

GOING FURTHER

その先の向こうへ

# Penta-Ocean Construction Annual Report 2021

Year Ended March 31, 2021



[www.penta-ocean.co.jp](http://www.penta-ocean.co.jp)



### Corporate Identity

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



### Mascot Character

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

Printed in Japan



# Practice of CSR Management Focused on ESG

Penta-Ocean Construction Group views that “its greatest contribution to society is the construction of superior infrastructure,” and considers that contributing to society through our core business focused on stakeholders is our CSR\* activity. In order to live up to the expectations and requests of all kinds of stakeholders, we are producing products that would contribute to the advance of a sustainable society with the entire value chain oriented to ESG\*.

\*CSR: It stands for corporate social responsibility, which means social responsibility each enterprise should fulfill for society and the earth environment.  
 \*ESG: It stands for the environment, social, and governance.

## Corporate Policy

### Affiliating with Society (S,G)

The Company keeps abreast of continued growth by providing high quality construction services and building trustful relationships with all stakeholders.

### Creating a Nature-Rich Environment (E)

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

### Cherishing a Pioneering Spirit (S,G)

The Company demonstrates an enterprising spirit in dealing with the changes in society that influence our business in order to conscientiously respond to the needs of our customers and communities.

## Corporate Vision

### “Creative” company for land and sea (S,G)

As a leading contractor in coastal and waterfront areas, we seek to create attractive environments and pursue customer satisfaction and social contribution as an engineering-oriented company.

### “Committed” company guaranteeing solid quality (S,G)

We build trustful relationships with our customers and society through providing high quality workmanship and safe products backed by solid technologies.

### “Future-oriented” company creating rich environments for the future generations (E)

We establish quality and nurture rich environments throughout the course of our corporate activities and pass on our dreams, hopes and possibilities to the next generations.

## CSR Policy

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

### Dignified Business Conduct (G,S)

We take an honest approach to our business operations at all times, aside from observing the laws and ordinances, and respecting social norms and ethics.

### Coexistence with the Environment and Nature (E)

- We enhance global environment preservation by developing environmentally friendly infrastructures and technologies.
- We develop safe living environment through developing disaster measure technologies applicable to both system and structures.
- In time of emergency, we also implement quick-responding support activities.

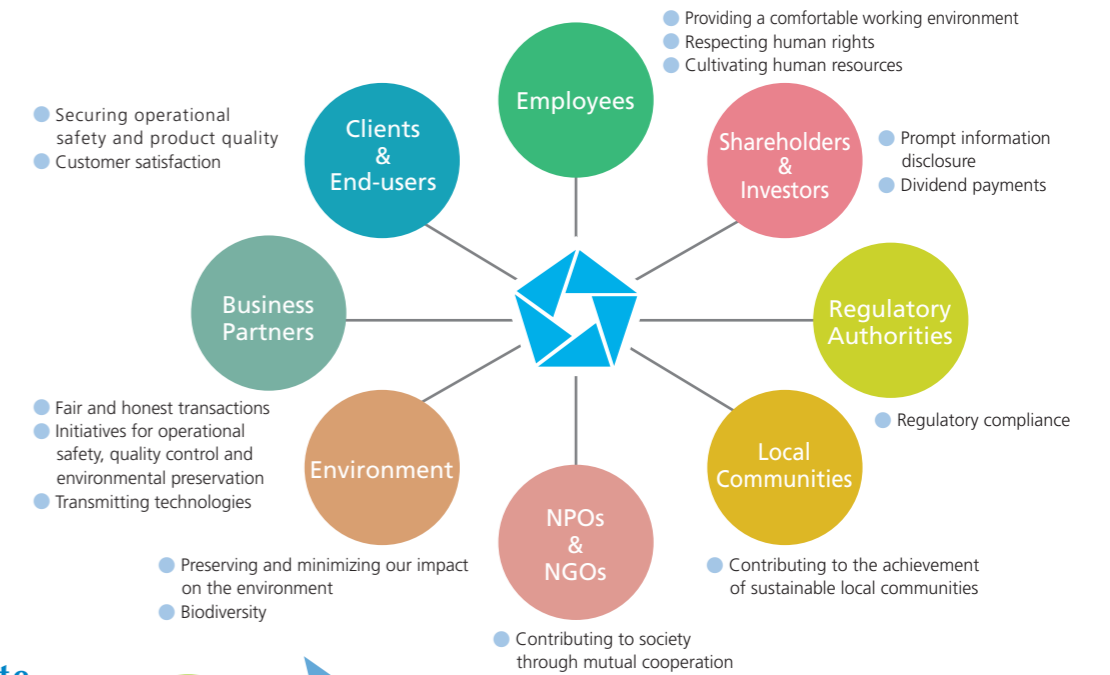
### Human Propriety (S)

- We create a working environment that motivates our employees, and respect their individuality and enabling them to fully demonstrate their abilities.
- We respect human rights and adhere to the diversity of not only our employees but of all people connected with the Company.

### Information Transparency (S,G)

We are committed to broad-based communications with our stakeholders (including shareholders, customers, business partners, employees, and the local communities), and at the same time, demonstrate maximum accountability by timely disclosing of appropriate information.

## Penta-Ocean Construction Group and Our Stakeholder Engagement Model



## Penta-Ocean Construction Group's Corporate Value Chain



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### For readers

Our corporate group has issued a corporate report as a tool for comprehensive communication with a broad range of stakeholders this fiscal year, too.

Our website comprehensively describes our CSR activities in more detail, for disclosing information and fulfilling accountability. We hope that you will read them and deepen your understanding of our corporate group.

Period covered by this report: FY 2020 (April 1, 2020 to March 31, 2021); provided, however, that the report also includes the contents of other fiscal years.

Range covered by this report: In principle, this report mentions our corporate group.

Guidelines for reference : “Guidelines for environmental reports (2018)” by the Ministry of the Environment

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.

A handwritten signature in black ink, appearing to read 'Takuzo Shimizu'.

**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.

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.

### [S] Society

▶ P.28-35

#### 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

### [G] Corporate Governance

▶ P.36-39

#### 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.

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

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

The Goal to Aim for

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

1

Social

### An Advanced Company in Work Style Reform and Productivity Improvement

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

2

Social

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

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

3

Environment

### A Company that Challenges New Frontiers with Pioneering Spirit

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

4

Governance

### Practicing CSR Oriented Management with Focus on ESG

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

### For Achieving the Goals of the Mid-term Management Plan

In the mid-term management plan (FY 2020 to FY 2022), we aim to become “a genuine global general contractor” with distinctive strengths in port, coastal, and waterfront areas, as well as overseas. One meaning of “a genuine global general contractor” is a company that can operate business beyond the barriers between the civil engineering and building construction and the barriers between domestic and overseas, based on the cooperation among business units. In overseas universities, civil engineering is not distinguished from construction in construction engineering. Another meaning is a company that pursues not merely diversity, but diversity & inclusion (D&I), where diverse human resources, regardless of nationality or gender, can work together with vigour and enthusiasm as well as mutual respect.

Accordingly, we aim to be (1) an advanced enterprise in terms of workstyle reform and productivity improvement, (2) an advanced enterprise in terms of D&I, (3) a company that challenges new frontiers with pioneering spirit and (4) a company that practices CSR management with focus on ESG (E: environment, S: society, G: corporate governance). Then, we will provide high-quality infrastructure and buildings for our clients and society, with reliable safety and quality. In the final fiscal year of the plan, we aim to achieve consolidated sales of 605 billion yen and a net income of 25 billion yen, hitting record highs for net sales and net income.

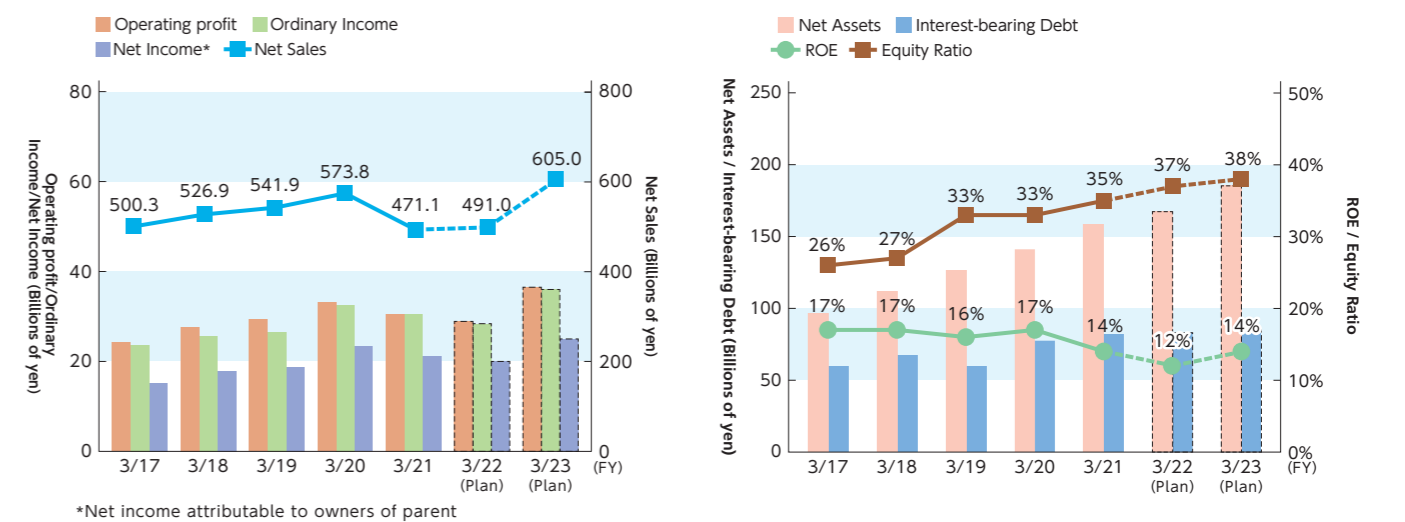
## Management Targets

### Management Targets (Consolidated) (FY 3/23)

Net Sales	Ordinary Income	Net Income*	ROE	Payout ratio
FY 3/21 Result ¥471.1billion	FY 3/21 Result ¥30.5billion	FY 3/21 Result ¥21.0billion	FY 3/21 Result 14.0%	FY 3/21 Result 38.1%
▼	▼	▼	▼	▼
¥605.0	¥36.0	¥25.0	10	30
billion	billion	billion	% or higher	% or higher

### Dividends to shareholders

### Trends/Projection of KPI (Consolidated)



### Targets and Basic Strategies by Business Units (consolidated)

Domestic Civil Engineering	Domestic Building Construction	Overseas
Leverage our strength in coastal and waterfront areas to drive company growth	Aim for sustainable growth with profit through business expansion	Aim for sustainable growth as an attractive global company
<b>Final year targets (consolidated)</b>	<b>Final year targets (consolidated)</b>	<b>Final year targets (consolidated)</b>
<ul style="list-style-type: none"> <li>● Net Sales: ¥222.0billion</li> <li>● Gross Profit Margin: 14.3%</li> <li>● Operating profit: ¥20.1billion</li> </ul>	<ul style="list-style-type: none"> <li>● Net Sales: ¥194.0billion</li> <li>● Gross Profit Margin: 7.6%</li> <li>● Operating profit: ¥7.5billion</li> </ul>	<ul style="list-style-type: none"> <li>● Net Sales: ¥178.5billion</li> <li>● Gross Profit Margin: 5.4%</li> <li>● Operating profit: ¥7.3billion</li> </ul>
<b>Basic strategies</b>	<b>Basic strategies</b>	<b>Basic strategies</b>
<ol style="list-style-type: none"> <li>1. Demonstrating comprehensive strength by front-loading approach</li> <li>2. Top runner in offshore wind farm construction field</li> <li>3. Promotion of productivity improvement (cross organizational efforts, interdepartmental collaboration)</li> <li>4. Target-oriented R&amp;D</li> <li>5. Human resource development -The 7-1 plan* for early development of young employees</li> </ol>	<ol style="list-style-type: none"> <li>1. Strengthening marketing by front-loading approach</li> <li>2. Promotion of productivity improvement (cross organizational efforts, interdepartmental collaboration)</li> <li>3. Strengthening M&amp;E engineering capability</li> <li>4. Target-oriented R&amp;D</li> <li>5. Human resource development -Establishment of Task Support Center* (TSC)</li> </ol>	<ol style="list-style-type: none"> <li>1. Strengthening sales and marketing by front-loading approach</li> <li>2. Strengthening on-site and technological capabilities by front-loading approach</li> <li>3. Promotion of productivity improvement (cross organizational efforts, interdepartmental collaboration)</li> <li>4. strengthening work vessel operation</li> <li>5. Human resource development -Strengthening human resource through D&amp;I</li> </ol>
*Training program to become a full-fledged engineer within 7 years of joining the company	*Practical human resource development through on-site support work for employees up to their eighth year with the company	

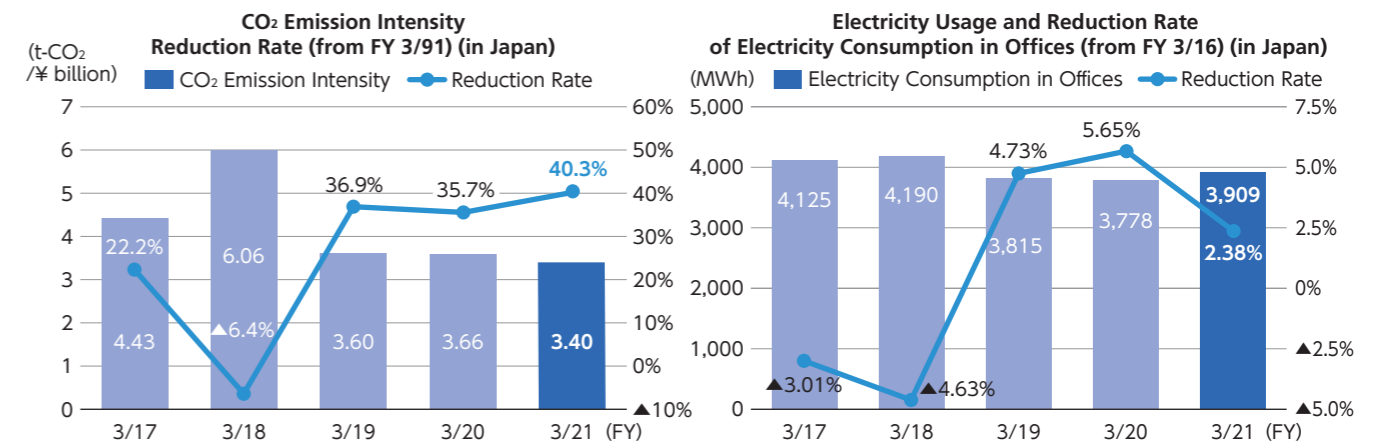
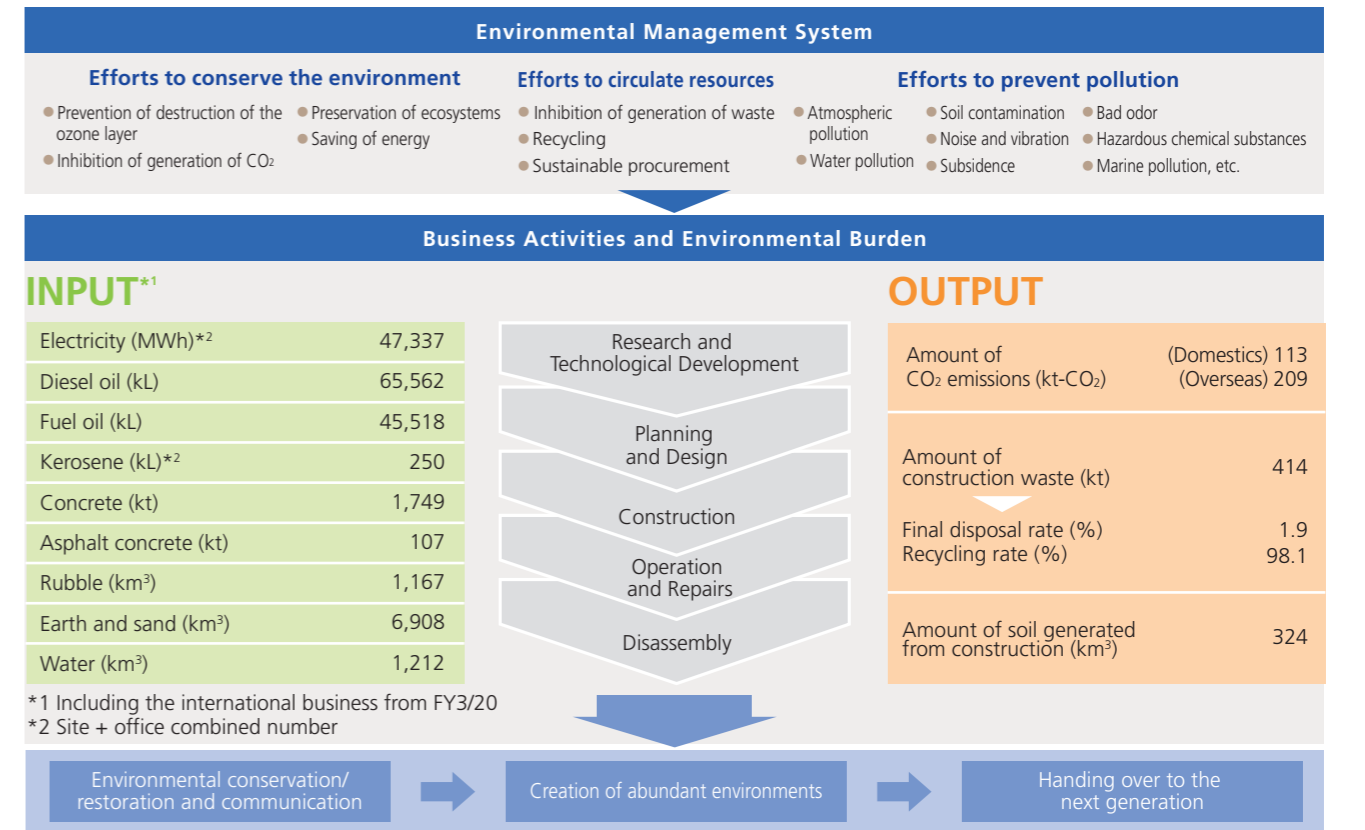
# Consolidated Financial Highlights \*Figures have been rounded.

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

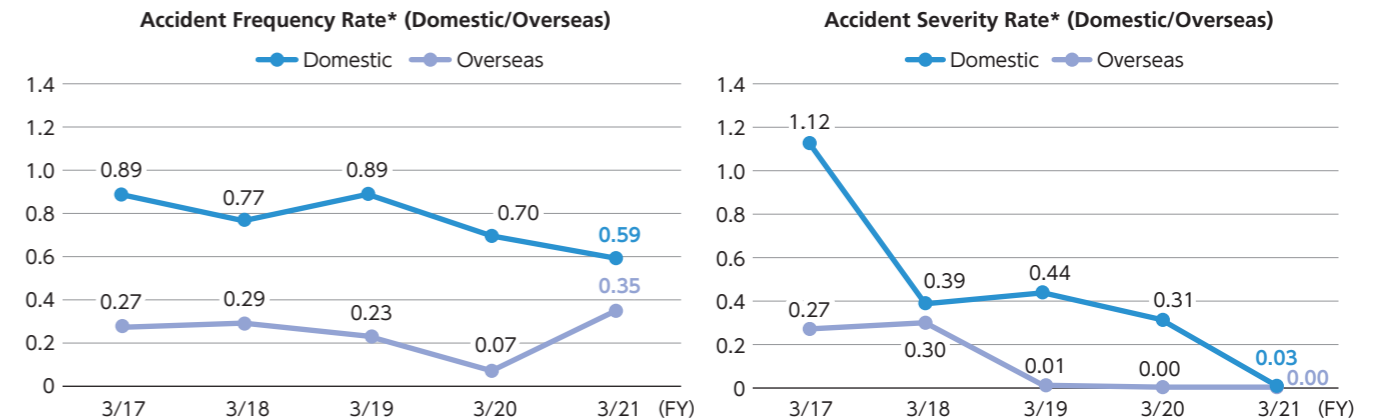


# Highlight of Non-financial Information

## Lifecycle of a Construction Project and Efforts to Conserve the Environment (FY 3/21)



## Promotion of Activities for Preventing Occupational Accidents while Giving Top Priority to Safety



\*Accident Frequency Rate: It represents the frequency of industrial accidents, and is calculated by the equation: (Number of casualties in industrial accidents) / (Total number of actual working hours) × 1,000,000  
\*Accident Severity Rate: It represents the severity of industrial accidents, and is calculated by the equation: (Total number of workdays lost) / (Total number of actual working hours) × 1,000

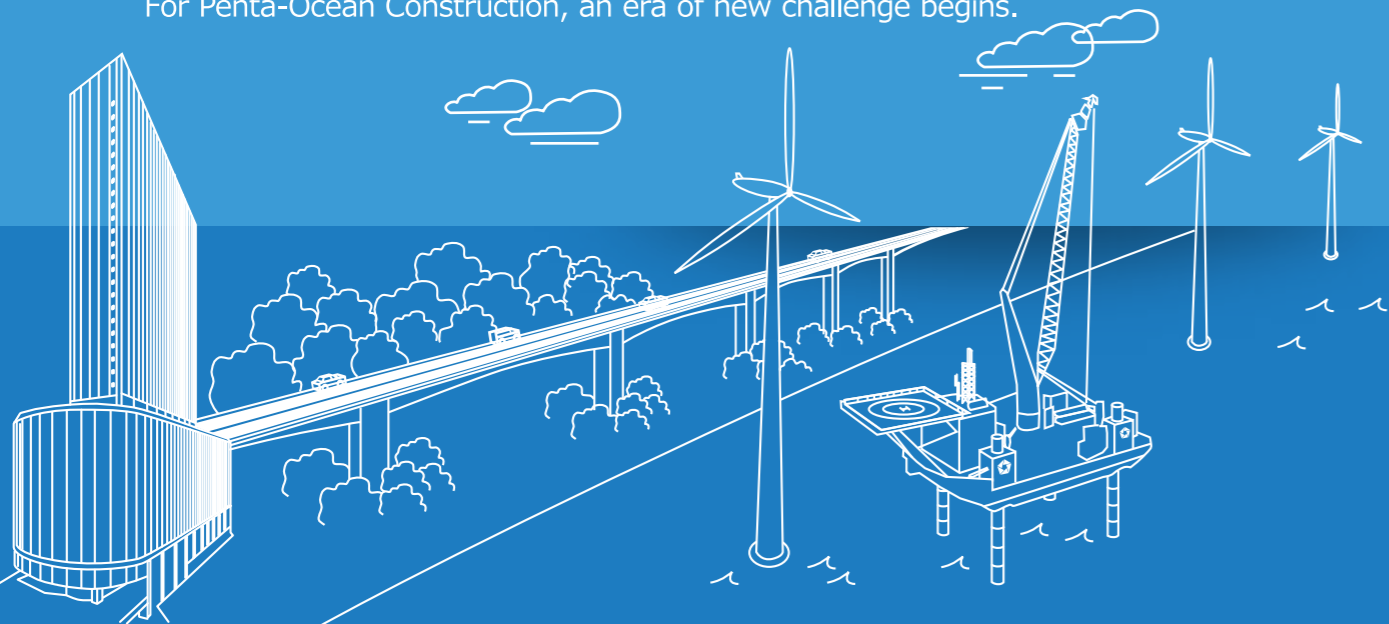


# An Era of New Challenge Begins!

*The path we walked will create our own destiny*

Penta-Ocean Construction is celebrating its 125th anniversary since its founding in Kure City, Hiroshima Prefecture in 1896. Our initial business in marine civil engineering works has significantly expanded to land civil engineering and building construction works. Beginning with the Suez Canal Dredging Project, our journey abroad has been marked by a number of memorable milestone projects, mostly based in Singapore.

With an enterprising spirit as part of our corporate DNA, we pursue challenges in new fields and technologies, paving the way for the future, as a genuine global general contractor. For Penta-Ocean Construction, an era of new challenge begins.



Click here to view further details of our 125-year history →



## Special Feature 1: The 125th Anniversary

### Celebrating the 125th Anniversary of the Inauguration of our Business

#### Establishing a Commemorative Logo for the 125th Anniversary

A commemorative logo was produced to mark the 125th anniversary of Penta-Ocean's founding. The increasing numbers and the geometric motifs of leaping waves and streams represent the company's dynamic and innovative spirit soaring into the future.



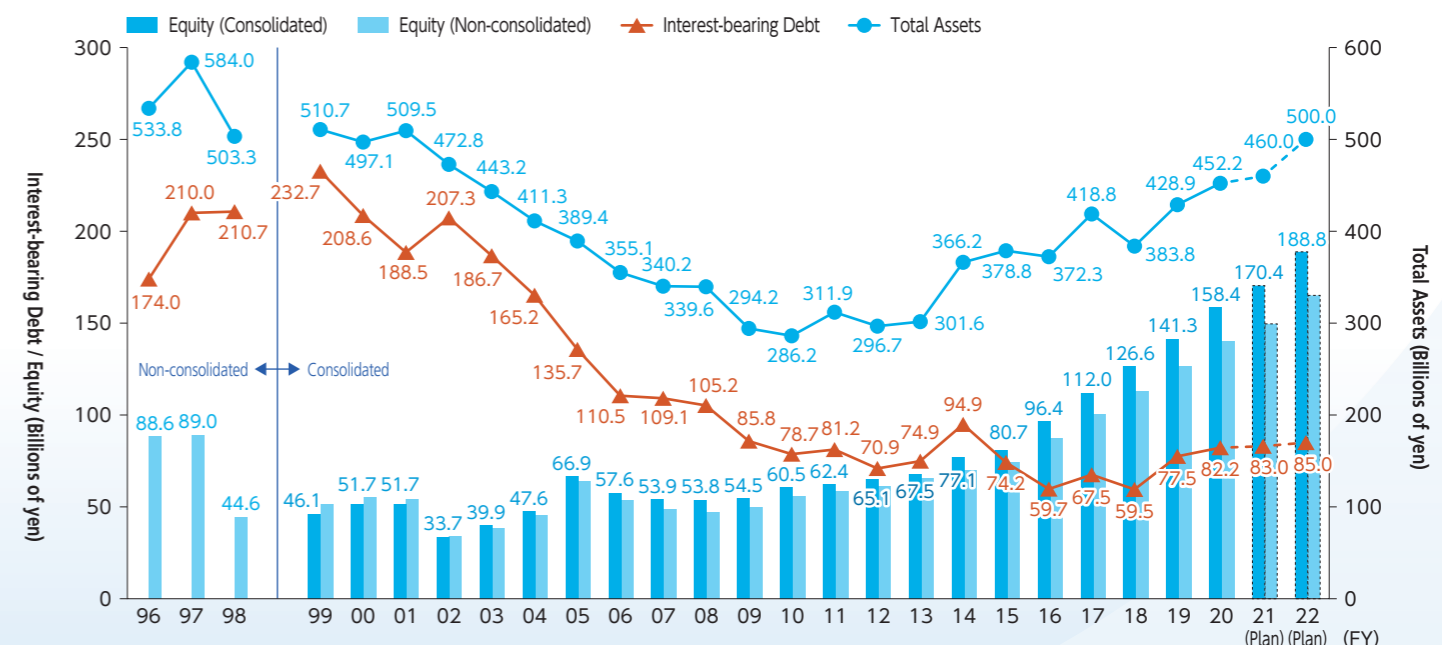
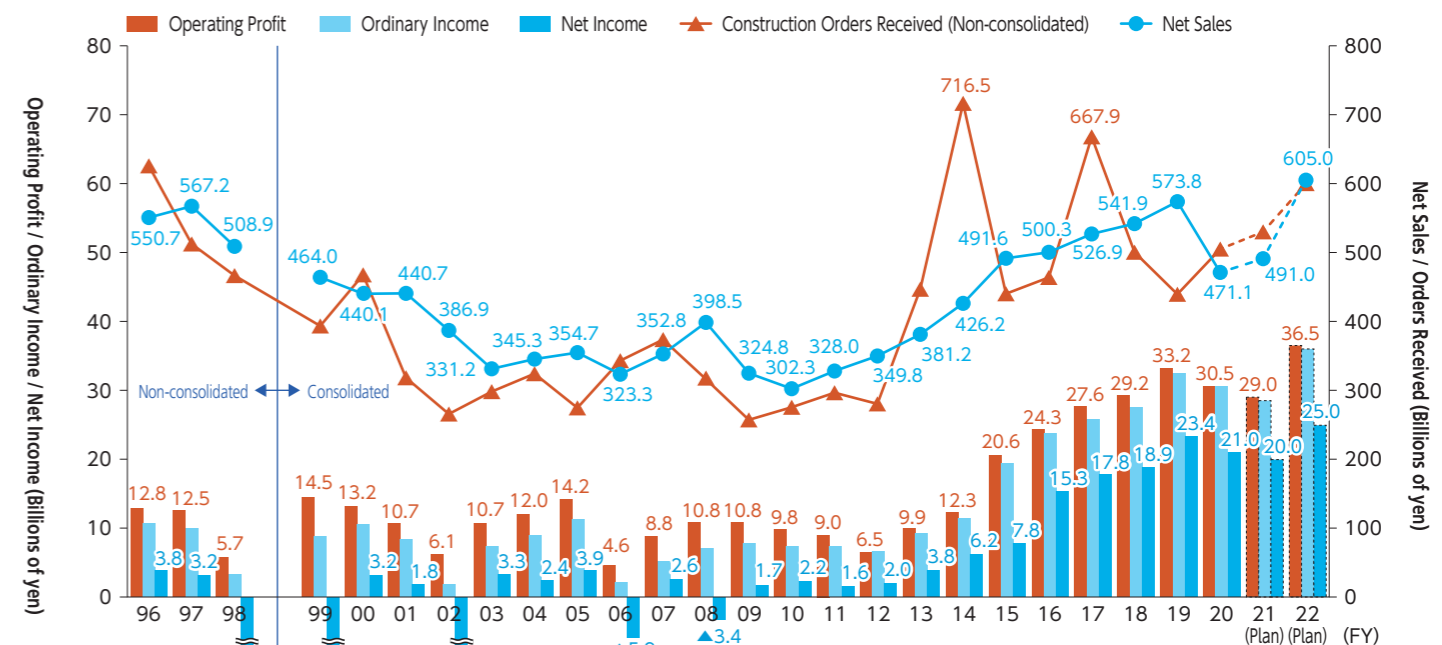
#### Advertisement Commemorating the 125th Anniversary

On April 10, 2021, Penta-Ocean Construction celebrated the 125th anniversary of its founding. On the previous day, April 9, we took out an advertisement in the morning edition of the Nihon Keizai Shimbun newspaper entitled "A new endeavor begins - The path we walked will create our own destiny." The two-dimensional bar code on the bottom right of the page gave access to a five-minute video showcasing the company's history. On the morning of that day, a bilingual video message from the president commemorating the 125th anniversary of the company's founding was uploaded in Japanese and English via the company's intranet.

On April 26, we posted a full-page English advertisement in the Singaporean newspaper The Straits Times.



### Business Performance Over the Last 25 Years



# Corporate History

## The First 100 Years

## The Last 25 Years



Phase I From foundation to development

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

Phase III Strengthening the building construction abilities and moving toward a three-pillar business structure

Phase I Reconstruction

Phase II Recovery

Phase III Evolution

**1896**  
Mizuno Gumi was founded in Kure City, Hiroshima Prefecture

- Carrying out many civil engineering projects in ports, Mizuno Gumi gained a strong reputation as a leader in marine civil engineering

**From 1945**

- After the war, the company focused on land reclamation projects in coastal areas
- Within the construction sector, Penta-Ocean is among the first to expand overseas\*1
- By carrying out several mergers and acquisitions around 1970, Penta-Ocean was able to expand into the land civil engineering sector and begin operating business nationwide\*2

**From the late 1970s**

- Strengthening the building construction business unit and laying the foundation for Penta-Ocean's three-pillar business structure: domestic civil engineering, domestic building construction, and overseas
- After completing the Penta-Ocean Institute of Technology in 1980, technological development progressed

**1997 to 2004**  
Breaking away from the negative legacy  
Responding to the contraction of the construction market

**2005 to 2013**  
Aspiring to be the number one company in port, coastal, and waterfront areas

**2014 to 2021**  
Emerging as a genuine global general contractor with strengths in port, coastal, waterfront areas, and overseas



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



Mr. Jinjiro Mizuno founded Mizuno-Gumi (1896)



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



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



Undertook the construction of the pier at the Jurong Shipyard docks Foray into Singapore (1964)



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



Contract awarded for Tuas Reclamation in Singapore (1984)



Completion of the World Cargo Distribution Center (1993)



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



Contract awarded for the Sun Plaza building Foray into Hong Kong (1986)



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



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



Completion of Kogouchi Tunnel of New Tomei Expressway (2005)



Completion of the Kyushu Shinkansen Tamanatsuru Bridge (2008)



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



Completion of the Kai Tak Cruise Terminal (2013)



Completion of MAZDA Zoom-Zoom Stadium Hiroshima (2009)



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



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



Completion of Kure City Hall(2015)



Completion of Sengkang Integrated Hospital in Singapore(2018)



Completion of Yodobashi Umeda Tower (2019)



Completion of a Offshore installation vessel, "CP-8001" (2018)



Completion of the Mirai Shipbuilding Yard (2019)



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

\*1: In 1961, we were awarded a contract for the Suez Canal expansion project, a national project in Egypt. Our stance of tackling difficult problems under adverse conditions has been handed down in our corporate DNA as our "enterprising spirit."  
\*2: We absorbed Sakai Construction Co., Ltd. in 1968, Japan Land Development Co., Ltd. in 1969, and Jin Industrial Co., Ltd. in 1970



# Digital Initiatives

## Domestic Civil Engineering Efforts to Improve Construction Productivity and Quality Control

Utilizing the framework of the Cabinet Office's Public/Private R&D Investment Strategic Expansion Program: (PRISM), the Ministry of Land, Infrastructure, Transport and Tourism launched the Project on the Adoption and Use of Innovative Technologies to Dramatically Improve the Productivity at Construction Sites. This project aims to improve productivity and quality control at construction sites by fostering collaboration between construction companies and companies in different industries and sectors, including IoT, AI, and robotics. In addition to supporting i-Construction, which is aimed at improving productivity on conventional construction sites, the project also strongly propels public-private research and development aimed at creating scientific and technological innovation. Penta-Ocean is also actively engaged.

In FY 3/21, consortiums represented by Penta-Ocean were selected in the categories of both "I: Technology to increase construction labor productivity" and "II: Technology to improve construction quality control." A variety of advanced technologies using ICT were tested, centered on the "Penta-Ocean Construction Data Gathering and Sharing System (i-PentaCOL/3D)" at the site of Shitara Dam, which is to be built by Penta-Ocean, in Aichi Prefecture.

### <Consortium Members>

Category I: Penta-Ocean Construction Co., Ltd., Osaka University, K.K. Shoji, Atos Co., Ltd., NIPPON SYSTEMWARE CO., LTD., and NEXTSCAPE Inc.

Category II: Penta-Ocean Construction Co., Ltd., Osaka University Graduate School, K.K. Shoji, and NIPPON SYSTEMWARE CO., LTD.

### <Trial Technology>

Category I: Increasing labor productivity

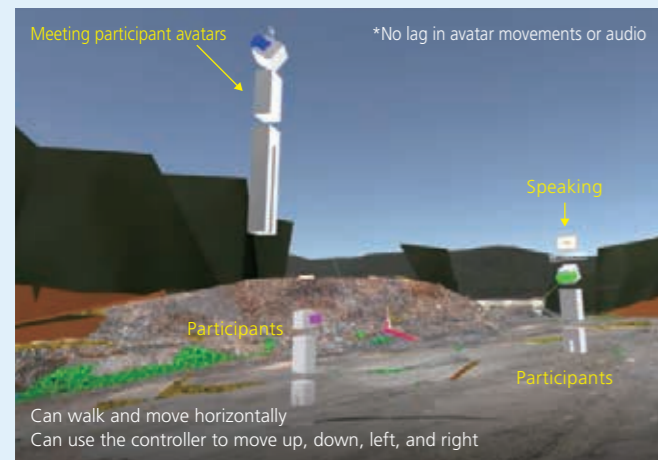
Category II: Improving quality control

- 1 IoT/AI Backhoe
- 2 Digital VR Conference
- 3 Advanced proof rolling
- 4 Surface assessment of soil and soft rocks
- 5 Total control of embankment spreading depth

### 2 Digital VR conferencing

Clients and construction personnel were immersed in a digital twin reproduction of a construction site, and held meetings in 3D realism

- ➔ Reduces travel and waiting time for inspectors



Example of a virtual space in a digital VR conference (earthworks)

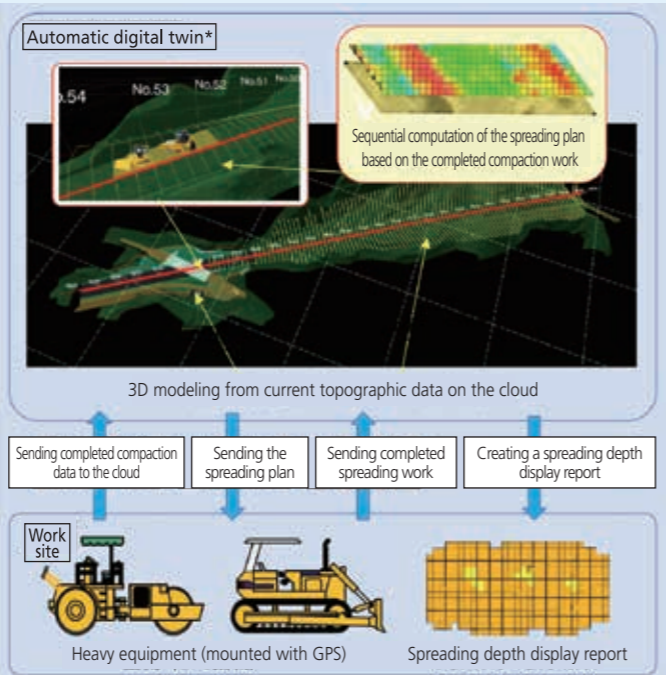


Conference participants (earthworks)

### 5 Total control of embankment spreading depth

The GPS-mounted heavy equipment has been used to gradually re-engineer the embankment spreading height and totally control the spreading depth

- ➔ Contributing to the improvement of quality control



\*A system that uses IoT, AI, AR, and other technologies to recreate a real-world environment in virtual space and link the real and digital worlds together in real time

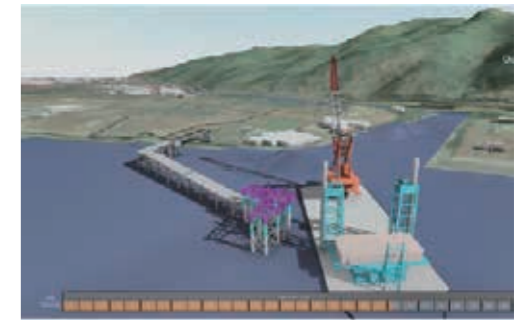


The "Penta-Ocean Construction Data Gathering and Sharing System (i-PentaCOL/3D)" is a cloud system that uses BIM/CIM to collect and share a variety of information on construction sites. It reduces the labor on such tasks and contributes to the improvement of quality control.

The i-PentaCOL/3D system can be customized to fit on-site requirements, and the aforementioned trial technology was developed by improving its functions.

## Domestic Civil Engineering Utilization of BIM/CIM for VR Simulation in Port Construction

BIM/CIM is utilized as a tool for improving productivity throughout the life cycle of infrastructure, including research, design, construction, maintenance, upgrading, and disposal. With BIM/CIM as the core, we centrally manage installation and inspection records, and use data and digital technology to optimize the positioning of skilled workers and machinery in the field, aiming to carry out construction work quickly, accurately, and at optimum cost while maintaining high quality.



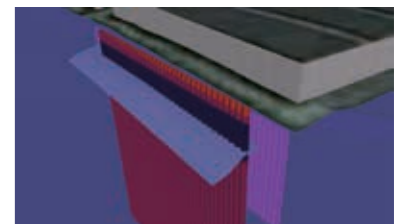
In addition, the BIM/CIM VR (3D/4D) simulations are used for safety training and occupational accident prevention.

### <Examples of BIM/CIM utilization at the construction stage>

- Visualization (4D simulation made by adding a time axis to a 3D model)
  - Visualizing the situation at the construction site
  - Visualizing the positioning of the work vessel
  - Visualizing work procedures
- Information sharing (sharing visualization data with related parties)
  - Sharing information on the work progress and positioning of work vessels ➔ Safe and smooth operation of ships
  - Linking construction information to the BIM/CIM model ➔ Utilizing the information when maintaining and upgrading the infrastructure

### Effective Verification Using BIM/CIM Models —Creating an Undersea Terrain Model

We created an underwater topographical model by taking the seabed data obtained by underwater surveys prior to the commencement of the construction, and applying it to the BIM/CIM model. For example, in the case of pile-driving, by making the seabed data three-dimensional in advance, one can better understand the condition of the pile pits (soil layer configuration and ground height). This makes it possible to identify and deal with areas where countermeasures are needed, during at the examination phase, eliminating the need to redo work during the construction phase (e.g., redesign).



### Allowing for Vessel Positioning Adjustments and Confirmation

When using a crane barge in port construction, it is important to consult with relevant parties so as not to impede the safety and smooth operation of ships in the vicinity.

Therefore, in addition to information on the positions and work statuses of the working vessels, the BIM/CIM model includes information on vessels in adjacent berths. This allow for everyone to intuitively understand the positions and relative distances between vessels, thereby reducing labor and increasing the efficiency of coordination efforts.



### Preliminary Review of Construction Plans —Increased Productivity Through Front Loading

By applying a time axis to the BIM/CIM 3D model, we can create a 4D simulation that can be used for the preliminary review of construction procedures. The construction procedure is visualized, making it possible to check areas of concern before construction begins, such as contact with existing structures and interference with temporary installations, thereby reducing the possibility that rework will become necessary during the construction phase. Additionally, as the simulation enables one to see how the construction site will change over time, it is easier to explain the construction plans to those involved.



Using a 4D simulation to verify the construction procedures



### Safety Experience VR —Simulation of Hanging Steel Pipe Sheet Pile or Heavy Machinery Spinning

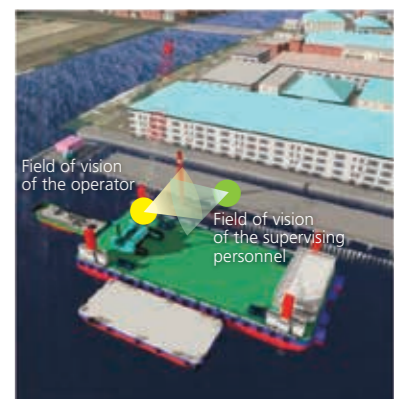
We carried out a VR simulation, which allows workers to experience a disaster that can occur while operating heavy machinery, namely when a hanging load begins spinning and hits a worker. The simulation was made from several different perspectives, including those of workers atop the guide frame, workers on the platform or crane barge, and employees of the prime contractor who have come to supervise the work. By allowing people to observe the situation from each other's perspectives and share their own views, the simulation raises safety awareness and contributes to the prevention of occupational accidents.



Perspective of the crane operator



Perspective of a worker on the pier



Full view of the work site

## Domestic Building Construction BIM Initiatives for High-rise Buildings

We have been implementing BIM\* since 2013, with the aim to improve quality and productivity in building construction. By using three-dimensional BIM models with time axes to simulate construction steps for realistic visualization, we can form a common understanding among parties involved and speed up decision making. In addition, digitized building information is used to ensure consistency between buildings and equipment, to minimize labor in drafting drawings, and to improve the accuracy of quantity calculations.

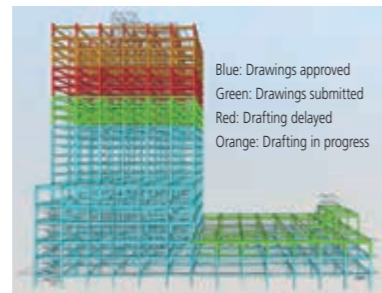
We are currently using BIM in the construction of a full-service hotel in the Fujimi-cho area of Naka-ku, Hiroshima City (provisional name).

\*BIM: Application of BIM during the construction stage

### Labor-saving Progress Management with PiCOMS-S

PiCOMS-S, the steel frame construction edition of the "Penta-Ocean Integrated Construction Management System (PiCOMS)," is a cloud system that integrates the management of drafting, fabrication, and construction of structural steel frames, and allows related parties to check the status of progress displayed through BIM in real time. The system is designed so that it can be easily operated with a tablet without any BIM skills or specialized equipment.

In this construction project, the schedule for each phase of drafting, fabrication, and construction was determined by consensus among the parties involved through simulation while sharing a PiCOMS-S screen. Each process was checked for timely progress according to schedule, and when delays occurred, causes were identified, improvements were made, and the schedule was revised.



Screen for confirming the progress of structural steel frame works

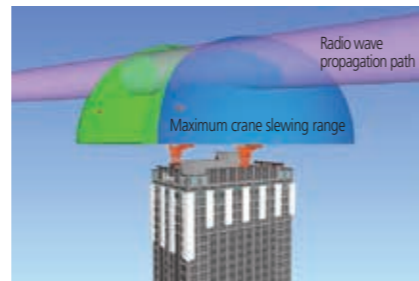


(Provisional name) Fujimi-cho, Naka-ku, Hiroshima City  
Conceptual drawing of the full-service hotel upon completion

### Discussion on a BIM-based Construction Plan:

#### Planning the location of the Tower Crane to Avoid Interference to Radio Wave Propagation Paths

Since there was a possibility that during operation, the tower crane would interfere with public radio waves above the construction site, information on its propagation paths obtained from the broadcasting company was digitized and superimposed on the BIM model for assessment. As a result, it was found that the maximum slewing range of the crane would interfere with some of the propagation paths, but the BIM construction simulation revealed that the construction would not be hampered even if the crane was operated to avoid the propagation paths. We carried out the construction after sharing our findings with the broadcasting company for them to confirm.



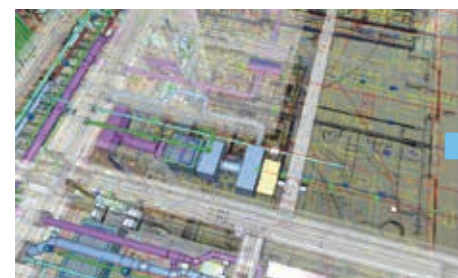
Confirmation of radio wave interference by the tower crane through BIM

### Production of Construction Drawings from BIM Models

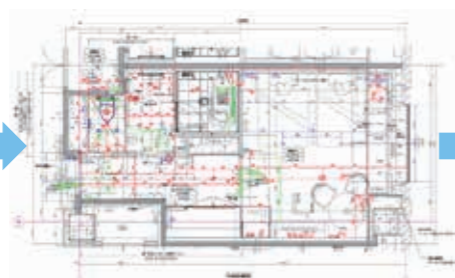
To produce construction drawings, we integrated the BIM models of the building and equipment, adjusted the fit. The construction and integrated drawings were drafted after confirming the fit of each section. Smooth construction work was made possible by producing construction drawings from the adjusted BIM models.

### Utilization of Digital Mockups to Determine Finishing Materials

Digital mockups were created by using a cloud-based rendering system by adding information for finishing touches such as interior design, furniture, and fixtures to the BIM model used to produce the construction drawings. Compared to selecting finishing materials using samples for each area, it was easier to grasp the spatial image, and decisions on the materials could be made quickly.



Fit adjustment using an integrated model of the building and facilities



Comprehensive drawing of the guest room plan



Example of digital mockup

### Fabrication of Components from BIM Models

In the fabrication of structural steel frames, PC panels for exterior walls, and ventilation ducts, the digital information from the BIM model with finalized layouts was reflected in the fabrication drawings. This has led to a reduction in labor and human error in factory fabrication.

## Overseas Coherent Use of Digital Data from Design to Maintenance Management

In Singapore, the digitalization of construction systems is being actively promoted, with BIM for the endorsement of applications being made mandatory in stages since 2013. This trend started with the introduction of BIM and has evolved into the digitization of the entire building process from design to construction. In recent years, the use of digital technology has evolved to include the entire lifecycle of a building, to operation and maintenance.

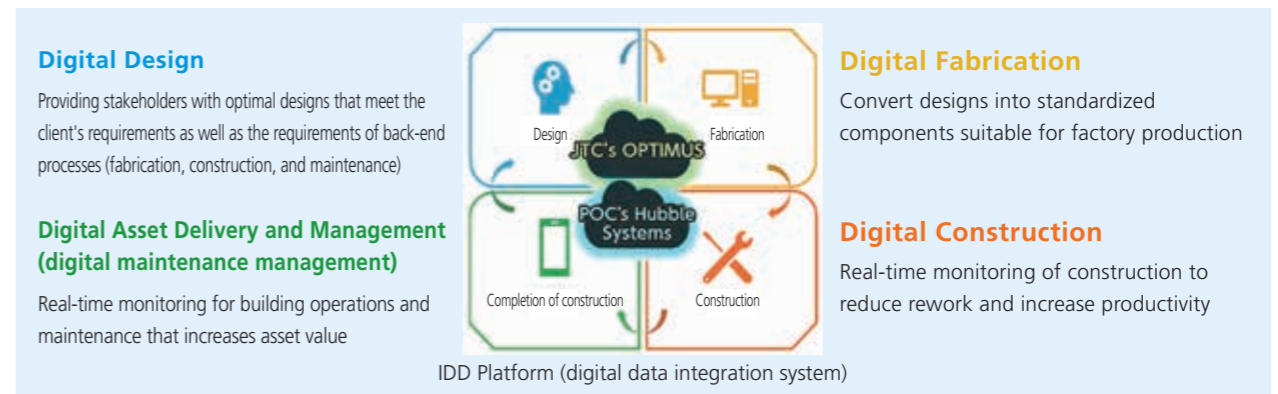
Integrated Digital Delivery (IDD) is the Singaporean version of construction DX, which refers to the integration of construction work processes and the use of digital technology to connect the parties involved in a project. It is expected to contribute to the efficiency of construction work by utilizing digital technology throughout the building lifecycle: design, fabrication, construction, and maintenance.

### Examples of IDD Initiatives – Integrated Management of Design to Construction Using BIM Models

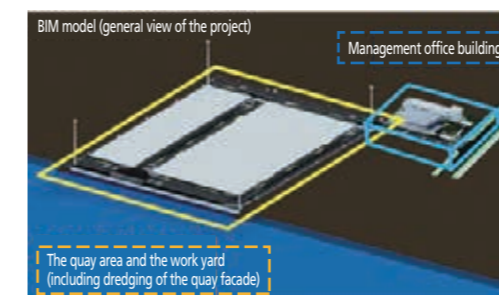
We are also accelerating our efforts in IDD. At Offshore Marine Center 2 in Singapore (construction of the quay area, work yard, and administrative office building), we are working to enhance construction management and improve productivity and quality through integrated data management (including BIM models) for design to completion using the IDD platform.

To reform our workstyles and improve productivity, we will further promote DX, by integrating construction DX in Japan and IDD in Singapore through inter-departmental collaboration, which is one of our strengths.

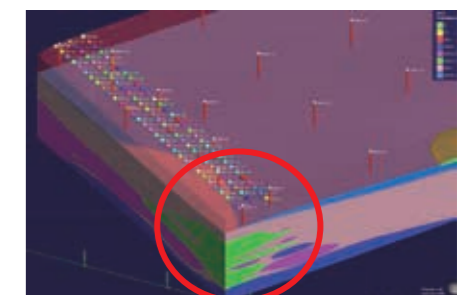
Offshore Marine Center 2 (construction of quay area, work yard, and administrative office building)  
(Source: Aurecon Group's website)



### Design Phase – Design Review Using the BIM Model and the 3D Soil Model



Design review and interference assessment using the BIM model

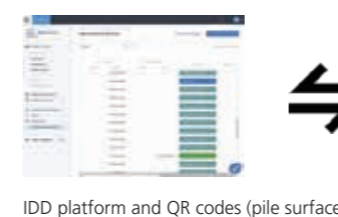


3D soil model created from soil survey records  
Visualization of complex and non-uniform soil properties

### Fabrication and Construction Phase

#### Real-time management of the progress of pile production and installation

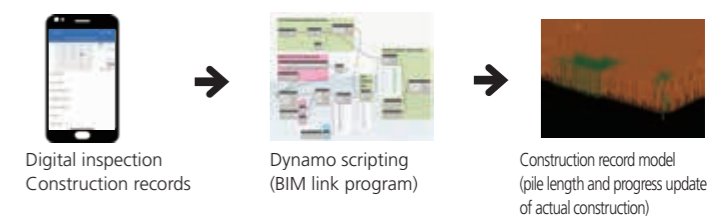
Record pile production, quality, delivery, and the status of pile driving on an IDD platform by scanning QR codes



IDD platform and QR codes (pile surface)

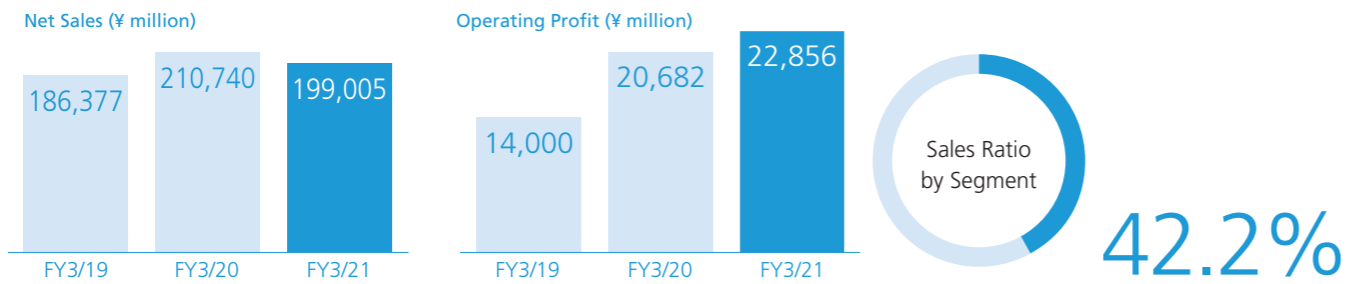
#### Linkage between construction records (digital data) and BIM models

Link construction records (digital data) on the IDD platform to the BIM model, to assess progress and construction records on the BIM model  
→ Utilization in maintenance management and renewal

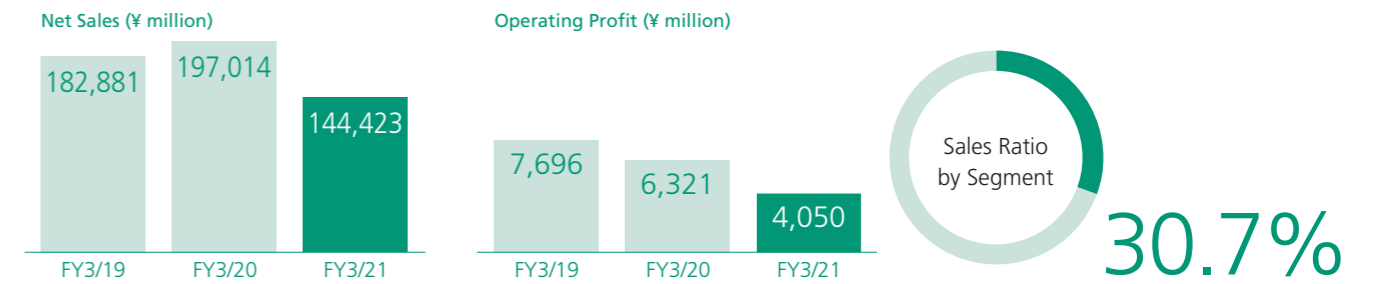


# Major Projects in FY3/21

## Domestic Civil Engineering



## Domestic Building Construction



### Noshiro Port No.2 Coal-ash Disposal Site (Bottom water shielding work)

Akita Prefecture

This was a project to install a 5-layer water shielding sheet with a double impermeable membrane as a bottom water shielding structure over the entire seabed of approximately 210,000 m<sup>2</sup>. During the construction start in 2018, the laying area was prepared by shaping the seabed, followed by the installation of the sheets over the next two years. Due to the severe weather and sea conditions unique to the Sea of Japan in winter, various studies were conducted on the sinking method and stabilization of the sheets, such as temporarily sinking the sheets, winterizing them, and resurfacing them for permanent construction.



### Miyajima Community Development and Exchange Center

Hiroshima Prefecture

This facility was built on the site of the former Miyajima Town Hall for the residents of Itsukushima (Miyajima), a World Heritage Site, to serve as a hub for local activities as well as a place to interact with tourists. We worked closely with the Civil Engineering Business Unit and performed the ground improvement work to reinforce the steep slopes around the site so that it could serve as a response base in the event of a disaster. A civic center's functions extend from the first basement floor to the second above-ground floor, and the third floor houses an observation deck with a panoramic view of the five-story pagoda and the Senjokaku shrine. A symbolic 2.5 ton wooden rice scoop is also on display at the front of the building.



### Shimo-Oguni Area, Tohoku-Chuo Expressway

Fukushima Prefecture

In this project, the cut section close to the Ryozen exit and the embankment section of the interchange section connected to National Route 4 were developed as part of the Soma Fukushima Road connecting the Joban Expressway and the Tohoku Expressway. The Soma Fukushima Road was built as a "reconstruction support road" following the Great East Japan Earthquake, and it was fully opened to traffic on April 24, 2021, ten years after the earthquake. The travel time between Soma and Fukushima has been reduced by about 40 minutes as a result of the road's opening, and expectations are high for increased logistics and human flow, as well as the revitalization of local economies.

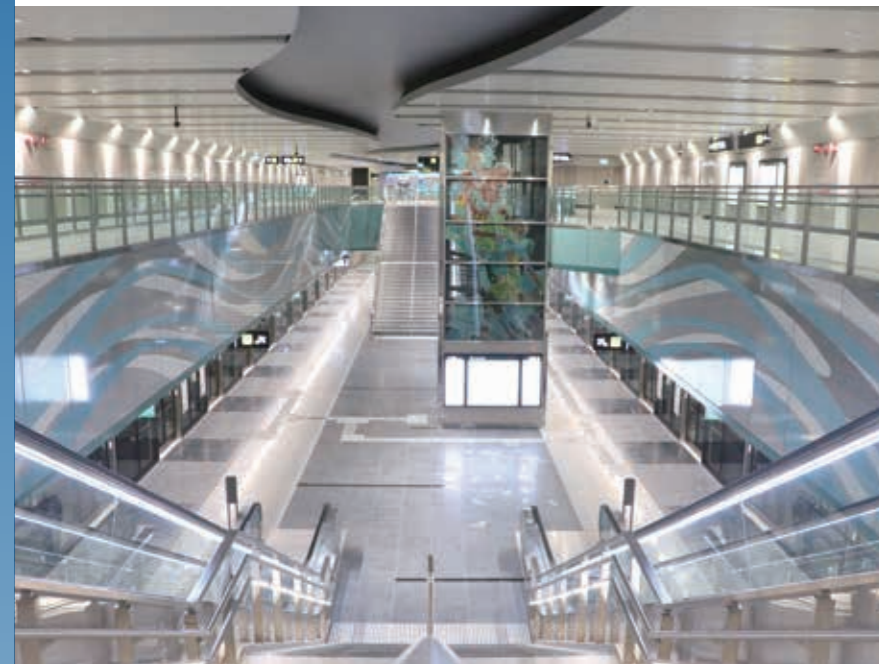
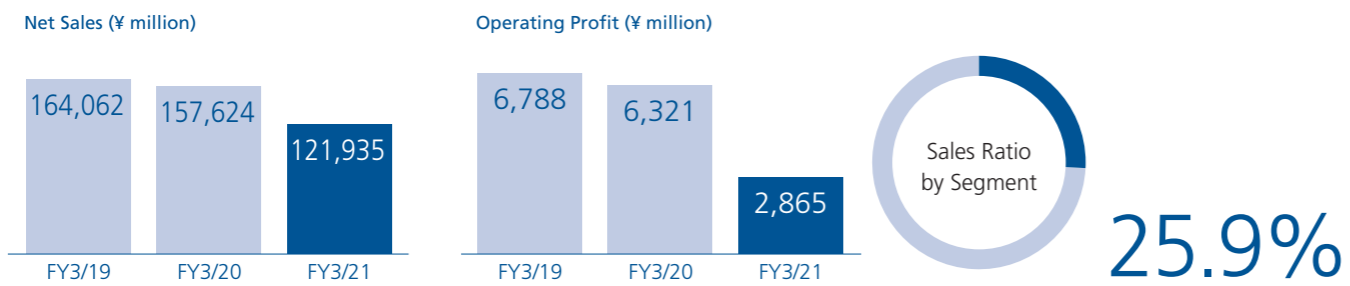


### Tokyo International Cruise Terminal

Tokyo

In response to the increasing size of passenger ships, this facility was built as a new gateway on the sea to accommodate the world's largest cruise ships, which cannot pass under the 52-meter-high Rainbow Bridge. It was a challenging task to construct a steel four-story terminal building on the artificial ground of a steel jacket pier structure built on the sea. It was completed in close collaboration with the Civil Engineering Business Unit, which separately constructed the artificial ground.

## Overseas



### Thomson-East Coast Line T211

Singapore

This project involved the construction of Bright Hill Station which is one of the Mass Rapid Transit (MRT) stations of the Thomson-East Coast Line (TEL). Bright Hill Station comes with four adjacent tunnels connecting stations on both sides, and TEL is Singapore's new MRT Line that runs from north to south. The construction commenced in 2014 and despite the challenges of managing concurrently four shield machines, it was successfully completed in 2021. The construction of Rapid Transit System connecting Singapore and Malaysia, commenced in the same year and the TEL which connects to the terminal station on Singapore side, is expected to contribute to the development of both countries.

**Practicing CSR Oriented  
Management with Focus on ESG**



### Phase 3A, Pengerang Deepwater Terminals

Malaysia

This project involved reclamation of approximately 140 hectares of land, and construction of a new 2,444 meters jetty in Pengerang, Malaysia. One of Malaysia's largest petroleum refineries and petrochemical integrated complex projects is underway in the area and it is expected to contribute to the country's economic development. Since 2011, we have been engaged in the first and second phases of reclamation and jetty construction in the same area. Including this project, the total reclaimed land is approximately 302 hectares and the total extension of the three jetties is 10,057 meters.



# Creation and Maintenance of Marine Environment

We are working on the creation and maintenance of the marine environment as a measure to conserve biodiversity and combat climate change by utilizing our extensive experience and knowledge gained from civil engineering work in coastal and marine areas.

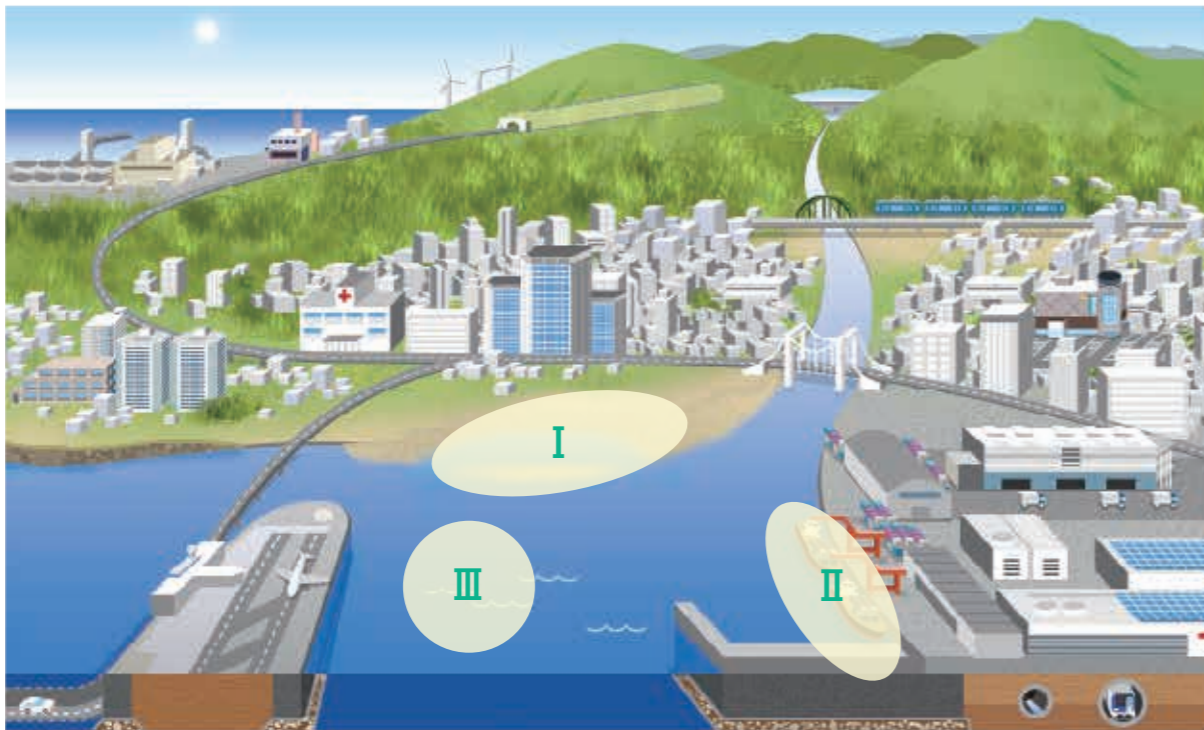
## Biodiversity Conservation

Coastal areas, which connect the land and the sea, are naturally rich in biodiversity. However, around large cities, the land-sea interface is being lost and the habitat of coastal organisms is shrinking. In addition to preserving the environment of the remaining coastal areas, it is necessary to conserve biodiversity by making seawalls and other facilities as habitat-friendly as possible.

## Creation and Maintenance of Marine Environment as a Measure Against Climate Change

In contrast to the carbon absorbed by plants on land (Green Carbon), the carbon taken up into the ocean by marine organisms is called **Blue Carbon**. Some reports indicate that 2.5% of the reduction required to limit global warming to 1.5 degrees Celsius can be achieved through blue carbon ecosystem absorption measures\*, and expectations are being placed on the role of the ocean, including coastal environments, in combating climate change. On the other hand, a report by the United Nations Environment Programme (UNEP) warned that "blue carbon ecosystems are disappearing at a rate four times faster than the rate of tropical rainforests," making conservation an urgent issue.

\*Source: "Oceans as a Solution to Climate Change" (2019, High-Level Panel on Building a Sustainable Ocean Economy)



## Creation and Maintenance of Shallow Ground and Tidal Flats (I)

We are investigating the habitat of seaweed and benthic organisms in shallow areas and tidal flats constructed in front of existing seawalls using Calcia stabilized soil. We have confirmed the growth of a variety of organisms in the newly created shallow areas and their contribution to the improvement of the coastal fishing environment. We are also evaluating carbon fixation as blue carbon in tidal flats and seaweed beds. We will continue to promote the creation of tidal flats and seaweed beds that contribute to biodiversity and carbon recycling.

## Restoration of Tidal Flats (I)

In order to mitigate the impact of the construction of bridges and piers at the estuarine tidal flat on living organisms, we are working to remove the topsoil of the tidal flat before the construction and temporarily place it on land, and restore the tidal flat after the construction. We also check the restoration effect by monitoring before, during and after construction.



Shallow ground and intertidal flat development (injection of Calcia-stabilized soil)



Shallow ground and tidal flat development progress (eelgrass growth)



Temporary placement of tideland topsoil

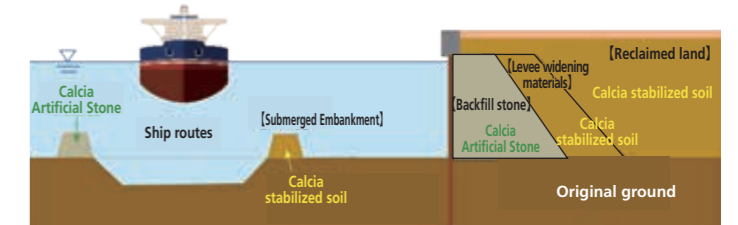
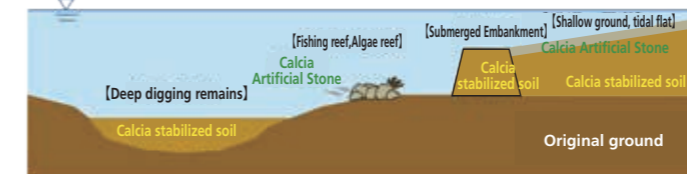


Situation after installation of bridge and restoration of tidal flat topsoil

## Calcia Stabilizing Technology (II)

Calcia stabilizing technology improves the physical and chemical properties of dredged soil by mixing soft dredged soil generated in ports and harbors with Calcia stabilizing material generated in the process of steel making (material made by controlling the composition and adjusting the particle size of converter steel slag generated in the process of steel making), etc. The Calcia stabilized soil made by the Calcia stabilizing technology, in addition to improving the strength of soft dredged soil and ensuring its long-term durability, it has the feature of preventing and controlling the elution of harmful substances and the suppressing of turbidity. Taking advantage of these characteristics, it is used as a reclamation material, a backfill material for seawalls, and a submerged dike material to prevent the siltation in shipping routes. Moreover, since organisms can settle more easily in Calcia-stabilized soil than in concrete, it is also used as a fishing reef and algae reef.

### <Applications of Calcia stabilized soil>



### <Construction technology for Calcia stabilized soil>

Among the mixing methods of dredged soil and Calcia stabilized materials, we are developing a construction technology to improve the efficiency of backhoe mixing and drop mixing. By improving the efficiency of construction, it can also contribute to the reduction of CO<sub>2</sub> emissions during construction.

#### Calcia Improved Soil Drop Mixing Vessel

The falling mixing method is a method to mix dredged soil and the Calcia stabilizing material to make Calcia stabilized soil by using the mixing action at the time of material falling at the transfer part of the belt conveyor. Suitable for large-scale construction of 3,000 m<sup>2</sup> or more per day. In order to enable efficient construction, we have built a reclaimer vessel (a work vessel that discharges dredged soil to a reclaimed site by a belt conveyor) equipped with a supply hopper, a supply conveyor, and a conveyor for dropping and mixing the Calcia stabilizing material, and are adopting it to actual construction work.



#### Calcia Mixing Bucket

Backhoe mixing is a suitable method for the construction of small and medium-sized project using Calcia stabilized soil, and the use of a Calcia mixing bucket with a three-layer mesh screen allows for the efficient and high-quality production of Calcia stabilized soil. Based on our construction results to date, we have confirmed that the mixing time can be reduced by about 40% when using the Calcia mixing bucket compared to the normal bucket.

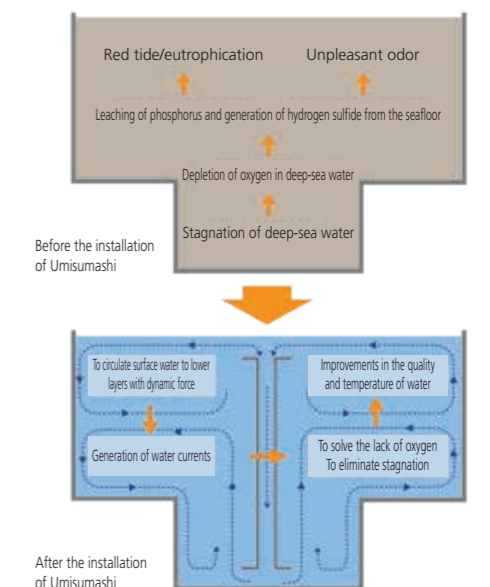


## Water Purification (III)

By generating water currents with dynamic force, Umisumashi eliminates the stagnation of water flow near the seabed, restores dissolved oxygen, and reduces the elution of nutrients that cause eutrophication and sulfides that are harmful to benthic organisms. It is also effective in improving water temperature by stimulating heat transfer through mixing of surface water and bottom water.



Umisumashi



After the installation of Umisumashi

## Construction-generated Soil and Sludge Recycling Business

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

### Overview of the business

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

### Characteristics of the business

- To reduce the transport distance of trucks by making the most of our positional superiority in the Kanto and Chubu regions.
- To accept sediment 24 hours a day.
- Mass transportation by large ships is possible using a quay that can accommodate up to 10,000-ton class ships.
- ➔ **High cost competitiveness** for transporting large volumes of generated soil in urban areas

### Image of the wide area use of construction sludge

**Land transport**  
(soil excavation, shield factory, off-site removal)

**Normal construction**

Transport construction sludge outside with a dump truck

**Polluted soil excavation**

Transport polluted soil outside (landfill disposal) with a dump truck

**Sludge removal work (shield tunnel, etc.)**

Discharge of construction sludge from the site by tank trucks, etc.

**Nagoya Soil Recycling Center**  
(accumulation, intermediate treatment, and shipment of construction sludge)

Construction soil is stored in an outdoor yard and moved by a belt conveyor.

Intermediate treatment and storage of contaminated soil indoors, and transportation of contaminated soil from the indoor area by a belt conveyor

Intermediate treatment and storage of construction sludge indoors, and transportation of construction sludge from inside by a belt conveyor

**Marine transport (marine transport, wide area use)**

Mass transport by ship, wide area use

Landfill facility (landfill disposal)

Cement manufacturing facility (used as raw material)

Purification facility (used as purified soil)

Landfill development site (used as landfill material)



Ichikawa Soil Recycling Center



Yokohama Soil Recycling Center



Nagoya Soil Recycling Center

- Sendai Ecoland

### Overview of the business

This business improves (granulates and solidifies) inorganic sludge\* generated from construction and mining work and recycles it as construction material "Simarussa" (reconditioned sand).

\*Sludge that cannot be used as is, such as construction sludge mixed with cement or bentonite or with a high water content ratio.

### Characteristics of the business

- Granulation and solidification of construction sludge with high moisture ratio in a few minutes
- **No need for pre-treatment** such as dewatering and drying when granulating and solidifying construction sludge.
- No water pollution, no noise, no vibration, no dust, etc.
- Simarussa (reconditioned sand) is **strong enough to be used as a civil engineering material.**



Before treatment

After treatment

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

## Nationwide Recycling Operations Network



## Paper Sludge Incineration Ash Recycling Business (Sodegaura Ecoland)

### Overview of the business

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

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

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

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

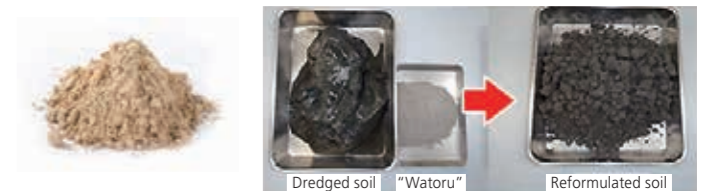
\*Technical evaluation/patent  
Ministry of Land, Infrastructure, Transport and Tourism, New Technology Information System (NETIS) Registration Technology (Registration No. TH-160010-A)



Panoramic view of the facility

### Features of "Watoru"

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



Water-absorbing mud stabilization material "Watoru"

Instantly reforms mud



Before treatment with Watoru

After treatment with Watoru

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

## Food Waste Recycling Business (Miki Composting Center)

### Overview of the business

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

### Characteristics of the business

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

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

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



Inside the facility



Panoramic view of the facility



Product "Minami-No-Hikari"

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

# Affiliating with Society Efforts to Respect Humanity

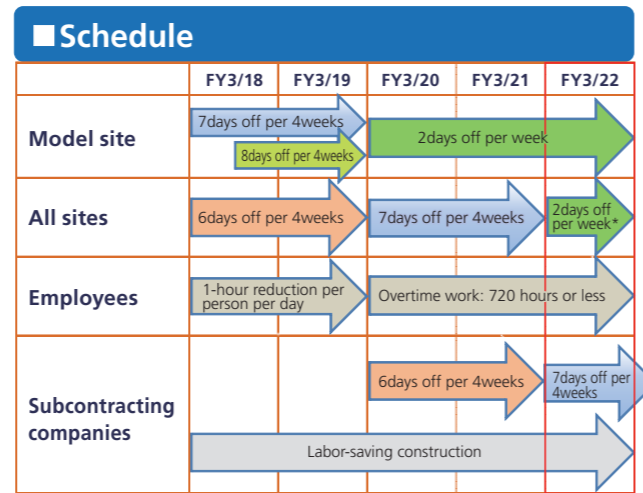
## Work Style Reform

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

Due to the amendment of the Labor Standards Act, the penalties related to violating the overtime work limit will be applied to the construction industry from April 2024. We are working to reduce overtime work by improving productivity with the goal of reducing overtime work of employees to a level that meets the upper limit regulations ahead of schedule by the end of FY 3/22.

### Penta-Ocean Construction Group Goals

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



\* Aim to close sites for 8 days per 4 weeks by the end of the fiscal year 2021 (Action Plan for Achieving Two Days Off per Week)

## Achieving a New Way of Working

By the end of FY 3/22, as we aim to reduce overtime work hours per year to 720 hours or less, we are working to improve work efficiency and productivity, and visualize work schedules. Concretely, to save labor in onsite work, we are striving to improve work efficiency by adopting ICT in construction, encouraging clients to digitalize structures, promoting web conferencing, and utilizing iPad apps and WIZDOM. In addition, in order to change each worker's awareness, we implement a campaign for reducing overtime work by 1 hour per day per person, etc.

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

## Work Style Reform Support for Subcontracting Companies

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

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

## Mental Health

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

## Personnel Data

	FY3/18	FY3/19	FY3/20	FY3/21
<b>Number of employees</b>	2,673	2,793	2,893	3,046
(Women in career-track position)	(54)	(79)	(89)	(122)
(Female technical staff among women in career-track position)	(44)	(66)	(76)	(107)
<b>Number of new employees</b>	164	190	192	197
(Women in career-track position)	(23)	(30)	(18)	(30)
(Female technical staff among women in career-track position)	(22)	(24)	(16)	(28)
<b>Number of foreign employees</b>	1,800	1,781	1,600	1,604
(Women)	(432)	(408)	(363)	(371)
<b>Employment rate for persons with disabilities</b> (%)	2.20	2.25	2.66	2.66
<b>Rate of taking paid holidays</b> (%)	52.2	53.1	61.9	51.8
<b>Rate of taking childcare leave (for women)</b> (%)	100	100	100	100

## Promoting D&I (Diversity & Inclusion)

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

As specific numerical targets for D&I, we aim to achieve a female manager ratio of 5% or more, double the number of Japanese female managers, and achieve a new graduate female career-track position employment ratio of 20% or more by FY 3/23.

### Promotion of Women's Empowerment

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

Senior female staff members regularly conduct interviews with young female staff members to understand their current situation and provide consultations. In addition, we carry out training for young women in career-track position, to share career experiences and role models and to provide information on balancing childcare and work.

### Global Personnel System

In FY 3/18, we adopted a personnel evaluation system for foreign workers in Singapore and Hong Kong, which are the major footholds of our international division. In July 2018, we introduced a grading and remuneration system.

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

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

### Promotion of Active Participation of Foreign Employees

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

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

### Employment of Persons with Disabilities

The employment rate of persons with disabilities among all employees is 2.66% as of June 1, 2020. Following the spirit of the Act for Promotion of Employment of Persons with Disabilities, we are making efforts to expand the employment of persons with disabilities using satellite offices. We have set up workrooms in Mitaka and Yokohama to create an environment where persons with disabilities can work comfortably.

### Respecting the Human Rights of Seniors and Utilizing Them

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

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

### Respect for Human Rights

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

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

## Promotion of Work-life Balance

In FY 3/18, we formulated the Fourth Action Plan for Supporting the Development of the Next Generation, and we are implementing a five-year plan to flexibly balance work and personal life such as childcare and nursing care.

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

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

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

### Childcare Leave

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

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

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

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

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

### Rate of Taking Annual Paid Holidays

In FY 3/21, the average rate of taking annual paid holidays per employee was 51.8%, and the average number of days of annual paid holidays taken was 9.8 days. In FY 3/18, taking paid holidays on a half-day basis was newly available. In FY 3/22, taking paid holidays on an hourly basis became possible. As a result, employees are now able to take holidays flexibly according to their lifestyles, to lead a fulfilling private life.



## Practice with the Highest Priority on Safety and Quality

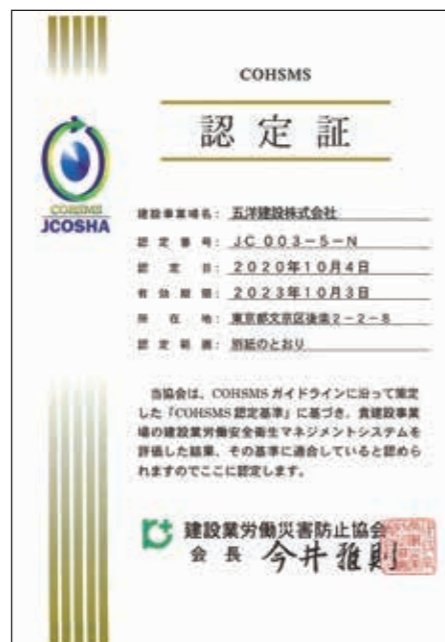
### Health & Safety Activities Guidelines

1. Strive to prevent all accidents as well as industrial accidents, including those involving the public.
2. Prevent occupational diseases and the spread of COVID-19, promote mental and physical health and create a comfortable working environment.
3. Conduct health & safety inspection activities in cooperation with employees and subcontracting companies with an aim to improve the health and safety standards.

### Promotion of Occupational Safety and Health Activities

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

We have acquired the international standard for occupational safety and health management systems (ISO45001) overseas, and are working to continuously improve occupational safety and health performance through this system.



COHSMS certificate (Domestic)



ISO45001 certificate (Singapore)

### Central Safety and Health Environment Committee

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

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

### Efforts to Enhance Communication

Since 1998, we have been promoting a Compassionate and Friendly Greeting Campaign that aims to achieve no accidents and no illnesses, and creating a safe, healthy, and lively workplace culture based on the stronger harmony among people. In particular, we make every construction staff to call each other by name for deepening the sense of fellowship.

### Efforts for Preventing Specific Accidents

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

\* Workers who were suspended will return to the site after undertaking the safety training again.

\* Exercise 333: (1) 3 m away from the suspended load when slinging. (2) Stop hoisting the lifted load at 30 cm. (3) Roll up after 3 seconds after hoisting the lifted load.

### Efforts to Thoroughly Coordinate and Communicate During Work

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

### Efforts for Safety and Health in Collaboration with Subcontracting Companies

To ensure quality and safety together with subcontracting companies, we have established the Penta-Ocean Construction Labor Safety Council Association and Labor Safety Councils at all branch offices, and 1,084 subcontracting companies have joined. The Labor Safety Councils are engaged in various activities to improve knowledge and skills related to labor safety, to eradicate accidents, and to build a smooth cooperation between our company and subcontracting companies.

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

#### (1) Safety and health patrol

Based on an annual plan, the headquarters, branches, and subcontracting companies carry out patrols regularly and the President patrols twice a year.

#### (2) Safety and Health Environment Promotion Contest

The headquarters, branch offices, and the Labor Safety Councils are co-sponsoring a Safety and Health Environment Promotion Contest in June, which is the preparation period for National Safety Week held in July every year.

The President and Representative Director attends several Safety and Health Environment Promotion Contests nationwide every year to strengthen efforts for safety and health activities.

#### (3) Implementation of various educational seminars and trainings

Types of educational seminars	Number of seminars conducted	Number of participants
Education of foremen and safety and health managers	8	123
Skill improvement education for foremen and safety and health managers	9	124
Training for Safety officers	2	108

#### (4) Other educational seminars/trainings

Seminars for association seniors, business owner education, risk sensitivity education, etc.



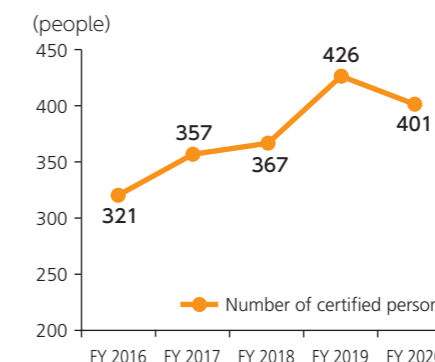
President Patrol (November 2019)

### Foremen's Associations

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

### Implementation of the Excellent Foreman Certification System

Since FY 3/14, we have an Excellent Foreman Certification System to further secure and train future leaders and improve the treatment of construction engineers. In FY 3/21, 401 foremen were certified, and we provided an additional 2,000 yen per day for certified foreman, 1,000 yen per day for foreman who worked more than 100 days a year, and social insurance premiums for the allowance borne by the business owner are paid separately.



### Safety Results

#### <Domestic: 4 or more days lost>

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Number of accidents	19	17	21	19	11
Number of fatal accidents	3	1	1	1	0
Frequency rate	0.89	0.77	0.89	0.70	0.59
Severity rate	1.12	0.39	0.44	0.31	0.03
Total working hours (Thousand hours)	21,233	22,033	23,630	27,132	18,589

#### <Overseas: 4 or more days lost>

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Number of accidents	15	15	11	3	11
Number of fatal accidents	2	2	0	0	0
Frequency rate	0.27	0.29	0.23	0.07	0.35
Severity rate	0.27	0.30	0.01	0.00	0.00
Total working hours (Thousand hours)	56,467	51,203	48,349	44,598	31,002

\* Numbers are solely from Penta-Ocean Construction

\* Frequency rate indicates the frequency of accidents. Number of fatal casualties due to occupational accidents / total number of actual working hours × 1,000,000

\* Severity rate indicates the severity degree of an accident. Total number of lost working days / total number of actual working hours × 1,000

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

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

<Specific efforts>

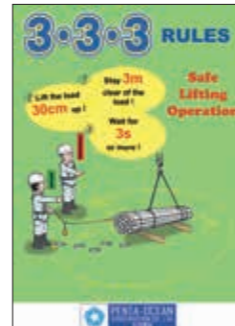
- Holding Special Safety Day (March 30), Safety Contest (1st day of every month), Safety Week (preparation period: June 1-30, the actual safety week: July 1-7) in overseas
- Implementing Penta-Ocean Construction self-regulation and accident prevention activities (Exercise 333, etc.) in overseas



Safety Week disclosure overseas version



Overseas safety patrol



Exercise 333 poster English version

### ■ Designating a Special Day to Pledge Safety

#### Special Safety Day (March 30)

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

In addition, to not forgetting this accident, March 30 is designated as a Special Safety Day, where we conduct simultaneous onsite inspections to reconfirm safety.

#### Fire Prevention Day (April 20)

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



### ■ Safety and Quality Education Center

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

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

#### One-on-one education (individual education)

Tailor-made education customized for each student's needs



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

#### First-Timer series (group education)

Education for conducting an unexperienced work without trouble



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

#### Creation of educational videos and publication of educational materials

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



### ■ Measures to Prevent the Spread of the Novel Coronavirus (COVID-19) —Shift to New Workstyles

- The social mission of the construction business is to thoroughly avoid the three Cs (closed spaces, crowded places, and close-contact settings) at construction sites and continue construction.
- The policy of coexisting with the COVID-19 provides us with great opportunities to reform workstyles and improving productivity (by promoting contactless/remote activities and labor-saving technologies) further.

### ■ Details of Efforts

#### Efforts at the Headquarters, Branches, and Offices

##### 1. Promotion of telework

- To keep the ratio of employees coming into office less than 30% under a state of emergency or when a priority measure for preventing the spread of the COVID-19 is effective, and keep that ratio less than 50% under other conditions
- To adopt tools for remote control of PCs
- To promote staggered commuting
- Overseas offices follow the instructions of each national government

##### 2. Development of the office environment

- Classroom style seat layout
- Adoption of the classroom style seat layout at the headquarters, branch offices, and all overseas offices
- Expansion of area per person
- We rent a new office in the vicinity of the headquarters' building, and relocated some divisions of the headquarters, the Tokyo Civil Engineering Branch and the Tokyo Building Construction Branch to the new office, to make the seat layout more spacious

##### 3. Reduction of transportation

- Meetings and training sessions inside and outside the company based on the online meeting system
- Online audit and safety patrol

#### Construction Office (all employees, including those of subcontracting companies) —The Initiatives Have been in Place Since the Declarations of a State of Emergency in April Last Year.

##### 1. Thoroughgoing health and hygiene control

- Body temperature check at the entrance, and restriction of entry of those who feel sick
- Ensuring face mask use, provision of disinfectants, and increase of hand-wash basins

##### 2. Staggered commuting and division of morning assemblies

- Morning assemblies are held several times at different locations

##### 3. To thoroughly avoid the 3 Cs (keeping asocial distance of 2m)

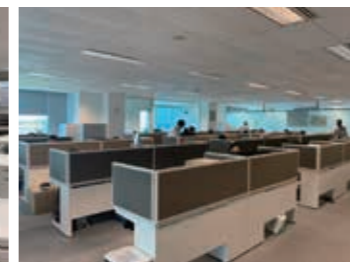
- To hold meetings several times, to minimize the number of participants
- Employees take a recess at different timing
- To enlarge offices, meeting rooms, and resting rooms, to ensure seating arrangement to avoid the 3 Cs

##### 4. To hold online meetings

- To hold meetings with clients and others online
- To promote the remote supervision of clients



Classroom style seat layout in the new office (Tokyo Construction Branch)



Change to the classroom style seat layout (Singapore Office)



Body temperature check with thermo-cameras (on-site makeshift stations for workers)



Classroom style seat layout (on-site meeting rooms)

### ■ Vaccination of Employees, Workers of Subcontracting Companies, and Others Against the COVID-19 (workplace vaccination)

From late June to the middle of October 2021, we conducted workplace vaccination at the headquarters, for mainly residents in the Kanto area. For other branches, too, employees were vaccinated in the workplace vaccination programs held by outside organization.

Amid the spread of COVID-19, we continued construction works while securing the safety and security of on-site workers by implementing measures for avoiding the 3 Cs. We swiftly developed a workplace environment where employees can work safely without anxiety by receiving vaccination and acquiring immunity.



People vaccinated	About 6,300 people • Employees of our corporate group, including temporary staff • Employees of other companies, subcontracting companies, etc. in the same industry, including skilled workers and foreign technical interns • Family members of the above-mentioned people	Vaccine used	Vaccine produced by Moderna, distributed by the government
		Venue	Penta-Ocean Construction Headquarters' Building

# Social Contribution Activities

## Social Contribution Activities Related to the Spread of COVID-19

We provided relief supplies to local governments and organizations that faced difficulties in securing necessary supplies due to the spread of COVID-19.



In Japan, we donated face masks and raincoats as substitutes for protective clothing used by medical professionals to local governments, etc.

Outside Japan, we donated goods to medical institutions (Singapore), relief goods to government-designated quarantine facilities (Myanmar), and rice and cooking oil to the people in need who had difficulty in securing food due to soaring food prices caused by the COVID-19 (Madagascar and Bangladesh).

## Eid al-Adha Event Organization

At the Patimban Port in Indonesia, an Eid al-Adha\* event was organized under the joint sponsorship of contractors and consultants, in conjunction with the Islamic event of Hari Raya.



The COVID-19 prevention measures announced by the Ministry of Religion of Indonesia were implemented in the Eid al-Adha event, and the client, the Port Authority and local residents were invited to attend the event.

On the day of the event, the contractor for each package of the Patimban Port Development Project provided cows and goats for the Eid al-Adha event to local residents, and our company provided cows.

This event helped us build a friendly relationship with the local community.

\*Eid al-Adha: an Islamic religious event where animal offerings are provided to the poor people in local communities

## Love Beach System "Ehime Beach of Connection"

The "Love Beach System" is part of the Ehime Prefecture Public Civil Engineering Facilities Protection Project, which recruits volunteers from residents' groups, coastal conservation groups, NPOs, enterprises, etc., to clean up certain areas of coastal and harbor green spaces managed by the prefecture. The project is aimed at creating a beautiful coastal environment through the consensus and cooperation between the government and local residents.



Our company endorses the objective of the initiative and is registered as a "Love Beach Supporter." This fiscal year, our company conducted a total of five clean-up activities on the Tateiwa Kaigan Fuwari Beach.

By continuing these activities, we will be contributing to the creation of a beautiful coastal environment.

## Yokohama Ocean Hub Virtual Sea Expo 2020

We participated in an exhibition at Yokohama Ocean Hub Virtual Sea Expo 2020: See and Feel the Sea and Japan Project.



In support of the event concept of deepening one's interest in and understanding of the sea by learning about the various charms and possibilities of the sea, including creatures, leisure activities, ships and environmental conservation, we released an explanatory video titled "Let's take a look at sea construction that require big ships!!" on the exhibition website, regarding large ships used in marine engineering works and our company technology.

This event provided an opportunity for the wider public to learn about the work of marine construction companies by viewing impactful images of ships engaged in marine construction such as seabed drilling and quay construction.

## Conducting Beach Cleanup Activities in the Pengerang District

For the Phase 3 PDT land reclamation and jetty construction in Malaysia, we conducted clean-up and volunteer activities to collect plastic waste that washed ashore along the coast around the construction site, for the purpose of landscape preservation and environmental conservation.



About 480 people, including the client and contractors, participated in the cleanup activities.

Through these activities, we contributed not only to the beautification of the marine environment but also to the raising of environmental awareness in the region.

## Appointment Ceremony for One Day Fukushima Coast Guard Chief and Other Posts (FY 2020 Zero Marine Accidents Campaign)

At Onahama Port in Iwaki City, Fukushima Prefecture, an Appointment Ceremony for One Day Fukushima Coast Guard Chief and Other Posts was held by the Fukushima Coast Guard Office as part of its Zero Marine Accidents Campaign (July 16-31) where Momoko Sato, a member of our company's Onahama dredging project office, was selected as the Captain of a patrol vessel for a day.



This year, instead of Hula Girls who have been called in every year thus far, three staff members from corporate offices located in Onahama were appointed as One-Day Coast Guard Chief, One-Day Chief Onahama Port Chief and One-Day Captain of a patrol vessel.

The three staff members wearing Coast Guard officers' uniforms visited nearby maritime companies and other organizations to call on them to help prevent marine accidents, and played a part in educational activities to prevent marine accidents.

# Received External Awards

## Received the Tunneling Project of the Year in the NCE Construction Work Awards (up to \$500 million)

On December 17, 2020, the MTR Shatin to Central Link Contract No.1121 constructed by the Penta-Ocean - China StateJV, which is represented by our company, was awarded the Tunneling Project of the Year (up to \$500 million) by the New Civil Engineer (NCE), an organ of the British Institute of Civil Engineers. The joint award was given to the client (MTR Corporation, Hong Kong), the consultant (Arcadis, Netherlands) and the contractors (Penta-Ocean - China StateJV).



The examination was conducted by a team consisting of 30 experts from industry, government, and academia, who carefully examined the 6 construction projects that passed the first screening and then selected the winner of the Project of the Year. The reason for winning the award was that practical problems were solved and construction was carried out by optimizing the original design through technological innovation, in cooperation with the client and all the other parties concerned. The project was recognized as a practical example of expanding the possibilities of tunnel engineering.

As part of the new Hong Kong subway line, this project was to construct an undersea tunnel connecting the Hung Hom District of the Kowloon Peninsula and the Causeway Bay area of Hong Kong Island across the Victoria Harbour, located in the heart of the city, by connecting 11 immersed tubes. The Early Contractor involvement (ECI) system was adopted for discussions about the design and construction contents between the client and the bidding participants from the bidding stage. This was the first such project by MTR Corporation. The adoption of the ECI system led to active discussions among engineers from various backgrounds (nationality, experience, the client side, the contractor side, etc.), resulting in efficient design and construction.

## Received the Best Poster Award at Coastal Dynamics 2021

On July 9, 2021, Mr. Kevin Bobiles, an employee of the Design and Engineering Division, Civil Engineering Business Unit of our company, was awarded the Best Poster Award for the best presentation among 60 posters in the poster presentation held at Coastal Dynamics 2021 (Coastal Dynamics Society 2021).



The Coastal Dynamics Conference Series is an international conference held once every four years on the theme of "Shaping the Future of our Coasts" where researchers and practitioners from around the world present insights and research into how nature and humans shape our present and future beaches.

Mr. Bobiles presented the results of field measurements and numerical analysis of wave and tidal current interference in and around Matarbari Port, where our company is currently carrying out port construction and land development projects as part of the "Matarbari Ultra-Supercritical Coal-Fired Thermal Power Project," the most important national project in Bangladesh. The report contained research results useful for the port operation and future planning of Matarbari Port, such as the effect of wave and tidal current interferences on the stability of breakwaters.

## Minister's Award and Certification of Engineers Engaged in Overseas Infrastructure Projects by the Ministry of Land, Infrastructure, Transport and Tourism

On March 24, 2020, at the "Commendation for Overseas Infrastructure Projects by the Minister of Land, Infrastructure, Transport and Tourism," organized by the Ministry of Land, Infrastructure, Transport and Tourism, Mr. Tsugunari Suzuki, Executive General Manager of the International Civil Engineering Divisions Group and Deputy Head of the Hong Kong Branch Office of our company received the Minister of Land, Infrastructure, Transport and Tourism Award, and Ms. Kyo Fujjoka, Senior Staff Member of Construction Engineering Division, International Building Construction Divisions Group, received the Minister of Land, Infrastructure, Transport and Tourism Incentive Award.



The "Commendation for Overseas Infrastructure Projects by the Minister of Land, Infrastructure, Transport and Tourism" is a system that recognizes the achievements of engineers of Japanese companies engaged in overseas infrastructure projects and recognizes those who have produced particularly outstanding achievements, with the aforementioned awards being the first ones.

In total, 708 engineers were certified and more than 10% (73) of the engineers certified were from our company. In the future, based on this certification, it will be possible to register each of such achievements in Japan's Construction Records Information System (CORINS).

The Minister of Land, Infrastructure, Transport and Tourism Award and the Minister of Land, Infrastructure, Transport and Tourism Incentive Award recognize particularly outstanding engineers among those who have received certification. 28 engineers (17 for the Minister of Land, Infrastructure, Transport and Tourism Award, 11 for the Minister of Land, Infrastructure, Transport and Tourism Incentive Award) received the awards.

Ms. Fujjoka expressed her joy as representative for the recipients of the Incentive Award, saying, "I want to continue to promote Japan's advanced technology overseas and contribute to development, both in Japan and overseas."

## Received the Certificate of Appreciation for "Restoration Work in Satozuka District, Kiyota Ward, Sapporo"

On December 25, 2020, a ceremony was held at the Kiyota Ward Office in Sapporo to present a certificate of appreciation for the restoration work in Satozuka District, Kiyota Ward, Sapporo. The Chairman of the Satozuka Central Committee for Disaster Reconstruction and other representatives attended the ceremony and received a certificate of appreciation from the Mayor of Kiyota Ward in the name of the governor of Sapporo. The certificates of appreciation were presented to Mr. Kajimoto, Head of the Sapporo Branch Office as representative of the special JV of Penta-Ocean and Ito, Mr. Suzuki as an individual commendation, and Mr. Baba, Head of Itogumi Construction Co., Ltd., which is a constituent member of the JV.



In the Satozuka district of Kiyota Ward, which was severely damaged by the 2018 Hokkaido Eastern Iburi Earthquake, we worked hard for early restoration and were highly praised for the smooth progress of the construction and its great contribution to the continuance and reconstruction of the local community. We received many words of appreciation from the participants.

This was a difficult project to carry out as it involved ground reinforcement in areas that were damaged by the severe earthquake, such as soil liquefaction, while residents were living there, but the project was successfully completed through good communication with local residents.

# Promotion of Effective Corporate Governance

## Corporate Governance Initiatives

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

### Continuous Improvement of Corporate Governance

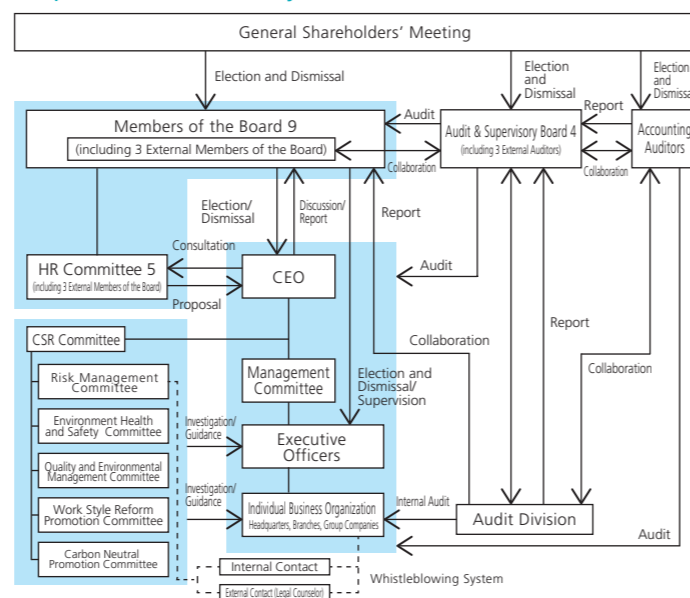
#### Management and Business Execution

Our company's Board of Directors is composed of 9 directors, including three external ones, and operates in accordance with the laws, regulations, articles of incorporation, in-house rules, and Penta-Ocean Construction Corporate Governance Guidelines. In principle, a meeting of the Board of Directors is held twice a month, to make decisions on important management issues and supervise business operation. In addition, we adopted a system of executive officers, in order to clarify the responsibility for business execution.

Nomination of candidates for executive positions and proposals for executive compensation are made by the Board of Directors after consultation with the Nominating Committee, which is chaired by an outside Member of the Board. The Nominating Committee is composed of all external Members of the Board and a small number of other Members of the Board, not exceeding a majority. Executive compensation is composed of (1) base salary (fixed monetary compensation), (2) performance-based monetary compensation based on individual performance (individual performance-based compensation) and company performance (short-term incentives), and (3) (non-monetary) performance-based compensation in the form of company shares via the Board Benefits Trust (BBT). In light of their role, outside directors' compensation is based solely on their individually established base salary, and they are not eligible for performance-based compensation (whether monetary or non-monetary).

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

#### Corporate Governance System



#### Assessing the Effectiveness of the Board of Directors

Every term, the Board of Directors conducts a self-assessment of its effectiveness to improve performance, with each board member providing an evaluation in accordance with Penta-Ocean Construction Corporate Governance Guidelines. Through the self-assessment of FY 2020 conducted in June 2021, we were able to confirm the effectiveness of our current Board of Directors. We will strive to further improve the Board's effectiveness by continuously making the necessary considerations and improvements of issues identified through this assessment.

Corporate Governance Guidelines. In accordance with these guidelines, we will strive to expedite our decision-making process and ensure management transparency while responding appropriately to changing business conditions.

#### Structure of the Corporate Governance Guidelines

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

#### Internal Control System

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

#### Establishment of Corporate Governance Guidelines

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

#### 1 Objectives (Our Basic Policy on Corporate Governance)

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

To achieve this goal, we have decided to place a greater emphasis on enhancing corporate governance, and have established the Penta-Ocean Construction

## Risk Management Initiatives

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

### Risk Management Structure

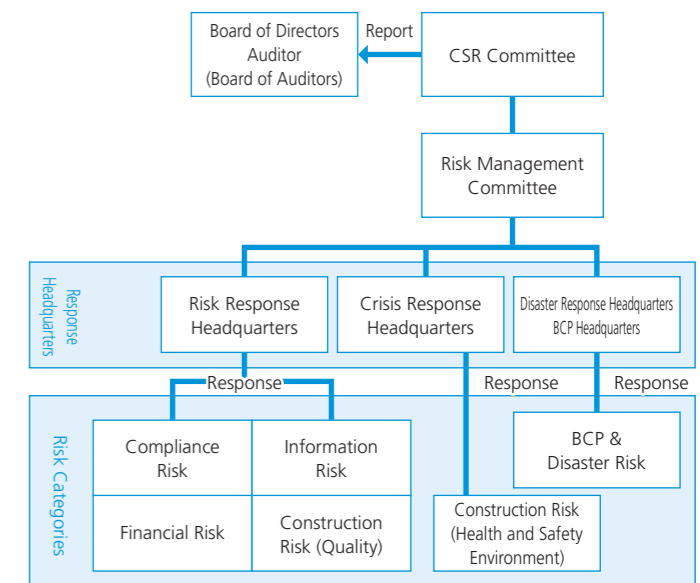
Our company has formed the Risk Management Committee under the CSR Committee, chaired by the Representative Director and the President. The Committee takes the initiative in managing various risks, such as compliance risks inherent in the company, information risks, business continuity plan (BCP), and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

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

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

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

#### Outline of the Risk Management Structure



### Information Security Management

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

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

### Establishment of the Business Continuity Plan (BCP)

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

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

#### Specific BCP activities

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



The BCP drill carried out in September 2020

## Compliance Initiatives

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

### Compliance Training

We provide compliance training to ensure that all employees and executives of the entire Group comply with the laws and regulations, respect social norms and corporate ethics, and act with integrity at all times. In FY 3/21, compliance training was conducted a total of 202 times across the group, with a total of 13,997 executives and employees taking part.

We adopted online discussion-based training and continued holding compliance training sessions while taking measures to prevent infection.

As part of the training, the International Business Unit conducted compliance training in ten countries and regions, including Singapore and Hong Kong in Asia and Mozambique in Africa. 185 Japanese employees and 1,669 non-Japanese employees attended the training. Training for Japanese employees involved learning about the legal systems of each country in which the Group operates. Meanwhile, training for non-Japanese employees was taught by a lawyer employed at a local law firm, and focused on learning about construction industry-related laws and case studies for that particular country. They underwent discussion-based training, receiving lectures on subjects including an introduction to the company code of conduct, explanations about the competition law (Anti-Monopoly Act), bribery, the appropriate use of software, and information leak prevention, as well as case studies. The training was carried out online, so as to give utmost priority to preventing the spread of COVID-19. We believe that these training made our Japanese and foreign employees recognize the importance of not violating laws or being involved in any violation at each branch office.



Compliance training conducted in Thailand in February 2021

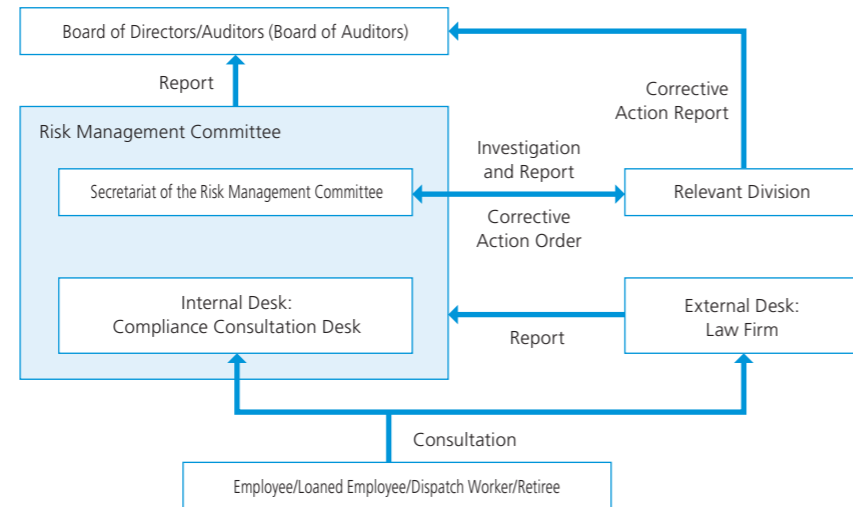
### Internal Reporting System

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

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

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

#### Outline of the Internal Reporting System



	FY 3/17	FY 3/18	FY 3/19	FY 3/20	FY 3/21
Compliance-related Reports (No. of reports)	1	1	1	11	10
Harassment-related Reports (No. of reports)	2	7	7	11	10

### "Guideline for Appropriate Bidding"

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

### Thorough Elimination of Antisocial Forces

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

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

## Dialogue with Stakeholders

In order for all of our diverse stakeholders – from individual shareholders to institutional investors – to understand our corporate philosophy, business strategy and business situation, we carry out multifaceted IR (investor relations) activities. In addition to the financial results briefing we hold four times a year for our institutional investors, we also hold meetings with a total of over 250 domestic and foreign institutional investors throughout the year. Furthermore, we organize work site visits for our individual shareholders every year, so that they can see the results of our construction work and view the inside of a construction site while it's in operation, thereby deepening their understanding of the construction industry.

While continuing to provide information to our investors in a timely, appropriate manner, we place great value on direct dialogue with our shareholders, and will continue to take the initiative in holding IR activities.

### Main IR Activities

#### Financial Results Briefings

We hold financial results briefings on a quarterly basis for analysts and institutional investors. The company president attends the financial results briefings we hold following the announcements of the mid-year and full-year business results, and provides explanations on the details of the business results, business forecasts, and other key topics.

#### One-on-One Meetings

Throughout the year we hold one-on-one meetings with analysts and institutional investors, including foreign investors, to discuss our management and financial situation, as well as non-financial matters such as ESG (Environment, Social and Corporate Governance).

#### IR Activities Overseas

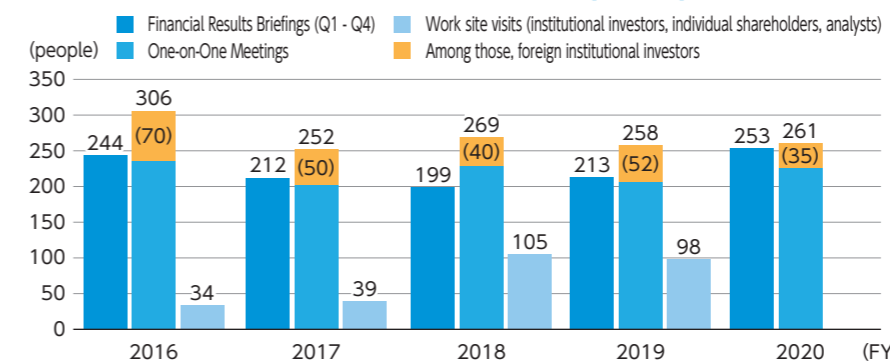
Our president holds one-on-one meetings with foreign institutional investors every year. In FY 2019, he held discussions on the business situation and business forecasts in New York and London.

#### Work Site Visits

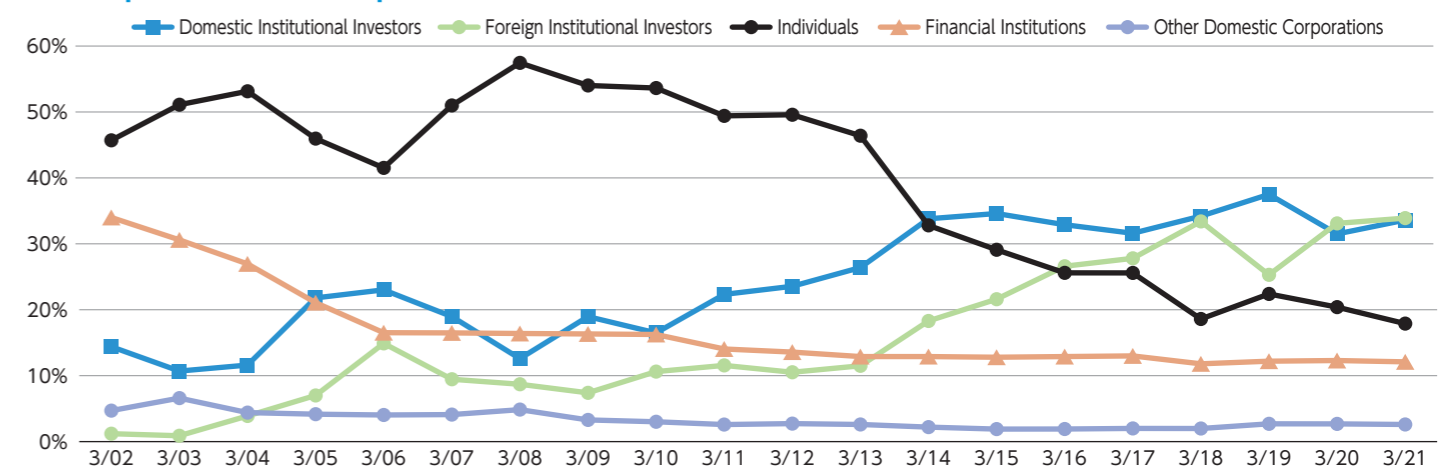
As part of our IR activities, we hold work site visits for institutional investors, individual shareholders and analysts, so that they can gain a deeper understanding of our business and see the results of our construction work.

\*In FY 2020 we suspended our in-person IR activities and work site visits in order to prevent the spread of COVID-19. We continued IR activities through web conferencing systems.

#### Track Record of IR Activities (total no. of participants)



#### Development of the Composition of Shareholders



Financial Results Briefings (November 2021)



Work site visit held for individual shareholders at new construction of the Tokyo International Cruise Terminal (September 2019)



Work site visit held for individual shareholders at Ariake construction office (September 2019)

## Consolidated Five-Year Summary

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

	Millions of yen					Thousands of U.S. dollars
	2017	2018	2019	2020	2021	2021
Net sales	¥500,336	¥526,902	¥541,949	¥573,843	<b>¥471,059</b>	<b>\$4,254,505</b>
Construction	487,133	517,526	531,851	564,136	<b>464,214</b>	<b>4,192,687</b>
Other	13,204	9,376	10,098	9,707	<b>6,845</b>	<b>61,818</b>
Total assets	372,307	418,423	383,840	428,875	<b>452,248</b>	<b>4,084,611</b>
Net assets excluding non-controlling interests	96,377	111,971	126,517	141,175	<b>158,287</b>	<b>1,429,620</b>
Ordinary income	23,709	25,683	26,569	32,546	<b>30,546</b>	<b>275,881</b>
Income before income taxes	23,028	25,290	26,560	32,455	<b>30,166</b>	<b>272,450</b>
Net income attributable to owners of parent	15,272	17,826	18,899	23,353	<b>20,994</b>	<b>189,612</b>
Cash dividends	3,431	4,003	5,430	6,859	<b>8,002</b>	<b>72,277</b>
Per share of common stock:						
	Yen					U.S. dollars
Net assets excluding non-controlling interests	¥337.10	¥392.27	¥443.36	¥494.70	<b>¥555.32</b>	<b>\$5.02</b>
Net income attributable to owners of parent	53.42	62.41	66.22	81.83	<b>73.62</b>	<b>0.66</b>
Cash dividends	12.00	14.00	19.00	24.00	<b>28.00</b>	<b>0.25</b>
Number of employees	3,074	3,175	3,319	3,416	<b>3,565</b>	

Note: 1. Figures in U.S. dollars are converted for convenience only, at the rate of ¥110.72 per U.S.\$1, prevailing on March 31, 2021.  
2. Cash dividends for shares held by BBT amounted to ¥21 million (\$194 thousand) are included in cash dividends above.  
3. "Development business" presented as a item in net sales is included in "Other" in the year ended March 31, 2019 and thereafter, since its materiality has decreased. The above amounts in the previous years have been reclassified from "Development business" to "Other" in order to reflect the change in presentation.

## Consolidated Financial Statements

## Business Performance

The orders received for the group amounted to ¥529.1 billion (US\$4,778.6 million), up ¥70.6 billion (US\$637.8 million) (15.4%) compared to the previous consolidated fiscal year due to the receipt of orders for several large-scale construction projects in Singapore and Hong Kong.

The net sales for the group amounted to ¥471.1 billion (US\$4,254.5 million), down ¥102.8 billion (US\$928.3 million) (-17.9%) compared to the previous consolidated fiscal year, and operating profit totaled ¥30.5 billion (US\$275.1 million), down ¥2.7 billion (US\$24.4 million) (-8.1%) compared to the previous consolidated fiscal year. Ordinary income totaled ¥30.5 billion (US\$275.9 million), down ¥2.0 billion (US\$18.1 million) (-6.1%) compared to the previous consolidated fiscal year. And, net income totaled ¥21.0 billion (US\$189.6 million), down ¥2.4 billion (US\$21.3 million) (-10.1%) compared to the previous consolidated fiscal year.

Net sales declined, due to the suspension of works caused by COVID-19 in some overseas regions in addition to the decrease of domestic construction projects. The effect of COVID-19 on net sales was about ¥30 billion. Profit was ¥2.5 billion larger than the initial forecast announced in May 2020, although operating profit declined due to the drop-in sales and net income attributable to owners of parent, too, decreased.

## Segment Information

(Domestic Civil Engineering Business)

In our Domestic Civil Engineering Business, orders amounted to ¥198.2 billion (US\$1,790.4 million), down ¥8.0 billion (US\$72.4 million) (-3.9%) compared to the previous consolidated fiscal year. And, Sales amounted to ¥199.0 billion (US\$1,797.4 million), down ¥11.7 billion (US\$106.0 million) (-5.6%) compared to the previous consolidated fiscal year, but segment profit totaled ¥22.9 billion (US\$206.4 million), up ¥2.2 billion

(US\$19.6 million) (10.5%) compared to the previous consolidated fiscal year thanks to the improvement in profit margin of works.

(Domestic Building Construction Business)

In our Domestic Building Construction Business, orders amounted to ¥179.9 billion (US\$1,624.9 million), up ¥12.2 billion (US\$109.8 million) (7.2%) compare to the previous consolidated fiscal year due to the receipt of orders for several public works and logistics works. Sales amounted to ¥144.4 billion (US\$1,304.4 million), down ¥52.6 billion (US\$475.0 million) (-26.7%) compared to the previous consolidated fiscal year due to the completion of several large-scale construction projects in the previous fiscal year, and segment profit totaled ¥4.0 billion (US\$36.6 million), down ¥2.3 billion (US\$20.5 million) (-35.9%) compared to the previous consolidated fiscal year.

(Overseas Construction Business)

In our Overseas Construction Business, orders amounted to ¥151.0 billion (US\$1,363.4 million), up ¥66.5 billion (US\$600.5 million) (78.7%) compared with the previous term due to the receipt of orders for several large-scale construction projects in Singapore and Hong Kong. Sales amounted to ¥121.9 billion (US\$1,101.3 million), down ¥35.7 billion (US\$322.3 million) (-22.6%) compared to the previous consolidated fiscal year due to the suspension of works caused by COVID-19 in Singapore and Africa, and segment profit totaled ¥2.9 billion (US\$25.9 million), down ¥3.4 billion (US\$31.1 million) (-54.6%) compared to the previous consolidated fiscal year.

(Other)

In our Other Businesses, which mainly consists of the domestic real estate development, shipbuilding and environment business, sales amounted to ¥5.7 billion (US\$51.4 million), down ¥2.8 billion (US\$25.0 million) (-32.7%) compared to the previous

consolidated fiscal year and segment profit totaled ¥0.7 billion (US\$6.2 million) (segment loss totaled ¥0.2 billion (US\$1.4 million) in the previous consolidated fiscal year).

## Financial Position

The total assets of our group increased by ¥23.4 billion (US\$211.1 million) to ¥452.2 billion (US\$4,084.6 million) from the end of the previous consolidated fiscal year mainly due to the increase in cash & deposits and construction in progress. Liabilities increased by ¥6.3 billion (US\$56.6 million) to ¥293.8 billion (US\$2,653.9 million) from the end of the previous consolidated fiscal year mainly due to the increase of corporate bonds and debts despite the redemption of commercial papers. Net assets increased by ¥17.1 billion (US\$154.5 million) to ¥158.4 billion (US\$1,430.7 million) from the end of the previous consolidated fiscal year mainly due to the increase of retained earnings through the posting of net income attributable to owners of parent.

## Cash Flows

"Cash and cash equivalents" as of the end of this consolidated fiscal year increased by ¥16.2 billion (US\$146.0 million) (37.6%) compared to the end of the previous consolidated fiscal year to ¥59.2 billion (US\$534.7 million). The status of cash flows for the current consolidated fiscal year and their factors are as follows.

(Cash flow from operations)

With regard to cash flow from operations, it resulted in an excess of ¥30.7 billion (US\$277.2 million) in revenue because net income before income taxes was ¥30.2 billion (US\$272.5 million) and the cash received for uncompleted projects increased (an excess of ¥4.4 billion (US\$40.1 million) in revenue in the previous consolidated fiscal year).

(Cash flow from investments)

With regard to cash flow from investments, it resulted in an excess of ¥12.8 billion (US\$115.6 million) in expenditures mainly due to expenditure for acquisition of subsidiaries' shares and construction of Offshore Installation Vessel equipped with a large crane (an excess of ¥9.1 billion (US\$82.0 million) in expenditures in the previous consolidated fiscal year).

(Cash flow from financial activities)

With regard to cash flow from financial activities, it resulted in an excess of ¥3.1 billion (US\$28.1 million) in expenditures mainly due to the expenditure for redeeming corporate bonds and commercial papers despite the revenue of issuance of corporate bonds (an excess of ¥13.5 billion (US\$121.9 million) in revenue in the previous consolidated fiscal year).

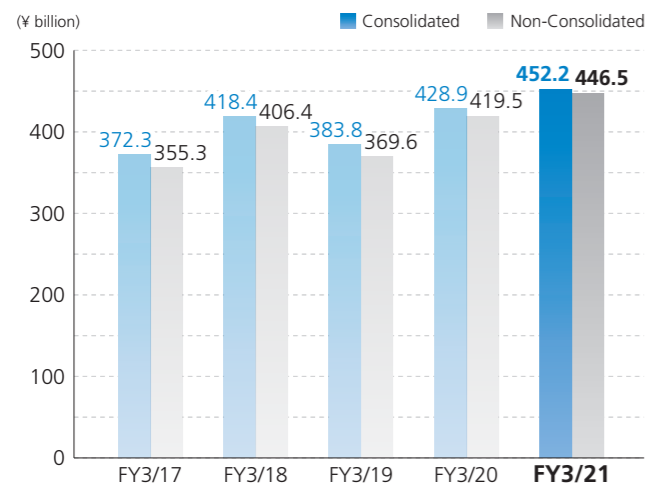
## Dividends

Our basic policies are to improve profitability and increase corporate value by forward-looking reinforcement of business infrastructure and implementation of technology development and capital investment, as well as to distribute continuous and stable dividends to shareholders. Under these policies, we aim to achieve a consolidated dividend payout ratio of 30% or higher. In addition, we plan to make use of internal reserves to the investment for engineering development or equipment investment to improve our corporate value. Based on the policy mentioned above and performance of current fiscal year, dividends from surplus of the current fiscal year were determined at ¥28 per common share (ordinary dividends of ¥23 plus ¥5 for commemorating the 125th anniversary of establishment of our company). The total amount of dividends was ¥8.0 billion (US\$72.3 million).

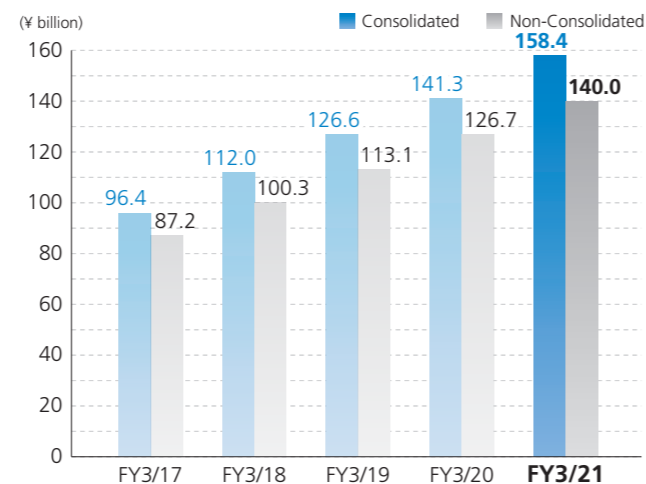
It is also our basic policy to pay a year-end dividend annually, determined by the general shareholders' meetings.

\* Exchange rate at the term end: US\$1 = ¥110.72

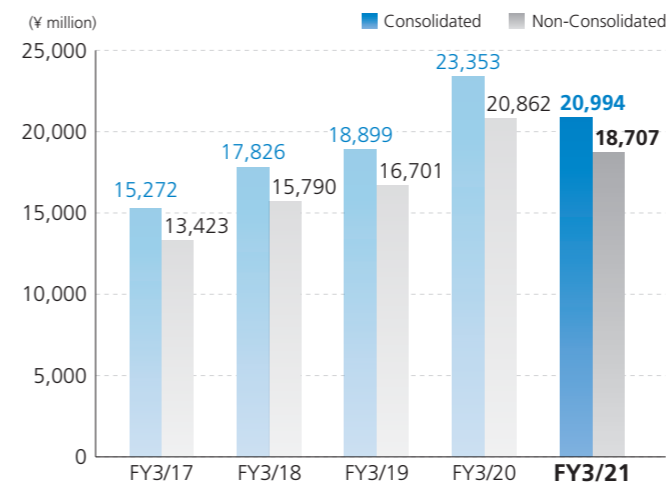
Total Assets



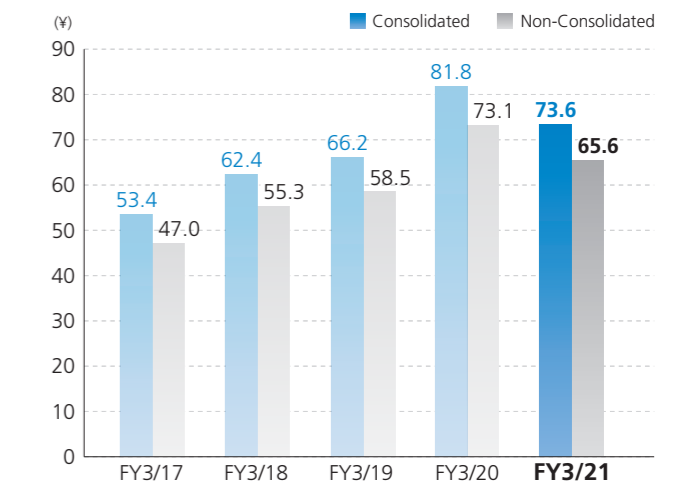
Total Net Assets



Net Income



Net Income per Share



# Consolidated Balance Sheets

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Current assets:</b>			
Cash and deposits (Note 19)	¥ 43,621	¥ 59,782	\$ 539,935
Securities (Notes 3(3), 7, 8 and 19)	74	9	80
Trade receivables: (Note 19)			
Notes	2,780	7,231	65,311
Accounts	256,830	250,606	2,263,425
Inventories: (Note 3(5))			
Costs on uncompleted construction contracts	10,227	9,258	83,617
Real estate for sale and development projects in progress	1,903	1,898	17,144
Other	2,715	3,137	28,335
Other	2,816	3,525	31,830
Allowance for doubtful accounts (Note 3(9))	(702)	(358)	(3,235)
<b>Total current assets</b>	<b>320,264</b>	<b>335,088</b>	<b>3,026,442</b>
<b>Non-current assets:</b>			
<b>Property, plant and equipment: (Notes 3(6) and 3(8))</b>			
Land	33,581	33,492	302,492
Buildings and structures	37,288	38,121	344,304
Machinery, equipment and vehicles	21,112	20,855	188,355
Dredgers and vessels	83,920	84,960	767,345
Construction in progress	3,873	11,963	108,045
Total property, plant and equipment	179,774	189,391	1,710,541
Less: accumulated depreciation	(99,846)	(104,984)	(948,190)
Property, plant and equipment - net	79,928	84,407	762,351
<b>Intangible assets (Notes 3(7) and 3(17))</b>	<b>1,455</b>	<b>3,932</b>	<b>35,512</b>
<b>Investments and other assets:</b>			
Investment securities (Notes 3(3), 7, 8 and 19)	17,153	19,485	175,986
Deferred tax assets (Note 17)	6,159	3,110	28,088
Net defined benefit asset (Note 18)	1,260	3,190	28,814
Other (Note 8)	5,716	6,298	56,875
Allowance for doubtful accounts (Note 3(9))	(3,060)	(3,262)	(29,457)
Total investments and other assets	27,228	28,821	260,306
Total non-current assets	108,611	117,160	1,058,169
<b>Total assets</b>	<b>¥428,875</b>	<b>¥452,248</b>	<b>\$4,084,611</b>

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Current liabilities:</b>			
Short-term loans payable (Notes 9 and 19)	¥ 18,924	¥ 20,919	\$ 188,938
Commercial papers (Notes 9 and 19)	17,999	—	—
Current portion of long-term loans payable and bonds payable (Note 9 and 19)	15,750	17,922	161,868
Trade payable: (Note 19)			
Accounts	126,180	124,867	1,127,776
Advance received on uncompleted construction contracts	20,932	24,586	222,056
Deposits received	40,063	42,150	380,691
Income taxes payable	7,357	4,806	43,408
Provision for loss on construction contracts (Note 3(12))	1,936	1,375	12,418
Provision for warranties for completed construction (Note 3(10))	2,022	993	8,967
Provision for bonuses (Note 3(11))	2,929	2,980	26,917
Other	2,911	4,241	38,304
<b>Total current liabilities</b>	<b>257,003</b>	<b>244,839</b>	<b>2,211,343</b>
<b>Non-current liabilities:</b>			
Bonds payable (Notes 9 and 19)	10,000	20,000	180,636
Long-term loans payable (Notes 9 and 19)	14,858	23,372	211,087
Provision for board benefit trust (Note 3(13))	215	299	2,705
Net defined benefit liability (Notes 3(14) and 18)	1,253	1,118	10,100
Deferred tax liabilities for land revaluation (Note 10(2))	3,680	3,680	33,233
Other	566	536	4,839
<b>Total non-current liabilities</b>	<b>30,572</b>	<b>49,005</b>	<b>442,600</b>
<b>Total liabilities</b>	<b>287,575</b>	<b>293,844</b>	<b>2,653,943</b>
<b>Commitments and contingent liabilities (Note 16)</b>			
<b>Net assets:</b>			
Shareholders' equity:			
Capital stock	30,450	30,450	275,018
Authorized - 599,135,000 shares			
Issued shares - 286,013,910 shares 2020 and 2021			
Capital surplus (Note 10(1))	18,387	18,387	166,065
Retained earnings (Note 10(1))	87,066	101,199	914,005
Less: Treasury shares (Note 6(1))	(374)	(591)	(5,331)
Total shareholders' equity	135,529	149,445	1,349,757
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Notes 3(3) and 10(3))	2,673	4,584	41,401
Deferred gains or losses on hedges (Note 3(16))	45	(175)	(1,581)
Revaluation reserve for land (Note 10(2))	3,910	3,913	35,338
Foreign currency translation adjustment (Note 3(2))	(167)	(15)	(137)
Remeasurements of defined benefit plans (Notes 3(14) and 18)	(815)	536	4,842
Total accumulated other comprehensive income	5,646	8,843	79,863
Non-controlling interests	125	116	1,048
<b>Total net assets</b>	<b>141,300</b>	<b>158,404</b>	<b>1,430,668</b>
<b>Total liabilities and net assets</b>	<b>¥428,875</b>	<b>¥452,248</b>	<b>\$4,084,611</b>

See accompanying Notes to Consolidated Financial Statements.



## Consolidated Statements of Income

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Construction business: (Notes 3(15) and 4)</b>			
Net sales	¥564,136	¥464,214	\$4,192,687
Cost of sales	513,945	416,484	3,761,596
Gross profit	50,191	47,730	431,091
<b>Other:</b>			
Net sales	9,707	6,845	61,818
Cost of sales	7,999	4,536	40,970
Gross profit	1,708	2,309	20,848
<b>Total:</b>			
Total net sales	573,843	471,059	4,254,505
Total cost of sales	521,944	421,020	3,802,566
<b>Total gross profit</b>	51,899	50,039	451,939
<b>Selling, general and administrative expenses</b>	18,738	19,578	176,823
<b>Operating profit</b>	33,161	30,461	275,116
<b>Non-operating profit:</b>			
Interest and dividends income	542	449	4,056
Reversal of allowance for doubtful accounts	252	400	3,611
Real estate rent	144	136	1,230
Other	217	206	1,857
	1,155	1,191	10,754
<b>Non-operating expenses:</b>			
Interest expenses	925	667	6,026
Provision of allowance for doubtful accounts	5	259	2,338
Foreign exchange losses	738	—	—
Other	102	180	1,625
	1,770	1,106	9,989
<b>Ordinary income</b>	32,546	30,546	275,881
<b>Extraordinary income (Note 11)</b>	284	139	1,251
<b>Extraordinary losses (Note 12)</b>	375	519	4,682
<b>Income before income taxes</b>	32,455	30,166	272,450
<b>Income taxes : (Notes 3(19) and 17)</b>			
Current	10,918	7,450	67,284
Deferred	(1,818)	1,735	15,666
	9,100	9,185	82,950
<b>Net income attributable to:</b>	23,355	20,981	189,500
Non-controlling interests	2	(13)	(112)
Owners of parent	¥ 23,353	¥ 20,994	\$ 189,612
	Yen		U.S. dollars
<b>Net income attributable to owners of parent per share of common stock (Note 22)</b>			
Basic	¥81.83	¥73.62	\$0.66

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statements of Comprehensive Income

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Net income</b>	¥23,355	¥20,981	\$189,500
Valuation difference on available-for-sale securities	(1,922)	1,911	17,256
Deferred gains or losses on hedges	62	(219)	(1,979)
Foreign currency translation adjustments	(44)	155	1,400
Remeasurements of defined benefit plans	(1,374)	1,351	12,205
<b>Total other comprehensive income (Note 14)</b>	(3,278)	3,198	28,882
<b>Comprehensive income</b>	¥20,077	¥24,179	\$218,382
<b>(Breakdown)</b>			
Comprehensive income attributable to owners of parent	¥20,078	¥24,188	\$218,464
Comprehensive income attributable to non-controlling interests	(1)	(9)	(82)

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statements of Changes in Net Assets

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

For the year ended March 31, 2020

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

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

For the year ended March 31, 2021

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
<b>Balance at the beginning of current period</b>	¥30,450	¥18,387	¥87,066	¥(374)	¥135,529
Changes of items during period					
Dividends of surplus			(6,858)		(6,858)
Net income attributable to owners of parent			20,994		20,994
Reversal of revaluation reserve for land			(3)		(3)
Purchase of treasury shares				(229)	(229)
Disposal of treasury shares				12	12
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	14,133	(217)	13,916
<b>Balance at the end of current period</b>	¥30,450	¥18,387	¥101,199	¥(591)	¥149,445

	Millions of yen								
	Accumulated other comprehensive income							Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
<b>Balance at the beginning of current period</b>	¥2,673	¥ 45	¥3,910	¥(167)	¥(815)	¥5,646	¥125	¥141,300	
Changes of items during period									
Dividends of surplus								(6,858)	
Net income attributable to owners of parent								20,994	
Reversal of revaluation reserve for land								(3)	
Purchase of treasury shares								(229)	
Disposal of treasury shares								12	
Net changes of items other than shareholders' equity	1,911	(220)	3	152	1,351	3,197	(9)	3,188	
Total changes of items during period	1,911	(220)	3	152	1,351	3,197	(9)	17,104	
<b>Balance at the end of current period</b>	¥4,584	¥(175)	¥3,913	¥ (15)	¥536	¥8,843	¥116	¥158,404	

For the year ended March 31, 2021

	Thousands of U.S. dollars				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
<b>Balance at the beginning of current period</b>	\$275,018	\$166,065	\$786,365	\$(3,377)	\$1,224,071
Changes of items during period					
Dividends of surplus			(61,951)		(61,951)
Net income attributable to owners of parent			189,612		189,612
Reversal of revaluation reserve for land			(21)		(21)
Purchase of treasury shares				(2,068)	(2,068)
Disposal of treasury shares				114	114
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	127,640	(1,954)	125,686
<b>Balance at the end of current period</b>	\$275,018	\$166,065	\$914,005	\$(5,331)	\$1,349,757

	Thousands of U.S. dollars								
	Accumulated other comprehensive income							Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
<b>Balance at the beginning of current period</b>	\$24,145	\$ 397	\$35,317	\$(1,507)	\$(7,363)	\$50,989	\$1,130	\$1,276,190	
Changes of items during period									
Dividends of surplus								(61,951)	
Net income attributable to owners of parent								189,612	
Reversal of revaluation reserve for land								(21)	
Purchase of treasury shares								(2,068)	
Disposal of treasury shares								114	
Net changes of items other than shareholders' equity	17,256	(1,978)	21	1,370	12,205	28,874	(82)	28,792	
Total changes of items during period	17,256	(1,978)	21	1,370	12,205	28,874	(82)	154,478	
<b>Balance at the end of current period</b>	\$41,401	\$(1,581)	\$35,338	\$( 137)	\$4,842	\$79,863	\$1,048	\$1,430,668	

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statements of Cash Flows

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥32,455	¥30,166	\$272,450
Adjustment to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	9,085	7,395	66,788
Amortization of goodwill	—	124	1,116
Increase (decrease) in allowance for doubtful accounts	(260)	(143)	(1,288)
Increase (decrease) in net defined benefit liability	(191)	40	364
Decrease (increase) in net defined benefit asset	(156)	(276)	(2,490)
Interest and dividends income	(542)	(449)	(4,056)
Interest expenses	925	667	6,026
Foreign exchange losses (gains)	1,368	(1,565)	(14,133)
Equity in (earnings) losses of affiliates	(2)	(11)	(96)
Loss (gain) on sales of property, plant and equipment	(199)	(46)	(419)
Loss (gain) on sales of investment securities	(1)	(43)	(392)
Loss on valuation of securities and investment securities	—	413	3,733
Change in assets and liabilities:			
Decrease (increase) in notes and accounts receivable-trade	(47,399)	380	3,433
Decrease (increase) in costs on uncompleted construction contracts	522	985	8,894
Decrease (increase) in real estate for sale and development projects in progress and other inventories	1,320	(305)	(2,754)
Increase (decrease) in notes and accounts payable-trade	3,831	(2,374)	(21,445)
Increase (decrease) in advances received on uncompleted construction contracts	(1,610)	3,121	28,185
Increase (decrease) in other provision	1,170	(1,660)	(14,990)
Other, net	13,120	4,294	38,782
Subtotal	13,436	40,713	367,708
Interest and dividends income received	553	445	4,021
Interest expenses paid	(911)	(651)	(5,876)
Income taxes paid	(8,634)	(9,817)	(88,666)
Net cash provided by operating activities	4,444	30,690	277,187
<b>Cash flows from investing activities:</b>			
Payments into time deposits	(41)	(33)	(301)
Proceeds from withdrawal of time deposits	40	43	390
Purchase of investment securities	(146)	(29)	(259)
Proceeds from sales and redemption of short-term and long-term investment securities	2	68	610
Purchase of property, plant and equipment	(9,737)	(11,041)	(99,720)
Proceeds from sales of property, plant and equipment	1,351	511	4,616
Collection of loans receivable	6	6	57
Acquisition of shares of subsidiaries resulting in change in scope of consolidation	—	(1,743)	(15,741)
Other, net	(557)	(582)	(5,262)
Net cash used in investing activities	¥(9,082)	¥(12,800)	\$(115,610)

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans payable	¥ 118	¥ 1,433	\$ 12,943
Net increase (decrease) in commercial papers	17,999	(17,999)	(162,566)
Proceeds from long-term loans payable	9,646	16,436	148,442
Repayment of long-term loans payable	(8,842)	(5,750)	(51,933)
Proceeds from issuance of bonds payable	—	19,899	179,723
Redemption of bonds	—	(10,000)	(90,318)
Cash dividends paid	(5,422)	(6,850)	(61,865)
Other, net	2	(280)	(2,527)
Net cash provided by (used in) financing activities	13,501	(3,111)	(28,101)
Effect of exchange rate change on cash and cash equivalents	(1,445)	1,391	12,569
Net increase (decrease) in cash and cash equivalents	7,418	16,170	146,045
Cash and cash equivalents at the beginning of the period	35,610	43,028	388,615
Cash and cash equivalents at the end of the period	¥43,028	¥59,198	\$534,660
<b>(Note) (1) Cash and cash equivalents are comprised as follows:</b>			
Cash and deposits	¥43,621	¥59,782	\$539,935
Less-Time deposits with maturity over three months	(593)	(584)	(5,275)
Cash and cash equivalents (Note 3(18))	¥43,028	¥59,198	\$534,660
<b>(2) Breakdown of assets and liabilities of new consolidated subsidiaries by acquisition of its shares Breakdown of assets and liabilities of new consolidated subsidiaries at the start of consolidation and reconciliation between the acquisition cost of shares and net payment for acquisition are as follows:</b>			
Current assets		¥1,751	\$15,815
Non-current assets		44	400
Goodwill		2,432	21,962
Current liabilities		(1,595)	(14,402)
Non-current liabilities		(20)	(185)
Foreign currency translation adjustment		(3)	(30)
Acquisition cost of shares		2,609	23,560
Cash and cash equivalents		(866)	(7,819)
Payment for acquisition		¥ 1,743	\$ 15,741

See accompanying Notes to Consolidated Financial Statements.

## 1. Basis of preparation of consolidated financial statements

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

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

The figures in these financial statements are shown in U.S. dollars at the conversion rate of U.S.\$1=¥110.72, the exchange rate prevailing on March 31, 2021. This is solely for the convenience of readers outside Japan and does not mean that assets and liabilities originating in yen can be converted into or settled in dollars at the above rate.

## 2. Consolidation

### (1) Scope of consolidation and application of equity method

The Company has 29 subsidiaries and 5 affiliated companies as at March 31, 2021.

UG M&E Pte. Ltd. has been included in the scope of consolidation due to the acquisition of all shares by the Group.

The Company consolidated 28 subsidiaries and applied the equity method to 1 affiliated company.

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

1 unconsolidated subsidiary and 5 affiliated companies have not been included in the scope of equity method, because they have a small impact

on the consolidated financial statements and insignificant as a whole.

### (2) Consolidated closing date

Consolidated closing date is March 31.

Closing date for the Company, 11 domestic subsidiaries and 15 overseas subsidiaries including Andromeda Five Pte. Ltd. is March 31. Closing date for 2 overseas subsidiaries are December 31. The Company compiled the consolidated financial statements using the financial statements of each company's closing date, and adjustments are made for any material difference incurred between their closing dates and the consolidated closing date.

## 3. Summary of significant accounting policies

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

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

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

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

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

### (3) Securities and investment securities

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

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

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

### (4) Derivative financial transactions

Derivative financial instruments are stated at fair value.

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

### (5) Inventories

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

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

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

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

applied to property, plant and equipment of overseas subsidiaries.

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

### (7) Research and development costs and computer software

Research and development costs are charged to income as incurred.

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

### (8) Leased assets

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

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

### (9) Allowance for doubtful accounts

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

### (10) Provision for warranties for completed construction

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

### (11) Provision for bonuses

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

### (12) Provision for loss on construction contracts

The Group provide provision for future losses from construction contracts outstanding at the fiscal year end.

### (13) Provision for board benefit trust

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

### (14) Net defined benefit liability

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

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

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

Regarding lump-sum severance indemnity plan for some of the consolidated subsidiaries, the amount is calculated based on simplified method which assumes that the retirement benefit

obligation would be the amount to be paid to employees who voluntarily retired at the year-end.

### (15) Recognition of sales and cost of sales

For the construction projects with condition that the outcome of the construction activity is deemed certain at the end of the year, the percentage-of-completion method (based on cost proportion method to estimate the progress of such construction project) has been applied.

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

### (16) Hedge accounting

#### 1) Hedge accounting method

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

#### 2) Hedging instruments and hedged items

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

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

#### 3) Hedging policy

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

#### 4) Evaluation of the effectiveness of hedge accounting

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

### (17) Amortization of goodwill

Goodwill is principally amortized using the straight-line method over a period benefited therefrom but not exceeding 20 years.

### (18) Cash and cash equivalents

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

### (19) Income taxes

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

Japanese corporation and other taxes applicable to the Company and its consolidated domestic subsidiaries comprise (a) corporation tax of 23.2 percent on taxable income, (b) enterprise tax of 3.6 percent on taxable income after certain adjustments, (c) prefectural and municipal taxes averaging 10.4 percent of corporation tax, and (d) local corporation tax of 10.3 percent on taxable income. Enterprise tax paid is deductible for income tax purposes.

Foreign subsidiaries declare income taxes at the rate applicable in each

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

#### (20) Deferred assets

Bond issuance cost is recognized as an expense when incurred.

#### (21) Accounting principles and procedures adopted when relevant accounting standards are not clear.

Accounting for construction contracts by joint ventures Assets, liabilities, income and expenses generated in joint ventures are shown in the consolidated financial statements mainly according to the ratio of the Company's investment ratio.

#### (22) Consumption tax

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

### 4. Notes on accounting estimates

#### Recognition of major income and expense

Regarding recognition of net sales of completed construction contracts and cost of sales of completed construction contracts, the percentage-of-completion method for construction contracts of which the outcome of the construction activity is deemed certain at the end of the fiscal year, and applies the completed-contract method for other construction contracts.

Revenue for which the percentage-of-completion method is applied is measured by multiplying the total construction revenue by its progress towards completion of the construction. Total construction revenue is determined by adding the amounts agreed in contracts and estimated amounts substantially agreed with customers with whom contracts have not yet been entered into. Further, progress towards completion of constructions is determined based on the ratio of construction costs incurred for construction performed up to the end of the fiscal year compared to the estimated total construction costs.

Net sales of completed construction contracts of ¥ 440,321 million (U.S. \$ 3,976,885 thousand) has been recorded by using the percentage-of-completion method for the fiscal year ended March 31, 2021.

#### (1) Total construction revenue

Although construction contracts may potentially be modified due to new agreements with customers during construction, there are cases where the amounts of such modifications are not determined each time the modifications of construction contracts are made.

Accordingly, with regards to changes in consideration, if modifications to construction contracts that have not yet been entered into are to be included in total construction revenue, it is necessary to

#### (23) Adoption of consolidated taxation system

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

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

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

#### (25) Reclassifications

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

reliably estimate the amount of consideration based on substantial agreements made among parties and the details of such agreements. Determinations of whether agreements are substantial and estimates of amounts of consideration involve subjectivity since they are based on discussions with customers and thus involve uncertainty.

#### (2) Total construction costs

Considering that construction contracts are highly individual and carried out in accordance with fundamental specifications and work details instructed by customers, it is difficult to apply a uniform rule for making estimates of total construction costs. Accordingly, estimates of total construction costs involve certain assumptions and judgments that are based on specialized knowledge and experience in construction, and thus involve uncertainty.

Further, given that constructions are generally long-term in nature, there may be potential modifications in construction contracts, changes in weather and sea conditions and fluctuations in construction material prices and labor prices during construction, thus making timely and appropriate revisions of total construction costs complex.

Based on the above, the recording of net sales of completed construction contracts and cost of sales of completed construction contracts for which the percentage-of-completion method is based on various assumptions. If it becomes necessary to revise the estimates and the assumptions due to uncertain future fluctuations in economic conditions, etc., it may have a significant impact on the net sales of completed construction contracts and cost of sales of completed construction contracts, etc. in the consolidated financial statements for the next fiscal year.

#### 1) Overview

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

1. Identify the contract(s) with a customer

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

#### 2) Scheduled date of adoption

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

#### 3) Impact of the adoption of implementation guidance

The effect of the adoption of this accounting standard and implementation guidance on the consolidated financial statements is immaterial.

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

### 6. Additional information

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

#### (1) Transaction summary

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

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

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

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

The Company's outstanding shares of the Trust are included in the treasury shares of the net assets based on the book value of the Trust (excluding ancillary expenses). The book values of the treasury shares were ¥ 283 million and ¥ 499 million (U.S. \$ 4,505 thousand) and the numbers of the stocks were 430,500 shares and 767,000

Guidance No. 19, issued March 31, 2020)

#### 1) Outline

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

- Financial instruments on "Accounting Standard for Financial Instruments"
- Inventories held for trading purposes on "Accounting Standard for Measurement of Inventories"
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" has been also revised and disclosure requirements for details of fair value of financial instrument according to the levels.

#### 2) Scheduled date of adoption

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

#### 3) Impact of adopting the accounting standard and implementation guidance

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

shares as of March 31, 2020 and 2021, respectively.

#### (Application of "Accounting principles and procedures adopted when relevant accounting standards are not clear")

With the fact that "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (Accounting Standards Board of Japan Guidance No. 24, issued March 31, 2020) can be applied from the consolidated financial statements for the end of the fiscal year ending after the publication, the Group applied from the current fiscal year. It discloses "Accounting principles and procedures adopted when relevant accounting standards are not clear".

#### (Accounting estimates relative to COVID-19)

Due to the re-spread of COVID-19, the economy is expected to remain uncertain in the future.

The Group has progressed without being interrupted in Japan, and although there was a temporary suspension in Singapore and Africa, all constructions is currently in operations.

It is difficult to predict an impact of COVID-19 as there is no consensus about spread of COVID-19 in the future and a time when it ends. The Group makes accounting estimates for constructions to which the per-centage-of completion method is applied and others in consideration that stable business continuity will be possible by measures against infectious such as avoidance of the three Cs, and by productivity improvement using ICT.

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

## 7. Securities and investment securities

## (1) Held-to-maturity debt securities

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

As of March 31, 2021	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
<b>Securities whose fair value exceeds their book value on consolidated B/S:</b>			
National and local government bonds	¥80	¥81	¥ 1
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥80	¥81	¥ 1
<b>Securities whose fair value doesn't exceed their book value on consolidated B/S:</b>			
National and local government bonds	¥—	¥—	¥—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥—	¥—	¥—
Total	¥80	¥81	¥ 1

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
<b>Securities whose fair value exceeds their book value on consolidated B/S:</b>			
National and local government bonds	\$726	\$735	\$ 9
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	\$726	\$735	\$ 9
<b>Securities whose fair value doesn't exceed their book value on consolidated B/S:</b>			
National and local government bonds	\$ —	\$ —	\$—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	\$ —	\$ —	\$—
Total	\$726	\$735	\$ 9

## (2) Other securities

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

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

As of March 31, 2021	Millions of yen		
	Book value on consolidated B/S	Acquisition cost	Difference
<b>Securities whose book value on consolidated B/S exceeds their acquisition cost:</b>			
Stock	¥15,797	¥9,279	¥6,518
Bonds	—	—	—
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥15,797	¥9,279	¥6,518
<b>Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:</b>			
Stock	¥ 370	¥ 375	¥ (5)
Bonds	—	—	—
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥ 370	¥ 375	¥ (5)
Total	¥16,167	¥9,654	¥6,513

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Acquisition cost	Difference
<b>Securities whose book value on consolidated B/S exceeds their acquisition cost:</b>			
Stock	\$142,676	\$83,809	\$58,867
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	\$142,676	\$83,809	\$58,867
<b>Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:</b>			
Stock	\$ 3,339	\$ 3,383	\$ (44)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	\$ 3,339	\$ 3,383	\$ (44)
Total	\$146,015	\$87,192	\$58,823

(Notes) Since unlisted stocks (balance on consolidated balance sheet ¥2,616 million (U.S. \$ 23,629 thousand)) have no market value, have no estimated future cash flows and are quite difficult to determine the fair value, they are not included in "Other securities" above.

### (3) Other securities sold during the fiscal year

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

As of March 31, 2021	Millions of yen		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	¥67	¥44	¥(0)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	¥67	¥44	¥(0)

	Thousands of U.S. dollars		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	\$607	\$402	¥(4)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	\$607	\$402	¥(4)

### (4) Impairment of investment securities

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Other securities			
Stock	¥—	¥413	\$3,733

### 8. Pledged Assets

The following assets are pledged for guarantee against defect in house constructions and other at March 31, 2020 and 2021.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Deposit	¥ —	¥177	\$1,603
Securities	74	9	80
Investment securities	212	241	2,177
Other (Investment and other assets)	223	301	2,719
Total	¥509	¥728	\$6,579

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

Short-term and long-term loans, commercial papers and bonds payable as of March 31, 2020 and 2021 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Short-term loans from banks and insurance companies (The weighted average interest rate is 0.63%.)	¥18,924	¥20,919	\$188,938
Commercial papers	17,999	—	—
Long-term loans from banks and insurance companies due through 2025 (The weighted average interest rate is 0.54%.)	20,608	31,294	282,637
0.14% unsecured bonds payable due 2020	10,000	—	—
0.68% unsecured bonds payable due 2021	10,000	10,000	90,318
0.15% unsecured bonds payable due 2023	—	10,000	90,318
0.25% unsecured bonds payable due 2025 (Green bonds)	—	10,000	90,318
Total	¥77,531	¥82,213	\$742,529

The aggregate annual maturity of short-term and long-term loans and bonds payable after March 31, 2021 is as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2022	¥38,841	\$350,806
2023	7,596	68,605
2024	17,290	156,162
2025	5,467	49,373
2026 and after	13,019	117,583
Total	¥82,213	\$742,529

## 10. Net assets

### (1) Legal retained earnings and legal capital surplus

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

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

### (2) Revaluation reserve for land

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
The difference between the appraisal value of land at the end of the current fiscal year and the book value	¥6,177	¥5,360	\$48,409

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

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

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

This amounted to ¥ 4,584 million (U.S. \$ 41,401 thousand) gain as of March 31, 2021.

## 11. Extraordinary income

The composition of Extraordinary income for the fiscal years ended March 31, 2020 and 2021 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Gain on sales of non-current assets	¥279	¥ 92	\$ 832
Gain on sales of investment securities	1	44	400
Other	4	3	19
Total	¥284	¥139	\$1,251

## 12. Extraordinary losses

The composition of Extraordinary losses for the fiscal years ended March 31, 2020 and 2021 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Loss on sales of non-current assets	¥ 80	¥ 46	\$ 413
Loss on retirement of non-current assets	249	45	405
Loss on valuation of investment securities	—	413	3,733
Provision of allowance for doubtful accounts	0	2	16
Loss on contribution of securities to retirement benefit trust	46	—	—
Other	—	13	115
Total	¥375	¥519	\$4,682

## 13. Research and development costs

Research and development costs charged to income are ¥ 2,435 million for the fiscal year 2020 and ¥ 2,348 million (U.S. \$ 21,207 thousand) for the fiscal year 2021, respectively.

## 14. Other comprehensive income

The following table presents reclassification and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2020 and 2021:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Valuation difference on available-for-sale securities			
Amount arising during the year	¥(2,813)	¥2,560	\$23,124
Reclassification adjustment for gains and losses realized in net income	45	179	1,616
Amount before tax effect	(2,768)	2,739	24,740
Tax effect	846	(828)	(7,484)
Valuation difference on available-for-sale securities	(1,922)	1,911	17,256
Deferred gains or losses on hedges			
Amount arising during the year	684	(3,103)	(28,023)
Reclassification adjustment for gains and losses realized in net income	(594)	2,676	24,168
Acquisition cost adjustment of assets	—	111	1,003
Amount before tax effect	90	(316)	(2,852)
Tax effect	(28)	97	873
Deferred gains or losses on hedges	62	(219)	(1,979)
Foreign currency translation adjustments			
Amount arising during the year	(44)	155	1,400
Reclassification adjustment for gains and losses realized in net income	—	—	—
Amount before tax effect	(44)	155	1,400
Tax effect	—	—	—
Foreign currency translation adjustments	(44)	155	1,400
Remeasurements of defined benefit plans			
Amount arising during the year	(1,848)	1,830	16,525
Reclassification adjustment for gains and losses realized in net income	(132)	118	1,066
Amount before tax effect	(1,980)	1,948	17,591
Tax effect	606	(597)	(5,386)
Remeasurements of defined benefit plans	(1,374)	1,351	12,205
Total of other comprehensive income	¥(3,278)	¥3,198	\$28,882

## 15. Derivative financial transactions

### (1) Matters concerning derivative financial transactions

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

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

### (2) Matters concerning fair value

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



## 16. Commitments and contingent liabilities

As of March 31, 2021, the Company has liabilities for guarantee to bank loans made by customers amounting to ¥ 29 million (U.S. \$ 264 thousand). The Company also has the guarantee amounting to ¥ 188 million (U.S. \$ 1,694 thousand) to purchasers concerning deposits for purchase of the condominium apartments.

**The Company has agreements on commitment line with 8 banks totaling ¥ 20,000 million (U.S. \$ 180,636 thousand) for the purpose of flexible financing. Unused commitment line as of March 31, 2020 and 2021 are as follows.**

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Commitment line</b>			
Total of commitment line	¥20,000	¥20,000	\$180,636
Use of commitment	—	—	—
Total of unused commitment line	¥20,000	¥20,000	\$180,636

## 17. Tax effect accounting

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Deferred tax assets</b>			
Employees' retirement benefits trust	¥ 2,060	¥ 2,101	\$ 18,975
Allowance for doubtful accounts	1,165	1,114	10,063
Provision for bonuses	901	917	8,280
Impairment loss	870	861	7,774
Loss on valuation of real estate for sale	1,775	440	3,975
Net defined benefit liability	393	353	3,188
Provision for loss on construction contracts	593	344	3,103
Net operating loss carryforwards	261	274	2,471
Other	1,896	1,645	14,866
Total: deferred tax assets	9,914	8,049	72,695
Less: valuation allowance	(1,995)	(1,790)	(16,166)
Deferred tax assets	¥ 7,919	¥ 6,259	\$ 56,529
<b>Deferred tax liabilities</b>			
Valuation difference on available-for-sale securities	¥(1,100)	¥(1,929)	\$(17,422)
Prepaid pension cost	(386)	(977)	(8,823)
Unrealized intercompany income	(105)	(105)	(950)
Other	(169)	(138)	(1,246)
Total: deferred tax liabilities	(1,760)	(3,149)	(28,441)
Net: deferred tax assets	¥ 6,159	¥ 3,110	\$ 28,088

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

	2020	2021
The statutory effective tax rate (Adjustments)	30.62%	—%
Permanent differences (expense)	1.37	—
Permanent differences (income)	(0.10)	—
Per capita levy on inhabitant tax	0.56	—
Consolidated adjustments	(0.00)	—
Increase (Decrease) in valuation allowance	(3.12)	—
Other	(1.30)	—
Actual burden tax rate after the application of tax effect accounting	28.04%	—%

For the year ended March 31, 2021, a reconciliation is omitted because the difference between the statutory effective tax rate and actual burden tax rates after tax effect accounting is less than 5%.

## 18. Retirement benefits

The Group have funded or unfunded type defined benefit plan and defined contribution plan.

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

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

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

**(1) The changes in the retirement benefit obligation during the years ended March 31, 2020 and 2021 are as follows:**

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Retirement benefit obligation at the beginning of year	¥26,308	¥25,619	\$231,388
Service cost	1,395	1,418	12,807
Interest cost	—	25	225
Actuarial gain and loss	(280)	88	799
Retirement benefits paid	(1,804)	(1,559)	(14,084)
Retirement benefit obligation at the end of year	¥25,619	¥25,591	\$231,135

**(2) The changes in the plan assets during the years ended March 31, 2020 and 2021 are as follows:**

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Plan assets at the beginning of year	¥27,681	¥25,626	\$231,452
Expected return on plan assets	474	450	4,066
Actuarial gain	(2,128)	1,918	17,325
Contributions by the Company	848	861	7,775
Contribution of securities to retirement benefit trust	134	—	—
Retirement benefits paid	(1,383)	(1,192)	(10,768)
Plan assets at the end of year	¥25,626	¥27,663	\$249,850

**(3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2020 and 2021 for the Company's and the consolidated subsidiaries' defined benefit plans:**

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Funded retirement benefit obligation	¥25,042	¥24,953	\$225,370
Plan assets at fair value	(25,626)	(27,663)	(249,850)
	¥ (584)	¥ (2,710)	\$ (24,480)
Unfunded retirement benefit obligation	577	638	5,766
Net liability for retirement benefits in the balance sheet	¥ (7)	¥ (2,072)	\$ (18,714)
Net defined benefit liability	¥ 1,253	¥ 1,118	\$ 10,100
Net defined benefit asset	(1,260)	(3,190)	(28,814)
Net liability for retirement benefits in the balance sheet	¥ (7)	¥ (2,072)	\$ (18,714)

**(4) The components of retirement benefit expense for the years ended March 31, 2020 and 2021 are as follows:**

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Service cost	¥1,395	¥1,418	\$12,807
Interest cost	—	25	224
Expected return on plan assets	(474)	(450)	(4,066)
Amortization of actuarial gain and loss	(132)	118	1,066
Retirement benefit expense	¥ 789	¥1,111	\$10,031

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

**(5) The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended 31, 2020 and 2021 are as follows:**

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Actuarial gain and loss	¥(1,980)	¥1,948	\$17,591
Total	¥(1,980)	¥1,948	\$17,591

**(6) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2020 and 2021 are as follows:**

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Unrecognized actuarial gain and loss	¥1,175	¥(773)	\$(6,979)
Total	¥1,175	¥(773)	\$(6,979)

**(7) The fair value of plan assets, major category, as a percentage of total plan assets as of March 31, 2020 and 2021 are as follows:**

	2020		2021	
Bonds				
Stocks		45%		43%
General accounts		44		45
Cash and deposits		5		5
Others		3		2
Total		3		5
		100%		100%

Note: Total plan assets include retirement benefit trusts of 11% and 11% that are set up for a corporate pension plan as of March 31, 2020 and 2021, respectively.

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

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

	2020	2021
Discount rates	0.1%	0.2%
Expected rates of long-term return on plan assets	1.2 - 2.0%	1.3 - 2.0%
Expected rates of increase in salary	3.3 - 4.8%	3.3 - 4.8%

**19. Financial instruments****(1) Policy for financial instruments**

The Group has limited the instruments of fund investment to short term deposits etc., and relied on bonds payable and bank loans, etc., for fund procurement.

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

Securities and investment securities include mainly stocks and held-to-maturity bonds are exposed to fluctuation of market value. Those fair values, financial status of the issuers and so on are

checked regularly. Accounts receivable-other is mainly credit other than accounts receivable associated with operating transactions and most of the accounts are collected in short term and detail of the balance is reviewed on monthly basis.

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

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

**(2) Estimated fair value of financial instruments**

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

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

(\*1) Bonds payable includes the current portion of bonds payable.

(\*2) Long-term loans payable includes the current portion of long-term loans payable.

(\*3) The debit and credit balances recorded by derivative transaction are offset each other.

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

#### Assets

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

#### Liabilities

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

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

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

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

(Note 4) The redemption schedule for short-term and long-term loans, and bonds payable is disclosed in Note 9.

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

#### Derivative transaction

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

Book value on consolidated balance sheet, fair value and the difference as of March 31, 2021 are as follows:

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
<b>Assets</b>			
(1) Cash and deposits	¥ 59,782	¥ 59,782	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	239,949	239,949	—
(3) Securities and investment securities	16,247	16,248	1
(4) Accounts receivable-other	17,889	17,889	—
Total Assets	¥333,867	¥333,868	¥ 1
<b>Liabilities</b>			
(1) Accounts payable for construction contracts and other	¥117,483	¥117,483	¥ —
(2) Short-term loans payable	20,919	20,919	—
(3) Bonds payable <sup>(*)1</sup>	30,000	30,044	44
(4) Long-term loans payable <sup>(*)2</sup>	31,294	31,292	(2)
Total Liabilities	¥199,696	¥199,738	¥ 42
Derivative transaction <sup>(*)3</sup>	¥ (252)	¥ (252)	¥ —

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
<b>Assets</b>			
(1) Cash and deposits	\$ 539,935	\$ 539,935	\$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	2,167,170	2,167,170	—
(3) Securities and investment securities	146,741	146,750	9
(4) Accounts receivable-other	161,566	161,566	—
Total Assets	\$3,015,412	\$3,015,421	\$ 9
<b>Liabilities</b>			
(1) Accounts payable for construction contracts and other	\$1,061,081	\$1,061,081	\$ —
(2) Short-term loans payable	188,938	188,938	—
(3) Bonds payable <sup>(*)1</sup>	270,954	271,351	397
(4) Long-term loans payable <sup>(*)2</sup>	282,637	282,619	(18)
Total Liabilities	\$1,803,610	\$1,803,989	\$379
Derivative transaction <sup>(*)3</sup>	\$ (2,280)	\$ (2,280)	\$ —

(\*)1 Bonds payable includes the current portion of bonds payable.

(\*)2 Long-term loans payable includes the current portion of long-term loans payable.

(\*)3 The debit and credit balances recorded by derivative transaction are offset each other.

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

#### Assets

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

#### Liabilities

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

#### (3) Bonds payable and

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

#### Derivative transaction

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

(Note 2) Since unlisted stocks (balance on consolidated balance sheet ¥3,247 million (U.S. \$ 29,324 thousand)) have no market value, have no estimated future cash flows and are quite difficult to recognize the fair value, they are not included in "(3) Securities and investment securities".

(Note 3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2021

	Millions of yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and deposits				
Deposits	¥ 59,739	¥ —	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other	204,974	34,975	—	—
Securities and investment securities				
Held-to-maturity bonds				
National and local government bonds	9	72	—	—
Corporate bonds	—	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	—	—
Other	—	—	—	—
Accounts receivable-other	17,889	—	—	—
Total	¥282,611	¥35,047	¥—	¥—

	Thousands of U.S. dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and deposits				
Deposits	\$ 539,555	\$ —	\$—	\$—
Notes receivable, accounts receivable from completed construction contracts and other	1,851,283	315,887	—	—
Securities and investment securities				
Held-to-maturity bonds				
National and local government bonds	80	646	—	—
Corporate bonds	—	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	—	—
Other	—	—	—	—
Accounts receivable-other	161,566	—	—	—
Total	\$2,552,484	\$316,533	\$—	\$—

(Note 4) The redemption schedule for short-term and long-term loans, and bonds payable is disclosed in Note 9.

## 20. Business combination

Business combination through acquisition

### (1) Overview

- Name of acquiree and business description

Company name:

UG M&amp;E Pte. Ltd.

Business description:

Mechanical and Electrical engineering (M&amp;E engineering) construction

- Reason for business combination

UG M&E Pte. Ltd., founded in 1966, is the leading M&E engineering contractor with the highest graded qualification for M&E engineering in Singapore. UG M&E has a track record of large-scale M&E engineering works for Singapore's landmark projects and its experienced management team and excellent technological capabilities have earned a high praise and trust in Singapore.

We are convinced that the Company and UG M&E Pte. Ltd. will exert the synergistic effects for both companies, through utilizing each other's strengths and collaborating in all aspects of sales, technologies, human resources, etc.

- Date of business combination
  - June 1, 2020 (date of acquisition of shares)
  - June 30, 2020 (date of estimated completion of acquisition)
- Legal form of business combination
  - Acquisition of shares
- Company name after business combination
  - No change
- Percentage of voting rights acquired
  - 100%
- Main basis for determining the acquirer
  - The Company acquired shares with cash consideration

### (2) Period of operating results of the acquiree included in the consolidated financial statements

From July 1, 2020 to December 31, 2020

### (3) Acquisition cost and breakdown

	Millions of yen	Thousands of U.S. dollars
Cash payment for acquisition	¥2,609	\$23,560
Acquisition cost	¥2,609	\$23,560

### (4) Major acquisition-related costs and nature

	Millions of yen	Thousands of U.S. dollars
Advisory fees and charges	¥122	\$1,105

### (5) Amount, reason, amortization method and amortization period of acquired goodwill

	Millions of yen	Thousands of U.S. dollars
Amount of goodwill	¥2,432	\$21,962

- Reason for goodwill
  - The acquisition cost exceeded the net assets of the acquiree as of the date of business combination
- Amortization method
  - Straight-line amortization over 10 years

### (6) Major assets acquired and liabilities assumed on the date of business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥1,751	\$15,815
Non-current assets	44	400
Total assets	¥1,795	\$16,215
Current liabilities	¥1,595	\$14,402
Non-current liabilities	20	185
Total liabilities	¥1,615	\$14,587

### (7) Approximate amounts and calculation method of impact on the consolidated statement of income for the current fiscal year, assuming that the business combination was completed at the beginning of the current fiscal year

- They are omitted since approximate amounts of the impact are immaterial.

## 21. Segment information

## (Segment information)

## 1. General information about reportable segments

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

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

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

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

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

Intersegment sales and transfers are based on prevailing market price.

The Company do not allocate assets to business segments.

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

Millions of yen

	Reportable segment				Other (Note1)	Total	Adjustments (Note 2)	Recorded amount on consolidated statement of income (Note 3)
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Total				
Year ended March 31, 2020								
<b>Net sales:</b>								
Sales to third parties	¥210,740	¥197,014	¥157,624	¥565,378	¥8,465	¥573,843	¥ —	¥ 573,843
Intersegment sales and transfers	250	1	—	251	2,176	2,427	(2,427)	—
Total	210,990	197,015	157,624	565,629	10,641	576,270	(2,427)	573,843
Segment profit	20,682	6,321	6,312	33,315	(157)	33,158	3	33,161
<b>Other item:</b>								
Depreciation	3,757	583	4,305	8,645	443	9,088	(3)	9,085

Millions of yen

	Reportable segment				Other (Note1)	Total	Adjustments (Note 2)	Recorded amount on consolidated statement of income (Note 3)
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Total				
Year ended March 31, 2021								
<b>Net sales:</b>								
Sales to third parties	¥199,005	¥144,423	¥121,935	¥465,363	¥5,696	¥471,059	¥ —	¥ 471,059
Intersegment sales and transfers	176	32	—	208	2,380	2,588	(2,588)	—
Total	199,181	144,455	121,935	465,571	8,076	473,647	(2,588)	471,059
Segment profit	22,856	4,050	2,865	29,771	688	30,459	2	30,461
<b>Other item:</b>								
Depreciation	3,470	520	2,977	6,967	430	7,397	(2)	7,395

Thousands of U.S. dollars

	Reportable segment				Other (Note1)	Total	Adjustments (Note 2)	Recorded amount on consolidated statement of income (Note 3)
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Total				
Year ended March 31, 2021								
<b>Net sales:</b>								
Sales to third parties	\$1,797,373	\$1,304,396	\$1,101,288	\$4,203,057	\$51,448	\$4,254,505	\$ —	\$4,254,505
Intersegment sales and transfers	1,587	289	—	1,876	21,492	23,368	(23,368)	—
Total	1,798,960	1,304,685	1,101,288	4,204,933	72,940	4,277,873	(23,368)	4,254,505
Segment profit	206,429	36,576	25,880	268,885	6,210	275,095	21	275,116
<b>Other item:</b>								
Depreciation	31,342	4,695	26,891	62,928	3,880	66,808	(20)	66,788

## Notes

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

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

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

## (Related information)

For the year ended March 31, 2020

## 1. Information of each products and service

Please refer to above.

## 2. Geographical information

## (1) Net sales

Japan	Southeast Asia	Other	Total
¥416,218 million	¥101,762 million	¥55,862 million	¥573,843 million

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

## (2) Property, plant and equipment

Japan	Southeast Asia	Other	Total
¥63,739 million	¥14,131 million	¥2,058 million	¥79,928 million

## 3. Each main customer

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

For the year ended March 31, 2021

## 1. Information of each products and service

Please refer to above.

## 2. Geographical information

## (1) Net sales

Japan	Southeast Asia	Other	Total
¥349,124 million \$3,153,217 thousand	¥79,401 million \$717,131 thousand	¥42,534 million \$384,158 thousand	¥471,059 million \$4,254,505 thousand

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

## (2) Property, plant and equipment

Japan	Southeast Asia	Other	Total
¥70,259 million \$634,561 thousand	¥12,597 million \$113,770 thousand	¥1,552 million \$14,020 thousand	¥84,407 million \$762,351 thousand

## 3. Each main customer

Name of Customer	Net sales	Related segment
Ministry of Land, Infrastructure, Transport and Tourism	¥58,328 million \$526,803 thousand	Domestic civil engineering segment Domestic building construction segment

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

For the year ended March 31, 2020

None

For the year ended March 31, 2021

None

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

For the year ended March 31, 2020

None

For the year ended March 31, 2021

	Millions of yen						
	Reportable segment				Other	Adjustments	Total
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Total			
Amortization	¥—	¥—	¥ 124	¥ 124	¥—	¥—	¥ 124
Balance at the end of current period	—	—	2,374	2,374	—	—	2,374

	Thousands of U.S. dollars						
	Reportable segment				Other	Adjustments	Total
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Total			
Amortization	\$—	\$—	\$ 1,116	\$ 1,116	\$—	\$—	\$ 1,116
Balance at the end of current period	—	—	21,445	21,445	—	—	21,445

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

For the year ended March 31, 2020

None

For the year ended March 31, 2021

None

**22. Amounts per share**

1. Per share information is summarized as follows:

	Yen		U.S. dollars
	2020	2021	2021
Net assets excluding non-controlling interests per share	¥494.70	¥555.32	\$5.02
Net income attributable to owners of parent per share	81.83	73.62	0.66

Basic net income attributable to owners of parent per share is calculated by the weighted average number of outstanding common stocks during the year. Incidentally, shares held by BBT are included in treasury shares to be deducted from the average number of shares during of the year in calculating it. The average number of treasury shares issued and outstanding at March 31, 2020 and 2021 were 645 thousand and 846 thousand, including 435 thousand and 636 thousand of shares and held by BBT, respectively.

2. For the year ended March 31, 2020 and 2021, diluted net income attributable to owners of parent per share is not disclosed, because the dilutive potential of shares of common stock is none.

**23. Significant subsequent events**

Dividends

For the year ended March 31, 2021

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2021, was approved at the annual general shareholders' meeting held on June 25, 2021 and became effective June 28, 2021:

	Millions of yen	Thousands of U.S. dollars
	2021	2021
Cash dividends (¥ 28 (U.S. \$ 0.25) per share)	¥8,002	\$72,277

Dividends for shares held by BBT amounted to ¥ 21 million (U.S.\$194 thousand) are included in dividends in accordance with the resolution at the annual general shareholders' meeting on June 25, 2021.

Commemorative dividends of ¥ 5 for the 125th anniversary of the foundation of the Company are included in dividends per share of ¥ 28 for the fiscal year ended March 2021.



Ernst & Young ShinNihon LLC  
Hibiya Mitsui Tower, Tokyo Midtown Hibiya  
1-1-2 Yurakucho, Chiyoda-ku  
Tokyo 100-0006, Japan

Tel: +81 3 3503 1100  
Fax: +81 3 3503 1197  
ey.com

**Independent Auditor's Report**

The Board of Directors

PENTA-OCEAN CONSTRUCTION CO., LTD.

**Opinion**

We have audited the accompanying consolidated financial statements of PENTA-OCEAN CONSTRUCTION CO., LTD. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

**Basis for Opinion**

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

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Application of the percentage-of-completion method in the construction business	
Description of Key Audit Matter	Auditor's Response
<p>PENTA-OCEAN CONSTRUCTION CO., LTD. (the "Company") and its consolidated subsidiaries (the Company and its consolidated subsidiaries together referred to as "the Group") primarily engage in domestic civil engineering, domestic building construction and overseas construction, and enter into long-term contracts with customers to cater to the specifications of customers over certain periods of time.</p> <p>As described in "(15) Recognition of sales and cost of sales" under Note 3 "Summary of significant accounting policies" to the consolidated financial statements, the Group applies the percentage-of-completion method (based on the cost proportion method to estimate the progress of construction) for construction contracts of which the outcome of the construction activity is deemed certain at the end of the fiscal year, and applies the completed-contract method for other construction contracts. The Company's net sales of completed construction contracts using the percentage-of-completion method aggregates to 423,004 million yen, covering 89.8% of total net sales of 471,059 million yen, for the fiscal year ended March 31, 2021.</p> <p>Revenue for which the percentage-of-completion method is applied is measured by multiplying the total construction revenue by its progress towards completion of the construction. Total construction revenue is determined by adding the amounts agreed in contracts and estimated amounts substantially agreed with customers with whom contracts have not yet been entered into. Further, progress towards completion of constructions is determined based on the ratio of construction costs incurred for construction performed up to the end of the fiscal year compared to the estimated total construction costs.</p>	<p>We mainly performed the following audit procedures to evaluate the adequacy of estimates of total construction revenue and total construction costs used in applying the percentage-of-completion method by the Company.</p> <p>(1) Evaluation of internal control We evaluated the design and operating effectiveness of the following internal controls relating to estimates of total construction revenue and total construction costs.</p> <p>① Total construction revenue The process in which documents indicating the amounts of consideration based on substantial agreements made between parties and details of such agreements, which form the basis of estimates of the amounts for which contracts have not yet been entered into, are prepared by persons in charge of the construction work who have specialized knowledge and are approved by authorized persons who are responsible for the reliability of the profit and loss management of the construction work.</p> <p>② Total construction costs • The process in which operating budgets, which form the basis of estimates of the total construction costs, are prepared by persons in charge of the construction work who have specialized knowledge and are approved by authorized persons who are responsible for the reliability of the profit and loss management of the construction work. • The process for verifying that each element of the total construction costs is calculated by accumulating in detail objective prices, such as standard unit prices approved internally and quotations obtained from external sources. • The process for estimating the total construction costs timely and appropriately in accordance with the status of construction</p>

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<p>① Total construction revenue Although construction contracts may potentially be modified due to new agreements with customers during construction, there are cases where the amounts of such modifications are not determined each time the modifications of construction contracts are made. Accordingly, with regards to changes in consideration, if modifications to construction contracts that have not yet been entered into are to be included in total construction revenue, it is necessary to reliably estimate the amount of consideration based on substantial agreements made among parties and the details of such agreements.</p> <p>Determinations of whether agreements are substantial and estimates of amounts of consideration involve subjectivity since they are based on discussions with customers and thus involve uncertainty.</p> <p>② Total construction costs Considering that construction contracts are highly individual and carried out in accordance with fundamental specifications and work details instructed by customers, it is difficult to apply a uniform rule for making estimates of total construction costs. Accordingly, estimates of total construction costs involve certain assumptions and judgments that are based on specialized knowledge and experience in construction, and thus involve uncertainty.</p> <p>Further, given that constructions are generally long-term in nature, there may be potential modifications in construction contracts, changes in weather and sea conditions and fluctuations in construction material prices and labor prices during construction, thus making timely and appropriate revisions of total construction costs complex.</p> <p>Based on the above, we have determined the estimation of total construction revenue and</p>	<p>work, the amount of construction costs actually incurred versus the budget, and changes in specifications instructed by customers.</p> <p>• The process in which the profit or loss for each construction contract is reported at the closing date by persons in charge of the construction work and is approved by authorized persons who are responsible for the reliability of the profit and loss management of the construction work.</p> <p>(2) Evaluation of the adequacy of estimates We identified those construction contracts that involve a relatively high degree of uncertainty over the estimates of the total construction revenue and total construction costs, in light of factors such as the scale of construction, profit and loss on construction, and status of construction work, and performed the following audit procedures.</p> <p>① Total construction revenue • For estimates of amounts for which contracts have not yet been entered into, we inspected documents such as work order from customers, order to commence work in advance, minutes of negotiations with customers, and quotations, and evaluated the status of agreements with customers and amount of consideration thereof. • We evaluated the process for estimating the total construction revenue by comparing prior estimates of amounts for which contracts have not yet been entered into with the subsequent status of the contracts or re-estimated amounts.</p> <p>② Total construction costs • We inspected the most recent operating budget prepared in a timely manner that serve as the basis for the estimate of the total construction costs, and examined whether the estimated costs are consistent with the content of the construction contracts, calculated by accumulating the construction costs by category of work, and whether unusual amounts of adjustment items are not included</p>
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total construction costs to be a key audit matter due to its particular significance for the fiscal year ended March 31, 2021.

in the operating budget.

• We compared the prior estimate of the total construction costs with the estimate at the closing date, and for the changes in costs above a certain threshold, we examined whether the details of such changes are consistent with the current status of construction work by making inquiries, and collating the work schedules and quotations from subcontractors.

• We made inquiries regarding the progress of the construction, the existence of events resulting in changes to the total construction costs, and the determination of whether revisions to the total construction costs are necessary, and examined the reasonableness of the responses in light of the work schedules and the construction costs incurred.

• We evaluated the process for estimating the total construction costs by comparing prior estimate of total construction costs with the subsequent outcome of total construction costs or re-estimated amounts.

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

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

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

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

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

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

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

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

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

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

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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#### Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan


Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

#### Convenience Translation


The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

June 25, 2021

向井 誠 

Makoto Mukai  
Designated Engagement Partner  
Certified Public Accountant

澤部 直彦 

Naohiko Sawabe  
Designated Engagement Partner  
Certified Public Accountant

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## Non-Consolidated Financial Statements

### Non-Consolidated Five-Year Summary

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

	Millions of yen					Thousands of U.S. dollars
	2017	2018	2019	2020	2021	2021
Orders received	¥465,939	¥668,572	¥501,360	¥439,765	<b>¥505,258</b>	<b>\$4,563,389</b>
Civil engineering	241,165	465,190	248,639	259,705	<b>193,321</b>	<b>1,746,033</b>
Building construction	222,656	202,728	251,723	179,707	<b>311,633</b>	<b>2,814,605</b>
Other	2,118	654	998	353	<b>304</b>	<b>2,751</b>
Net sales	471,459	499,165	512,193	541,530	<b>445,142</b>	<b>4,020,431</b>
Civil engineering	251,329	275,911	281,459	318,817	<b>274,720</b>	<b>2,481,210</b>
Building construction	216,037	222,531	229,736	222,359	<b>170,118</b>	<b>1,536,471</b>
Other	4,093	723	998	354	<b>304</b>	<b>2,750</b>
Contract backlog	707,213	875,260	873,475	759,517	<b>816,329</b>	<b>7,372,912</b>
Civil engineering	378,001	566,711	541,697	471,162	<b>388,330</b>	<b>3,507,314</b>
Building construction	329,144	308,549	331,778	288,355	<b>427,999</b>	<b>3,865,598</b>
Other	68	—	—	—	<b>—</b>	<b>—</b>
Total assets	355,313	406,373	369,609	419,497	<b>446,526</b>	<b>4,032,930</b>
Net assets	87,156	100,345	113,121	126,703	<b>140,026</b>	<b>1,264,682</b>
Ordinary income	21,117	22,932	23,441	28,984	<b>27,271</b>	<b>246,305</b>
Income before income taxes	20,431	22,497	23,409	28,877	<b>26,887</b>	<b>242,842</b>
Net income	13,423	15,790	16,701	20,862	<b>18,707</b>	<b>168,955</b>
Cash dividends	3,431	4,003	5,430	6,859	<b>8,002</b>	<b>72,277</b>
Per share of common stock:	Yen					U.S. dollars
Net assets	¥304.84	¥351.54	¥396.42	¥443.99	<b>¥491.26</b>	<b>\$4.44</b>
Net income	46.95	55.28	58.52	73.11	<b>65.60</b>	<b>0.59</b>
Cash dividends	12.00	14.00	19.00	24.00	<b>28.00</b>	<b>0.25</b>
Number of employees	2,572	2,673	2,793	2,893	<b>3,046</b>	

Note: 1. Figures in U.S. dollars are converted for convenience only, at the rate of ¥110.72 per U.S.\$1, prevailing on March 31, 2021.  
2. Cash dividends for shares held by BBT amounted to ¥21 million (\$194 thousand) are included in cash dividends above.  
3. "Development business and other" is presented as "Other" in the year ended March 31, 2019 and thereafter, since materiality of development business has decreased.

# Non-Consolidated Balance Sheets

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Current assets:</b>			
Cash and deposits	¥ 40,455	¥ 55,612	\$ 502,279
Securities	74	9	80
Trade receivables:			
Notes	2,311	6,246	56,414
Accounts	248,239	241,963	2,185,362
Subsidiaries and affiliates	5,545	7,799	70,442
Inventories:			
Costs on uncompleted construction contracts	9,800	8,807	79,546
Real estate for sale and development projects in progress	1,317	1,303	11,770
Raw materials and supplies	1,237	1,248	11,275
Other	2,723	3,400	30,695
Allowance for doubtful accounts	(715)	(366)	(3,306)
Total current assets	310,986	326,021	2,944,557
<b>Non-current assets:</b>			
<b>Property, plant and equipment:</b>			
Land	31,596	31,594	285,351
Buildings and structures	33,987	34,766	314,002
Machinery, equipment and vehicles	15,654	15,158	136,902
Dredgers and vessels	44,091	43,571	393,524
Construction in progress	3,819	11,650	105,222
Other	340	298	2,689
Total property, plant and equipment	129,487	137,037	1,237,690
Less: Accumulated depreciation	(65,584)	(68,340)	(617,229)
Property, plant and equipment — net	63,903	68,697	620,461
<b>Intangible assets:</b>	1,375	1,490	13,447
<b>Investments and other assets:</b>			
Stock of and long-term loans receivable from subsidiaries and affiliates	16,899	23,619	213,326
Investment securities	16,522	18,846	170,214
Deferred tax assets	5,330	2,814	25,412
Other	7,518	8,276	74,749
Allowance for doubtful accounts	(3,036)	(3,237)	(29,236)
Total investments and other assets	43,233	50,318	454,465
Total non-current assets	108,511	120,505	1,088,373
<b>Total assets</b>	¥419,497	¥446,526	\$4,032,930

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Current liabilities:</b>			
Short-term loans payable			
Bank	¥ 17,274	¥ 19,269	\$ 174,036
Commercial papers	17,999	—	—
Current portion of long-term loans payable and bonds payable	15,750	17,922	161,868
Trade payable:			
Accounts	119,596	118,129	1,066,917
Subsidiaries and affiliates	3,608	4,790	43,259
Advance received on uncompleted construction contracts	20,134	23,324	210,657
Deposits received	50,501	55,931	505,156
Income taxes payable	7,080	4,576	41,333
Provision for loss on construction contracts	1,923	1,109	10,020
Provision for warranties for completed construction	1,988	972	8,775
Provision for bounces	2,695	2,735	24,702
Other	2,617	3,054	27,584
Total current liabilities	261,165	251,811	2,274,307
<b>Non-current liabilities:</b>			
Bonds payable	10,000	20,000	180,636
Long-term loans payable	13,682	19,790	178,739
Provision for retirement benefits	480	474	4,279
Provision for board benefit trust	215	299	2,705
Deferred tax liabilities for land revaluation	3,680	3,680	33,233
Other	3,572	10,446	94,349
Total non-current liabilities	31,629	54,689	493,941
Total liabilities	292,794	306,500	2,768,248
<b>Net assets:</b>			
Capital stock			
Authorized - 599,135,000 shares	30,450	30,450	275,018
Issued shares - 286,013,910 shares in 2020 and 2021			
Capital surplus			
Legal capital surplus	12,380	12,380	111,810
Other capital surplus	6,007	6,007	54,256
Total capital surplus	18,387	18,387	166,066
Retained earnings			
Reserve for advanced depreciation of non-current assets	86	80	724
General reserve	40,000	49,999	451,589
Retained earnings brought forward	31,527	33,378	301,462
Total retained earnings	71,613	83,457	753,775
Less: Treasury stock	(374)	(590)	(5,330)
Valuation difference on available-for-sale securities	2,672	4,584	41,397
Deferred gains or losses on hedges	45	(175)	(1,582)
Revaluation reserve for land	3,910	3,913	35,338
Total net assets	126,703	140,026	1,264,682
<b>Total liabilities and net assets</b>	¥419,497	¥446,526	\$4,032,930

# Non-Consolidated Statements of Income

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Construction business:</b>			
Net sales	¥541,176	¥444,838	\$4,017,681
Cost of sales	493,504	400,190	3,614,425
Gross profit	47,672	44,648	403,256
<b>Other:</b>			
Net sales	354	304	2,750
Cost of sales	1,295	190	1,721
Gross profit	(941)	114	1,029
<b>Total:</b>			
Total net sales	541,530	445,142	4,020,431
Total cost of sales	494,799	400,380	3,616,146
<b>Total gross profit</b>	46,731	44,762	404,285
<b>Selling, general and administrative expenses</b>	17,389	17,762	160,425
<b>Operating profit</b>	29,342	27,000	243,860
<b>Non-operating profit:</b>			
Interest and dividends income	523	439	3,964
Interest and dividends income from subsidiaries and affiliates	397	381	3,443
Reversal of allowance for doubtful accounts	269	409	3,691
Other	188	198	1,791
	1,377	1,427	12,889
<b>Non-operating expenses:</b>			
Interest expenses	946	691	6,238
Provision of allowance for doubtful accounts	—	259	2,338
Foreign exchange losses	691	—	—
Other	98	206	1,868
	1,735	1,156	10,444
<b>Ordinary income</b>	28,984	27,271	246,305
<b>Extraordinary income</b>	260	118	1,069
<b>Extraordinary losses</b>	367	502	4,532
<b>Income before income taxes</b>	28,877	26,887	242,842
<b>Income taxes:</b>			
Current	9,794	6,397	57,773
Deferred	(1,779)	1,783	16,114
Total income taxes	8,015	8,180	73,887
<b>Net income</b>	¥ 20,862	¥ 18,707	\$168,955
	Yen		U.S. dollars
<b>Net income per share of common stock</b>			
Basic	¥73.11	¥65.60	\$0.59

# Company Data

## Company Outline

(As of March 31, 2021)

**Company Name** Penta-Ocean Construction Co., Ltd.  
**Founded** April 1896  
**Established** April 1950  
**Headquarters** 2-8, Koraku 2-chome, Bunkyo-ku, Tokyo 112-8576, Japan  
 Tel: 81-3-3817-7181 Fax: 81-3-3817-7642  
**Paid-in Capital** ¥30,450 million (U.S.\$275.0 million)  
**Employees** 3,046 (3,565 consolidated)  
**Website** <https://www.penta-ocean.co.jp/english/>

## Members of the Board and Audit & Supervisory Board Members

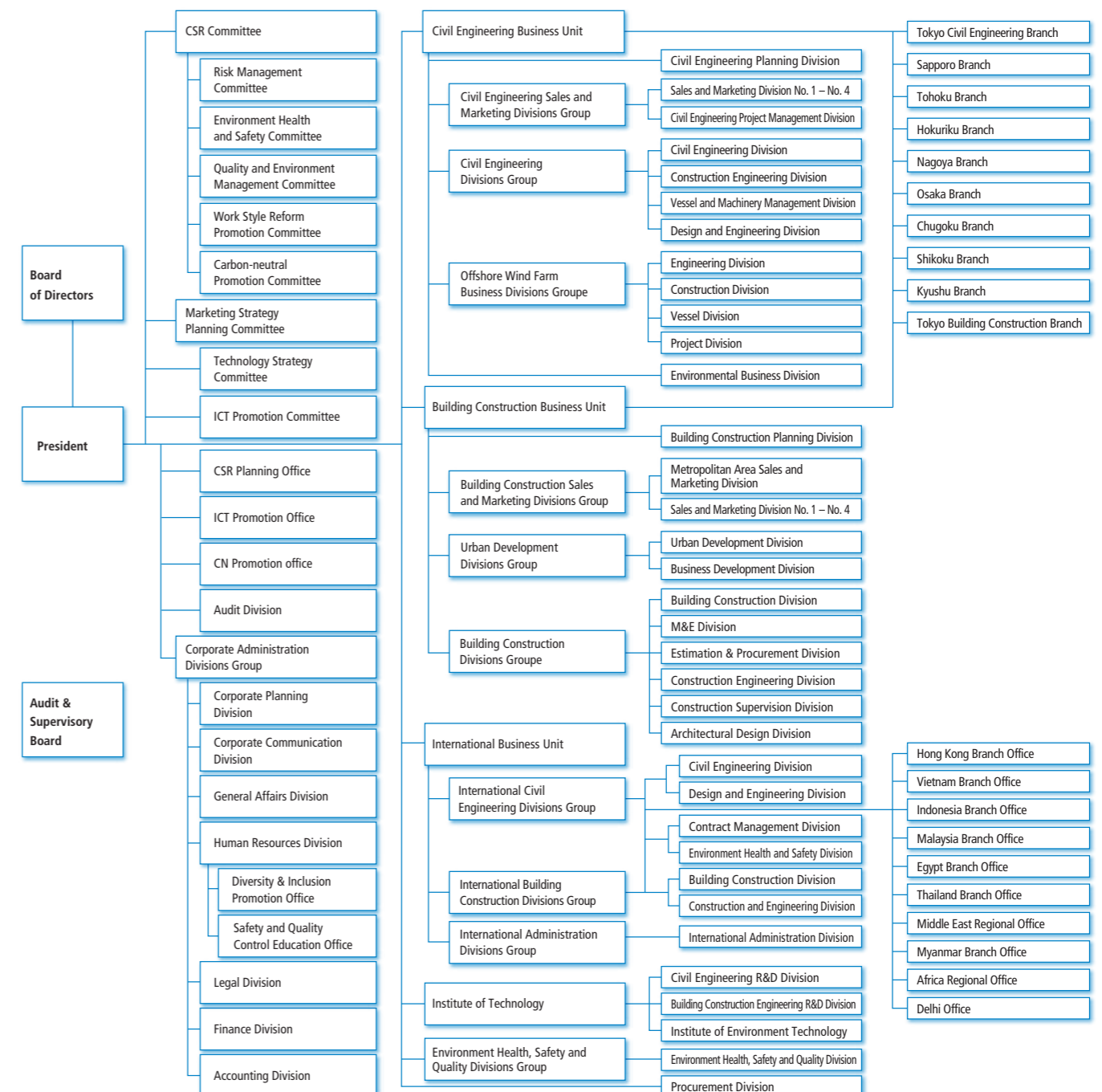
(As of June 25, 2021)

**President, Chief Executive Officer and Representative Director**  
Takuzo Shimizu  
**Executive Vice President, Representative Director**  
Kazuya Ueda  
**Members of the Board**  
Tetsushi Noguchi Hiroshi Watanabe Junji Katsumura  
Tomoyuki Yamashita Yasuhiro Kawashima\* Hidenori Takahashi\*  
Hokuto Nakano\*  
**Audit & Supervisory Board Members**  
Michiko Inatomi Hideaki Kuraishi\* Shin Suganami\*  
Kyota Shigemoto\*

\* Indicates external members.

## Organization Chart

(As of July 2021)



Penta-Ocean Construction Network

(As of March 31, 2021)



1 Headquarters

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

2 International Business Unit Headquarters in Singapore

1 HarbourFront Place, #13-01 HarbourFront Tower One, Singapore 098633  
Tel: 65-6338-8966 Fax: 65-6337-0987

3 Hong Kong Branch Office

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

4 Vietnam Branch Office

4th Floor, 18 Tran Hung Dao Street, Hoan Kiem District, Hanoi, Vietnam  
Tel: 84-24-3824-1360 Fax: 84-24-3824-1444

5 Indonesia Branch Office

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

6 Malaysia Branch Office

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

7 Egypt Branch Office

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

8 Thailand Branch Office

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

9 Middle East Regional Office

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

10 Myanmar Branch Office

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

11 Africa Regional Office

Av. Julius Nyerere, no. 140, 5 Andar, Maputo, Mozambique  
Tel: 258-84-8666114 Fax: 258-21-483144

12 Delhi Office

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

Penta-Ocean Construction Group

(As of March 31, 2021)

Consolidated Affiliates

Penta-Ocean Dredging Co., Ltd.	Tokyo, Japan
Yoshin Construction Co., Ltd.	Hiroshima, Japan
Penta Builders Corporation	Tokyo, Japan
Kegoya Dock Co., Ltd.	Hiroshima, Japan
Penta Techno Service Co., Ltd.	Tochigi, Japan
Penta Insurance Services Co., Ltd.	Tokyo, Japan
Jaiwat Co., Ltd.	Miyagi, Japan
Sand Techno Co., Ltd.	Chiba, Japan
Domi Environmental Solutions Co., Ltd.	Tokyo, Japan
Miki Biotech Co., Ltd.	Hyogo, Japan
PKY Marine Co., Ltd.	Tokyo, Japan
Penta-Ocean Marine Holdings Pte. Ltd.	Singapore
Andromeda Five Pte. Ltd.	Singapore
Cassiopeia Five Pte. Ltd.	Singapore
Mercury Five Pte. Ltd.	Singapore
Mars Five Pte. Ltd.	Singapore
Cherry Five Pte. Ltd.	Singapore
UG M&E Pte. Ltd.	Singapore
Penta-Ocean (Malaysia) SDN. BHD.	Malaysia
Angkutlaut Ltd.	Malaysia

PT. Penta Ocean Construction	Indonesia
Siam Goyo Co., Ltd.	Thailand
Thai Penta-Ocean Co., Ltd.	Thailand
Penta-Ocean Construction (Hong Kong) Ltd.	Hong Kong
Penta-Ocean Construction (India) Pvt. Ltd.	India
Penta-Ocean Construction (Lao) Solo Company Limited	Lao
Brichwood Co., Ltd.	Hong Kong
Penta-Ocean Technology Information Advisory (Shenzhen) Ltd.	China
PENTA-OCEAN/HYUNDAI/BOSKALIS JV PTE. LTD.	Singapore

Equity Affiliate

Haneda International Airport Apron PFI Co., Ltd.	Tokyo, Japan
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Non-Equity Affiliates

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

Investor Information

(As of March 31, 2021)

<b>Fiscal Year</b>	April 1 – March 31
<b>Common Stock</b>	Authorized: 599,135,000 Issued: 286,013,910 (excluding 210,610 shares of treasury stock)
<b>Stock Listing</b>	First Section of the Tokyo and Nagoya Stock Exchanges
<b>Shareholders</b>	36,585
<b>Transfer Agency</b>	Mizuho Trust & Banking Co., Ltd. 2-8-4, Izumi, Suginami-ku, Tokyo 168-8507, Japan

Major Shareholders

Shareholders	Number of shares held (thousands)	Percentage of shares held (%)
Custody Bank of Japan, Ltd. (Trust Account)	29,685	10.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	28,600	10.0
State Street Bank and Trust Company 505001	7,377	2.6
Mizuho Bank, Ltd.	7,059	2.5
Meiji Yasuda Life Insurance Company	6,656	2.3
Tokio Marine & Nichido Fire Insurance Co., Ltd.	4,763	1.7
Sompo Japan Insurance Inc.	4,280	1.5
STATE STREET LONDON CAREOF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS- UNITED KINGDOM	4,216	1.5
Custody Bank of Japan, Ltd. (Trust Account 5)	4,083	1.4
Penta-Ocean Business Partner Shareholding Association	4,014	1.4