

New Medium-term Management Plan from FY3/21 to FY3/23

May 2020



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【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 (FY3/18-FY3/20)

● Business environment ~Robust construction investment both domestically and abroad

- **Domestic:** Business volume rose thanks to robust construction investment in public and private sectors, helped by Tokyo 2020 Olympics/Paralympics games and demand related to inbound tourism
- **Overseas:** Maintained a high-level business activity thanks to infrastructure export, in addition to projects in Singapore and Hong Kong

● Medium-term Management Plan Targets ~Achieved earlier than expected; Exceeded forecasts

○ Business targets ~Renewed record-high net income for the 6th consecutive fiscal year

- Exceeded profit targets by expanding business volume and improving profitability
- Three business units made well-balanced contribution to profit by promoting interdepartmental collaboration
- A number of large-scale projects leading to future business opportunities:
Tokyo Port new harbour road link North-South Line, Yodobashi Umeda Tower, Yokohama Hammerhead, Matabari Coal-fired Power Plant, Sengkang General Hospital etc.
- Domestic Civil: Largest contribution to sales and profit, Expansion of business volume in land civil
- Domestic Building: Secured steady earnings thanks to increase in sales, despite a drop in profit margin due to loss-making projects
- Overseas: Made profit contribution through improvement in profit margin
- Subsidiaries: Profit increased in environmental subsidiaries (related to construction generated soil) and other businesses, despite a decrease in development business

○ Financial targets ~Achieved further financial structure enhancement

- Equity ratio target (30% or higher): Achieved ahead of schedule in FY 3/19
FY 3/20 (32.9%) ※Debt reduction due to bill payment abolition by implementing “payment by 100% cash” rule to subcontractors
- Target of interest bearing debt (Less than JPY60 bn.):
Achieved in FY 3/19 (JPY59.5 bn), but exceeded in FY 3/20 (JPY77.5 bn)
※Increase in demand for funds due to business volume expansion
- Maintained the high-level ROE: 17.4% (target: 8% or higher)
- **Dividend payout ratio target: Raised the target from FY 3/19 (25 -30%)**
- Dividend for 3/20: JPY24.0, Payout ratio: 29.4%

(JPY bn)

Mid-term Management Plan Targets (Consolidated)	FY3/17	FY3/20	
		Original (May 2017)	Result
Performance targets			
Net Sales	500.3	580.0	573.8
Operating Profit	24.3	27.5	33.2
Ordinary Income	23.7	27.0	32.5
Net Income	15.3	17.0	23.4
Earning per share (Yen)	53.4	59.5	81.8
Targets of financial status			
Equity ratio	25.9%	30% or higher	32.9%
Interest-bearing Debt	59.7	60.0 or less	77.5
Net D/E ratio (times)	-0.13	about 0.2	0.24
ROE	17.3%	8% or higher	17.4%
Dividend targets			
Dividend payout ratio	22.5%	20 to 25%	29.4%
Dividend per share(Yen)	12.0	-	24.0

Performance by Business Unit (Consolidated)	FY3/15-FY3/17 average		FY3/18-FY3/20 average		YOY change	
Domestic Civil Eng.	149.9		192.3		42.4	
Domestic Building Const.	148.6		173.3		24.7	
Overseas	161.4		172.3		10.9	
Others	12.9		9.7		-3.2	
Net Sales	472.7		547.6		74.9	
Domestic Civil Eng.	16.0	10.7%	25.2	13.1%	9.2	2.4P
Domestic Building Const.	13.3	9.0%	13.4	7.7%	0.1	-1.2P
Overseas	4.4	2.7%	7.9	4.6%	3.5	1.8P
Others	1.0	8.1%	1.4	14.7%	0.4	6.6P
Gross Profit	34.8	7.4%	47.9	8.7%	13.1	1.4P
Domestic Civil Eng.	7.8	5.2%	15.8	8.2%	8.0	3.0P
Domestic Building Const.	7.9	5.3%	7.4	4.3%	-0.5	-1.1P
Overseas	2.9	1.8%	6.0	3.5%	3.1	1.7P
Others	0.4	3.5%	0.9	9.0%	0.4	5.5P
Operating Profit	19.1	4.0%	30.0	5.5%	10.9	1.4P

● Outlook for Economy

~ Impact from Covid-19 is feared to last long, yet hopes economic recovery after the crisis

(NEG.) Prolonged economic stagnation due to global Covid-19 crisis, Global political and economic uncertainties

(POS.) Large economic package from the government, Creation of new demands from “Work Style Reform” such as telework etc., prompted by the crisis

● Construction market ~Adversary effect of Covid-19 inevitable in short term, but robust construction demand foreseen both in public and private sectors

● Domestic ~A high level of investment demand in the public sector and robust potential demand in the private sector

- **A high-level of continuous public investments:** Large economic packages ('18-'20 Consumption tax raise, National Resilience Plan, '20- Stimulus packages to mitigate impact of Covid-19)
- **Robust demand for logistics and transportation areas:** *Construction and reinforcement of logistic and transportation networks (Civil), Construction of logistics facilities (Building), Various large-scale civil engineering works including strengthening Japan's international competitiveness and national resilience (Ports/Airports: Shin-Honmoku container terminal, Landfill site off the coast of Centrair airport, Seaside roads: Osaka Wangan Expressway Western Extension, Expressways: Expansion to 4 or 6 lanes, Large-scale renewals), and Linear Chuo Shinkansen Line, etc.*
- **Continuous demand in urban redevelopment projects:** Improving resistance to fire and other disasters – *residences, offices and commercial facilities (Building)*
- **Return of inbound tourism related demand:** Demand slows down amid of Covid-19 crisis in short term, but expected to expand in mid to long term; *Cruise terminals (Civil and Building), Hotels and commercial facilities (building), 2025 Osaka Expo, Integrated Resort projects (Civil and Building)*
- **Takeoff of offshore wind farm projects:** *Construction works of base ports, Start of construction in port areas, Selection of developers in the general sea areas – Construction of wind farms will start in full-swing after 2023*
- **Others:** *Decontamination and temporary storage facilities in Fukushima, etc. (Civil), Hospitals and medical welfare facilities (Building)*

● Overseas ~Strong infrastructure demand in Asia and Africa

- **Robust construction investments in our overseas hubs (Singapore, Hong Kong)**
- **Market expansion in Southeast Asia and Africa:** *High-quality infrastructure exports such as ports, power plants, logistics facilities and factories*

(Challenges for construction business continuity)

- **Countermeasures in response to Covid-19 spread:** Improving construction site environment and operation management to avoid 3Cs (Closed spaces, Crowded places, Close-contact settings), creating new office structures
- **Work Style Reform:** Fostering next generation workers under decline in workforce ⇒ provision of 2 days off per week, productivity improvement, utilizing abilities of non-Japanese workers

■ The Goal to Aim for

● Corporate mission

“The greatest contribution to society is the construction of high-quality infrastructure and buildings”,
to affirmatively respond to the customer’s trust with reliable safety and product quality,
contributing to society though advanced technology

● Goal to aim for

“**A Genuine Global General Contractor**” with distinctive features in port, coastal and waterfront areas
as well as overseas

[Medium term management plan (2017-2019)] “Mastering the contracting business” by focusing earnestly on manufacturing

- a. A human- and technology-oriented company with a high standard of corporate and engineer ethics
- b. A company that aggressively challenges any business worth doing
- c. A company that enjoys a good balance of profit contribution of all three business units
- d. A company that reinforces core business while exploring new and peripheral fields
- e. Practicing CSR oriented management

(Achievement status) ○Achieved △Half-way

⇒○ Basic policy to strengthen core business (Continued)

⇒○ Basic policy to strengthen core business and CSR (Continued)

⇒○ Received multiple orders for largest-ever scale projects (Continued)

⇒△ Achieved sales target but room for improvement in terms of earnings

⇒△ Offshore wind farms, Recycling of construction generated soil, ZEB etc.

⇒△ Requires commitment to continuous improvement



[Medium-term management plan (2020-2022)] **A genuine global general contractor**

(Key words)

- a. An advanced company in Work Style Reform and Productivity Improvement
- b. An advanced company in D&I (Diversity and Inclusion)
- c. A company that challenges new frontiers with pioneering spirit
- d. Practicing CSR oriented management with focus on ESG

(Interdepartmental collaboration, Alliance, D&I)

(2 days off per week, Safe and secure working environment)

(Secure, nurture and advance female and non-Japanese workers,
Productivity improvement)

(Offshore wind farm, Recycling of construction generated soil, ZEB)

(Stakeholders, Corporate governance, Risk management)

■ A Genuine Global General Contractor

● What is a genuine global general contractor?

1. Thorough interdepartmental collaboration is common practice: No barriers between Civil Engineering & Building Construction Business Units, Domestic & International Business Units
2. Diversity and Inclusion (D&I) is common practice: Diverse human resources respect each other and work vigorously regardless of nationality and gender

● Evolution of interdepartmental collaboration ~Penta-Ocean Construction Group's corporate DNA

- Enhancing competitiveness through front-loading approach: Effectively demonstrating the comprehensive strength of the company such as marketing capabilities, on-site capabilities and cost competitiveness backed by technological strength
- Interdepartmental collaboration between Civil Engineering and Building Construction Units: Common practice in overseas business, Also introduced in domestic construction sites (*Yodobashi Umeda Tower, Tokyo International Cruise Terminal etc.*)
- Interdepartmental collaboration between Domestic and Overseas Business Units: 1) Collaboration in BIM/CIM (from Singapore to Japan), 2) Utilization of ICT (from Japan to overseas), 3) Utilization of domestic advanced technologies and experience (from Japan to overseas; *ODA, the submerged tunnel in Hong Kong*), 4) Globally promoting Penta-Ocean's safety and quality standards (from Japan to Singapore, then to other countries)

● Strengthening collaboration with external organizations ~Promoting alliance both domestically and abroad

- Basic policy: Nurturing core technologies and human resources in-house
- Actively promoted for each theme and project in the form of joint research and development, joint venture, etc.;
With universities, architectural design offices, construction consultants, peer companies, specialty construction companies, companies in different industries, etc.
- **Offshore wind farms ~Enhancing engineering and construction capabilities (Domestic Civil Eng.)**
February 2020: Establishment of a company (with Kajima Corporation, Yorigami Maritime Construction Co., Ltd.)
to jointly own a large scale self-elevating platform with a 1,600t lifting crane
March 2020: Signed a MOU with DEME Offshore (Belgium) regarding offshore wind farm construction business in Japan
※DEME Offshore has extensive track record for construction of offshore wind farms in Europe
- **Overseas ~Enhancing business base by forming alliance with local companies (Overseas Building Const.)**
June 2020: Acquisition of UG M&E (Singapore) ※Top-tier M&E engineering contractor in the country

■ An Advanced Company in Work Style Reform and Productivity Improvement **[Social]**

● Accelerating “Work Style Reform”

~Promoting across the entire organization (including overseas offices) through Work Style Reform Committee

- Revision of The Labor Standards Act (enacted in April 2019 and applied in the construction industry from April 2024)
⇒ Implementation of upper limit of overtime work with penalties:
720 hours or less per year, 45 hours or less for 6 months a year ('22 ~ Achieved ahead of schedule)
- Realization of two days off per week (site closure on weekends / 8 site closures per 4 weeks / 8 days off per 4 weeks on an individual basis) ('22- Achieved on an individual basis)
- Supporting initiatives for domestic subcontractors: * Underlined parts below are unique initiatives to Penta-Ocean
① 100% cash payment ('17 ~), ② Implementation of awarding system for excellent foremen, ③ Promotion of enrollment in social insurance by Social Insurance Enrolment Promotion Center ('16 ~), ④ Promotion of participation in Construction Carrier Up System (CCUS),
⑤ Granting incentives to holiday acquisition for labor cost ('19 ~)

● Pursuing “Productivity Improvement”

~Reforming and upgrading construction production system to realize “Work Style Reform”

- Improving productivity by reforming construction production system backed by technology (promotion of “i-Construction”)
- Promoting overall optimization, front-loading approach, and streamlining on-site works and management
 - (1) Promotion of BIM / CIM (utilization of 3D data, design-construction-maintenance)
 - (2) Labor saving, Industrialization (precasting, prefabricating), Robotization
 - (3) Information-aided construction method by utilizing ICT / AI, AR / VR
 - (4) Increasing efficiency of construction management work (utilization of ICT and temporary staff)
- **Establishment of a new “control tower” for company-wide ICT promotion** ('20: ICT Promotion Committee, ICT Promotion Office)

● Creating a safe and secure work environment

~Implementing countermeasures against infectious diseases such as COVID-19

○ The social mission of the construction industry is to continue construction after thoroughly implementing measures to avoid 3Cs (Closed spaces, Crowded places, Close-contact settings)

- Responsibility of the prime contractor to ensure proper on-site operation and process management (coordinating the process and construction period with the client to avoid overcrowding at construction sites)
- Measures at Headquarters and branches : Making new norm of working such as flex-time commuting and telework, expanding office space per person

○ Prevention of occupational injuries while giving top priority to safety and quality, and promotion of quality management activities ~Globally promoting Penta-Ocean’s standards

- Promoting occupational injury prevention initiatives (patrols, trainings) in collaboration with subcontractors both domestically and overseas
- One-on-one follow-up trainings etc. for young employees by the Safety and Quality Control Education Office (consisting of senior employees)

■ An Advanced Company in D&I (Diversity and Inclusion) 【Social】



● What is D&I (Diversity & Inclusion)?

- Diverse human resources respecting each other and using each others' strength, regardless of gender and nationality

● Securing and nurturing diverse human resources ~Early development of young employees

- **Employees:** Active recruitment (Career-track employees: approx. 190 new graduates, 20 mid-career recruitment, 5 international students)

At the end of March '20: (Non-consolidated) 2,893 employees, associate employees (288 domestic, 1,600 overseas) 4,781 in total

(Consolidated) 5,320 employees in total

- **Composition:** 60% for Japanese [Career-track position (new graduates, mid-career), senior, clerical position], 6% for domestic associate, etc., 1% for domestic non-Japanese [international students, associate], 33% for overseas non-Japanese associate, etc. (locally hired employees)
※Domestic **Female employee ratio: 11%** for all, **4%** for career-track, **12%** for under-25-year employees, **1%** for managers
※Overseas **Female employee ratio: 23%** for all, **15%** for manager, Overseas **non-Japanese employee ratio: 91%** for all overseas
- **Enhancement of education and training:** Retaining and nurturing young employees, Improving capabilities of mid-career employees, Enhancing training for non-Japanese employees

For Japanese: 1) **The 7-year Training Program** in Domestic Civil Eng. BU ('19-) and **Task Support Center** in Domestic Building Const. BU ('20-), aimed for early development of new graduates during 7 to 8 years after joining the company ※BU: Business Unit

2) Expansion of one-on-one follow-up training by experienced senior employees of the Safety and Quality Control Education Office ('18-)

For non-Japanese: Provision of education and training suitable for employees with diverse cultures and skills on on-site construction technologies, compliance and safety

● Promoting D&I ~Active participation of female and non-Japanese employees

- **Promotion of female employees empowerment:**

Establishing an environment to enable to balance out work and female life events; Revised domestic systems ('20-)

Targets: Female ratio 10% or more for new graduate career-track employees (14% for '17 to '20 average) ⇒ **20% or more**

Female manager ratio: Unspecified (at March '20, Japanese 10, non-Japanese 40, total 50 people; 3.4%)

⇒ **5% or more** (doubling the number of Japanese)

- **Establishment of “Global Career-track Position System” ('20-) :**

Recruiting **approx. 5 students each year** for international students from Japanese and ASEAN universities and graduate schools)

Providing Japanese language training after joining the company to develop engineers who are able to tackle issues on construction sites

Nurturing future management personnel

- **Promotion of Non-Japanese employees (locally hired) empowerment:**

1) Introducing “**Global Personnel System**” (goal management type personnel evaluation and compensation system) ('17-),

2) Finding and promoting candidates for management executives and for next-generation professional managers,

3) Visualization of career paths, 4) Trainings in Japan (construction site, technological), 5)Support for obtaining a doctoral degree,

6) Conversion to “Global Career-track Position System”

■A Company that Challenges New Frontiers with Pioneering Spirit [*Environment*]

●Challenging offshore wind farm business

~Leveraging our strengths of marine civil engineering

○Offshore wind power projects finally taking off ~From port areas to general sea areas

‘20- Bidding for selection of developers in general sea areas

‘23- Start of marine construction works in full swing

○Top runner in the field of offshore wind farm construction

~Establishment of Offshore Wind Farm Business Divisions Group (‘20 ~)

1) Building SEP (Self-Elevating Platform) Vessels (for foundation works and wind turbine installation)

•CP-8001 (with a 800t lifting capacity crane, JPY14bn, completed in Dec ‘18) ← Japan's first SEP

•Second ship (with a 1,600t lifting capacity crane, JPY18.5bn, completion scheduled for Sep ‘22)

← Jointly owned with Kajima Corporation and Yorigami Maritime Construction Co., Ltd.

2) Strengthening engineering capabilities:

•Developing organizational capabilities for EPCI and integrated design & construction

•Collaboration with DEME Offshore (Belgium) ※ (‘20 ~) ※Extensive track record in Europe

[Contribution to business] Sales attribution will be recorded during the next mid-term plan (‘23-)

●Expert in recycling of construction generated soil and dredged soil

~Utilizing our strengths in the coastal and waterfront areas

○Soil recycling center business (construction generated soil, contaminated soil, construction sludge, etc.)

•Strong demand in Kanto and Chubu areas; 3 Soil Recycling Centers at Ichikawa, Yokohama and Nagoya

•Collection, intermediate processing and transportation business (including marine transportation)

○Improvement of dredged soil and soft mud

1) Improvement of soft dredged soil (Calcia modified soil using steel slag); Building a dedicated working vessel (‘20)

2) Mud reforming material “Watoru” (recycled product of paper sludge ashes), production and active use for construction works

[Contribution to business] Non-consolidated: Sales of JPY5-10bn

Environmental subsidiaries: External sales of JPY4bn, Operating profit of JPY0.7bn

●ZEB (Zero Energy Building) initiatives

○Technological development: Renovation of Penta-Ocean Research Institute of Technology (planned energy saving rate 72%) (‘19) ⇒ Demonstration of introduced technologies

○Application of ZEB to real projects

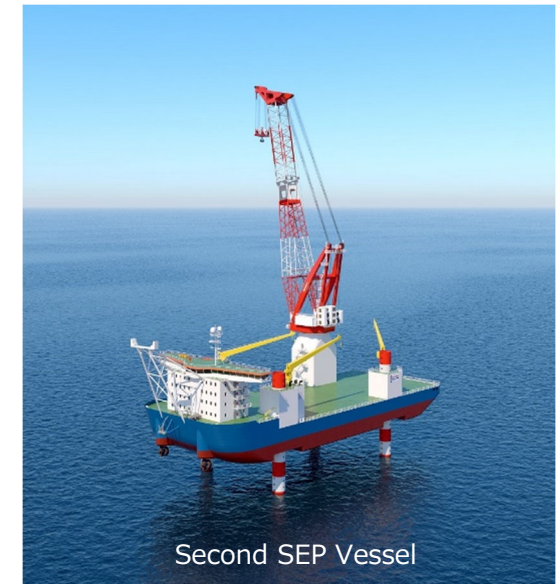
•Hisamitsu Pharmaceutical Museum (Feb ‘19): Obtained the highest rank ZEB certification

•ZEB planner registration (Jan ‘20): Contribution to energy-saving and ZEB of buildings

[Contribution to business performance]

Contribution to customers and society from an environmental perspective

Aiming to obtain at least one order a year for ZEB building



Second SEP Vessel



Hisamitsu Pharmaceutical Museum

● CSR management

~Management focusing on stakeholders (society, shareholders, customers, employees, etc.) ,
Social contribution through our core business

▪ Penta-Ocean's corporate mission:

“The greatest contribution to society is the construction of high-quality infrastructure and buildings”,
to affirmatively respond to the customer's trust with reliable safety and product quality,
contributing to society through advanced technology

▪ Basic policy:

- (1) Business activities with integrity (**G**, **S**), (2) Coexistence with the environment and nature (**E**) , (3) Respect for human dignity (**S**)
(4) Communication with society (**S**, **G**)

● Promotion of effective governance (**Governance**)

~Thorough implementation of risk management

▪ Business activities focusing on stakeholders

Maintaining high ethical standards (corporate / engineer ethics), Safety and quality top priority

▪ Continuous improvement of corporate governance

Fair and highly transparent management, Continuous improvement of corporate governance system

▪ Thorough implementation of risk management

Under CSR Committee, four subsidiary committees such as Risk Management Committee, Central Safety and Health Committee, Quality and Environmental Management Systems Committee, and Work Style Reform Promotion Committee, are organized.

① Risk Management Committee activities (at headquarters, branches and subsidiaries) :

Promoting activities to prevent in advance business risks※ such as compliance risks

※Business risks: Compliance, Internal control, Sales and marketing / Construction, Finance / Accounting / Taxation, Information security, Business Continuity Plan (BCP), etc.

② Compliance trainings:

Providing practical trainings based on actual examples (Job-specific / Level-specific / Title-specific, E-learning, Dialogue trainings)

※The above applies to Japanese and non-Japanese employees in domestic and overseas offices

Training themes include fair competition law (The Antitrust Law), bribery, engineer ethics, software abuse, harassment, etc.

▪ Timely and appropriate, and fair disclosure: Promotion of IR / PR (enhancement of ESG information, etc.)

● Penta-Ocean's ESG initiatives

ESG	Penta-Ocean's Initiatives
Environment	<p>Creating a nature-rich environment ~A company that challenges new frontiers with pioneering spirit</p> <p>(Environmental technologies) Offshore wind farm construction, Recycling of construction generated soil/dredged soil, ZEB (Zero Energy Building), Nearshore environmental conservation such seaweed beds/ tidelands, etc.</p> <p>(Corporate activities) Operation/ evaluation of environmental management system, Reduction of environmental load (Use and remodeling of environment-friendly construction machinery such as work vessels)</p>
Social	<p>Affiliating with society ~An advanced company in Work Style Reform and Productivity Improvement, An advanced company in D&I</p> <p>(Contribution to society through our main business) "The greatest social contribution is the construction of high-quality social infrastructure"</p> <p>(Work Style Reform) Achieving "two days off per week and overtime work regulations" two years ahead of schedule, Supporting subcontractors to tackle with Work Style Reform, Creating a safe and secure working environment to avoid 3Cs (Closed spaces, Crowded places, Close-contact settings), Promoting telework, Improving on-site productivity by utilizing ICT, Enhancing work efficiency</p> <p>(D&I) Securing and nurturing diverse human resources, Promoting empowerment of female and non-Japanese workers</p> <p>(Safety and quality) Occupational safety and health management system (COHSMS certified) for occupational accident prevention activities, Globally promoting Penta-Ocean's Standards</p>
Governance	<p>Practicing CSR oriented management with focus on ESG ~Promotion of effective governance</p> <p>(Focus on stakeholders) Maintaining high ethical standards (corporate and engineer ethics), Safety and quality top priority</p> <p>(Continuous improvement of corporate governance) Fair and highly transparent management, Continuous improvement of Corporate Governance System</p> <p>(Thorough risk management) Risk Management Committee activities, Compliance trainings (also conducted for non-Japanese employees in overseas offices)</p> <p>(Information disclosure) Timely and appropriate information disclosure (enhancement of ESG information)</p>

Management Targets

Management targets (FY 3/23)

Consolidated

Net Sales	JPY 605 bn
Net Income	JPY 25 bn
Interest-bearing Debt	JPY 85 bn
ROE	10% or higher
Dividends payout ratio	30% or higher

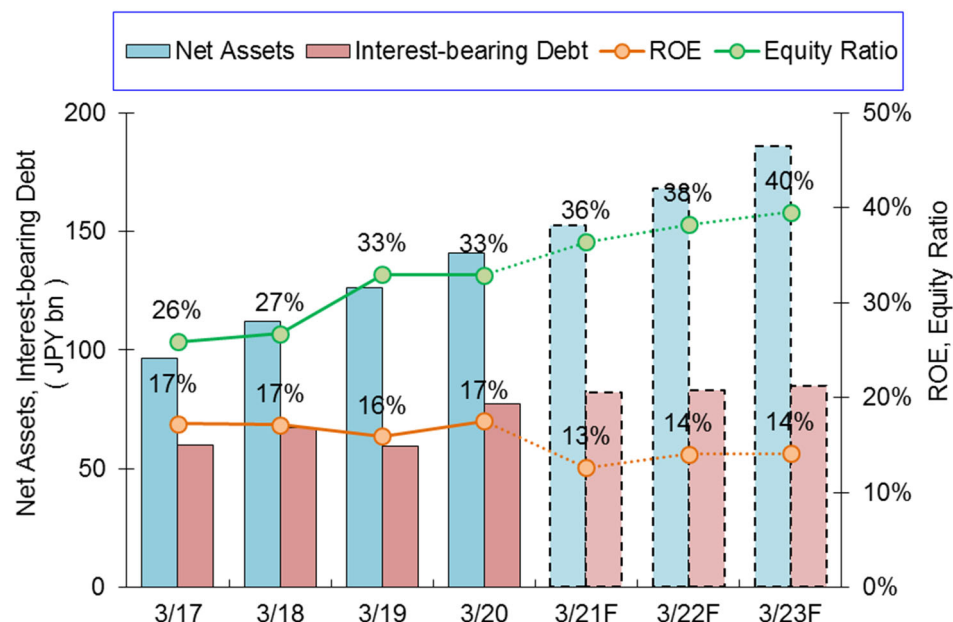
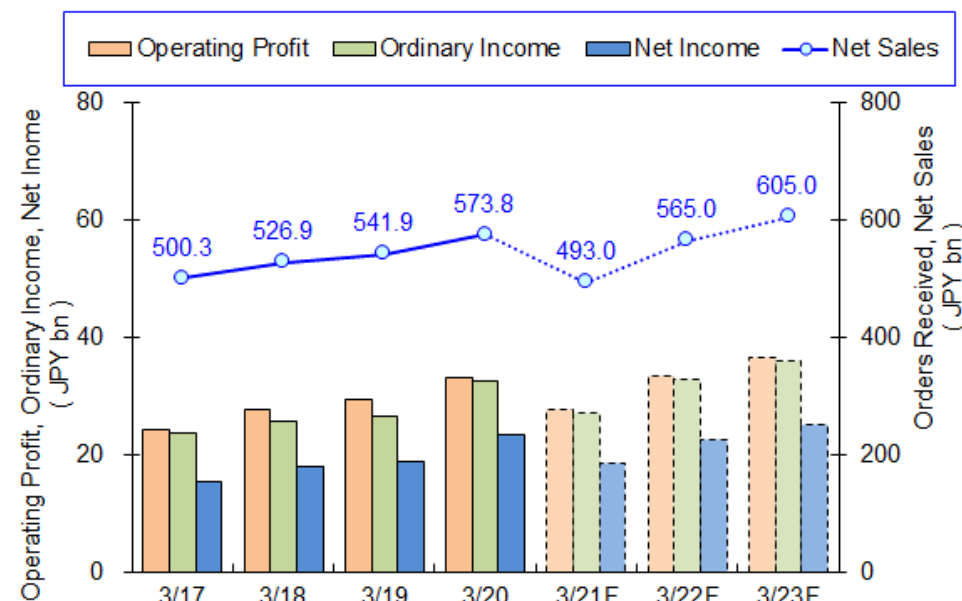
(JPY bn)

	Mid-term Management Plan (FY3/18 - FY3/20)		Mid-term Management Plan (FY3/21 - FY3/23)	
	FY3/20		Targets for FY3/23	
	Non-Consolidated	Consolidated	Non-Consolidated	Consolidated
Financial Targets				
Orders Received	439.4		600.0	
Net Sales	541.5	573.8	560.5	605.0
Operating Profit	29.3	33.2	32.0	36.5
Ordinary Income	29.0	32.5	31.5	36.0
Net Income	20.9	23.4	22.0	25.0
Earning per share (Yen)	73.1	81.8	77.1	87.6

Consolidated targets of financial status

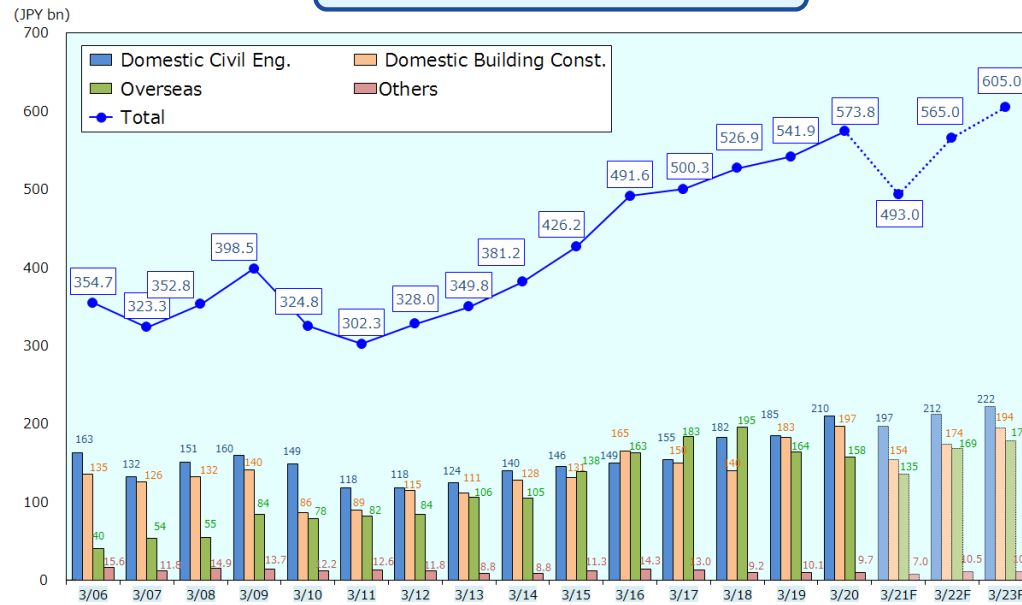
Interest-bearing Debt	77.5	85.0
Net D/E ratio (times)	0.24	0.2
ROE	17.4 %	14%

Trends/Projection of KPI (Consolidated)

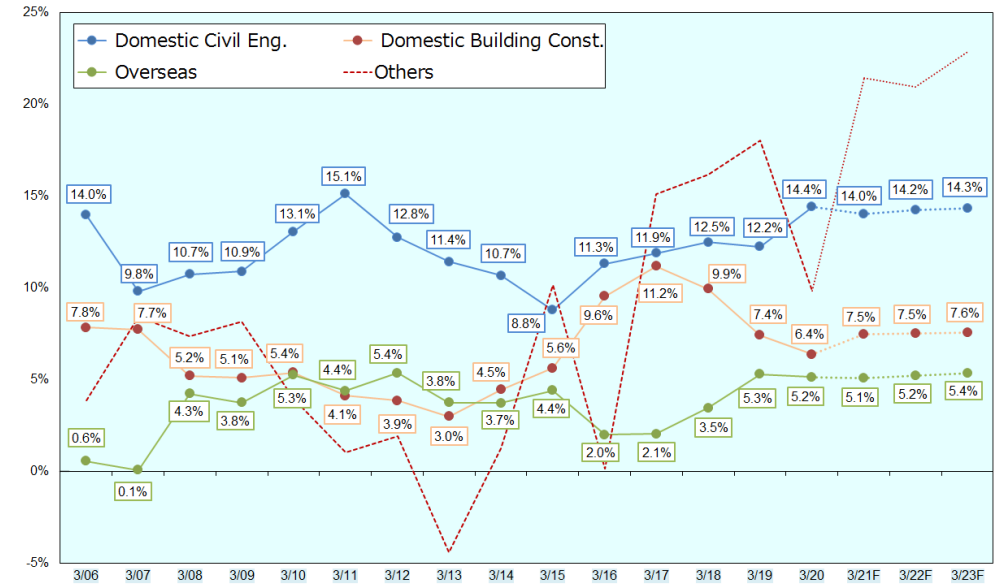


Performance by Business Units (Consolidated)

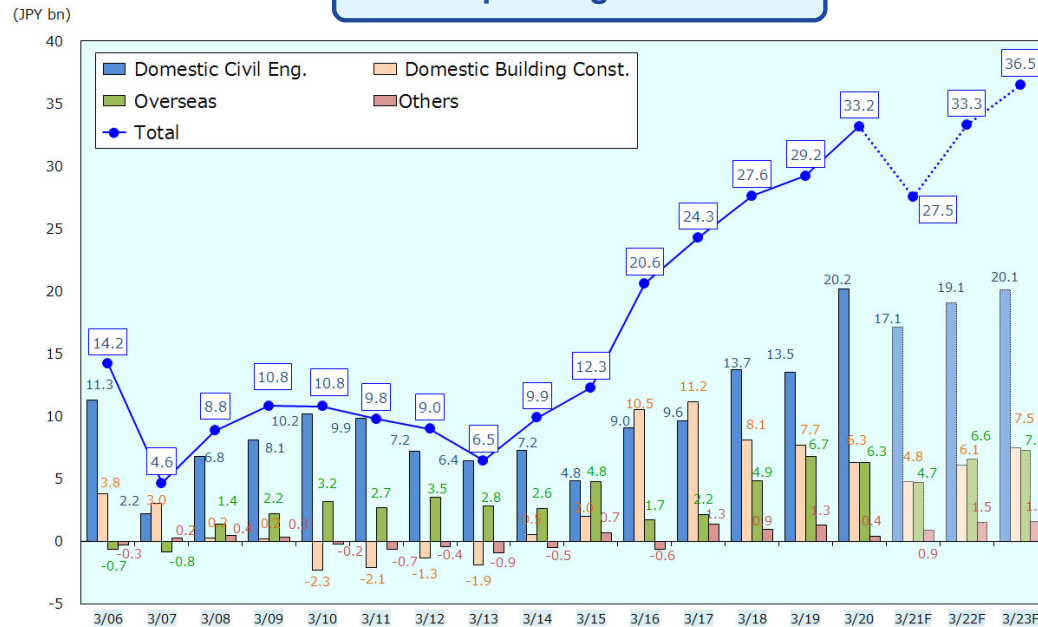
Net Sales



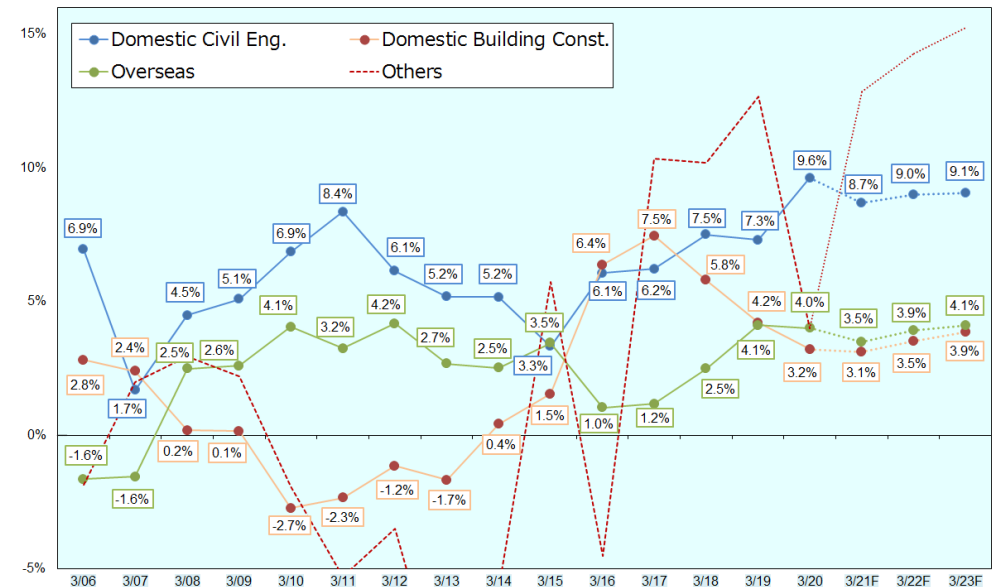
Gross Profit Margin



Operating Profit



Operating Profit Margin



Business Plans (FY3/21-FY3/23)

(JPY bn)

	Non-Consolidated											
	Mid-term Management Plan (FY3/18 - FY3/20)						Mid-term Management Plan (FY3/21 - FY3/23)					
	FY3/18		FY3/19		FY3/20		FY3/21F		FY3/22F		FY3/23F	
Domestic Civil Engineering	166.8		162.4		192.8		200.0		210.0		240.0	
Domestic Building Construction	200.5		173.9		165.1		180.0		200.0		200.0	
Overseas	300.6		164.1		81.5		175.0		155.0		160.0	
Construction Total Orders Received	667.9		500.4		439.4		555.0		565.0		600.0	
Domestic Civil Engineering	172.0		172.4		194.4		185.0		200.0		210.0	
Domestic Building Construction	136.4		178.2		192.6		150.0		170.0		190.0	
Overseas	190.1		160.6		154.2		130.0		155.0		160.0	
Construction Total	498.4		511.2		541.2		465.0		525.0		560.0	
Others	0.7		1.0		0.4		0.5		0.5		0.5	
Net Sales	499.2		512.2		541.5		465.5		525.5		560.5	
Domestic Civil Engineering	21.5	12.5%	21.3	12.4%	28.7	14.8%	26.0	14.1%	28.5	14.3%	30.0	14.3%
Domestic Building Construction	13.4	9.8%	12.9	7.3%	11.8	6.2%	11.0	7.3%	12.5	7.4%	14.0	7.4%
Overseas	5.8	3.0%	7.7	4.8%	7.1	4.6%	6.0	4.6%	7.5	4.8%	8.0	5.0%
Gross Profit on Construction	40.7	8.2%	42.0	8.2%	47.7	8.8%	43.0	9.2%	48.5	9.2%	52.0	9.3%
Others	0.0	5.2%	0.0	1.3%	-0.9	-267.1%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total Gross Profit	40.7	8.2%	42.0	8.2%	46.7	8.6%	43.0	9.2%	48.5	9.2%	52.0	9.3%
SG & A	15.9	3.2%	16.2	3.2%	17.4	3.2%	18.5	4.0%	19.3	3.7%	20.0	3.6%
Domestic Civil Engineering	13.0	7.5%	12.7	7.4%	19.1	9.9%	16.0	8.6%	18.0	9.0%	19.0	9.0%
Domestic Building Construction	7.8	5.7%	7.2	4.0%	5.7	3.0%	4.5	3.0%	5.7	3.4%	7.0	3.7%
Overseas	4.0	2.1%	6.0	3.7%	5.4	3.5%	4.0	3.1%	5.5	3.5%	6.0	3.8%
Others	-0.0	-1.3%	-0.0	-3.0%	-1.0	-276.3%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Operating Profit	24.8	5.0%	25.9	5.1%	29.3	5.4%	24.5	5.3%	29.2	5.6%	32.0	5.7%
Non-Operating Income or Expenses	-1.9		-2.4		-0.4		-0.5		-0.5		-0.5	
Ordinary Income	22.9	4.6%	23.4	4.6%	29.0	5.4%	24.0	5.2%	28.7	5.5%	31.5	5.6%
Extraordinary Income or Losses	-0.4		-0.0		-0.1		-0.5		-0.5		-0.5	
Income before Taxes	22.5	4.5%	23.4	4.6%	28.9	5.3%	23.5	5.0%	28.2	5.4%	31.0	5.5%
Net Income	15.8	3.2%	16.7	3.3%	20.9	3.9%	16.5	3.5%	20.0	3.8%	22.0	3.9%
Earning per share (yen)	55.3		58.5		73.1		57.8		70.1		77.1	
Total Assets	406.4		369.6		419.5		400.0		430.0		440.0	
Net Assets	100.3	24.7%	113.1	30.6%	126.7	30.2%	136.3	34.1%	149.2	34.7%	164.1	37.3%
Interest-bearing Debt	65.8	16.2%	57.8	15.6%	74.7	17.8%	77.0	19.3%	77.0	17.9%	77.0	17.5%
Cash and Deposits	60.2		31.2		40.5		50.0		45.0		50.0	
Net Interest-bearing Debt	5.7	1.4%	26.6	7.2%	34.3	8.2%	27.0	6.8%	32.0	7.4%	27.0	6.1%
Net D/E Ratio (Point)	0.1		0.2		0.3		0.2		0.2		0.2	
Return On Equity (ROE)	16.8%		15.6%		17.4%		12.5%		14.0%		14.0%	

	Consolidated											
	Mid-term Management Plan (FY3/18 - FY3/20)						Mid-term Management Plan (FY3/21 - FY3/23)					
	FY3/18		FY3/19		FY3/20		FY3/21F		FY3/22F		FY3/23F	
182.5		184.9		209.5		197.0		212.0		222.0		
140.0		182.9		197.0		154.0		174.0		194.0		
195.1		164.1		157.6		135.0		168.5		178.5		
517.7		531.9		564.1		486.0		554.5		594.5		
9.2		10.1		9.7		7.0		10.5		10.5		
526.9		541.9		573.8		493.0		565.0		605.0		
22.8	12.5%	22.6	12.2%	30.2	14.4%	27.6	14.0%	30.2	14.2%	31.8	14.3%	
13.9	9.9%	13.6	7.4%	12.6	6.4%	11.5	7.5%	13.1	7.5%	14.7	7.6%	
6.8	3.5%	8.7	5.3%	8.1	5.2%	6.9	5.1%	8.8	5.2%	9.6	5.4%	
43.5	8.4%	44.9	8.4%	50.9	9.0%	46.0	9.5%	52.1	9.4%	56.1	9.4%	
1.5	16.2%	1.8	18.0%	1.0	9.9%	1.5	21.4%	2.2	21.0%	2.4	22.9%	
44.9	8.5%	46.7	8.6%	51.9	9.0%	47.5	9.6%	54.3	9.6%	58.5	9.7%	
17.3	3.3%	17.5	3.2%	18.7	3.3%	20.0	4.1%	21.0	3.7%	22.0	3.6%	
13.7	7.5%	13.5	7.3%	20.2	9.6%	17.1	8.7%	19.1	9.0%	20.1	9.1%	
8.1	5.8%	7.7	4.2%	6.3	3.2%	4.8	3.1%	6.1	3.5%	7.5	3.9%	
4.9	2.5%	6.7	4.1%	6.3	4.0%	4.7	3.5%	6.6	3.9%	7.3	4.1%	
0.9	10.2%	1.3	12.7%	0.4	4.0%	0.9	12.9%	1.5	14.3%	1.6	15.2%	
27.6	5.2%	29.2	5.4%	33.2	5.8%	27.5	5.6%	33.3	5.9%	36.5	6.0%	
-1.9		-2.7		-0.6		-0.5		-0.5		-0.5		
25.7	4.9%	26.6	4.9%	32.5	5.7%	27.0	5.5%	32.8	5.8%	36.0	6.0%	
-0.4		-0.0		-0.1		-0.5		-0.5		-0.5		
25.3	4.8%	26.6	4.9%	32.5	5.7%	26.5	5.4%	32.3	5.7%	35.5	5.9%	
17.8	3.4%	18.9	3.5%	23.4	4.1%	18.5	3.8%	22.5	4.0%	25.0	4.1%	
62.4		66.2		81.8		64.8		78.8		87.6		
418.4		383.8		428.9		420.0		440.0		470.0		
112.0	26.8%	126.6	33.0%	141.3	32.9%	152.9	36.4%	168.3	38.2%	186.2	39.6%	
67.5	16.1%	59.5	15.5%	77.5	18.1%	82.0	19.5%	83.0	18.9%	85.0	18.1%	
65.7		36.2		43.6		54.0		49.0		53.0		
1.8	0.4%	23.3	6.1%	33.9	7.9%	28.0	6.7%	34.0	7.7%	32.0	6.8%	
0.0		0.2		0.2		0.2		0.2		0.2		
17.1%		15.8%		17.4%		12.6%		14.0%		14.1%		

● Investment plan

○ Capital investment: JPY 30 bn +α

- Execute flexible investments that will strengthen the core business

- ① Offshore wind farm: the second large-scale SEP vessel (under construction) and others
- ② Work vessels:
Newly building (robotization, capacity increases, etc.)
Remodeling / Upgrading (automatization / AI utilization, Adopting environmental-friendly technologies, etc.)
- ③ Others: Other businesses related to environmental business etc.

○ R&D investment: JPY 10 bn +α

Productivity improvement technology, Indispensable advanced technology for targeted project, Offshore wind farm construction technology, etc.

○ Other investment: JPY 10 bn +α

Work style reform related (office / telecommuting environment advancement, ICT promotion), Education, Alliances, etc.

● Financial plan

○ Coping with the increasing demand for funds

- Strategic capital investment and response to business volume expansion
- Approx. JPY 80 bn in interest-bearing debt balance
⇒ Approx. JPY 20 bn funding (bank borrowing and straight bonds)
+ Flexible funding through issuance of CP, etc.

○ Global cash flow management and countermeasures for foreign exchange risk

- Expansion of overseas businesses (areas, business volume, withdrawal conditions, etc.)
⇒ Appropriate currency hedging and cash flow management for each project / currency

Balance of interest-bearing debt

(JPY bn)

	3/20	Mid-term Management Plan Original (May 2020)		
		3/21F	3/22F	3/23F
Consolidated				
Cash flow from operations	4.4	27.0	12.5	20.0
Cash flow from investment	-9.1	-13.5	-11.5	-11.0
Cash flow from financing	13.5	-3.0	-6.0	-5.0
Balance of cash and deposit	43.6	54.0	49.0	53.0
Balance of debt with interest	77.5	82.0	83.0	85.0
(Change from the previous year)	18.0	4.5	1.0	2.0
Non-Consolidated				
Balance of cash and deposit	40.5	50.0	45.0	50.0
Balance of debt with interest	74.7	77.0	77.0	77.0
(Change from the previous year)	16.9	2.3	0.0	0.0

● Dividend policy

○ Basic policy for profit distribution: With focus on balance

- Return to shareholders: Continuous and stable dividends
- Investment for growth: Increase earnings and corporate value
- Enhancement of capital adequacy: Preparation for the future

○ Target dividend payout ratio (consolidated): 30% or higher

- FY2020 dividend forecast:
Regular dividend JPY 20 (payout ratio 30.9%)
+ 125th anniversary commemorative dividend JPY 5 = JPY 25

Domestic Civil Engineering

● Goal to aim for

Leverage our strengths in coastal and waterfront areas to drive company growth

~ Focusing on offshore wind field for further growth

● Final year targets (Consolidated) (vs. FY3/19)

Orders received	JPY 222 bn	(+5.9%)
Gross Profit Margin	14.3 %	(-0.1p)
Operating profit	JPY 201 bn	(-0.2%)

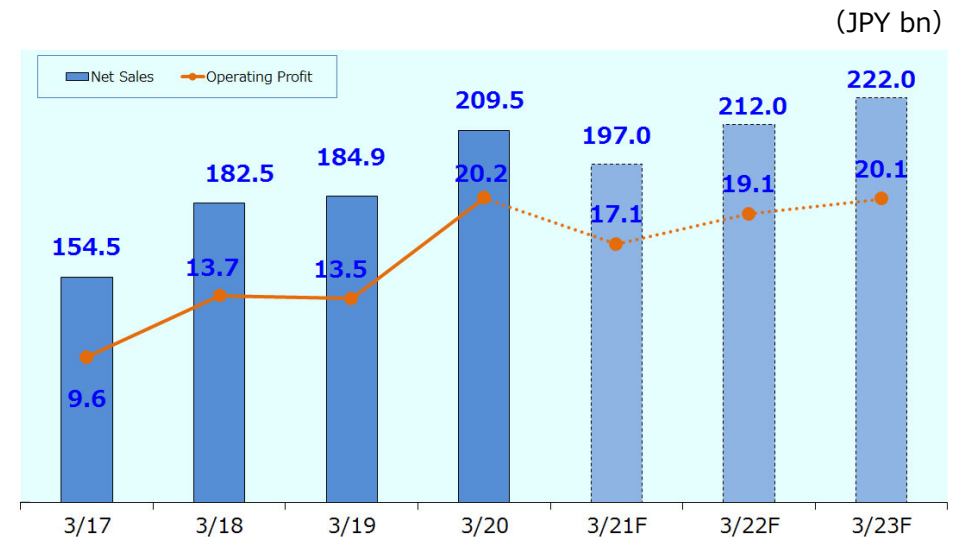
● Basic strategies

1. Demonstrating comprehensive strength by front-loading approach

- Strengthening efforts for large-scale marine civil projects
- Strengthening and expanding land civil projects through strategic efforts
- Strengthening efforts for large-scale repairs and reinforcement projects (Highways, Port and coastal facilities)
- Strengthening efforts for soil improvement field (Recycling of construction generated soil, contaminated soil and dredged soil)
⇒ Collaboration and synergy with environmental subsidiaries
- Strengthening technological expertise, cost competitiveness, and design change acquisition ability

2. Top runner in offshore wind farm construction field

- Establishment of Offshore Wind Farm Business Divisions Group ('20-)
Strengthening efforts for fixed-bottom foundation projects, Enhancing engineering capabilities for EPCI or integrated design & construction projects, Collaboration with DEME Offshore (Belgium)
- Building large-scale SEP vessels and other necessary vessels
Japan's first DEP, CP-8001 (completed in '19) :
Accumulating experience ahead of other peers
2nd SEP with a 1,600t lifting capacity crane (will complete in '22) :
Jointly owned with Kajima Corporation and Yorigami Maritime Construction Co., Ltd.
- Study on construction method for the future floating-type wind power



3. Promotion of productivity improvement (cross organizational efforts, interdepartmental collaboration)

- Improving productivity and safety by strengthening ICT utilization (construction support and improvement of safety by AR, VR, MR)
- Development of new construction technologies and promotion of cooperation with outside counterparties
- Mutual development of engineering technologies with International Business Unit and Domestic Building Construction Business Unit

4. Target-oriented R&D

- R&D for productivity improvement: Labor saving (robotization, semi-automation, precasting), BIM / CIM, Simplification of inspections
- Advanced development of technologies required for large-scale projects
- R&D on renewal field (Highways, Dam, Seawall and Pier, etc.)
- R&D for next-generation technologies for offshore resources

5. Human resource development -The 7-1 plan for early development of young employees

- Educational program to make them full-fledged engineers in seven years
- Compiling a database of teaching materials (design, construction and quantity survey), Online education (videos)
- One-on-one follow-up trainings by the Safety and Quality Control Education Office (Senior employees)

Domestic Building Construction

● Goal to aim for

Aim for sustainable growth with profit through business expansion

~ Strengthening competitiveness by front-loading approach

● Final year targets (Consolidated) (vs. FY3/19)

Orders received JPY 194 bn (-1.5%)

Gross Profit Margin 7.6 % (+1.2p)

Operating profit JPY 7.5 bn (+18.7%)

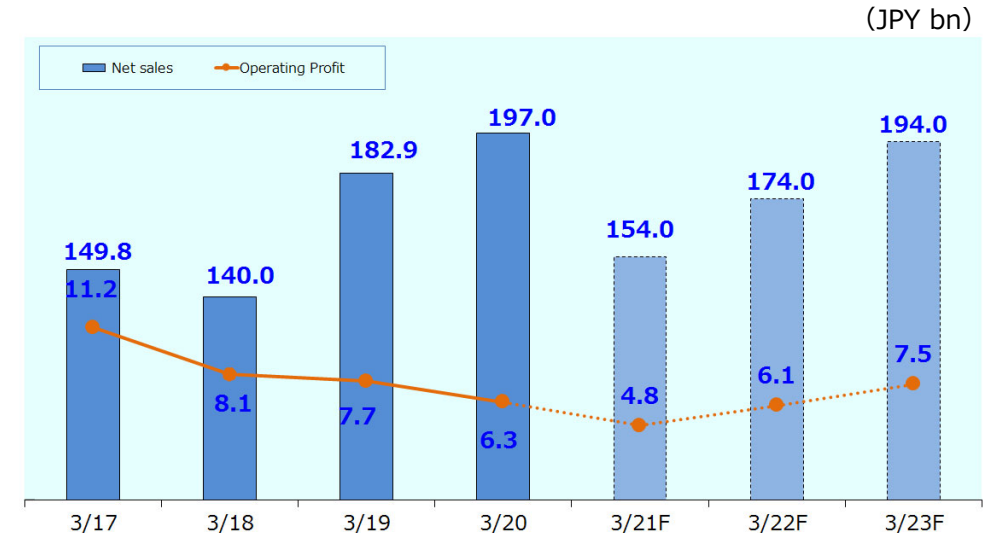
● Basic strategies

1. Strengthening marketing by front-loading approach

- Further strengthening our fields of focus and increasing orders for offices and commercial facilities
※Fields of focus (logistic facilities and food factories, medical and welfare facilities, residential building, environmental facilities)
- Strengthening proposal presentation ability and cost competitiveness by front-loading approach integrating sales, design and construction
Ex.) Proposals incorporating on-site productivity improvement, ZEB, etc.
Collaboration with Domestic Civil Engineering Business Unit for foundation works, etc.
- Strategic efforts for development business (efforts in advance for large-scale redevelopment projects, continuous efforts for waterfront projects where we have track records)

2. Promotion of productivity improvement (organizational efforts, interdepartmental collaboration)

- Improving productivity by front-loading approach: BIM utilization, Adopting productivity improvement construction method from the planning or design stage
- Active introduction of labor-saving and industrialized construction methods such as unitization, prefabrication and precasting
- Introduction of information-aided construction methods by utilizing ICT
- Collaboration with Domestic Civil Engineering Business Unit and International Business Unit)



3. Strengthening M&E engineering capability

- Improving productivity and proposal ability by introducing labor-saving construction methods (labor saving, unitization, utilization BIM, etc.)
- Efficient construction and quality management by utilizing ICT

4. Target-oriented R&D

- Improving efficiency in construction management (Utilization of BIM, ICT, AI, AR, VR technologies)
- Labor saving support for skilled workers (robotization, automatic transportation of materials and equipment, remote support)
- Improving concrete quality, Introduction of wood structure technology
- R&D on technologies required for large-scale projects (ultra high strength concrete, foundation structure, etc.)
- R&D on environmentally friendly technologies (ZEB, air purification)

5. Human resource development ~Establishment of Task Support Center (TSC)

- Practical human resource development through onsite work support ('20 ~)
- Building employees' experience both in TSC and sites during their 7 to 8 years after joining the company; Practically experiencing construction support, production design, and quantity survey at TSC
- TSC is responsible for back office operations and providing support for Work Style Reform on site

(JPY bn)

● Goal to aim for

Aim for sustainable growth as an attractive global company

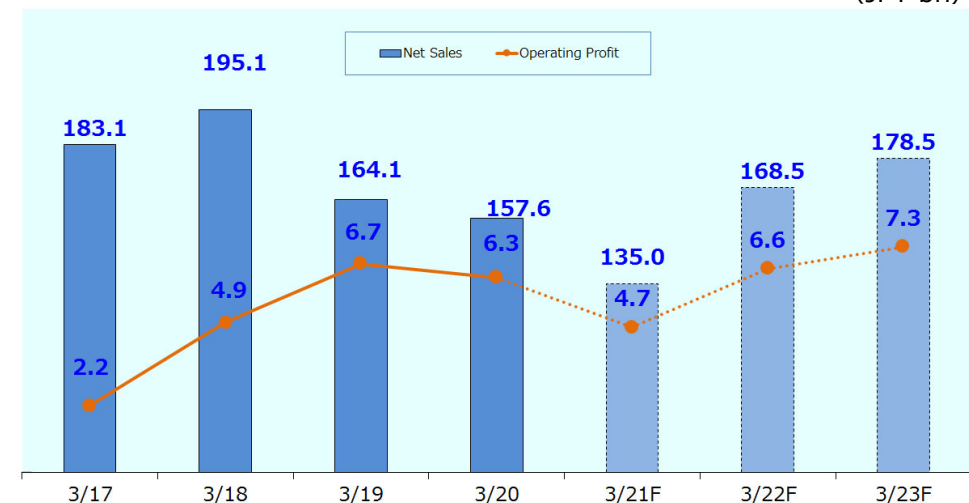
~ Demonstrating comprehensive strength and profit pursuit through promoting D&I

● Final year targets (Consolidated) (vs. FY3/19)

Orders received JPY 179 bn (-1.3.2%)

Gross Profit Margin 5.4 % (+0.2p)

Operating profit JPY 7.3 bn (+15.4%)



● Basic strategies

1. Strengthening sales and marketing by front-loading approach

- Early collection of project information by strategic marketing team
- Enhancing competitiveness by front-loading approach through collaboration with marketing and engineering teams
 - Strengthening strategic marketing backed by technology as well as on-site capabilities
 - Interdepartmental collaboration with other Divisions
- JV collaboration with the company through demonstrating mutual strengths, on a project by project basis
 - Collaboration with UG M&E (a new subsidiary in Singapore) for M&E engineering works
- Interdepartmental collaboration for large-scale ODA projects and Japanese company's building construction projects

2. Strengthening on-site and technological capabilities by front-loading approach

- Centralized construction management and technical support by Singapore International Business Unit Headquarters
- Support for improvement of technology, safety and quality by Project Support Center in Singapore
- Technological studies and proposals required for future projects
- Mutual development of design and construction technologies through collaboration between Divisions Groups in Japan
- Reorganizing and strengthening M&E engineering team through collaboration with UG M&E
- Globally promoting Penta-Ocean's standards for safety and quality

3. Promotion of productivity improvement (cross organizational efforts, interdepartmental collaboration)

- Improving productivity and safety by strengthening ICT utilization
- On-site introduction of ICT tools in collaboration with ICT Promotion Office at Headquarters
- Enhancement of BIM / CIM Office in Singapore
- Constructing Integrated Digital Delivery (IDD) platform

4. Strengthening work vessel operations

- Promoting strategic marketing to ensure vessel operations
- Strategic planning and execution for work vessel fleet combination (optimization of cost-effectiveness)

5. Human resource development -Strengthening human resources through D&I

- Early acquisition of foreign executive personnel and active promotion of global human resources
- Training younger non-Japanese employees to make them full-fledged workforce at early stage, nurturing next-generation professional managers; Establishing an educational plan that suits diverse cultures and skills; Visualization of career path
- Utilization of Global Career-track System (Japan / ASEAN international students)
- Promotion of Work Style Reform on site