/15)
- Domestic Civil: Increase both in sales and earnings for three consecutive terms due to improvement in profitability
- Domestic Building: Operating income exceeding JPY10 bn for two consecutive terms
- Overseas: Net sales 1.8 times larger, posted profit for 10 consecutive terms, despite a small decline in earnings for FY3/17
- Affiliates: Domestic and overseas contracting affiliates made profit contribution despite impairment losses posted by a shipbuilding affiliate in FY3/16

Further improvement of financial structure

Achievement of financial targets -Enhancement of equity ratio

- Equity ratio : 25.9% (target: 25% or higher)
- Interest bearing debt : JPY59.7 bn (target: under JPY67.0 bn)
- D/E ratio (NET) : -0.1 (target: under 0.5)
- ROE : 17.3% (target: 8% or higher)

Dividend increase for three consecutive terms

Stable payout to shareholders

- Dividend : 12.0 yen (Six fold increase compared to FY3/14)
- Payout ratio : 22.5% (target: 20 to 25%)

(JPY bn)

| Financial Targets | FY3/14 | FY3/17 (Originally planned) | FY3/17 | Changes from FY3/14 | | Changes from FY3/17 (Originally planned) | |
|---|--------|--------------------------------|--------|---------------------|--------|---|--------|
| | | | | | | | |
| Non-Consolidated | | | | | | | |
| Orders Received | 446.7 | 365.0 | 463.8 | 17.2 | 3.8% | 98.8 | 27.1% |
| Net Sales | 355.9 | 374.0 | 471.5 | 115.5 | 32.5% | 97.5 | 26.1% |
| Total Gross Profit | 22.2 | 25.5 | 36.9 | 14.7 | 66.2% | 11.4 | 44.7% |
| SG & A | 13.3 | 14.5 | 15.3 | 1.9 | 14.5% | 0.8 | 5.2% |
| Operating Profit | 8.9 | 11.0 | 21.7 | 12.8 | 143.7% | 10.7 | 96.9% |
| Ordinary profit | 8.2 | 10.0 | 21.1 | 13.0 | 159.0% | 11.1 | 111.2% |
| Profit attributable to Owners of Parent | 3.3 | 4.5 | 13.4 | 10.1 | 309.7% | 8.9 | 198.3% |
| Net Sales | 381.2 | 405.0 | 500.3 | 119.2 | 31.3% | 95.3 | 23.5% |
| Total Gross Profit | 24.7 | 28.0 | 40.9 | 16.2 | 65.7% | 12.9 | 46.0% |
| SG & A | 14.8 | 16.0 | 16.6 | 1.8 | 12.4% | 0.6 | 3.7% |
| Operating Profit | 9.9 | 12.0 | 24.3 | 14.4 | 145.3% | 12.3 | 102.3% |
| Ordinary profit | 9.2 | 11.0 | 23.7 | 14.5 | 158.8% | 12.7 | 115.5% |
| Profit attributable to Owners of Parent | 3.8 | 5.0 | 15.3 | 11.5 | 305.9% | 10.3 | 205.4% |
| Earning per share (Yen) | 13.2 | 17.5 | 53.4 | 40.3 | 305.9% | 35.9 | 205.4% |

Consolidated targets of financial status

| | | | | | | | |
|-------------------------|-------|------------------|-------|-------|--|-------|--|
| Total Assets | 301.6 | | 372.3 | 70.7 | | | |
| Net Assets | 67.5 | | 96.4 | 29.0 | | | |
| Net Assets/Total Assets | 22.3% | 25% or higher | 25.9% | 3.6p | | 0.9p | |
| Interest-bearing Debt | 74.9 | 670 or less | 59.7 | -15.2 | | -7.3 | |
| Cash and deposits | 32.6 | | 72.5 | 39.9 | | | |
| Net debt | 42.3 | | -12.7 | -55.1 | | | |
| Net D/E ratio (point) | 0.6 | 0.5 or less | -0.1 | -0.8p | | -0.6p | |
| ROE | 5.7% | | 17.3% | 11.6p | | | |

● Business environment

~ Midway through the path to overcome deflation, the economy is on track to recovery

(POS.) Promotion of Abenomics under government initiatives, supported by robust capital expenditure and improved corporate earnings

(NEG.) Concerns of shrinking work force (domestic) and political/economic uncertainties (overseas)

● Construction market -- favorable both in Japan and overseas

● Domestic ~ High business volume supported by robust construction investments both in public and private sectors

- **Steady public investments and demonstration of “Stock Effects”** : Strengthening international competitiveness, national resilience plan, large-scale renewal of aging infrastructure, linear motor cars, newly developed Shinkansen (bullet train) lines ⇒ leading to private sector investment (ports, harbours, airports, logistics facilities, redevelopments, etc.)
- **Robust inbound demand** : Cruising terminals, accommodations, commercial facilities
- **Full-scale construction of Tokyo 2020 Olympic and Paralympics Games facilities**
- **Expansion of energy related investments** (re-start of nuclear plants, construction and replacement of thermal power plants, offshore wind farms etc.)

● Overseas ~ Strong infrastructure demand, market expansion

- **Robust construction investments in our overseas hubs (Singapore, Hong Kong)**
Infrastructure development such as container terminals, airports, subways, as well as large-scale construction of hospitals and commercial facilities
- **Market expansion in Southeast Asia and Africa** : Exports of high-quality infrastructures such as ports, harbours, power plants, logistics facilities and factories promoted by the Japanese government

● Post 2020 ~ Steady demand forecasted after the Tokyo 2020 Games

- **Construction market** : Steady demand forecasted both in Japan and overseas
+ New demand for offshore wind farm construction
- **Expansion of peripheral business** : Environmental projects (recycling of construction generated soil and dredged soil, renewable energy, etc.)
Real estate, redevelopment, participation as an enterpriser in concession with PPP (Public Private Partnership) / PFI (Private Finance Initiatives), agriculture and power plant projects
- **Working environment** : Shrinking work force (skilled technicians and professionals) ⇒ work style reform, fostering next-generation employees and productivity improvement are critical issues

■ Prospects toward 2021, the 125th anniversary



■ Corporate mission:

Greatest contribution to society is the construction of superior infrastructure

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

■ Goal to aim for

Global No.1 contractor in port, coastal and waterfront areas

(a corporate group that constantly achieves net sales exceeding JPY500 bn)

■ Basic policies

As a unique general contractor with distinctive features in port, coastal and waterfront areas as well as overseas, we pursue mastering the contracting business*

- ① A human- and technology-oriented company with a high standard of corporate and engineering ethics
- ② A company that aggressively challenges any business worth doing
- ③ A company that enjoys a good balance of profit contribution of all three units: Domestic Civil Eng., Domestic Building Const. and Overseas
- ④ A company that reinforces core business while exploring new and peripheral fields

*"Mastering the contracting business" : As a professional contractor, placing ourselves in our customers' or end-users' positions in order to provide integrated services from planning and designing stages through construction and after-maintenance

● Basic policy : To achieve steady business expansion as a unique general contractor with distinctive features in port, coastal and waterfront areas and overseas

1. Enhancement of marketing, site capabilities and technology

~ “Mastering the contracting business”

- Reinforcing site capabilities and cost competitiveness as well as marketing endorsed by technology
- Development of proprietary core technologies, human resources
+ Enhancing collaboration with outside technologies/human resources
- Global development of Penta-Ocean Standards of Safety and Quality
- Future-oriented business development : Offshore wind farms, recycling of construction generated soil and dredged soil, etc.

2. Productivity improvement by rationalization of construction production systems

~ Measures against the nation’s shrinking and aging work force

- Development and active introduction to construction sites ⇒ leading to better safety control
- Labor-saving, automation and robotization, observational construction using ICT/ AI, BIM/CIM
- Organization-wide collaboration across units (Domestic vs. Overseas, Civil Engineering vs. Building Construction)

3. Securing and nurturing future work force, work style reform promotion

~ Realized by productivity enhancement

- Introduction of two days off per week (eight days off per four weeks), initiatives to avoid overwork
- Securing and nurturing diverse human resources : Improvement of working environment and conditions, encouraging female employees
- Promotion of globalization : Introduction of the global human resources evaluation system, discovering and nurturing core human resources
- Securing and nurturing skilled technicians : Reinforcing relationship with subcontractors, work style reform at construction sites

4. Initiatives for CSR based management

~ Stakeholder-oriented management (society, customers, shareholders and employees)

- Continuous efforts to improve corporate governance and risk management
- Ensuring full compliance including corporate and engineering ethics, building a corporate culture of openness and trust

Management Targets

Management targets

Consolidated (FY3/20)

Net sales JPY580 bn
 Net income JPY 17 bn
 Equity ratio 30 % or higher
 Dividends payout ratio 20 to 25%

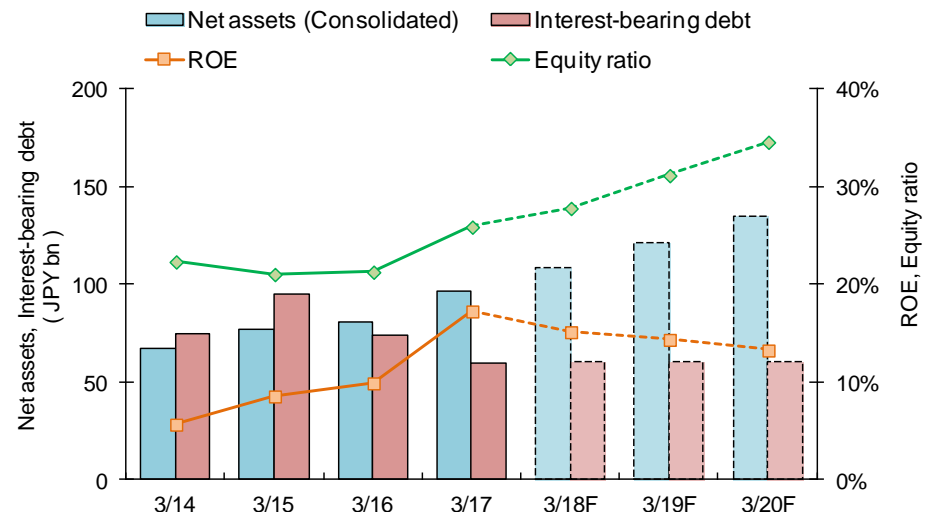
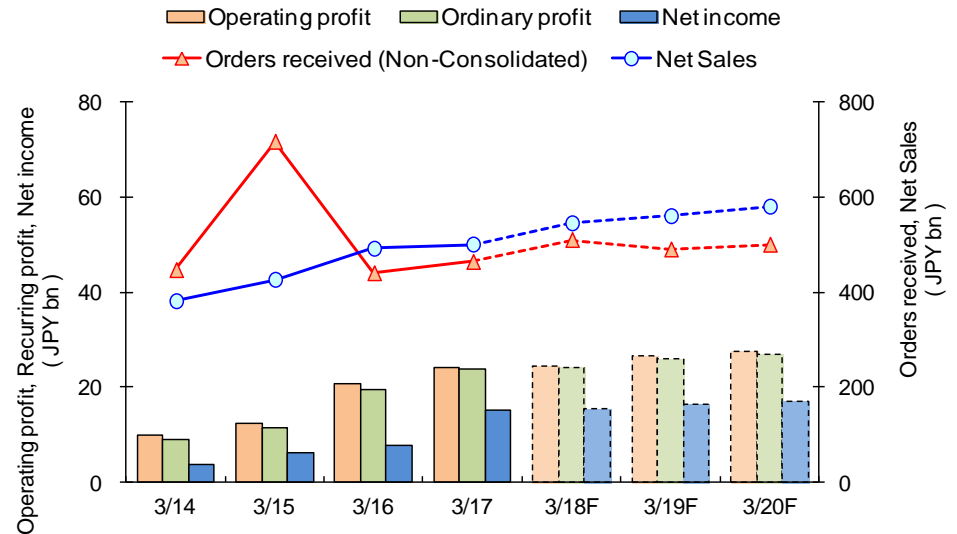
(JPY bn)

| | Mid-term Management Plan (FY3/15 - FY3/17) FY3/17 | | Mid-term Management Plan (FY3/18 - FY3/20) Targets for FY3/20 | |
|--------------------------|---|--------------|---|--------------|
| | Non-Consolidated | Consolidated | Non-Consolidated | Consolidated |
| Financial Targets | | | | |
| Orders Received | 463.8 | | 500.0 | |
| Net Sales | 471.5 | 500.3 | 551.0 | 580.0 |
| Operating Profit | 21.7 | 24.3 | 25.0 | 27.5 |
| Ordinary profit | 21.1 | 23.7 | 24.5 | 27.0 |
| Net income | 13.4 | 15.3 | 15.0 | 17.0 |
| Earning per share (Yen) | 47.0 | 53.4 | 52.5 | 59.5 |

Consolidated targets of financial status

| | | |
|-------------------------|--------|---------------|
| Net Assets/Total Assets | 25.9 % | 30% or higher |
| Interest-bearing Debt | 59.7 | 60.0 or less |
| Net D/E ratio (point) | -0.1 | about 0.2 |
| ROE | 17.3 % | 8% or higher |

Transition of key figures (consolidated)



Business Plans (FY3/18-FY3/20)



(JPY bn)

| | Non-Consolidated | | | | | | | | | | | |
|------------------------------------|--|--------|--------|--------|--------|--|-------|---------|-------|---------|-------|-------|
| | Mid-term Management Plan (FY3/15 - FY3/17) | | | | | Mid-term Management Plan (FY3/18 - FY3/20) | | | | | | |
| | FY3/15 | | FY3/16 | | FY3/17 | FY3/18F | | FY3/19F | | FY3/20F | | |
| Domestic civil engineering | 189.1 | | 153.2 | | 187.4 | | 160.0 | | 170.0 | | 170.0 | |
| Domestic building construction | 171.4 | | 145.1 | | 176.2 | | 200.0 | | 170.0 | | 180.0 | |
| Overseas | 355.9 | | 141.8 | | 100.2 | | 150.0 | | 150.0 | | 150.0 | |
| Construction total orders received | 716.5 | | 440.1 | | 463.8 | | 510.0 | | 490.0 | | 500.0 | |
| Domestic civil engineering | 135.8 | | 137.6 | | 143.0 | | 175.0 | | 180.0 | | 190.0 | |
| Domestic building construction | 126.3 | | 159.3 | | 145.9 | | 150.0 | | 190.0 | | 200.0 | |
| Overseas | 129.6 | | 156.0 | | 178.4 | | 190.0 | | 160.0 | | 160.0 | |
| Construction total | 391.6 | | 452.9 | | 467.4 | | 515.0 | | 530.0 | | 550.0 | |
| Real estates and others | 2.1 | | 5.0 | | 4.1 | | 1.0 | | 1.0 | | 1.0 | |
| Net sales | 393.7 | | 457.9 | | 471.5 | | 516.0 | | 531.0 | | 551.0 | |
| Domestic civil engineering | 11.5 | 8.5% | 15.0 | 10.9% | 17.0 | 11.9% | 19.0 | 10.9% | 20.0 | 11.1% | 21.0 | 11.1% |
| Domestic building construction | 7.0 | 5.5% | 15.2 | 9.5% | 16.3 | 11.1% | 13.9 | 9.3% | 16.3 | 8.6% | 17.0 | 8.5% |
| Overseas | 5.2 | 4.0% | 2.4 | 1.5% | 2.9 | 1.6% | 5.5 | 2.9% | 4.8 | 3.0% | 4.9 | 3.1% |
| Gross profit on construction | 23.7 | 6.0% | 32.6 | 7.2% | 36.2 | 7.7% | 38.4 | 7.5% | 41.1 | 7.8% | 42.9 | 7.8% |
| Real estates and others | -0.2 | -7.5% | -0.4 | -9.0% | 0.7 | 16.9% | 0.1 | 10.0% | 0.1 | 10.0% | 0.1 | 10.0% |
| Total gross profit | 23.5 | 6.0% | 32.1 | 7.0% | 36.9 | 7.8% | 38.5 | 7.5% | 41.2 | 7.8% | 43.0 | 7.8% |
| SG & A | 13.8 | 3.5% | 14.0 | 3.1% | 15.3 | 3.2% | 16.5 | 3.2% | 17.2 | 3.2% | 18.0 | 3.3% |
| Domestic civil engineering | 4.1 | 3.0% | 7.6 | 5.5% | 8.8 | 6.1% | 10.1 | 5.8% | 10.6 | 5.9% | 11.2 | 5.9% |
| Domestic building construction | 1.8 | 1.5% | 10.1 | 6.4% | 10.9 | 7.4% | 8.1 | 5.4% | 10.3 | 5.4% | 10.7 | 5.4% |
| Overseas | 4.0 | 3.1% | 1.0 | 0.6% | 1.5 | 0.8% | 3.8 | 2.0% | 3.1 | 1.9% | 3.1 | 1.9% |
| Real estates and others | -0.3 | -13.5% | -0.6 | -12.7% | 0.5 | 12.9% | 0.0 | 0.0% | 0.0 | 0.0% | 0.0 | 0.0% |
| Operating profit | 9.7 | 2.5% | 18.1 | 4.0% | 21.7 | 4.6% | 22.0 | 4.3% | 24.0 | 4.5% | 25.0 | 4.5% |
| Non-Operating Profit or Loss | -0.6 | | -0.3 | | -0.5 | | -0.5 | | -0.5 | | -0.5 | |
| Ordinary profit | 9.0 | 2.3% | 17.8 | 3.9% | 21.1 | 4.5% | 21.5 | 4.2% | 23.5 | 4.4% | 24.5 | 4.4% |
| Extraordinary Profit or Loss | -1.4 | | -5.2 | | -0.7 | | -1.0 | | -1.0 | | -1.0 | |
| Income before taxes | 7.6 | 1.9% | 12.6 | 2.8% | 20.4 | 4.3% | 20.5 | 4.0% | 22.5 | 4.2% | 23.5 | 4.3% |
| Net income | 4.5 | 1.1% | 6.9 | 1.5% | 13.4 | 2.8% | 13.5 | 2.6% | 14.5 | 2.7% | 15.0 | 2.7% |
| Earning per share (yen) | 15.8 | | 24.0 | | 47.0 | | 47.2 | | 50.7 | | 52.5 | |
| Total assets | 345.6 | | 356.3 | | 355.3 | | 370.0 | | | | | |
| Net assets | 69.8 | 20.2% | 74.5 | 20.9% | 87.2 | 24.5% | 97.2 | 26.3% | | | | |
| Interest-bearing debt | 92.9 | 26.9% | 72.5 | 20.3% | 58.0 | 16.3% | 58.0 | 15.7% | | | | |
| Cash and deposits | 28.2 | | 52.5 | | 64.4 | | 46.0 | | | | | |
| Net Interest-bearing debt | 64.7 | 18.7% | 20.0 | 5.6% | -6.4 | -1.8% | 12.0 | 3.2% | | | | |
| Net D/E ratio(Point) | 0.9 | | 0.3 | | -0.1 | | 0.1 | | | | | |
| Return on equity (ROE) | 6.7% | | 9.5% | | 16.6% | | 14.6% | | | | | |

| | Consolidated | | | | | | | | | | | |
|--|--|-------|--------|-------|--------|--|-------|---------|-------|---------|-------|---------------|
| | Mid-term Management Plan (FY3/15 - FY3/17) | | | | | Mid-term Management Plan (FY3/18 - FY3/20) | | | | | | |
| | FY3/15 | | FY3/16 | | FY3/17 | FY3/18F | | FY3/19F | | FY3/20F | | |
| | | | | | | | | | | | | |
| | 145.8 | | 149.4 | | 154.5 | | 185.0 | | 190.0 | | 200.0 | |
| | 130.7 | | 165.3 | | 149.8 | | 155.0 | | 195.0 | | 205.0 | |
| | 138.5 | | 162.5 | | 182.9 | | 195.0 | | 165.0 | | 165.0 | |
| | 414.9 | | 477.2 | | 487.1 | | 535.0 | | 550.0 | | 570.0 | |
| | 11.3 | | 14.4 | | 13.2 | | 10.0 | | 10.0 | | 10.0 | |
| | 426.2 | | 491.6 | | 500.3 | | 545.0 | | 560.0 | | 580.0 | |
| | 12.8 | 8.8% | 16.9 | 11.3% | 18.4 | 11.9% | 20.3 | 11.0% | 21.3 | 11.2% | 22.3 | 11.2% |
| | 7.4 | 5.6% | 15.8 | 9.6% | 16.8 | 11.2% | 14.4 | 9.3% | 16.8 | 8.6% | 17.5 | 8.5% |
| | 6.5 | 4.7% | 2.6 | 1.6% | 3.1 | 1.7% | 5.6 | 2.9% | 4.9 | 3.0% | 5.0 | 3.0% |
| | 26.7 | 6.4% | 35.3 | 7.4% | 38.2 | 7.8% | 40.3 | 7.5% | 43.0 | 7.8% | 44.8 | 7.9% |
| | 0.7 | 6.4% | 0.7 | 4.9% | 2.7 | 20.1% | 2.2 | 22.0% | 2.2 | 22.0% | 2.2 | 22.0% |
| | 27.5 | 6.4% | 36.0 | 7.3% | 40.9 | 8.2% | 42.5 | 7.8% | 45.2 | 8.1% | 47.0 | 8.1% |
| | 15.2 | 3.6% | 15.4 | 3.1% | 16.6 | 3.3% | 18.0 | 3.3% | 18.7 | 3.3% | 19.5 | 3.4% |
| | | | | | | | | | | | | |
| | 12.3 | 2.9% | 20.6 | 4.2% | 24.3 | 4.9% | 24.5 | 4.5% | 26.5 | 4.7% | 27.5 | 4.7% |
| | -0.9 | | -1.2 | | -0.6 | | -0.5 | | -0.5 | | -0.5 | |
| | 11.4 | 2.7% | 19.4 | 3.9% | 23.7 | 4.7% | 24.0 | 4.4% | 26.0 | 4.6% | 27.0 | 4.7% |
| | -1.2 | | -5.2 | | -0.7 | | -1.0 | | -1.0 | | -1.0 | |
| | 10.2 | 2.4% | 14.2 | 2.9% | 23.0 | 4.6% | 23.0 | 4.2% | 25.0 | 4.5% | 26.0 | 4.5% |
| | 6.2 | 1.5% | 7.8 | 1.6% | 15.3 | 3.1% | 15.5 | 2.8% | 16.5 | 2.9% | 17.0 | 2.9% |
| | | | | | | | | | | | | |
| | 21.6 | | 27.3 | | 53.4 | | 54.2 | | 57.7 | | 59.5 | |
| | | | | | | | | | | | | |
| | 366.2 | | 378.8 | | 372.3 | | 390.0 | | | | | |
| | 77.1 | 21.0% | 80.7 | 21.3% | 96.4 | 25.9% | 108.5 | 27.8% | | | | 30% or higher |
| | 94.9 | 25.9% | 74.2 | 19.6% | 59.7 | 16.0% | 60.0 | 15.4% | | | | 60.0 or less |
| | 38.5 | | 66.4 | | 72.5 | | 51.0 | | | | | |
| | 56.4 | 15.4% | 7.8 | 2.1% | -12.7 | -3.4% | 9.0 | 2.3% | | | | |
| | 0.7 | | 0.1 | | -0.1 | | 0.1 | | | | | about 0.2 |
| | 8.6% | | 9.9% | | 17.3% | | 15.1% | | | | | 8% or higher |

●Financial plans

○Stipulation of “payment by cash” rule to subcontractors (abolition of bill payment)

- Improvement of subcontracts –Social demand
- Strengthening partnership with subcontractors by improving payment conditions

→Procured with operating cash flows and cash reserves

→Interest bearing debt balance unchanged (consolidated: JPY60 bn)

○Capital investment: JPY8 bn - JPY9 bn

- Flexible decisions for main business reinforcement
- Including the investment in SEP barge under construction (completion scheduled during FY3/19)

○Control of FX risk

- Optimization of foreign exchange risk by implementing various hedging methods

●Capital policies

○Sharing profits with shareholders

- Stable and continuous dividend payout

- Short-term: Enhancement of capital structure
Target equity ratio: 30% or higher (FY3/20)
- Target dividend payout ratio (consolidated) : 20 to 25%
Forecast for FY3/18: Dividend payout 12 yen
Dividend payout ratio 22%

●Projection of Cash Flow/ Interest Bearing Debt

(JPY bn)

| | 3/17 | Mid-term Management Plan (FY3/18 - FY3/20) | | |
|---------------------------------|-------|--|-------|-------|
| | | 3/18F | 3/19F | 3/20F |
| Consolidated | | | | |
| Cash flow from operations | 31.3 | -9.0 | -6.0 | 14.0 |
| Cash flow from investment | -9.1 | -9.0 | -9.0 | -8.0 |
| Cash flow from financing | -15.5 | -3.5 | -4.0 | -4.0 |
| Balance of cash and deposit | 72.5 | 51.0 | 32.0 | 34.0 |
| Interest bearing debt | 59.7 | 60.0 | 60.0 | 60.0 |
| (Change from the previous year) | -14.5 | 0.3 | 0.0 | 0.0 |
| Non-Consolidated | | | | |
| Balance of cash and deposit | 64.4 | 46.0 | 27.0 | 29.0 |
| Interest bearing debt | 58.0 | 58.0 | 58.0 | 58.0 |
| (Change from the previous year) | -14.5 | 0.0 | 0.0 | 0.0 |

Domestic Civil Engineering

● Goal to aim for

A business unit that supports the foundation of “No. 1 contractor in port, coastal and waterfront areas”

~ Driving force for growth in revenues and profits

● Final year targets (non-consolidated)

(vs. FY3/17)

| | | |
|------------------|------------|---------|
| Orders received | JPY170 bn | (- 9%) |
| Net sales | JPY190 bn | (+ 33%) |
| Operating profit | JPY11.2 bn | (+ 28%) |

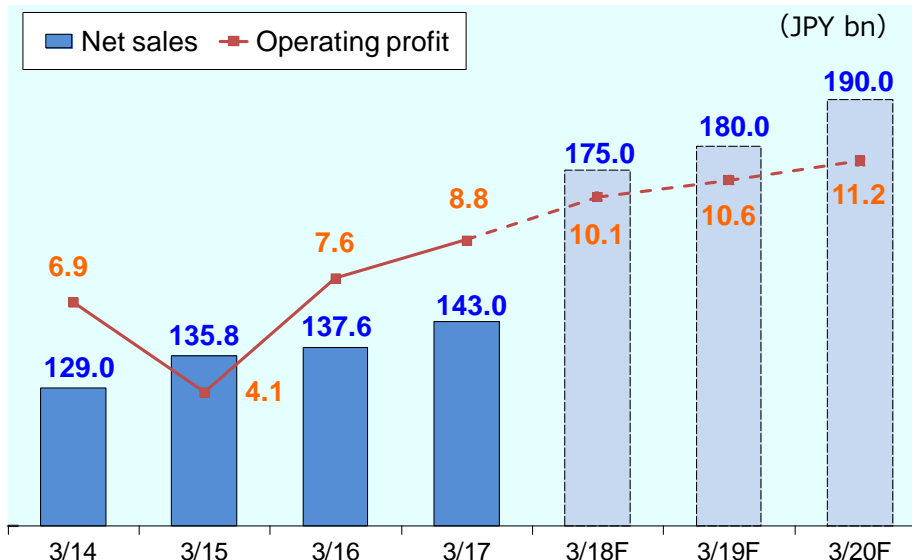
● Basic strategies

1. Enhancing sales and marketing capabilities using technologies

- Challenges for large-scale marine projects taking advantage of the collective force
- Challenges for large-scale land civil engineering projects based on our strengths and track record
- Proactive involvement in environmental businesses
 - Offshore wind farms, recycling of construction generated soil and dredged soil

2. Enhancing site capabilities by productivity improvement

- Implementation of productivity improvement technologies and initiatives for overall optimization
- Toughening of site organization by planning of skill inheritance
- Securing and developing skilled technicians
- Establishment of the Penta-Ocean's standard for technology, safety and quality, sharing it with Overseas business unit



3. Target-oriented technology development

- Development of new technologies for productivity improvement and standardization of existing technologies as the top runner in the marine civil field
- Initiatives for future businesses (ocean energy, marine resource development)

4. Collaboration with Overseas business unit

- Challenges for large-scale overseas projects by in-depth exchange of technological and human resources
- Development of productivity improvement technologies beyond organization boundaries

5. Stronger coordination within Penta-Ocean group

- Reorganization and consolidation of environmental affiliates: related to construction generated soil recycling business
- Strengthening ties with construction affiliates

Domestic Building Construction

● Goal to aim for

A business unit that realizes sustainable growth as a profit-earning units

~ Contribution to expansion of operations using our unique advantages

● Final year targets (non-consolidated)

(vs. FY3/17)

Orders received **JPY180 bn (+ 2%)**

Net sales **JPY200 bn (+ 37%)**

Operating profit **JPY10.7 bn (- 2%)**

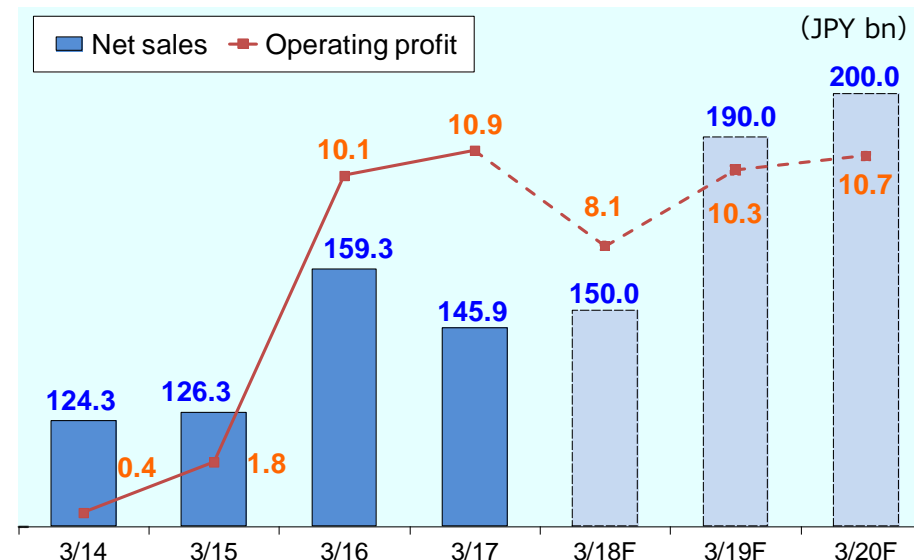
● Basic strategies

1. Enhancing business base

- To become an irreplaceable partner for customers with high technologies
- Strategic selection of projects (field, client, profit level)
- Focusing on four strategic fields (logistics/foods, residential, environmental, medical/welfare)
- Inbound related projects (accommodations, cruise terminals)

2. Enhancing site capabilities by productivity improvement

- Promotion of labor-saving technologies such as precast concrete construction, unitization, systemization as well as industrialization
- Improving efficiency by ICT technologies such as inspections of bar arrangements and introducing BIM(Building Information Modeling)
- Technology reinforcement (expansion of divisions - M&E , estimation, procurement and engineering)
- Collaboration with outside design offices and subcontractors
- Establishment of the Penta-Ocean's standard for technology, safety and quality, sharing it with the Overseas business unit



3. Target-oriented technology development

- Technologies for productivity improvement such as construction of ultra-intense precast concrete and all precast concrete
- Countermeasures against long-period earthquake motion
- Zero Energy Building (evaluation, design and improvement of energy-creating and energy-saving technologies)
- Execution robots for steel bar welding etc.

4. Strategic initiatives for development business

- Logistics facilities and hotels based on quality real estate information
- PFI, PPP projects in port, coastal and waterfront areas of our expertise
- Redevelopment of special zones to be fireproofed and reconstruction of aging residential buildings

5. Stronger coordination within Penta-Ocean group

- Collaboration in the metropolitan area (renovations, small projects)

● Goal to aim for

A business unit that becomes truly a global contractor

~ Further contribution to growth in profits

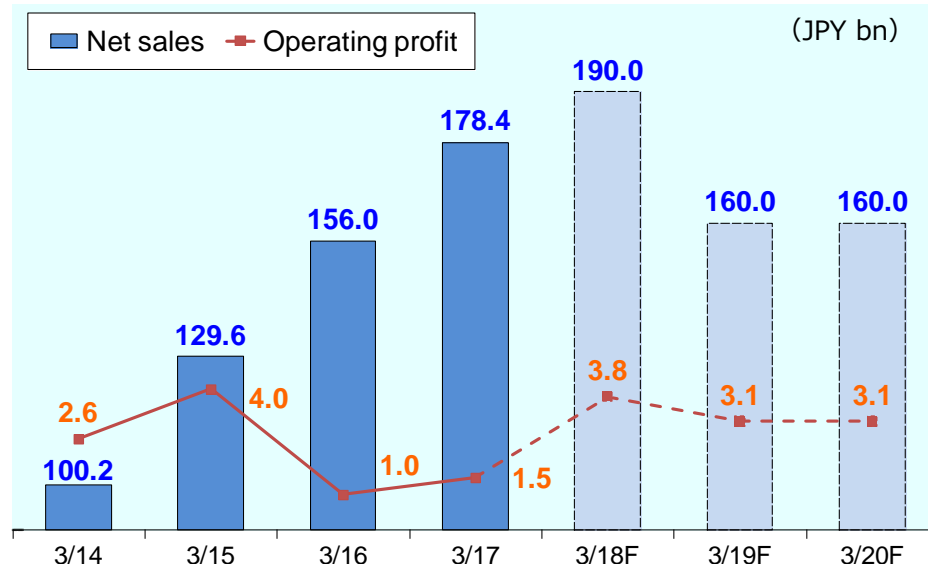
● Final year targets (non-consolidated)

(vs. FY3/17)

Orders received **JPY150 bn (+ 50%)**

Net sales **JPY160 bn (- 10%)**

Operating profit **JPY3.1 bn (+ 107%)**



● Basic strategies

1. Promotion of strategic sales and marketing

- Initiatives for large-scale “key” projects over the medium term
- Large-scale ODA projects (productive supports for remote locations, collaboration with domestic offices)
- Strategic approaches through alliances and Joint Ventures
- Strengthening sales activities toward Japanese company related projects (closer coordination with domestic offices)
- Reinforcing the marketing of Japanese company projects (collaboration with domestic offices)

2. Enhancing site capabilities and technologies

- Centralized management of procurement, construction planning, scheduling by Singapore Head office (International Civil Engineering & Building Construction Divisions Groups)
- Enhancement of project management capabilities
- Adoption of domestic technologies in overseas projects (closer coordination with domestic offices)
- Permeation of the Penta-Ocean’s standard for technology, safety and quality, sharing it with domestic units

3. Promotion of productivity improvement

- Centralized management and promotion of BIM technology (integrating domestic and overseas implementation)
- Technology enhancement for labor-saving and productivity improvement (coordination with domestic offices)

4. Strengthening the operation of work vessels

- Profitability improvement by enhancing operation rate and productivity
- Securing and nurturing operators (employment of professionals)

5. Promotion of further globalization/localization

- Implementation of a new personnel evaluation system: Raising non-Japanese employees’ awareness towards participation in the management, fair evaluation including non-Japanese executives
- Introduction of various training programs
- Promotion of global deployment of non-Japanese employees
- Promotion of work style reform