

# Penta-Ocean Construction Annual Report 2022

Year Ended March 31, 2022



[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 with Focus on ESG

Penta-Ocean Construction Group views that “its greatest contribution to society is the construction of high-quality infrastructure,” and considers that contributing to society through our core business focused on stakeholders is the core of 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 development of a sustainable society with the entire value chain focused on ESG\*.

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

## Corporate Policy

### Affiliating with Society (S,G)

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

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

POC 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)

OIC demonstrates pioneering 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 create 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 high-quality 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 response technologies applicable to both system and structures.
- In time of emergency, we implement quick-responding support initiatives.

### Human Propriety (S)

- We create a working environment that motivates our employees, and respect their individuality, 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.

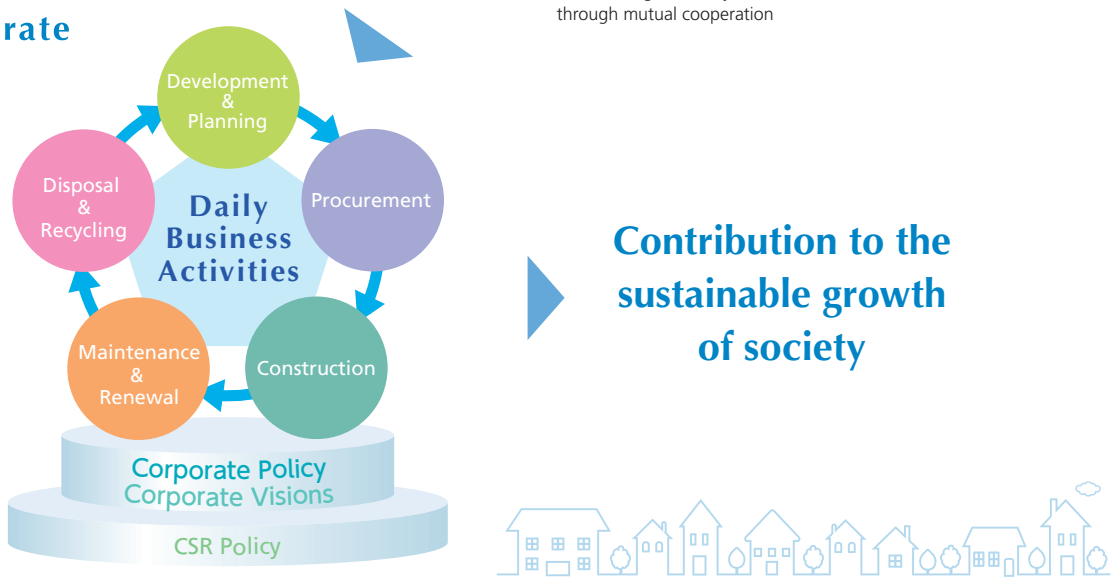
### Information Transparency (S,G)

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 disclosing information in a timely and appropriate manner.

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



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



## Contents

Corporate History	2	Creating a Nature-Rich Environment (E)	30
Message from the President	4	Affiliating with Society (S)	34
Our ESG Issues and their Relationship with SDGs	8	Promoting Effective Corporate Governance (G)	42
Medium-Term Management Plan	10	Consolidated Financial Statements	48
Consolidated Financial and Non-financial Information	12	Non-Consolidated Financial Statements	89
Special Features	14	Company Data	93
Major Projects in FY3/22	26		

## For readers

POC group has prepared and issued a corporate report as a tool for comprehensive communication with a broad range of stakeholders. Our website comprehensively describes our initiatives for sustainability in more detail, for disclosing information and fulfilling accountability. We hope that you will read them and deepen your understanding of our corporate group.

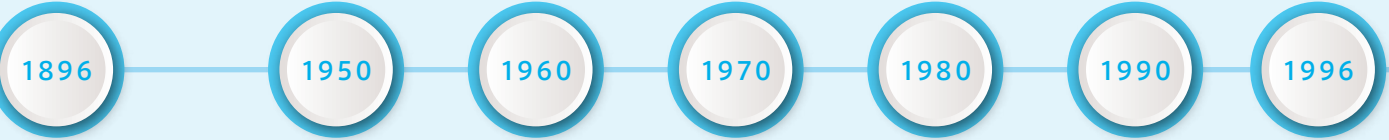
Period covered by this report: FY 2021 (April 1, 2021 to March 31, 2022); provided, however, that the report also includes the contents of other fiscal years.

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

# Corporate History

## The First 100 Years



Phase I From foundation to development

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

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

**1896**  
Mizuno Gumi 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 division and laying the foundation for Penta-Ocean's three-pillar business structure: domestic civil engineering, domestic business construction, and overseas
- After completing the Penta-Ocean Institute of Technology in 1980, technological development progressed



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)

## The Last 25 Years



Phase I Reconstruction

Phase II Recovery

Phase III Evolution

**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 2022**  
Emerging as a genuine global general contractor with strengths in port, coastal, waterfront areas, and overseas



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



Completion of the Kyushu Shinkansen Tamanatsuru Bridge (2008)



Completion of MAZDA Zoom-Zoom Stadium Hiroshima (2009)



Completion of Kure City Hall (2015)



Completion of a multipurpose self-elevating platform, "CP-8001" (2018)



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



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



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



Completion of Sengkang Integrated Hospital in Singapore (2018)



Completion of the ship Mirai (2019)



Completion of Kogouchi Tunnel of New Tomei Expressway (2005)



Completion of the Kai Tak Cruise Terminal (2013)



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



Completion of Yodobashi Umeda Tower (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  
\*2: We absorbed Sakai Construction Co., Ltd. in 1968 (strengthening of onshore business), Japan Land Development Co., Ltd. in 1969 (strengthening of

under adverse conditions has been handed down in our corporate DNA as our "enterprising spirit."  
dredger operation), and Jin Industrial Co., Ltd. in 1970 (extending our business to Hokkaido)



# Message from the President

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



As we celebrate the 126th anniversary of our company's founding, we have taken a new step forward to meet new challenges.

Founded in 1896 as Mizuno-gumi in Kure City, Hiroshima Prefecture, we have expanded our business areas from initial marine civil engineering to land civil engineering and building construction. Starting with the Suez Canal Widening Project in 1961, we have been involved in many milestone projects overseas, mostly based in Singapore, since our first entry to the market 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.

POC Group is committed to sustainability in all aspects of its business activities, under our management philosophy of "Affiliating with society", "Creation of a nature-rich environment," and "Cherishing a pioneering spirit". These credos are completely in line with our current ESG (Environmental, Social and Corporate Governance) goals. Sustainability is not just about responding to global climate change issues: it is about tackling all the issues we must address as a social entity, in order to build a richer natural environment, a more prosperous society, and a stronger economy, in a sustainable manner. We are convinced that implementing ESG-oriented CSR management will contribute to the achievement of the SDGs and ultimately to the development of a sustainable society, as well as to our sustainable corporate growth.

POC Group practices ESG-oriented CSR management, or sustainability management, based on the belief that "Our greatest contribution to society is the construction of high-quality infrastructure". High-quality social infrastructure and buildings must not only be of reliable quality backed by technology, but must also be sustainable from an ESG perspective in all stages of construction business activities.

First, on the environmental front, we are taking on the challenge of "green" fields to tackle global climate change issues by constructing offshore wind farms and Zero Energy Buildings (ZEB), as well as by making our construction activities carbon neutral. They are all in line with the pioneering spirit, which is part of our corporate DNA.

On the "Social" front, we are working on Work Style Reform to implement a two days off per week system, which is the pressing issue in the construction industry, through initiatives to achieve productivity improvement. The promotion of digitalization, or Digital Transformation (DX), will lead to technological innovation and management reforms, as well as Work Style Reform. In order to foster and secure diverse human resources, we are promoting Diversity & Inclusion (D&I) in workplace, aiming to become a company where diverse employees, regardless of gender or nationality, can work together with mutual respect and enthusiasm.

In terms of "Governance", high ethical standards and a spirit of compliance are fundamental to achieve sustainability. We will make further efforts to ensure legal compliance, business competitiveness, corporate transparency and accountability, and will thoroughly pursue fair and honest corporate activities.

By sincerely addressing various sustainability issues, and by striving to achieve the SDGs from an ESG perspective in our business activities, POC group will contribute to the sustainable development of society as a genuine global general contractor with strengths in port, coastal and waterfront areas as well as overseas. We look forward to your continued support.

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

A handwritten signature in black ink, reading "Takuzo Shimizu".



# Practicing CSR Oriented Management with Focus on ESG

## [E] Environment

▶ P.30 – 33

### Initiatives for Tackling the Climate Change Issues

We believe that responding to climate change issues is one of our most important management issues, and we will undertake initiatives to reduce CO<sub>2</sub> emissions from our construction activities. By promoting the construction of offshore wind power facilities and zero energy buildings (ZEB), we will strive to achieve carbon neutrality by 2050 through our core business.

In the construction industry, CO<sub>2</sub> emissions from construction activities are relatively small compared to other industries. However, the marine civil engineering work, which is one of our fortes, is characterized by higher CO<sub>2</sub> emissions than other construction work, because of the use of work vessels.

Also, looking at the supply chain as a whole, construction work is characterized by the use of steel members, cement and other materials that emit a large amount of CO<sub>2</sub> during the manufacturing stage, as well as the long service life of buildings and infrastructure structures after completion, resulting in a large amount of CO<sub>2</sub> emissions during the operational stage.

In July 2021, We established 1. The Carbon Neutral (CN) Promotion Committee chaired by the President and Representative Director, and 2. The CN Promotion office for its designated department. In May 2022, we have set out CO<sub>2</sub> emission reduction targets from the base year of FY March 2020: 50% reduction for SCOPE 1+2 by FY March 2031, and 100% reduction by FY March 2051. Going forward, we will promote proactive information disclosure in concert with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations.



### Initiatives for Offshore Wind Power

As a company with distinctive strengths in marine civil engineering technology and as front runner in offshore wind power construction, we are striving with a pioneering spirit to contribute to the expansion of renewable energy supply in Japan.

In 2018, we built Japan's first offshore installation vessel. The vessel, CP-8001, is equipped a large crane with an 800t lifting capacity, which is indispensable for installing bottom-fixed offshore wind turbines. Our second offshore installation vessel, CP-16001, equipped with a 1,600t lifting capacity to accommodate larger wind turbines, will be jointly owned with Kajima Corporation and Yorigami Maritime Construction and is scheduled to start operations in March 2023. Furthermore, "Sea Challenger", an offshore installation vessel currently owned by a European industry leader DEME Offshore in Belgium, will be upgraded with a 1,600t lifting crane and reflagged to Japan flag to be owned by "Japan Offshore Marine", a joint venture between DEME and POC, with the scheduled operation start in 2025. In the years to come, we plan to expand our investment in offshore cable laying vessels and others to the extent necessary for our offshore wind power businesses.

In 2023, our first real construction of an offshore wind farm will begin in Kitakyushu Hibikinada area. We will leverage our extensive expertise in marine civil engineering work and our offshore installation vessel operation over the past years and ensure customer satisfaction with safe and reliable construction. Moreover, towards the construction of floating offshore wind farms, we work on streamlining construction technologies and cost reduction methods.

### Initiatives for Zero-Energy Buildings (ZEBs)

We engage in the construction of zero-energy buildings, as an initiative that contribute to achieve carbon neutrality in the building construction field. Zero-energy buildings (ZEBs) are built to reduce energy consumption to net zero by promoting energy-saving measures in the buildings and by using renewable sources such as photovoltaic power generation.

Starting with our first acquisition of the ZEB certification with the highest rank in the Building-Housing Energy-efficiency Labeling System (BELS) for Hisamitsu Pharmaceutical Museum in 2019, we have proposed the ZEBs to clients, followed by actual project execution. In 2022, we undertook ZEB conversion of a temporary construction office, and obtained the "Nearly ZEB" certification.

For the construction of our new Muroan Factory, which fabricates bridges as well as temporary steel structures for offshore wind power facilities, we successfully constructed "a factory 100% powered by renewable energy". All electricity used in the factory and the offices will be covered by renewable energy sources. Solar power is the main source of electricity, and we also installed a hydrogen power generation system using fuel cells. The hydrogen for the generation process will be both by-product hydrogen and green hydrogen produced from solar-generated electricity using a water electrolyzer. The office building has acquired the highest ZEB certification under BELS by improving its energy-saving performance through enhanced thermal insulation and other measures, and by using renewable energy to cover its all electricity needs.

We will continue our initiatives to construct ZEBs in all kinds of buildings by adopting various energy-saving measures and promoting use of renewable energy sources.

## [S] Social

▶ P.34 – 41

### Work Style Reform and Promotion of Diversity & Inclusion

As a social initiative, we are committed to contributing to society through our core business to achieve "the empathy with society", which is part of our corporate philosophy. We are committed to making various efforts towards becoming an advanced company in Work Style Reform, Productivity Improvement, as well as Diversity and Inclusion (D&I).

With the revision of the Labor Standards Act, regulations concerning the upper limit of overtime work will be applied to the construction industry from April 2024, with penalties imposed for violations.

Although we are advancing with the 8 days off per 4 weeks work schedule plan on an individual basis, we shall need further initiatives to comply with an 8 site closures per 4 weeks system or the overtime hour cap.

For achieving above targets, we believe that improvement of on-site productivity is vital. To this end, we are promoting DX (digital transformation) by streamlining and sophistication of construction management utilizing ICT, BIM/CIM and automating construction machinery, etc., and on-site labor saving by adopting precast concrete structures, etc.

In addition, we are supporting subcontractors with their work style reform and with securing future personnel by paying construction fees by 100% cash, promoting enrollment in social insurance schemes and raising labor cost payment when holiday acquisition targets are achieved.

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



### 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 subcontractors to implement industrial accident prevention activities that give top priority to safety. Outside Japan, we have acquired and worked under ISO45001, the international standard for occupational health and safety management systems, and we are also working to implement the "Penta-Ocean standards", which we have developed at home.

Within Japan, each branch office organizes a labor safety council and promotes health and safety activities in concert with subcontractors. 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. In addition, our headquarters, branch offices and subcontractors regularly cooperate to carry out safety inspections, and twice a year, I myself also take part in such inspections. Furthermore, we are educating and training foremen of our subcontractors to raise knowledge, skills and awareness related to occupational safety.

## [G] Corporate Governance

▶ P.42 – 47

### 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 out 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. Furthermore, in addition to thoroughly implementing risk management, the Board holds practical compliance training sessions based on real-world examples both at home and abroad.




















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

High ethical standards and a spirit of compliance are fundamental factors in achieving corporate sustainability. We will live up to the trust of customers by ensuring reliable safety and quality and contribute to society through innovative technologies. As one team, we will build an open corporate culture and embrace our technologies towards the ultimate goal of development of a sustainable society.

# Our ESG Issues and their Relationship with SDGs

We have streamlined our ESG issues by clarifying the relationship between the issues arising from our business activities and the SDGs from a perspective of sustainability. By striving to resolve these issues, we will contribute to enhancing corporate value and achieving the SDGs.



Category		POC's ESG issues	Metrix	Unit	Target (Target year)	FY 2019	FY 2020	FY 2021	Relationship with SDGs			
E	Toward environmental friendly society	Toward decarbonized society Promotion of carbon neutrality Renewable energy business initiatives Building a recycling-oriented society Conservation of biodiversity and creation of a rich aquatic environment	CO <sub>2</sub> Emissions (Scope 1 & 2) (Consolidated)	1,000t-CO <sub>2</sub>	Carbon neutrality (FY 2050)	446	369	363	     			
			CO <sub>2</sub> emissions (Scope 3) (Consolidated)	1,000t-CO <sub>2</sub>	3,060 thousand t-CO <sub>2</sub> or less (FY 2030)	4,370	2,174	2,975				
			Construction waste recycling rate	%	-	97.3	98.1	98.5				
			Number of violations of environment-related laws	nos.	zero	0	0	0				
S	Construction of high-quality social infrastructure	Construction of high-quality social infrastructure Promotion of technological development Providing reliable quality Social contribution through infrastructure development Contribution to disaster remediation	Number of patents, utility models, etc. held	nos.	-	591	666	676	   			
			R&D expenses	million yen	-	2,435	2,348	2,405				
			Customer satisfaction survey “satisfied” or better (civil engineering)	%	-	97.7	100	98.5				
			Customer satisfaction survey “satisfied” or better (building construction)	%	-	91.8	94.1	96.0				
	Ensuring and pursuing reliable safety	Ensuring occupational health and safety	Frequency rate (Domestic)	-	-	0.70	0.59	0.47	 			
			Severity rate (Overseas)	-	-	0.31	0.03	0.42				
			Frequency rate (Domestic)	-	-	0.07	0.35	0.30				
			Severity rate (Overseas)	-	-	0.00	0.00	0.46				
			Number of fatal accidents (Domestic and overseas)	case	zero	1	0	3				
	Creating a society filled with vigor and enthusiasm	Seeking optimal work life balance Work Style Reform and productivity improvement D&I Securing and fostering young employees Tackling issues in the port and marine construction industry	Implementation of 8 site-closures per 4 weeks	%	100% (FY 2023)	39	43	50	      			
			Implementation of 4 days off per 8 weeks	%		75	78	87				
			Sales per employee(Domestic Civil Engeneering)	100 million yen/persons	2.1	2.0	1.9	1.7				
			Sales per employee(Domestic Building Construction)	100 million yen/persons	3.5	3.9	3.1	3.3				
			Acquisition rate of annual paid leave	%	-	61.9	51.8	54.1				
			Childcare leave acquisition rate (female)	%	-	100	100	100				
			Childcare leave acquisition rate (male)	%	-	3.4	4.7	2.2				
			Number of female career-track employees/Number of new career track employees	%	20% or more (FY 2022)	9.4	15.2	13.7				
			Ratio of female management-level employees	%	5% or more [twofold for domestic offices] (FY 2022)	3.3	3.5	3.8				
			Turnover rate within 3 years of joining	%	5% or less (FY 2022)	15.9	16.8	14.1				
			Employment of people with disabilities (Statutory employment rate)	%	-	2.29 (2.20)	2.66 (2.30)	2.69 (2.30)				
			Number of certified excellent foremen	persons/year	-	426	401	402				
			Number of people received training for foremen	persons/year	-	337	247	181				
			Number of consultation received by the Harassment Helpline (domestic)	nos.	-	11	10	10				
			G	Effective governance	Corporate governance Risk management Compliance	Percentage of executives and employees participating in BCP training	%	100%		100	100	100
Number of serious violations of laws and regulations	nos.	zero				0	0	0				
Number of serious information-related incidents	nos.	zero				0	0	0				
Compliance training participation rate	%	100%				98.4	100	100				
Number of consultation received by the Compliance helpline (domestic)	nos.	-				11	10	3				
Financial results briefing (with President)	nos.	-				2	2	3				
Financial results briefing (Telephone meeting)	nos.	-				2	2	1				
One-on-one meetings	nos.	-				191	187	167				
Number of participants in site tours for individual shareholders	nos.	-				79	Canceled due to COVID-19					



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

We established our “Medium-Term Management Plan (FY3/21– FY3/23)” for the three years from FY3/21 (the beginning year). We strive 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
- Becoming expert in recycling construction-generated soil and dredged soil —Utilizing our strong coastal resources
- Promoting Initiatives for ZEB (Net Zero Energy Building)

4

Governance

### Practicing CSR Oriented Management with Focus on ESG

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

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

In the current mid-term management plan (FY 3/21 to FY 3/23), 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 that has no interdepartmental barriers between Business Units (Civil Engineering/Building Construction, Domestic/International), as characterized by the fact that in universities overseas, when you major in construction engineering, the curriculum includes both civil engineering and building construction. A genuine global contractor does not pursue mere diversity: it promotes Diversity & Inclusion (D&I) in workplace, where diverse employees, regardless of gender or nationality, can work together with mutual respect and enthusiasm.

Accordingly, we aim to be (1) an advanced company in work style reform and productivity improvement, (2) an advanced company in 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). Our ultimate goal is to provide high-quality infrastructure and buildings for our clients and society, with reliable safety and quality as our top priority.

In the final fiscal year of the plan, at the time of the announcement in May 2020, it was originally forecast that consolidated sales will be 605 billion yen and net income will be 25 billion yen, but due partly to the negative impact of COVID-19, we made a downward revision of the forecast, to consolidated sales of 515 billion yen and a net income of 21 billion yen (announced in May 2022).

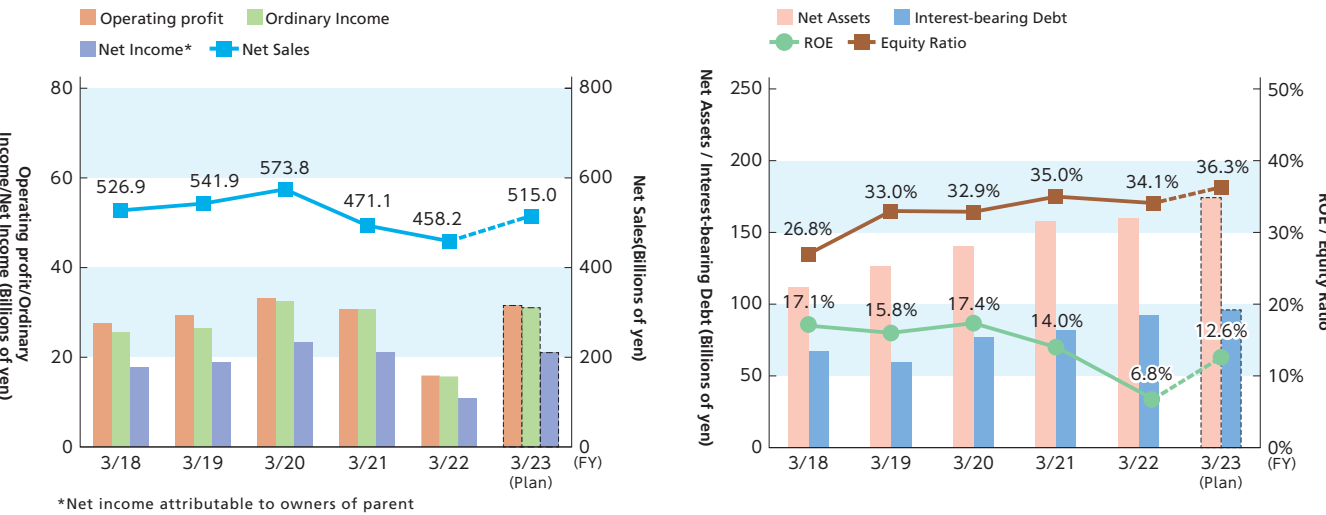
## Management Targets

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

\*The figures revised in May 2022 are indicated.

Net Sales	Ordinary Income	Net Income*	ROE	Shareholder return
FY 3/22 Result ¥458.2billion	FY 3/22 Result ¥15.7billion	FY 3/22 Result ¥10.8billion	FY 3/22 Result 6.8%	FY 3/22 Result Payout ratio: 61.1%
¥515.0 billion	¥31.0 billion	¥21.0 billion	10% or higher	Total return ratio: 40% (Payout ratio: 30% or higher)
At first ¥605.0billion	At first ¥36.0billion	At first ¥25.0billion	At first 10% or higher	At first Payout ratio: 30% or higher

### Trends/Projection of KPI (Consolidated)



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

\*The indicated figures are after the downward revision in May 2022.

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> <ul style="list-style-type: none"><li>Net Sales: ¥205.0billion</li><li>Gross Profit Margin: 16.6%</li><li>Operating profit: ¥22.5billion</li></ul> <b>Basic strategies</b> <ol style="list-style-type: none"><li>Demonstrating comprehensive strength by front-loading approach</li><li>Front runner in offshore wind farm construction field</li><li>Promotion of productivity improvement (Cross organizational efforts, interdepartmental collaboration)</li><li>Target-oriented R&amp;D</li><li>Human resource development -The 7-1 plan* for early development of young employees</li></ol> <p>*Training program to become a full-fledged engineer within 7 years of joining the company</p>	<b>Final year targets (consolidated)</b> <ul style="list-style-type: none"><li>Net Sales: ¥165.0billion</li><li>Gross Profit Margin: 7.6%</li><li>Operating profit: ¥5.0billion</li></ul> <b>Basic strategies</b> <ol style="list-style-type: none"><li>Strengthening marketing by front-loading approach</li><li>Promotion of productivity improvement (Cross organizational efforts, interdepartmental collaboration)</li><li>Strengthening M&amp;E engineering capability</li><li>Target-oriented R&amp;D</li><li>Human resource development -Establishment of Task Support Center* (TSC)</li></ol> <p>*Practical human resource development through on-site support work for employees up to their eighth year with the company</p>	<b>Final year targets (consolidated)</b> <ul style="list-style-type: none"><li>Net Sales: ¥135.0billion</li><li>Gross Profit Margin: 4.1%</li><li>Operating profit: ¥3.0billion</li></ul> <b>Basic strategies</b> <ol style="list-style-type: none"><li>Strengthening sales and marketing by front-loading approach</li><li>Strengthening on-site and technological capabilities by front-loading approach</li><li>Promotion of productivity improvement (Cross organizational efforts, interdepartmental collaboration)</li><li>Strengthening work vessel operation</li><li>Human resource development -Strengthening human resource through D&amp;I</li></ol>

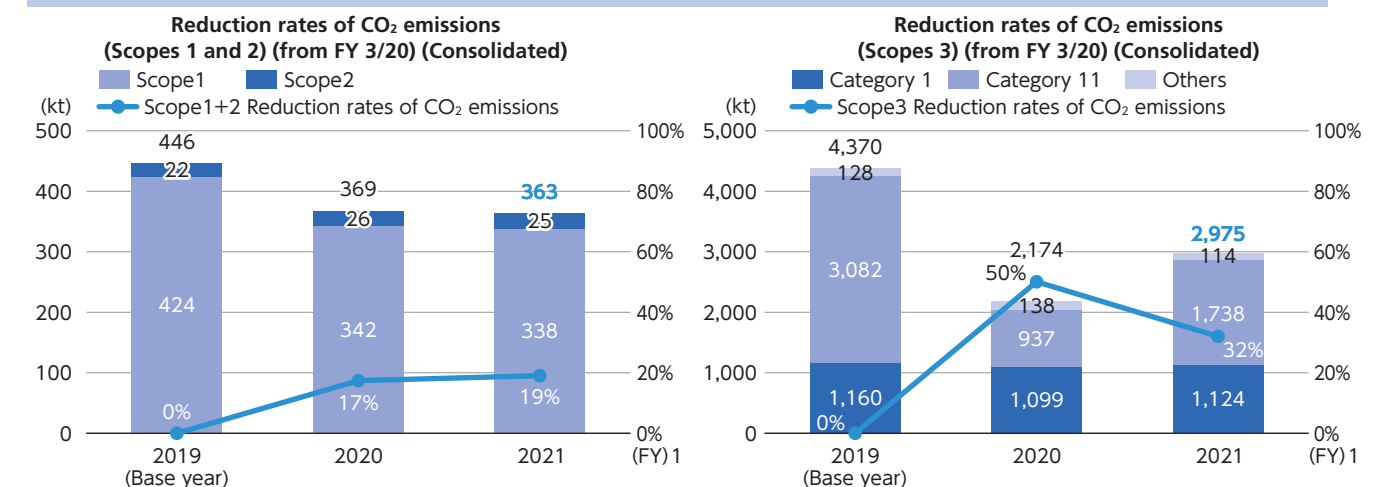
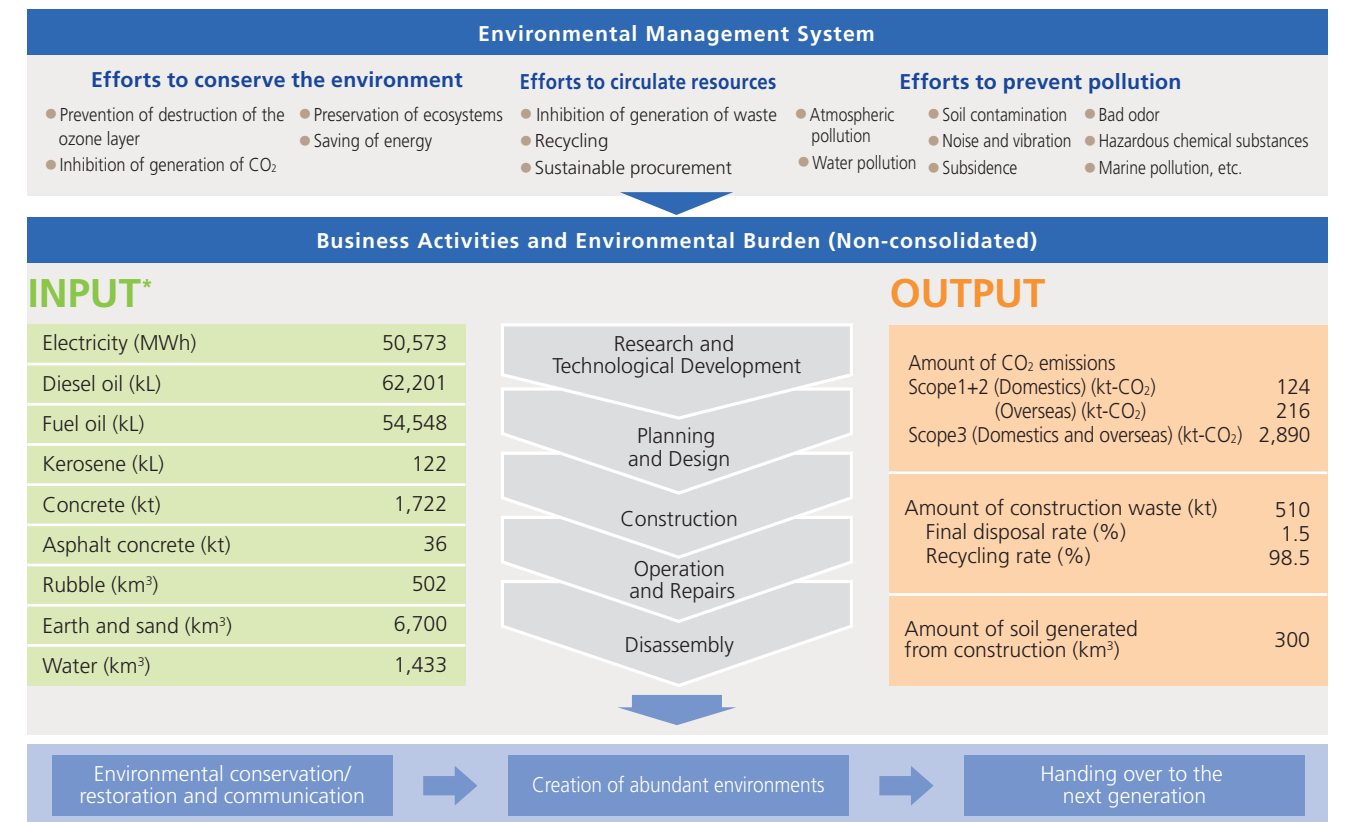
# Consolidated Financial Highlights \*Figures have been rounded.

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

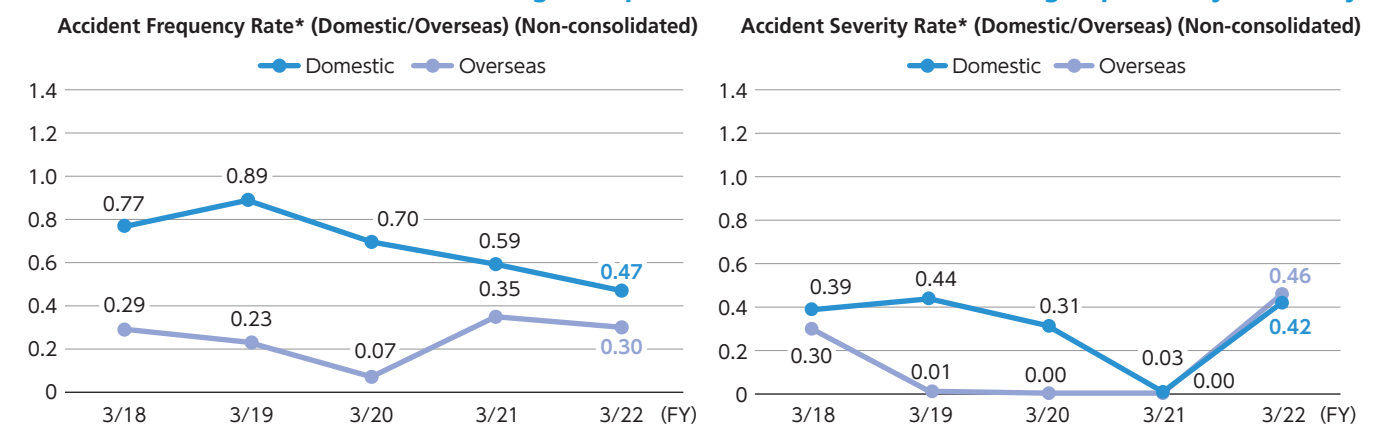


# Highlight of Non-financial Information

## Lifecycle of a Construction Project and Efforts to Conserve the Environment (FY 3/22)



## 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



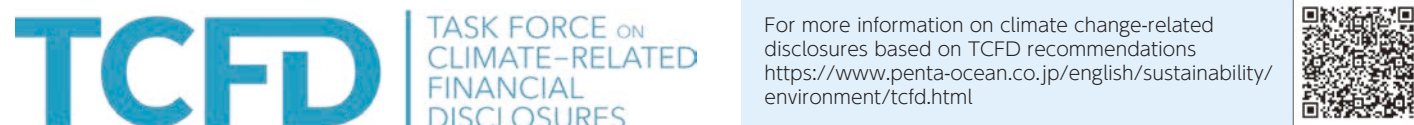
# Initiatives for Carbon Neutrality

## Outline of Climate change Information Disclosure

We believe that responding to climate change issues is one of our most important management issues. To this end, we are stepping up our efforts to further enhance initiatives for reducing GHG emission beyond the boundary of Business Units.

In May 2002, we expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD<sup>\*1</sup>), disclosed relevant information, and set CO<sub>2</sub> emission reduction targets that conform to the SBT<sup>\*2</sup> 1.5°C level (SBT certification is currently under application).

Going forward, we will undertake initiatives to reduce CO<sub>2</sub> emissions from our construction activities. By promoting the construction of offshore wind power facilities and the conversion of buildings into zero energy buildings (ZEB), we will strive to achieve carbon neutrality by 2050 through our core businesses.



\*1 TCFD: Task Force on Climate-related Financial Disclosures (TCFD) is a framework established by the Financial Stability Board at the request of the G20 countries to encourage companies and others to disclose information on governance, strategy, risk management, metrics and targets for climate change-related risks and opportunities.

\*2 SBT: Science-Based Targets: Greenhouse gas emission reduction targets consistent with the levels required by the Paris Agreement, which aims to limit the global temperature rise to well below 2°C above pre-industrial levels, ideally to 1.5°C.

## 1. Governance

In July 2021, we established; 1. The Carbon Neutral (CN) Promotion Committee chaired by the President and Representative Director, and 2. The CN Promotion office for its designated department, to further enhance initiatives for reducing GHG emission beyond the boundary of Business Units.

The CN Promotion Committee operates under the CSR Committee (chaired by the President and Representative Director), which supervises the company's overall CSR management with focus on ESG (the sustainability management). The Committee plans and formulates basic policies and strategies for the Group's initiatives to tackle global climate change issues, and deliberates climate related matters based on the monitoring results of the progress of each measure. The Committee decisions are reported to and discussed at the CSR Committee. The Committee decisions on policies and strategies are incorporated into business plans of each Business Unit, the company-wide annual plans and mid-term plans, and they then progress towards their implementation. The Board of Directors receives reports from the CSR Committee and supervises all sustainability-related issues including climate-change issues.

The implementation of measures to address climate change issues will be continuously monitored by the Carbon Neutrality Promotion Committee in order to review and improve our policies and strategies.

## 2. Strategy

In the construction industry, CO<sub>2</sub> emissions from construction activities are relatively small compared to other industries. However, the marine civil engineering work, which is one of our fortes, is characterized by higher CO<sub>2</sub> emissions than other construction work and civil engineering work performed on land, because of the use of work vessels.

Therefore, the impact of climate-related policy changes and tighter regulations on our corporate management is relatively large compared to our industry peers. For that reason as well, we believe that our response for climate change issues to be one of our most important management issues.

As part of our initiatives to tackle these issues, we have identified the risks and opportunities that climate change may pose to our group, and performed scenario analyses.

As a result of the analyses, we expect to see an increase in capital investment in maintenance, renewal, and new construction of work vessels to achieve their carbon neutrality. We believe, however, that we will witness more business opportunities for our company that outweigh these drawbacks. The opportunities include the promotion of offshore wind power facility construction in the civil engineering field, and the promotion of ZEB technology application in the building construction field. As a company with distinctive strengths in marine civil engineering technology and as a front runner in offshore wind power facility construction, we will contribute to the expansion of renewable energy supply in Japan.

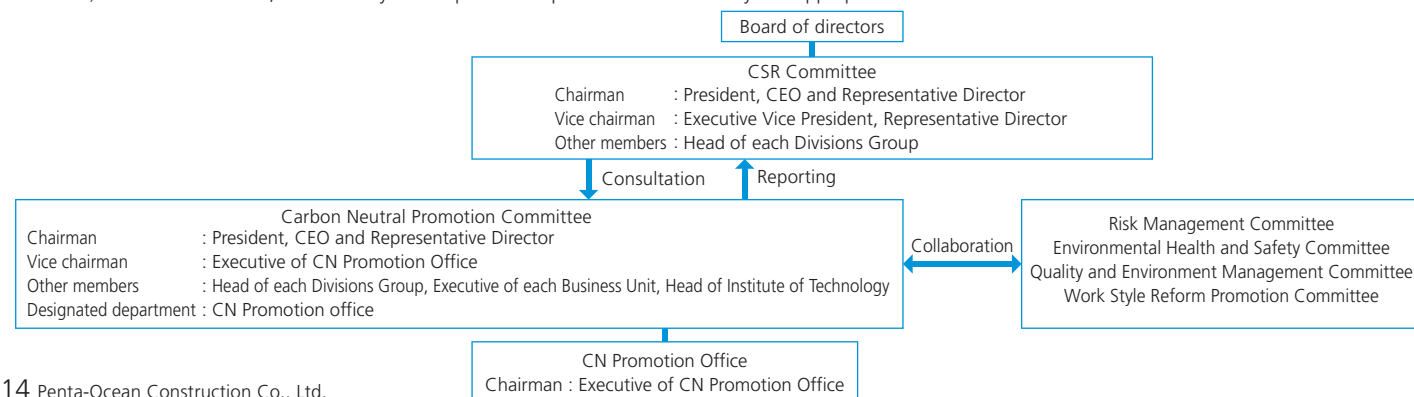
We will incorporate the risks and opportunities identified through the above scenario analyses into our annual business plan as well as the next mid-term management plan (FY 3/24 – FY 3/26), and ensure their implementation, in order to contribute to the development of a sustainable society.

## 3. Risk Management

The Risk Management Committee, established under the CSR Committee and chaired by the President and Representative Director, is the core of our risk management system. They systematically categorize risks assumed in our business activities, assign a department in charge for each risk, and conduct overall risk management.

The CN Promotion Office is the department in charge of climate change risks. They identify, evaluate risks and implement countermeasures against them from a long-term perspective.

The results of deliberations of the CN Promotion Committee are reported to and discussed at the CSR Committee, and the activities of the CSR Committee are reported to the Board of Directors, which oversees the implementation of climate change risk management. In the event of the occurrence of climate change risk, it is promptly reported to the supervising department, determined according to the degree of impact on corporate management (major risks are reported to the Board of Directors). As described above, we have a system in place to respond to risks in a timely and appropriate manner.



## Special Feature 1: Initiatives for Carbon Neutrality

### • Risks and Opportunities

Categories		Climate change	Impact on businesses	Scale of impact	
				1.5°C	4°C
Transition risks and opportunities	Risks	Policy changes and regulation tightening on CO <sub>2</sub> emission reduction	•Increase of climate change response costs for construction and other business activities (in particular, costs to reduce CO <sub>2</sub> emissions from construction machinery and work vessels) •Increase of procurement costs for construction materials (cement and steel), which have high CO <sub>2</sub> emissions during manufacturing process •Further increase in climate change response costs and construction costs due to the introduction of a carbon tax	Major	Minor
	Opportunities	Increased construction demand related to renewable energy and energy conservation	•Increase in demand for the construction of offshore wind farms •Increase in demand for the construction of ZEB buildings/ZEB technology application	Major	Minor
Physical risks and opportunities	Risks	More intense and frequent natural disasters (high waves, storm surges, and torrential rains caused by typhoons and low-pressure fronts)	•Extension of construction period and increase in construction costs due to damages by disasters made during construction •Supply constraints due to disruptions in the supply chain for construction materials and equipment	Medium	Major
		Decrease in construction productivity due to bad weathers/conditions caused by rising sea temperature	•Increased risk of process delays and higher construction costs due to lower utilization rates, especially in marine civil engineering work	Medium	Major
		Decrease in construction productivity during summer time caused by temperature rise	•Increased risk of workers' heat stroke on construction sites •Decreased productivity due to increased frequency of break times to prevent heat stroke	Medium	Major
	Opportunities	Increase of construction demand related to the national resilience plan	•Increase in construction demand for disaster prevention, disaster mitigation, and national resilience •Increase in demand for disaster recovery work	Major	Major

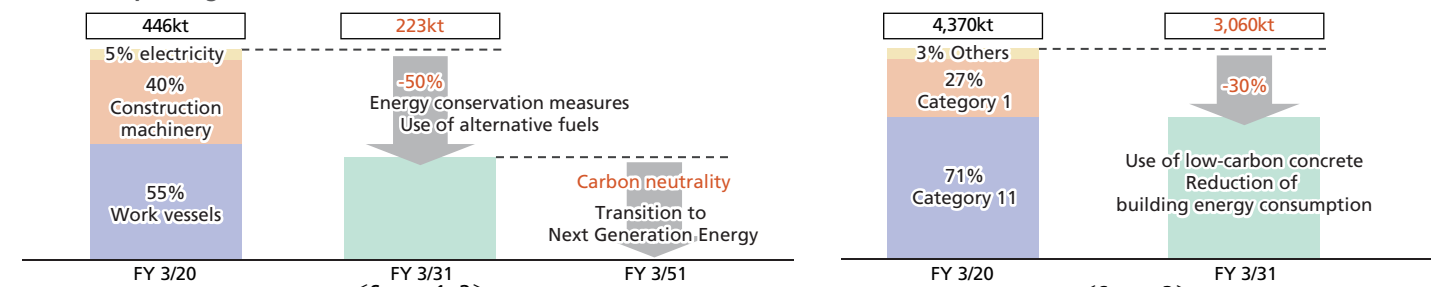
### • Measures

Categories		Climate change	Measures
Transition risks and opportunities	Risks	Policy changes and regulation tightening on CO <sub>2</sub> emission reduction	•Reduction of CO <sub>2</sub> emissions from construction machinery and work vessels (Scope 1) Improving construction efficiency: electrification, use of ICT, and promotion of automatic and autonomous construction Fuel decarbonization: from low-carbon to zero-carbon (Short-term) Use of additives to improve fuel efficiency (Mid-term) Use of alternative fuels (BDF, GTL) Utilization of renewable electricity (including electricity supply from land and rechargeable batteries) (Long-term) Introduction of hydrogen, ammonia, and other next-generation energies
	Opportunities	Increased construction demand related to renewable energy and energy conservation	•Reduction of CO <sub>2</sub> emissions (Scope 2, 3) Promotion of the renewable electricity use at onsite offices, etc. (Scope 2) Promotion of introduction of CO <sub>2</sub> adsorption materials and low-carbon concrete, etc. (Scope 3) CO <sub>2</sub> fixation by solidification of dredged sediments (Scope 3)
Physical risks and opportunities	Risks	More intense and frequent natural disasters	•Strengthening offshore wind power construction initiatives (e.g., capital investment in equipment for offshore installation vessels and other large work vessels) •Promotion of ZEB proposals, design, and construction of ZEB buildings •Trial use of hydrogen at company-owned facilities •Issuance of green bonds for capital investment
		Decrease in construction productivity due to severe weathers/conditions caused by rising sea temperature	•Establishment of BCP system and regular implementation of disaster drills (for BCP and tsunami)
		Decrease in construction productivity during summer time caused by temperature rise	•Advanced weather and metocean forecasting systems
	Opportunities	Increase of construction demand related to the national resilience plan	•Improving productivity by saving labor on sites (contribution to CO <sub>2</sub> reduction) Actively using precast concrete for concrete work and promoting DX (digital transformation)
			•Development and practical application of technologies that contribute to the national resilience plan

## 4. Metrics and Targets

With the aim of achieving carbon neutrality by 2050, we have set a CO<sub>2</sub> emission reduction target in May 2020 with the base year of FY 3/20, including our overseas operations, which account for the majority of our CO<sub>2</sub> emissions. Our CO<sub>2</sub> emission reduction targets are consistent with scientific findings, and we are currently applying for SBT certification.

### POC Group's targets for CO<sub>2</sub> Reduction



\*Scope 1: Direct emissions from the use of fuel for work vessels and heavy machinery

\*Scope 2: Indirect emissions from the use of purchased electricity and heat

Scope 3: Indirect emissions in the supply chain (classified as Categories 1-15)

Category 1: Emissions during the manufacture of construction materials

Category 11: Emissions during use of the building after completion and delivery

# Roadmap to achieve carbon neutrality (CN)

## by 2050 (Scope 1 and Scope 2)

(Short term) Low carbonization

(Mid-term) Low carbonization

to decarbonization

(Long-term) Decarbonization

**Fuel efficiency improvement (Scope 1)**

- Engine-idle reduction, energy saving training, and ensuring proper maintenance of vessels and machinery
- Promotion of the on-site use of K-S1 and other fuel efficiency improvement additives
- Study to adopt

dual fuel engines, etc. - Research and development - On-site implementation

**Improvement of construction efficiency (Scope 1)**

- Improving construction efficiency through the use of ICT technology for land-based construction machinery
  - Tracking the market trend of electrified land-based construction machinery – Promoting their on-site use
  - Conducting studies for the electrification of cranes and winches on work vessels and the development
- Exploring automatic and autonomous

and work vessels, and promoting more efficient energy use through the enhancement of work vessel equipment.

of large rechargeable batteries and fuel cells.  
operations by electrification of work vessels (from program development to on-site implementation)

**New Energy (Scope 1)**

- Tracking technological trends, such as engine development, for the introduction of new energy sources
- Discussion on the course of action as to the development of carbon neutral ports (CNP) as import and storage hubs for new energy

- Utilization of alternative fuels
- Onshore power supply (work)
- Utilization of by-product hydrogen

such as BDF\*1 and GTL\*2

- Introduction of work vessels and land-based construction machinery which run on new energy vessels
- Utilization of green hydrogen and ammonia

Utilization of surplus electricity from offshore wind power generation (land-based power generation and green hydrogen utilization)

**Energy Conservation and Energy Creation (Scope 2)**

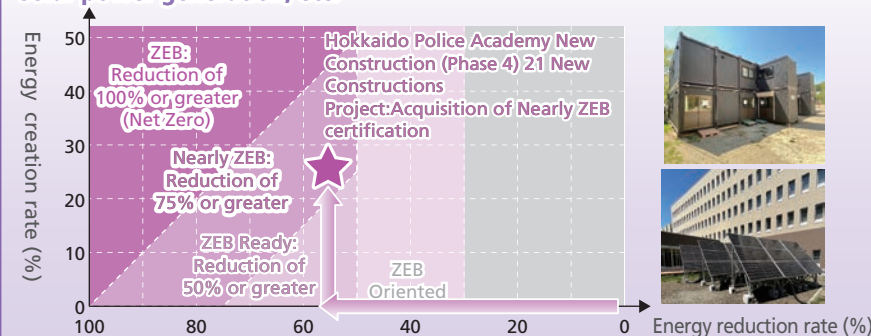
- Promotion of ZEB conversion of construction offices, etc.

\*1 Biodiesel fuel: Fuel made from biological

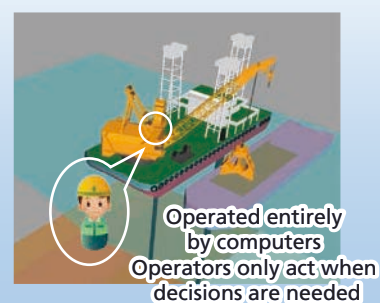
derived oil as a raw material.

\*2 Gas to Liquids: Natural gas-derived alternative fuel to diesel fuel

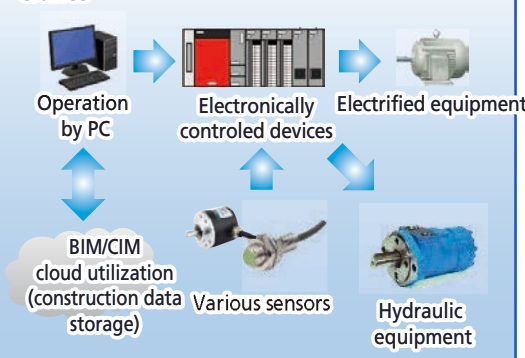
Energy saving through energy conservation + energy creation through solar power generation, etc.



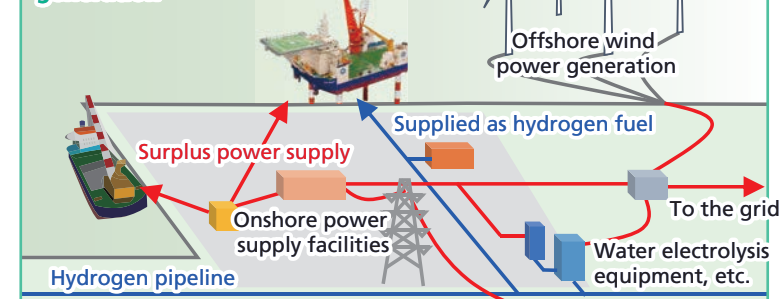
Concept of automatic and electronically controlled



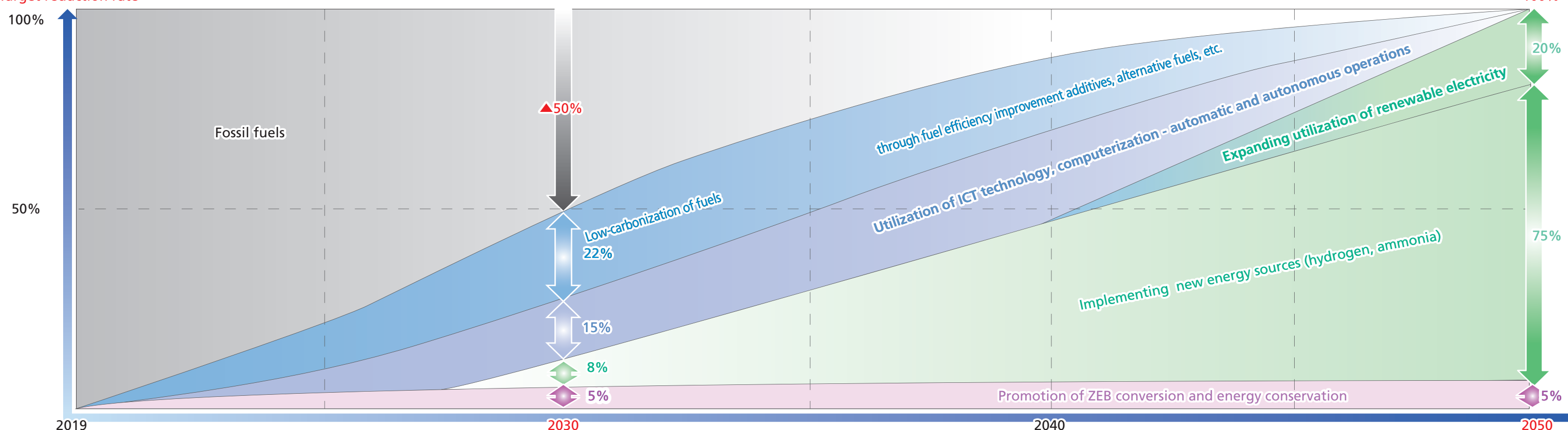
autonomous operation with electrified cranes



Conceptual image of utilization of surplus power from offshore wind power generation



Target reduction rate





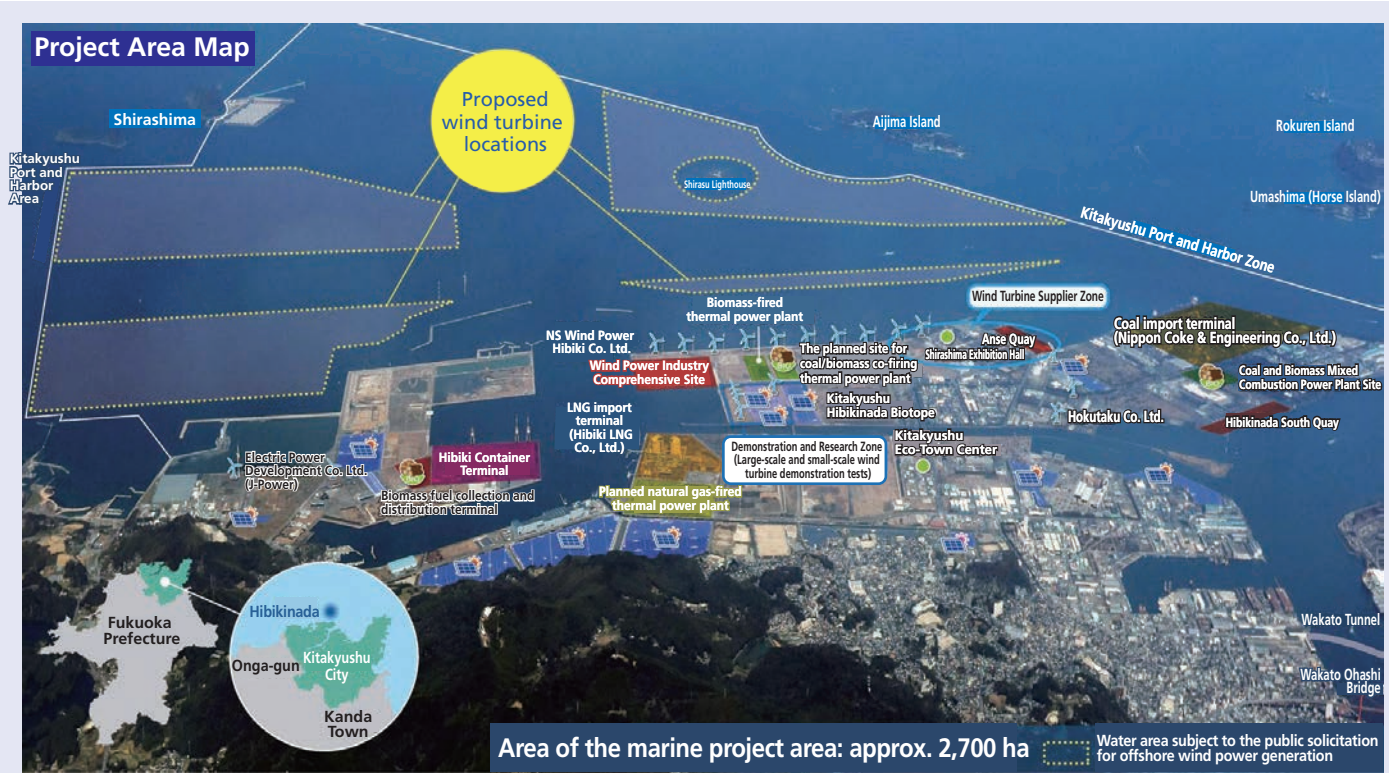
Initiatives for Carbon Neutrality

Offshore Wind Power Initiatives

Kita-Kyushu Hibikinada Offshore Wind Power Project : We Acquired the Preferential Negotiation Rights for Offshore Construction

We were selected as the preferred bidder for offshore construction for a large-scale wind farm project (operator: Hibiki Wind Energy Co., Ltd.) in which we will install 25 wind turbines (9.6 MW class) to generate approximately 220 MW of electricity on approximately 2,700 ha within the port area of Hibikinada district of Kitakyushu Port. The project includes: (1) Offshore civil works such as wind turbine foundation work and installation, cable laying, and (2) O&M\*1 (Construction of the base port)

\*1 O&M: Operation & Maintenance



Project Outline (Source: Hibiki Wind Energy Co., Ltd. website)

- (1) Wind turbine foundation and marine works  
In charge of marine civil works, including foundations and installation of 25 bottom-fixed-type wind turbines  
Preferential negotiator: Penta-Ocean Construction Co., Ltd. and Nippon Steel Engineering JV

• The company-owned offshore installation vessel\*2 equipped with a large crane will be used for the foundation and installation of the wind turbines.  
• Construction is to begin in FY 2022.
- (2) O&M base port construction  
Establishment of base a port for the operation and maintenance of the wind farm  
Preferential negotiator: Penta-Ocean Construction Co., Ltd. and Wakatsuki Construction JV

\*2 Offshore Installation Vessel or Wind Turbine Installation Vessel (Called a Self-Elevating Platform in Japan)

Strengthening the Management System (Operation, Maintenance and Crewing) for Vessels Involved in Offshore Wind Power Construction and Maintenance

In August 2022, we signed a Memorandum of Understanding (MOU) with K Line Wind Service Co.Ltd. (KWS) to collaborate in vessel management in the field of offshore wind power construction and maintenance.

POC is a front runner in marine civil engineering and offshore wind construction, and KWS has extensive expertise and know-how in operating various types of carriers and offshore support vessels at home and abroad, as a member company of the Kawasaki Kisen Kaisha Group. Both companies will draw on their expertise in each respective area and ample management resources to collaborate on the management (operation, maintenance and crewing) of vessels used in offshore wind construction and maintenance works.

K Line Wind Service Ltd..

K Lind Wind Service, Ltd. was established in June 2021 as a joint venture between Kawasaki Kisen Kaisha, Ltd. and Kawasaki Kinkai Kisen Kaisha, Ltd. to contribute to the field of offshore wind construction and maintenance works, by leveraging the proven track record of the Kawasaki Kisen Kaisha Group in the offshore vessel operations and offshore support vessel services both in Japan and overseas. Kawasaki Kinkai Kisen Kaisha and POC have been building a cooperative relationship through the construction and operation of the offshore support vessel "KAIKO" (6,000hp, operating since 2021) for towing POC's "CP-8001."



Offshore support vessel "KAIKO"

A Japanese Offshore Wind Power Construction Leader

In Japan, aiming for the achievement of carbon neutrality by 2050, the Japanese government has set targets for the development of 10 GW of offshore wind power by 2030 and 30-45 GW by 2040. Offshore wind power is expected to increase its supply capacity as a major source of renewable energy, and in this context, the entire country is witnessing a surge in momentum for offshore wind construction.

In this business environment, we aim to become the "front runner in the offshore wind industry," and are actively working to establish a system to meet the growing demands for offshore wind power facilities.

- **Wind turbine foundations and installation (Bottom-fixed type)**  
POC plans to own three offshore installation vessels, including one under construction, in cooperation with other companies.
- **CP-8001 (Equipped with a 800t lifting capacity crane)** Launched in March 2019. Shipowner: Penta-Ocean Construction Co. Ltd.  
We have accumulated experience in port construction, offshore wind turbine removal (Hibikinada, Kitakyushu), underwater geotechnical surveys, etc., and accumulated expertise in operating offshore installation vessel ahead of peer companies
- **CP-16001 (Equipped with a1600t lifting capacity crane)** (Scheduled to start operation in March 2023)  
Shipowner: PKY Marine Co. Ltd.  
(Joint venture with Kajima Corporation and Yorigami Maritime Construction)
- **Third offshore installation vessel (Equipped with a1600t lifting capacity crane)** (Scheduled to start operation in 2025)  
Upgrading a foreign-flagged offshore installation vessel to a vessel with a 1600t lifting capacity crane and to reflag it into a Japanese-flagged vessel  
Shipowner: Japan Offshore Marine Co. Ltd.

Japan Offshore Marine Co. Ltd.

JOM engages in investigation, engineering, procurement of materials and equipment, and construction related to foundation works of wind turbines, transportation and installation works of wind turbines, and cable laying works for offshore wind farm projects in Japan in cooperation with Penta-Ocean.

- Investment ratio: 51% for Penta-Ocean, 49% for DEME Offshore



• Collaboration with DEME Offshore

DEME Offshore, with a leading track record, technology and know-how in the field of offshore wind power construction in Europe, and POC, with abundant experience and technical know-how in offshore civil engineering work under the severe metocean conditions in Japan, collaborated to overcome the severe construction conditions unique to Japan and to realize safe and reliable construction.

DEME Offshore

- Subsidiary of DEME Group, one of the world's leading offshore construction companies
- Pioneer in the field of offshore wind power construction in Europe
- Owns extensive know-how and the latest technology in offshore wind power construction
- Owns a large number of offshore installation vessels equipped with large cranes, which are required for the construction of foundations and installation of wind turbines, as well as a large number of work vessels for cable laying, maintenance, etc.

• Muroran Factory

- POC's new factory in Muroran is scheduled to manufacture temporary steel structures for offshore wind power construction. The new Muroran Factory is a "100% renewable energy factory" that uses renewable energy to supply all electricity for the entire factory.

• Efforts in Floating Offshore Wind Power Generation

- Participated in the "Research and Development of Technologies to Reduce the Cost of Floating Offshore Wind Power Generation Technology" by New Energy and Industrial Technology Development Organization (NEDO), jointly with TEPCO HD and the University of Tokyo.

⇒In charge of research and study on the rational and efficient construction method of the spar-type floating structure

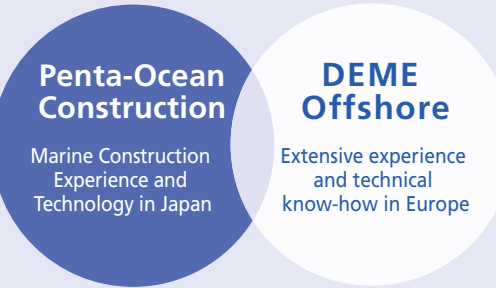


Kitakyushu Hibikinada offshore wind turbine removal (CP-8001 on the left)



Rendering of CP-16001

Combining the Strengths of Penta-Ocean and DEME Offshore



Conceptual Image of Synergies from the Alliance



Initiatives for Carbon Neutrality

ZEB Initiatives

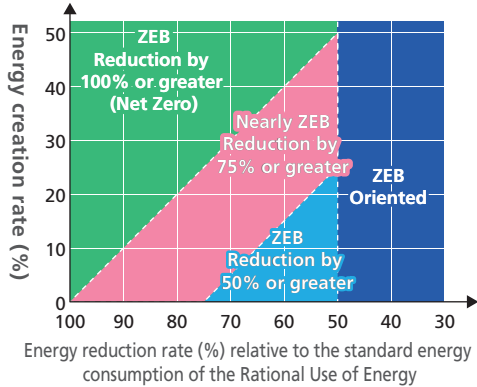
ZEB (Zero Energy Building) Track Records

POC's Institute of Technology continues to develop energy-saving technologies for Zero Energy Buildings (ZEB). Energy monitoring of buildings after the completion of construction with energy-saving technologies has confirmed that ZEB features have been achieved, proving its effectiveness.

POC's ZEB construction record

ZEB Rank	Project Name	Energy conservation rate	Total floor area
ZEB	Hisamitsu Pharmaceutical Museum (2019)	103%	688m <sup>2</sup>
Equivalent to ZEB Ready	Penta-Ocean Construction Institute of Technology Experiment Building (2019)	72%	2,115m <sup>2</sup>
Equivalent to Nearly ZEB	Tokyo Metropolitan Archives Building (2020)	91%	10,259m <sup>2</sup>
Nearly ZEB	Kyowa Exeo Corporation South Kanto Branch (2021)	75%	1,781m <sup>2</sup>
ZEB	POC Muroran Factory (2022)	433%	15,596m <sup>2</sup>
ZEB	Kobe Sumiyoshi Cold Storage Warehouse, Japan Port Industry Co., Ltd. (2022)	106%	17,898m <sup>2</sup>

Definition of ZEB



(Based on materials compiled by the ZEB Roadmap Follow-up Committee in FY 3/19)

Hisamitsu Pharmaceutical Museum (2019)

Roof insulation reinforcement, energy-saving air-conditioning equipment, etc.  
Operation control of facilities and equipment by installing various sensors  
Maximized solar panel installation on roof surfaces

High energy savings  
A large amount of power generation throughout the year

Energy saving rate during the design stage	Actual energy saving rate		
Energy saving rate: 65%	115%	115%	120%
Energy creation rate: 38%	(2019)	(2020)	(2021)

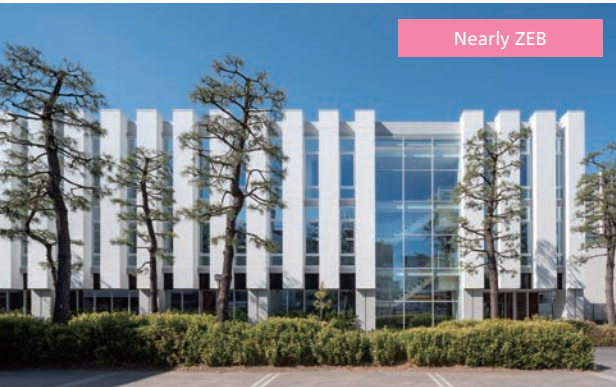


Kyowa Exeo South Kanto Branch (2021)

Adoption of energy-saving technologies  
Installed an energy management system to monitor and analyze energy consumption during operation.

High energy savings  
Monitoring the effects of adopted technologies and accumulating operational control technologies

Energy saving rate at the design stage	Actual energy saving rate		
Energy saving rate: 50%	72%	74%	
Energy creation rate: 25%	(2019)	(2020)	(2021)

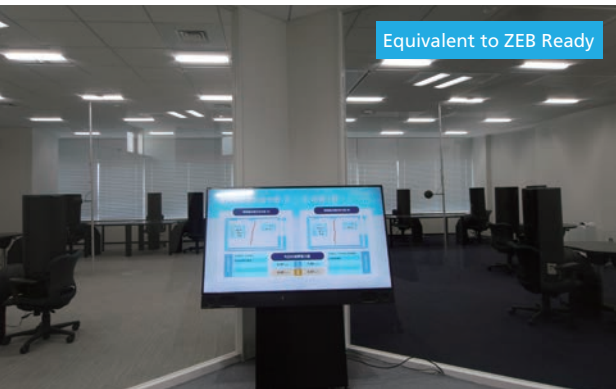


Penta-Ocean Construction Institute of Technology Experiment Building (2019)

Efficient control of 5 elements (water, air, heat, electricity, and control)

High energy savings

Energy saving rate at the design stage	Actual energy saving rate		
72% (energy saving only)	72%	74%	
	(2020)	(2021)	



Penta-Ocean Muroran Factory(2022)

We newly constructed the Muroran Factory, which mainly manufactures steel structures for bridges, etc., in Muroran City, Hokkaido. The entire building including the offices is ZEB certified. In addition to its original focus on bridge steel structures, the new factory will play a more significant role as a manufacturing hub for temporary steel structures for offshore wind construction, which is expected to be in high demand in the future.

At the new factory which runs on 100% renewable energy, we will accumulate knowledge on the use of hydrogen energy through the use of by-product hydrogen and the production and use of green hydrogen generated from solar power, and apply this knowledge to our businesses.



- Energy-saving technology applied to the offices of the new factory
  - Improvement of thermal insulation through the use of resin sashes
  - Reduction of lighting load through the use of light-collecting films
  - Introduction of high-efficiency air-conditioning units tailored for cold climates, etc.
  - Air conditioning control using motion sensors, etc.

High energy savings  
Energy reduction rate:65%

- Energy-creating equipment installed at the new factory
  - Photovoltaic power generation system (670 kW output)
  - Hydrogen fuel cells (30 kW output)

A large amount of power generation throughout the year

- Use and demonstration of hydrogen energy
  - Use of two types of hydrogen: by-product hydrogen and green hydrogen.

By-product hydrogen: Hydrogen produced as a by-product at a plant in Hokkaido is stored in hydrogen tanks and used to generate electricity through fuel cells

Green hydrogen: Hydrogen produced through a water electrolysis system using solar power generation electricity, stored in hydrogen storage alloys, and used in fuel cells to generate electricity

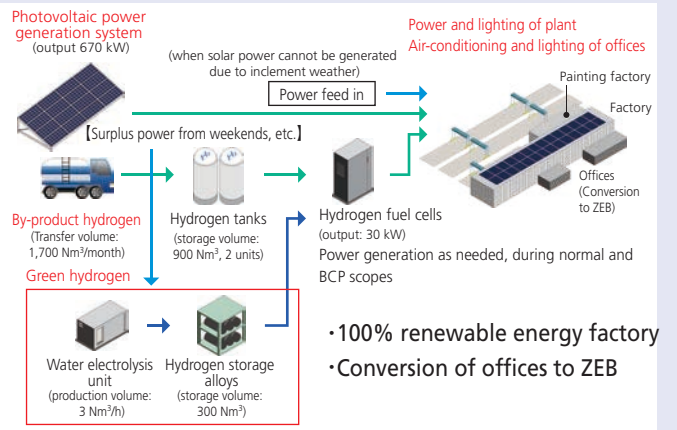
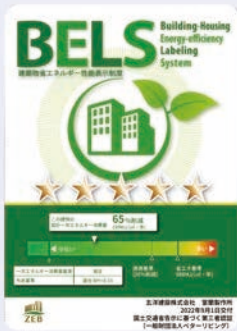


Diagram of energy use at the new factory

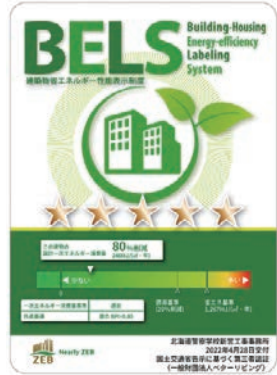


Conversion of On-site Offices to ZEB and Acquiring “Nearly ZEB” Certification

At the temporary site office for the new construction of Hokkaido Police Academy (4th phase) 21, which was awarded by the Hokkaido Regional Development Bureau, we achieved an energy conservation rate of 80%, including energy creation by solar power generation, and the building was certified as “Nearly ZEB” under the Building Energy-efficiency Labeling System (BELS).



Temporary site office for the new construction works of Hokkaido Police Academy (Phase 4) 21





# Initiatives to Improve Productivity

## Utilization of AI

We are developing automated construction technology using artificial intelligence (AI) to increase site productivity, safety and construction quality of buildings, etc.

### Applying AI Technology to Autonomously Controlled Backhoes (Domestic Civil Engineering)

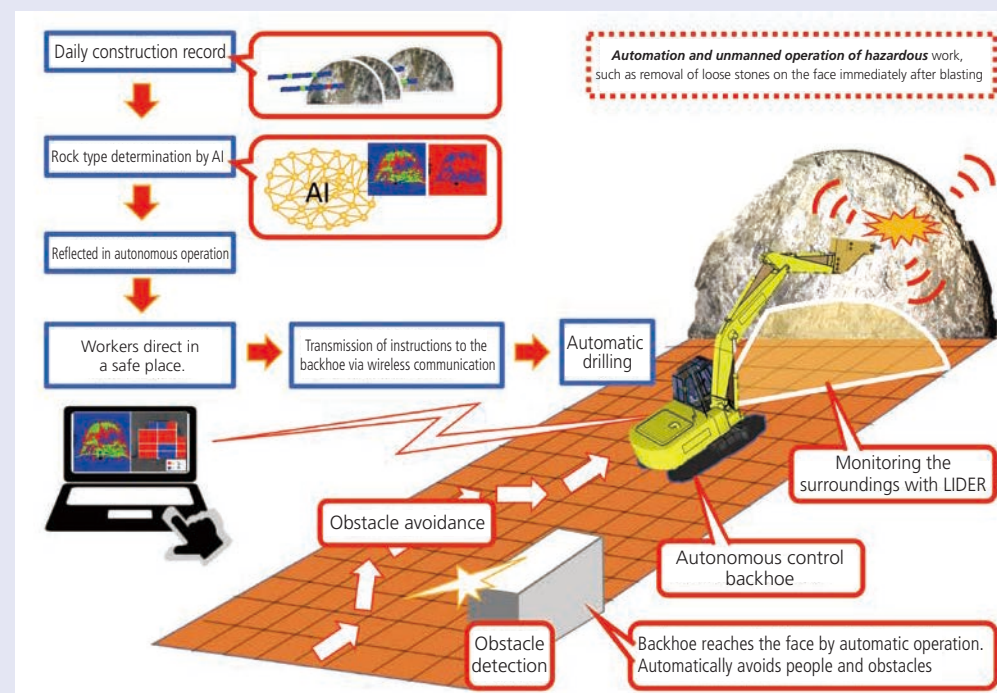
The consortium represented by POC was selected to participate and to represent the “Project on the adoption and utilization of innovative technology to drastically improve productivity at construction sites,” promoted by the Ministry of Land, Infrastructure, Transport and Tourism in the FY 3/22.

The consortium: Penta-Ocean Construction, Osaka University, Saigo Construction, Shoji, Nippon System, No18 Software, and NEXTSCAPE  
Trial location: FY 2017-2020 Minokoshi Tunnel Construction (Ehime Prefecture)  
Client: Shikoku Regional Development Bureau  
Trial technology: (1) Automatic autonomous backhoes for the operations of unmanned and automated to work in mountain tunnel cutting \*1, improving productivity and safety.  
(2) Utilizing the site model recreated by the digital twin technology in VR-type remote construction sites to reduce paper works and contact opportunities, and promote efficient communication.

\*1 In tunnel construction after blasting, rock fragments fall and rock masses (loose rocks) protrude near the tunnel's face.

#### ► Overview of AI-equipped Autonomous Control Backhoe Technology

Autonomously controlled backhoes equipped with AI for determining rock types automated drilling operation, which is hazardous work, eliminated the need for manual labor and improved the safety and productivity of underground work.



Work image of an AI-equipped autonomously controlled backhoe

Monitor the surroundings by LiDAR\*2 and move automatically avoiding people and obstacles



Yard experiment with automatic movement (a backhoe moving automatically, avoiding color cones)

\*2 Light detection and ranging: one of the remote sensing technology that uses light

#### Built-in AI for Rock Type Identification to Determine the Fragility of Rocks and Automatic Drilling Work



Unmanned and automatic drilling operation



Unmanned cockpit

## Special Feature 2: Initiatives to Improve Productivity

### A1-based Technology for Assessing the Residual Strength Piers (Domestic Civil Engineering)

In collaboration with Professor Mitsuyasu Iwanami of the Tokyo Institute of Technology, we have developed a technology for assessing the residual strength of piers using artificial intelligence (AI).

Port facilities exposed to harsh marine environments, such as salt damage, cannot be visually inspected for deterioration in certain areas, such as underwater areas and the undersides of piers. As a result, maintenance is frequently a “post-maintenance type,” in which measures such as repairs and renewal are taken after problems occur, and there is a need to shift to a “preventive maintenance type” in order to strengthen national resilience and maintain and develop the economy.

This technology employs AI to predict how port piers will be damaged by an earthquake or deterioration over time. It provides indicator that can rationally determine whether or not it can be used, or for how long, and the extent and timing of repair and reinforcement. This contributes to the promotion of “preventive maintenance type” management.

#### ► Overview of Residual Strength Evaluation Technology for Piers Using AI

##### • Building an AI Model that can Evaluate the Residual Strength of Piers

A series of pier structural experiments revealed a relationship between the degree of deterioration and beam bearing capacity, and a structural analysis program was developed to evaluate the bearing capacity of each beam in four stages. AI was trained on over 2,000 conditions and analysis results to automate the assessment of the pier's remaining strength

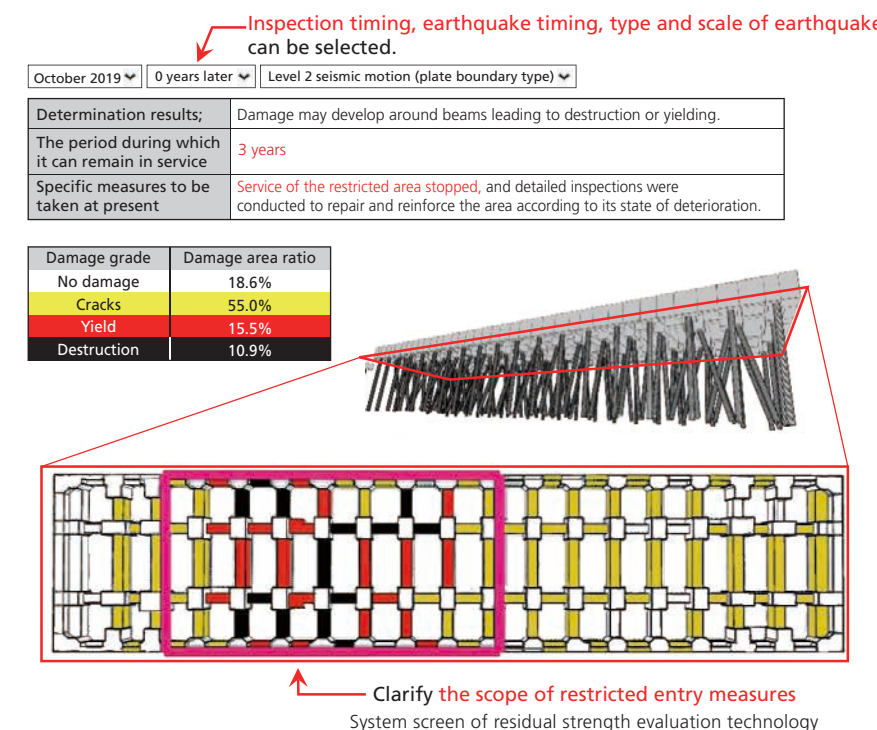
⇒ Significantly reduction in the time required for residual strength assessment (conventional: half a year to one year → this technology: about one week)

##### • Provided rational judgment indicators such as a repair/reinforcement range and timing

The developed system can simulate the progression of deterioration over time and damage caused by earthquakes according to settings such as the scale and timing of earthquakes. To identify the evaluation of the structural stability, service life, and concrete measures to be taken at present, it can formulate an optimal maintenance management plan while putting into consideration life cycle costs.

⇒ Optimizing the life cycle cost of a pier

##### • Combined with our “i-Boat (wireless LAN boat),” Technology, this System Consistently Automates and Saves Labor in the Entire Process from Inspection and Investigation of the Degree of Deterioration to Residual Strength Evaluation.



#### ► Features of residual strength evaluation technology for piers using AI

1. Damage prediction possible by level 1 seismic motion\*1 and level 2 seismic motion\*2.
2. Level 2 seismic motion can be selected from the following two types:
  - Plate boundary type: Earthquake type like the Great East Japan Earthquake
  - Direct inland type: Earthquake type such as the Great Hanshin-Awaji Earthquake
3. Calculates the period during which the pier can remain in service.
4. Proposes specific actions to be taken in the current situation, such as identifying the area that should be off-limits.

\*1 Level 1 seismic motion: An earthquake motion that is likely to occur at least once during the design and service period of the target facility.

\*2 Level 2 seismic motion: The largest possible earthquake motion at the target facility

#### Pier investigation and diagnosis system using i-Boat (wireless LAN boat)

- Taking photos under the pier, which is difficult to see with the naked eye, using a radio-controlled boat (equipped with a camera)
- Specialized system analyzes captured the images and automatically determines the degree of deterioration of the pier.

⇒ Combining the automation of inspection surveys using i-boat (green frame) and the residual strength evaluation system using AI (orange frame) automates the entire process of residual strength assessment and saves labor.



i-Boat

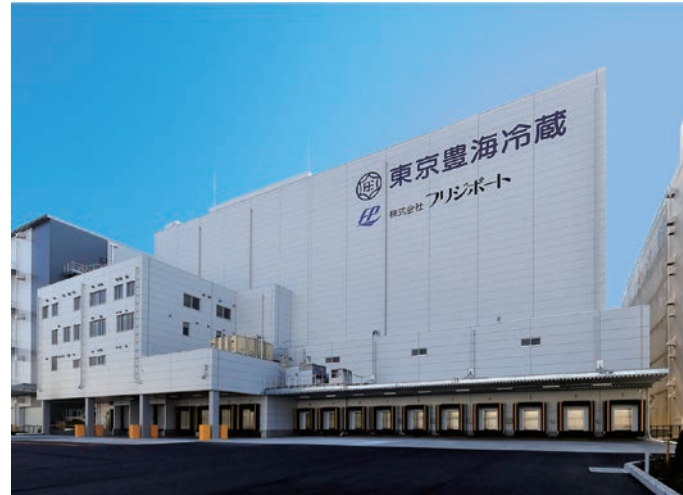


## Initiatives to Improve Productivity

### Labor-saving Construction

We are actively developing and introducing labor-saving construction methods to improve site productivity, safety, and construction quality.

#### Labor-saving Using the Precast Construction Method (Domestic Construction)



To address the labor shortage, we are implementing various labor-saving measures. In the construction of the Shin-Funabashi Logistics Center of Tokyo Toyomi Reizo Co., Ltd., the majority of the frame construction was precast method (PCa) to make on-site work safer and more efficient.

In the construction of the frames using conventional methods the quality varied depending on the workers' skills, weather and construction conditions, and there were also process issues, such as the fact that work on the next floor could not begin until the concrete had gained strength after it was placed. To address these issues, we adopted the precast construction method in which factory-manufactured components are delivered to the site and installed. In comparison to on-site work, this method ensured consistent quality and reduced on-site work, resulting in a shorter construction period and improved safety.

[Construction overview]

- Client: Tokyo Toyomi Reizo Co., Ltd.
- Design and construction: Penta-Ocean Construction Co., Ltd.
- Building use: Cold storage
- Structural scale: PCaPC construction, partly steel construction, 6-story structure, 1-story isolation structure

#### (1) Using the PCa Method in Columns and Beams

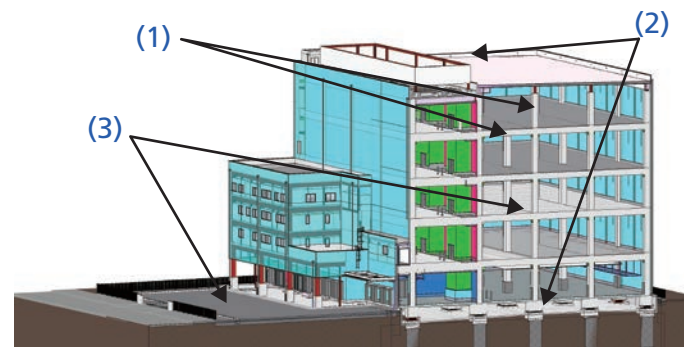
On-site work, such as formwork assembly and concrete placement, has been reduced by 90%, and the construction process for each floor by 10 days.



Installation of columns using PCa



Installation of beams using PCa



#### (2) Using the Half PCa Method for the Upper Part of the Seismic Isolation Base, Berms, and Parapets

It reduces complex formwork assembly work, shortens work processes, and equalizes quality. ⇒90% less on-site work, and 3 to 5 days shorter process



Upper part of seismic isolation foundation using the PCa method



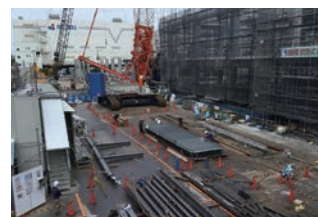
Berms using the PCa method



Parapets using the PCa method

#### (3) Steel Truss Deck Foundation

Steel truss decks are assembled in a mass in the on-site yard and installed with a crane (conventionally, decks were lifted in bundles and installed one by one). ⇒Improved safety by reducing work at height to 1/10 ⇒Shortens the work period by 15 days



Conditions of deck structure



Lifting conditions of deck

#### Other initiatives to save labor

[Foreman iPad] Lending iPads to the subcontractors' foremen

- Accessing to various information-sharing systems within the scope of authority
- Digitizing work that was traditionally done on paper

○Information sharing items

##### ▶PiCOMS-PCa

PCa Construction Progress Visualization: All procedures, from drawing creation to installation and progress, are displayed on BIM and shared in real time by all parties involved. ⇒Significant reduction in management of precast construction

##### ▶Degisite-safety (Developed in-house)

Digitization of the risk prediction sheets, work and layout plans →Reducing travel time and paperwork

⇒Contributing to work style reform including for employees of subcontractors

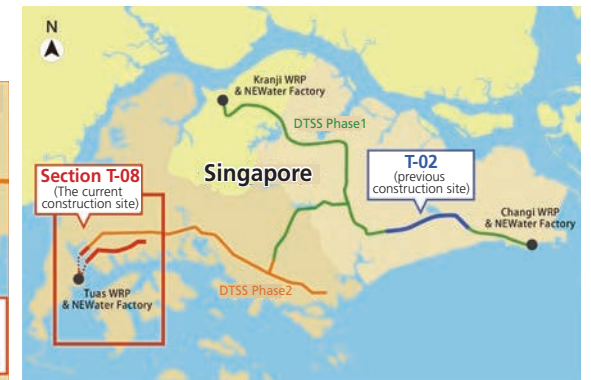
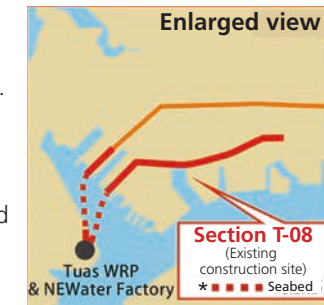
### Saving Labor and Ensuring Safety by Optimizing the Vertical Shafts and Internal Structure (International)

The Deep Sewer Tunnel Phase 2 T-08 Project, which is currently under construction in Singapore, is to build a 10-kilometer-long main sewer tunnel (shield tunnel) and 10 sewerage facilities.

The sewage facility is a complex three-dimensional structure, with multiple shafts and NATM tunnels planned in the original design. We proposed shafts consolidation and internal structure optimization, which resulted in significant labor savings and safety assurance. Four out of ten sewerage facilities were optimized in this project.

[Construction overview]

- Client: The Government of Singapore
- Contractor: Penta-Ocean Construction Co., Ltd. and Koh Brothers Joint Venture (JV)
- Tunnel section: Shield construction method Approximately 10 km (of which about 3.5 km is in the seabed area)
- Sewage Facilities Department: 10 locations Construction depth 45-58 m



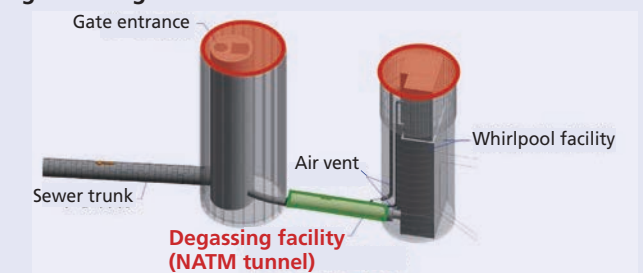
#### ● Consolidation of shafts...

Placing multiple shafts in a narrow work area reduces the work area on the ground. Shaft consolidation provided a work area and improved workability.

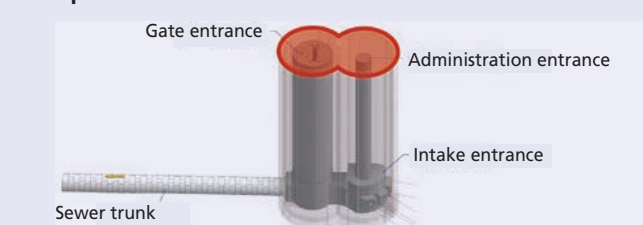


Consolidated shafts (Consolidation of shafts secures work space)

#### Original Design



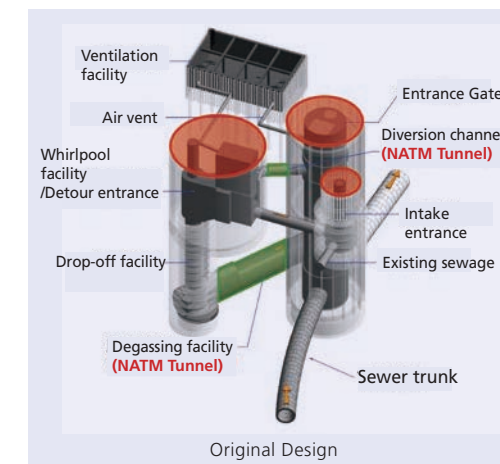
#### After Optimization



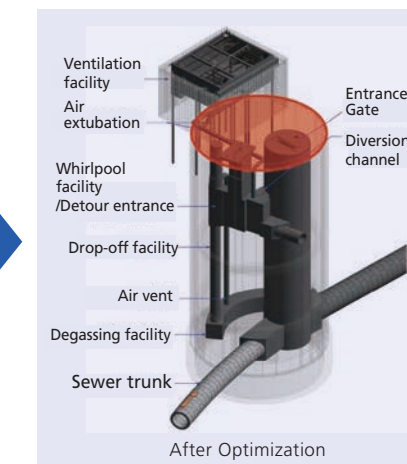
#### ● Structural optimization (Omitting NATM tunnels)...

In the original design structure, a conduit connecting the multiple vertical shafts was necessary, and it required the construction of the NATM tunnel, which poses a high safety risk.

In the post-optimization design, construction of the NATM tunnel was omitted by consolidating the shafts and the relevant pipelines were placed inside the vertical shafts, thereby improving construction safety.



Original Design



After Optimization

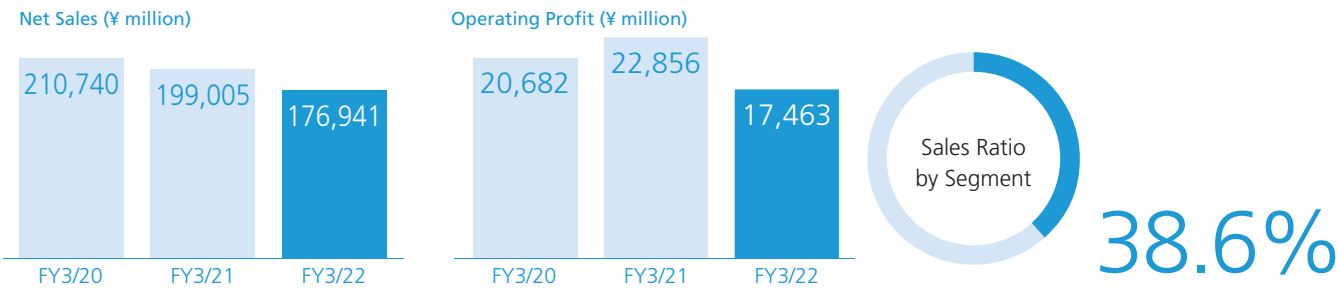


Top view of driven piles



# Major Projects in FY3/22

## Domestic Civil Engineering



### Tamagawa Sky Bridge

Kanagawa and Tokyo, JAPAN

This project connects the Tonomachi area of Kawasaki City, a Comprehensive Special Zone for International Competitiveness, and the Haneda Airport area, located on either side of the Tama River, by a road approximately 840m long with a standard width of 17.3m. Of the 674m bridge section, the 240m-long span between the central piers is the longest composite rigid frame bridge in Japan, with the steel superstructure and the RC bridge piers rigidly connected. The bridge was constructed in consideration of preserving the natural environment and landscape near the mouth of the Tama River, and opened to traffic in March 2022. The development of this new road infrastructure is expected to contribute to further improving the international competitiveness of the Kawasaki waterfront and the Haneda Airport areas.

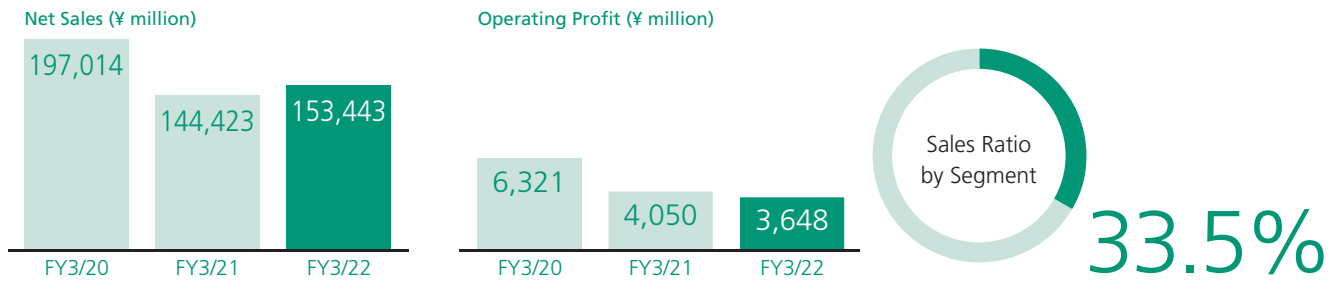


### Kinuura No.1 Reclaimed Area, Final Disposal Site

Aichi, JAPAN

This project involved the construction of a controlled coastal final disposal site for coal ash with a reclaimed area of 24ha (450m north to south by 536m east to west) and a landfill capacity of 3 million m³. The Cement Deep Mixing Method was adopted to secure a stable seabed, and a total of 21 caisson-type seawalls were fabricated and installed on the outer seawall including 90m-long hybrid caissons, which are composite structures of steel and concrete. In order to ensure an impermeability of the seawall, a deformation-following impervious material, composed mainly of asphalt, was used for the new outer seawall, and a double impervious sheet was installed on the existing seawall.

## Domestic Building Construction



### City Tower Musashi-Koyama

Tokyo, JAPAN

This building is one of ongoing redevelopment projects around Musashi-koyama Station. This complex consists of three buildings: a 41-story, 145-meter skyscraper, a mid-rise and a low-rise building, comprising residences, a supermarket, clinics, a pharmacy and retail stores, as well as public facilities such as a community center and meeting rooms for local residents. Surrounded by a bustling shopping area, beautiful parks and green sidewalks, the high-rise floors offer a panoramic view of the Tokyo Tower and the Tokyo Skytree. At the project site, we achieved productivity improvement by adopting PiCOMS, a system that allows construction parties to share work progress in real time.



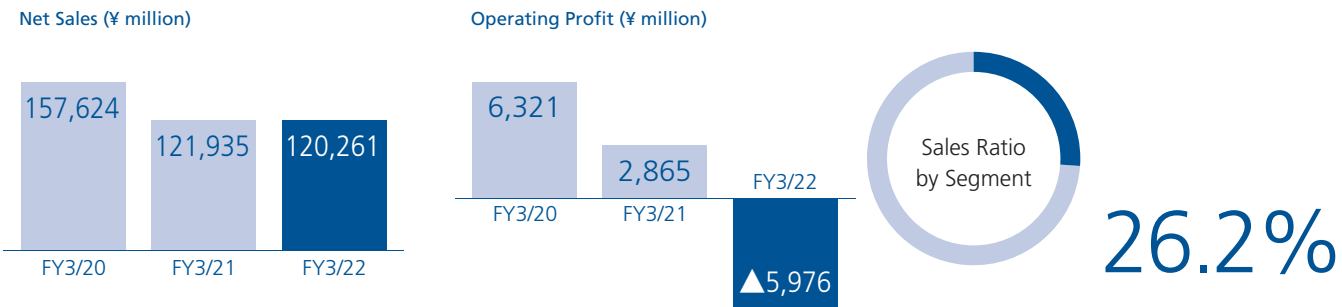
### HORKOS Corporation Headquarters

Hiroshima, JAPAN

HORKOS Corporation, a well-established machine tool manufacturer, had its head office reconstructed to commemorate the 80th anniversary of the company's founding. Under the concept of "a factory of intellectual expertise", each department was consolidated in the new head office. The new head office is expected to serve as a BCP base in the event of a major disaster as well as a hub for "green" manufacturing with the acquisition of a ZEB Ready certification. The layers of protruding balconies symbolize the company's 80 years of accumulated history. The building provides the ideal platform for the company to rise up to further global challenges.



Overseas



Patimban Port Development Project

Indonesia

Funded by Japanese ODA yen loans, this project involved constructing a new international trade hub port in the Patimban area in the eastern part of the Jakarta metropolitan area in order to accommodate the rapid increase in the cargo volume handled in the suburbs of Jakarta, the Indonesian capital. The project was the first in Indonesia to adopt Japanese technologies such as the Cement Deep Mixing (CDM) and the Cement Pipe Mixing (CPM) methods for ground improvement, as well as a strut structure for pile reinforcement of the pier. The project site is located near an industrial park where many Japanese companies have established regional bases, and it is expected to improve logistics efficiency by dispersing the volume of cargo.



The Treasury Building

Hong Kong

The building is a joint-user government office building constructed in the Kowloon area, opposite Hong Kong Island. The building houses government agencies on the upper floors, while the lower floors feature a clinic, daycare centers for children and the elderly, as well as an employment service office. The facades of aluminum sunshade panels on the upper floors, which give the building a distinctive look, are installed at different angles on each floor to ensure more efficient protection from sun and heat. In addition, the front facade of the lower floors is provided with green walls, both for aesthetic purposes and for the greener environment around the building.

Practicing CSR Oriented Management with Focus on ESG



Creating a Nature-Rich Environment

# Environmental Management

\*Please see pages 14 to 21 for more information on our efforts to become carbon neutral.

## Basic Environmental Guidelines

1. Promote reduction of CO<sub>2</sub> emissions generated by business activities and the greening of electric power by constructing offshore wind power plants, etc., to contribute to the realization of carbon neutrality
2. Communicate with local communities, and strive to achieve carbon neutrality, create a recycling-oriented society and create, conserve and restore environment through the development of environment-related technologies and environmentally-friendly design and construction.
3. Continuously educate the employees of POC and subcontractors on the importance of environmental conservation activities, and strive to prevent environmental accidents, etc.

## Environmental Management Initiatives

### Environmental Management System

Our environmental management system conforms to ISO 14001 standards. The environmental management system is controlled by the Quality and Environmental Management Committee, established under the CSR Committee chaired by the President and Representative Director, and applies to all of POC's business activities (construction activities and business activities in our offices).

We formulated the "Integrated Manual" that outlines the rules and procedures for corporate management in conformity with the certified environmental management system and quality management system, and implement it across the organization. In addition, we continuously provide training sessions to employees, including management system training for young employees. informing and educating our employees.

### Environmental Patrols

We conduct environmental patrols at construction sites of domestic branches at an early stage after the construction start in order to prevent environmental accidents such as air pollution, water contamination, soil contamination, noise, vibration, ground subsidence and foul odors, and to eliminate the violation of environmental laws and regulations, as well as to prevent the occurrence of environmental complaints .

### Compliance with Environmental Laws and Regulations

Today, companies are required to manage their business activities in consideration of environment conservation in all aspects, including global warming and waste management, and must keep track of their compliance with environment-related laws and regulations. We strive to prevent violation of environmental laws and regulations by responding quickly to the latest revisionsof environmental laws and regulations. There were no violations of environmental laws and regulations in the FY 3/22.

### Company-wide environmental targets

Environmental Targets	Medium/long-term Targets	FY 3/2022s		Evaluation	Environmental Targets for FY 3/2023
		Targets	Results		
Measures against global warming	FY 3/2031 Company-wide Scope 1 and 2 emissions of 210,000 t-CO <sub>2</sub> or less (50% reduction from FY 3/20) FY 3/2051 Achievement of carbon neutrality	Reducing CO <sub>2</sub> emissions per unit of construction activity by 25% from the FY 3/1991 level by FY 3/2031. Reducing CO <sub>2</sub> emissions by 21% or more from FY 3/1991: 44.99t-CO <sub>2</sub> /100 million yen or less	38.9t-CO <sub>2</sub> /100 million yen	○	Company-wide Scope 1 and 2 emissions of 363,000 t-CO <sub>2</sub> or less Domestic Scope 1 & 2 emissions: 127,000 t-CO <sub>2</sub> or less Overseas Scope 1 and 2 emissions: 237,000 t-CO <sub>2</sub> or less (Base year FY 3/20: -4.5%/year)
	Company-wide Scope 3 emissions in FY 3/2031 2,949,000 t-CO <sub>2</sub> or less (30% reduction from FY 3/20)	-	-		Company-wide Scope 3 emissions: 3,869,000 t-CO <sub>2</sub> or less (Base year FY 3/20: -2.7%/year)
Promotion of environmental and social contribution	Reducing company-wide office electricity consumption by 5% from FY 3/21 by FY 3/26. Ensuring the entire energy consumption at the headquarter's offices is covered with green electricity	Reducing electricity consumption in all offices by 1% or more from the previous fiscal year	Company-wide electricity consumption 2,993 kWh 3.9% increase from the previous year	×	Integrated into CO <sub>2</sub> emissions reduction targets
Mitigation of environmental risks	Prevention of environmental accidents ・Zero environmental accidents ・Zero environmental violations	Prevention of environmental accidents ・Zero environmental accidents ・Zero violations of environment-related laws	Environmental accidents: 1 Violation of environment-related laws: 0	×	Prevention of environmental accidents ・Zero environmental accidents ・Zero violations of environment-related laws
Promotion of recycling	Increase the effective utilization rate of construction generated soil to at least 80% by FY 3/25.	The effective utilization rate of construction generated soil: 80% or higher	86.8%	○	The effective utilization rate of construction generated soil: 80% or higher
Promotion of environmentally conscious design	By 2025, increase the number of items adopted for environmentally friendly design to at least 6.0 per project.	FY 3/22: Increasing the number of items adopted for environmentally friendly design to at least 3.0 per project	4.2 items per project	○	Increase the number of items adopted for environmentally friendly design to at least 4.0 items per project.
	By 2025, all warehouses shall achieve an overall rating of B+ or higher and over 70% of buildings for other use shall achieve an overall rating of A or higherunder the CASBEE ratings. In addition, for buildings for all uses, over 70% of the entire projects shall achieve an overall rating of A or higher.	All warehouses shall achieve an overall rating of B+ or higher and over 70% of building for other uses shall achieve an overall rating of A or higher	Warehouse "B +" or higher: 100% Other uses "A" or higher: 100%	○	All warehouses shall achieve an overall rating of B+ or higher and over 70% of buildings for other uses shall achieve an overall rating of A or higher. In addition, for buildings for all uses, 55% of the entire projects shall achieve an overall rating of A or higher. If the evaluation results do not reach the above, the evaluation improvement items shall be proposed to the client.
	-	The total reduction in primary energy consumption compared to the reference modal shall be at least 35% or higher for the entire projects applying for the Building Energy Conservation Act by 2025. FY 3/22: The total reduction rate in primary energy consumption compared to the reference modal shall be at least 30% or higher to the engine projects applying for the Building Energy Conservation Act	39%	○	The reduction rate in primary energy consumption compared to the reference modal shall be at least 40% or higher (including energy creation) for the entire domestic construction projects by 2030, and at least 42% or higher (including energy creation) for projects designed by POC. For FY 3/23, the total reduction rate in primary energy consumption compared to the reference modal shall be at least 31% or higher for the entire projects applying for the Building Energy Conservation Act

### Environmental Education

- Specialized Environmental Training

We provide specialized environmental training to keep all employees apprised of the necessary knowledge of overall environmental management at construction sites and the key points of legal revisions.

The Specialized Environmental Training is provided every year at the headquarters office and branch offices, and we ensure employees' participation on a regular basis (once every three years). 689 employees took part in this training in FY 3/22.

- Specialized Environmental Expert Training

The training was held for employees of the Environment, Health, Safety and Quality Divisions Group at brance offices, with a total of eight participants for FY 3/22. The training is expected to help them observe with a wider point of view during the branch patrols, while providing more far-reaching training for construction staff.

### <Management System Structure Chart>



Creating a Nature-Rich Environment

# Creation and Maintenance of Marine Environment

## Environment

Creating a Nature-Rich Environment

## Social

Affiliating with Society

## Governance

Promoting Effective Corporate Governance

## Initiatives to Create and Maintain Marine Environments

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.

To conserve biodiversity in shallow areas and tidal flats, we are working on the development of shallow areas and tidal flats using calcia-modified soil, which is easier for organisms to settle than conventional materials. We recycle removed soil for backfilling tidal flats in an attempt to restore them to their pre-construction state, as well as to minimize the impact on tidal flat organisms.

In addition, as a measure against climate change, we carry out evaluation on the carbon fixation as blue carbon in the newly-created tidal flats, in order to contribute to carbon recycling through the creation and evaluation of tidal flats.



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



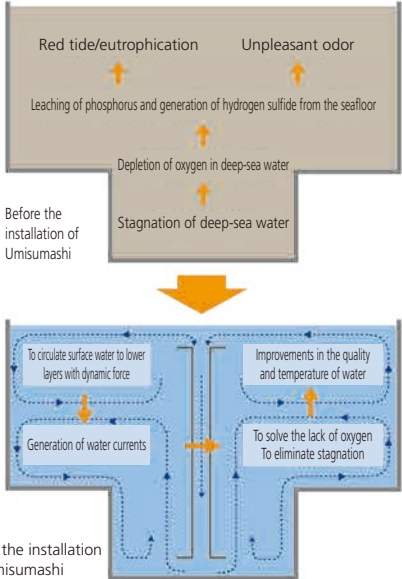
Restored tidal flats

### Water Purification

By generating water currents with dynamic force, Umusumashi 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.



Umusumashi



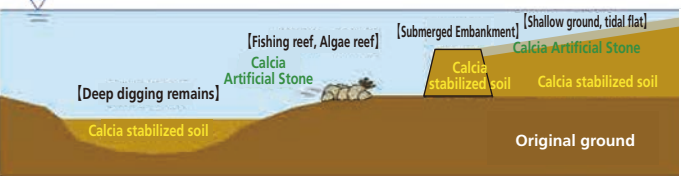
### Calcia Stabilizing Technology

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>



### Calcia Improved Soil Drop Mixing Vessel

The drop-mixing method is a method of mixing dredged soil and Calcia stabilizing material to make Calcia stabilized soil by using a mixing action when material falls at the transfer section of the belt conveyor. Suitable for large-scale construction of 3,000 m<sup>2</sup> or more per day.

To enable efficient construction, we have built a reclaimer vessel (a work vessel that unloads 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 used in actual construction work.





## Construction-generated Soil and Sludge Recycling Business

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

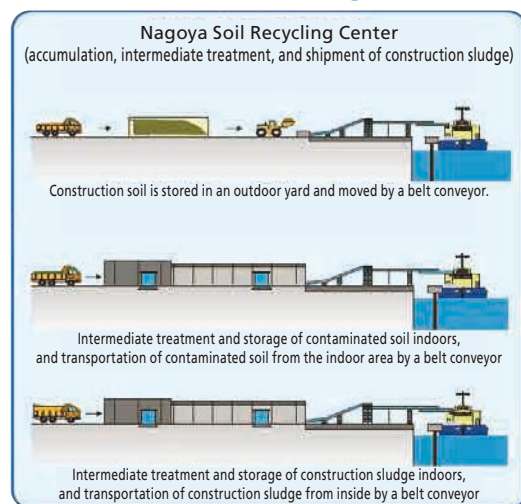
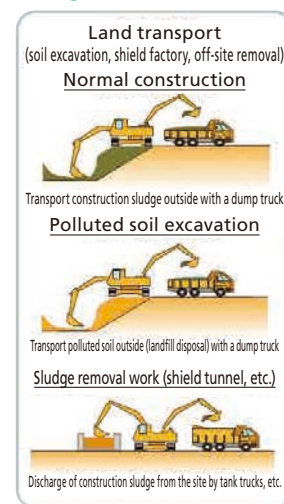
### Overview of the business

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.

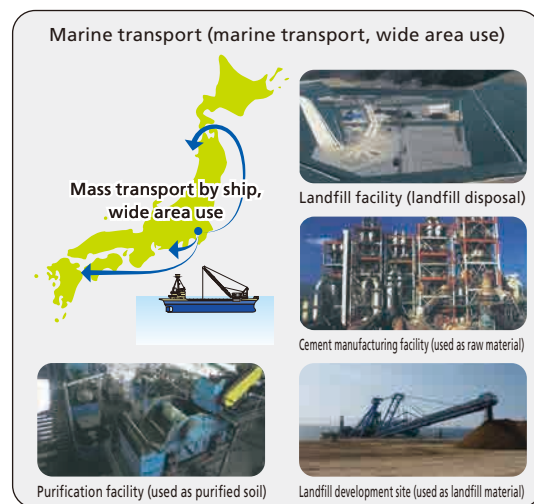
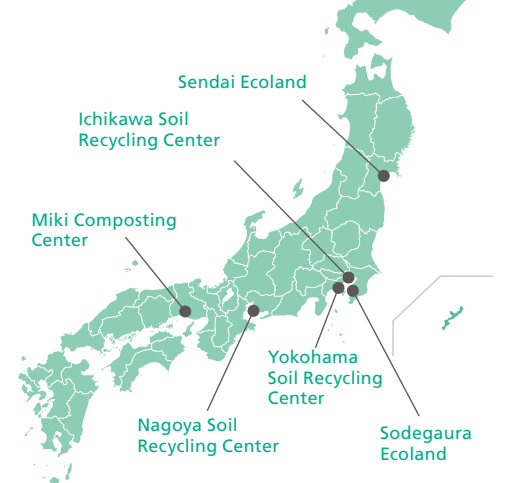
### Characteristics of the business

- 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



### Nationwide Recycling Operations Network



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)

## 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”

- |  |   |
|--|---|
| <input type="checkbox"/> High water absorbency                 | Has an immediate effect, reforming sludge into soil in : a few days.          |
| <input type="checkbox"/> Deodorant effect                      | Quickly deodorizes bad odors such as hydrogen : sulfide odor of dredged soil. |
| <input type="checkbox"/> Neutralizing and solidifying material | The reformed soil is weakly alkaline and becomes : more neutral over time.    |
| <input type="checkbox"/> 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)



Work Style Reform

As an advanced company in Work Style Reform and Productivity Improvement, we are accelerating our company-wide effort, including in our overseas branches. We established the Work Style Reform Promotion Committee at the headquarters, branches, and international Business Unit to conduct our Work Style Reform, which aim to provide workers with two days off per week, and to initiate productivity improvement needed for the Work Style Reform.

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 strive to reduce overtime work through productivity improvement so that our employees' overtime work will meet the upper limit regulations by the end of FY 3/24.

Objectives of Workstyle Reform Promotion

- To reduce overtime work and encourage employees' planned holiday acquisition
- To promote Productivity Improvement backed by advanced technologies
- Through these actions, we will create a comfortable workplace environment to secure future workforce

Penta-Ocean Construction Group Goals

1. By the end of FY 3/24  
(Site closures) Establishment of 8 site closures per 4 weeks, thorough implementation of site closures on weekends (Establishment of 8 days off per 4 weeks: For sites with construction period deadline, etc.)  
(Overtime) To reduce overtime hours to 720 hours/year or less
2. To establish a flexible workstyle system
3. A turnover rate of 5% or less for young employees within their first three years after joining the company
4. Support work style reform for skilled workers

		2021	2022	2023	2024 (Upper-limit regulation)
Site closures and holidays	Site closures on Saturdays and Sundays	Promotion	Thorough impementation		Establishment
	8 site closures per 4 weeks*	Thorough implementation		Establishment	
	8 days off per 4 weeks	Thorough implementation		Establishment	
Overtime	720 hours or less per year	Thorough implementation		Establishment	
	6 times a year or more 45 hours or less per month	Promotion	Thorough implementation		Establishment
Subcontractors	2 days off per week (Sat. and Sun.)	7 days off per 4 weeks	8 days off per 4 weeks	2 days off per week	(Upper-limit regulation)

\* For sites with construction period deadline, etc.: 8 days off per 4 weeks

Workstyle Reform Promotion Committee

The Workstyle Reform Promotion Committee, composed of workers and management, promotes the reform of workstyle to realize a rewarding working environment which motivates employees to demonstrate their willingness and ability, to perform their respective duties in a fully productive manner. The Committee formulates measures and policies to promote workstyle reforms both at the headquarters and all branches offices, or those that need to be implemented company-wide, including at subcontractors, and provides guidance and advice towards their implementation. In addition, the committee members periodically visit branch offices to grasp the actual situation and discuss individual solutions in cooperation with workers, management, the headquarters and branch offices.

Achieving a New Way of Working

By the end of FY 3/24, as we aim to reduce overtime work hours per year to 720 hours or less, we strive to improve work efficiency and productivity, and visualize work schedules. Concretely, to save labor onsite, we strive to improve work efficiency by adopting ICT in construction, encouraging clients to digitalize structures, promoting web conferencing and utilizing iPad apps and WIZDOM (Construction Information Sharing System), etc. In addition, in order to raise each worker's awareness, we implement a campaign for reducing overtime work by 1 hour per day per person, etc.

Work Style Reform Support for Subcontractors

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

We also improve payment conditions for subcontractors (payment in 100% cash), provide allowances under the Excellent Foreman System (for CCUS members), and promote and support enrollment in the Construction Career Upgrade System (CCUS).

\*Construction Career Up System  
The system registers working record or qualifications of each skilled worker, enabling fair evaluation, quality improvement as well as productivity improvement at sites.

Mental Health

We strive to improve the employees' mental and physical wellness. We perform yearly stress assessments for employees as part of our mental health care system and provide counseling and personalized coaching by a psychiatrist (in the medical office at the headquarters) in addition to interviews with industrial physicians for employees who work numerous extra hours.

Promoting Diversity & Inclusion

As an advanced company in D&I, we actively hire women and non-Japanese employees. We strive to create a working environment where diverse human resources recognize each other's abilities and respect one another. We have established 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 (doubling the number of female managers in domestic offices), and a female graduate employment ratio of at least 20% by FY 3/23.

Respect for Human Rights

The Diversity Promotion Center established within the CSR Promotion Division is promoting the creation of a pleasant workplace where each individual respect human rights, building a basis for promoting diversity.

We advocate human rights by recruiting slogans for respecting human rights and creating posters and leaflets.

In FY 3/22, a total of 8,228 employees received human rights training, including e-learning programs, on such themes as discrimination issues, sexual harassment, power harassment, employment of people with disabilities and mental health. In addition, we have been promoting a better understanding of human rights by soliciting human rights slogans from group companies and family members, and by creating posters and leaflets.

Promotion of Women's Empowerment

To create a work environment where women can work comfortably, we conduct inspections of the conditions of the sites where female engineers 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 subcontractors.

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 positions, to share career experiences and to provide information on balancing childcare and work.



Female staff working outside Japan

Empowerment of Non-Japanese 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 assets 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, in a hope that these students will gain engineering expertise while solveing 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.

Global Personnel System

In FY 3/18, we adopted a personnel evaluation system for non-Japanese workers in Singapore and Hong Kong, which are the major footholds of our International Business Unit. 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 personal development, and facilitate communication between their superiors and subordinates. The grading and remuneration system motivates them to perform well and achieve goals by reflecting performance and evaluation in the international division in remuneration, and enhances employee's engagement in efforts to achieve their individual targets.



Meeting at our office in Singapore

Respecting the Human Rights of Seniors

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 offering senior employees with abundant knowledge and experience positions as instructors to train young employees at the Safety and Quality Education Center.

Employment of Persons with Disabilities

The employment rate of persons with disabilities among all employees is 2.69% as of June 1, 2021. 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 Tokyo (Mitaka) and Kanagawa (Yokohama) to create an environment where persons with disabilities can work comfortably.



# Efforts to Respect Humanity

## Promotion of Work-life Balance

In FY 3/22, we formulated the Fifth Action Plan for Supporting the Development of the Next Generation, and we are implementing a three-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 open atmosphere to take childcare and nursing care leaves and enhance mutual understanding with the company and managers on working styles and their 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 open atmosphere to take paid leave, as we require our employees to take five days off in a planned manner annually. We also hold work-life balance seminars to raise awareness of the balance between employees' work and personal lives.

### Childcare Leave

We have a childcare leave system which enables employees to 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 eldest child graduates from elementary school) 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 enabling employees who need to take care of their families to continue their work.

Also, if an employee has a family member requiring nursing care or has a young child going to 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 3/22, the average rate of taking annual paid holidays per employee was 54.1%, and the average number of days of annual paid holidays taken was 10.5 days. In FY 3/18, a half-day paid leave system became newly available. In FY 3/22, we introduced an hourly paid-leave system. As a result, employees who live away from home are now able to take holidays flexibly, for example, from noon on Friday to noon on Monday, according to their lifestyles, to lead a fulfilling private life.

## Personnel Data

	FY3/19	FY3/20	FY3/21	FY3/22
Number of employees (Women in career-track position) (Female technical staff among women in career-track position)	2,793 (79) (66)	2,893 (89) (76)	3,046 (122) (107)	3,136 (144) (128)
Number of new employees (Women in career-track position) (Female technical staff among women in career-track position)	190 (30) (24)	192 (18) (16)	197 (30) (28)	197 (27) (22)
Number of locally hired employees (Women)	1,781 (408)	1,600 (363)	1,604 (371)	1,506 (331)
Number of employees in managerial positions (domestic + overseas) Number of female employees in managerial positions (domestic + overseas) Ratio of female employees in managerial positions (domestic + overseas) (%)	1,458 (31) (2.1)	1,438 (47) (3.3)	1,413 (49) (3.5)	1,396 (53) (3.8)
Turnover rate within 3 years of joining the company (%)	11.2	15.9	16.8	14.1
Employment rate for persons with disabilities (%)	2.25	2.29	2.66	2.69
Rate of taking paid holidays (%)	53.1	61.9	51.8	54.1
Rate of taking childcare leave (for women) (%)	100	100	100	100
Number of cases received by the Harassment Consultation Desk	7	11	10	10

\* Non-consolidated As of March 31, 2022

# Occupational Safety and Health

## 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.Build an open workplace culture, implement safety and health activities in cooperation with employees and subcontractors, and aim to improve 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. Several overseas offices 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\*1, 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\*2.

- \*1 Workers who were suspended will return to the site after undertaking the safety training again.  
 \*2 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.





# Occupational Safety and Health

## Efforts for Safety and Health in Collaboration with Subcontractors

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 1,086 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.



President Patrol (November 2021)

(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	7	66
Skill improvement education for foremen and safety and health managers	8	115
Training for Safety officers	3	210

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

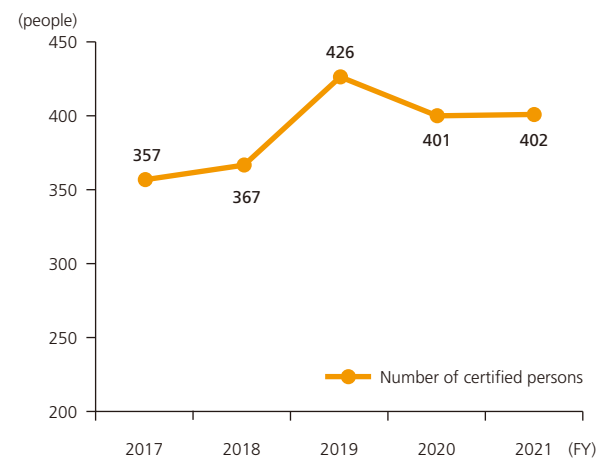
Seminars for association seniors, business owner education, risk sensitivity education, etc.

### 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, 402 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>

\* Non-consolidated

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Number of accidents	17	21	19	11	9
Number of fatal accidents	1	1	1	0	1
Frequency rate	0.77	0.89	0.70	0.59	0.47
Severity rate	0.39	0.44	0.31	0.03	0.42
Total working hours (Thousand hours)	22,033	23,630	27,132	18,589	19,206

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

\* Non-consolidated

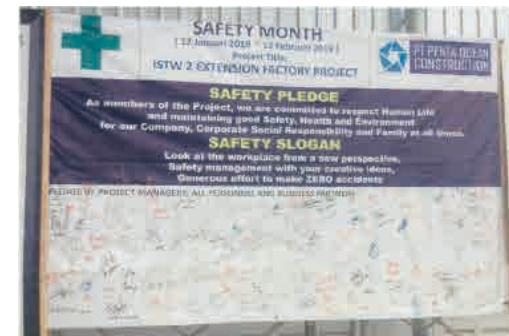
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Number of accidents	15	11	3	11	9
Number of fatal accidents	2	0	0	0	2
Frequency rate	0.29	0.23	0.07	0.35	0.30
Severity rate	0.30	0.01	0.00	0.00	0.46
Total working hours (Thousand hours)	51,203	48,349	44,598	31,002	32,995

## 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>

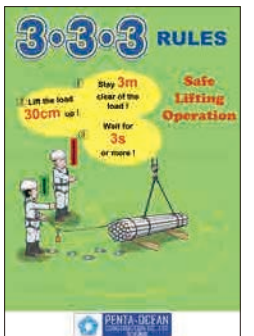
- Holding Special Safety Day (March 30), Safety Contest (1st day of every month), Safety Week (preparation period: June 1-30, the actual safety week: July 1-7) in overseas
- Implementing Penta-Ocean Construction self-regulation and accident prevention activities (Exercise 333, etc.) in overseas



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, taking precious lives of 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 forget 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.



# Social Contribution Activities

## “Tamagawa Sky Bridge” Construction Site Tour and New Road Drawing Session

In the Tokyo Civil Engineering Branch's construction of the Tonomachi Haneda Airport Line urban planning road and other roads (named “Tamagawa Sky Bridge”), we held a construction site tour and a drawing session on the new road for local elementary school children.

The event, co-sponsored by Kawasaki City, which awarded the order of the project, and a joint venture sponsored by POC, aimed to provide the participating children an occasion to witness the site of development first-hand while creating fun memories before the bridge was completed. The event was attended by a total of about 220 people in both the morning and afternoon sessions, and their feedback exceeded our expectations by far.

Participants crossed the bridge under construction while enjoying the scenery, and after touring the site, they drew their own pictures of bridges, airplanes, and other objects of their choice on the asphalt pavement base. Eventually, the pavement will be covered with bitumen over the drawings, and they will no longer be visible, but their drawings will remain forever under the pavement even after the bridge opens for public use.

The participating children commented, “It was a lot of fun. I definitely want to

## Participation in the Kinki Prefectural Joint Disaster Prevention Drill

We participated in a wide-area comprehensive disaster drill aimed at improving disaster response efforts through cooperation among governments and various disaster prevention organizations, raising awareness of disaster prevention and promoting self-help and mutual aid in the event of a disaster.

We participated in the drill as a member of the Japan Dredging and Reclamation Engineering Association. We were responsible for the supply and transportation of emergency relief supplies in the event of an emergency and confirmed our cooperation procedures.

We reconfirmed the actions and skills required in the event of an emergency, leading to the improvement of our disaster response capabilities.



## Vocational Lecture during “Integrated Learning Time”

In response to a request from Yamashiro Junior High School in Imari City, Saga Prefecture, we conducted a vocational lecture in an online format for the students’ occupational experience amid the spread of COVID-19.

In addition to explaining the construction industry and Penta-Ocean’s work, the students watched a video of reconstruction work after the Great East Japan Earthquake to understand the role and the mission of construction companies as builders and protectors of infrastructure.

Students commented, “We were able to deepen our understanding of the construction industry and Penta-Ocean’s work”



come see the bridge when it opens, and “It is a memory I will never forget.” This event was a great opportunity for the public to learn more about our technology, construction achievements and the significance of infrastructure development.



## Donation of Food and Infectious Disease Prevention Supplies to Prefectures Near the Site

In the Toamasina Port Expansion Project in Madagascar, we donated foodstuffs (rice, food, oil and noodles) and infectious disease prevention items (masks, disinfectants and soap) to residents living near the site, who are having difficulty in getting these items due to the prolonged impact of COVID-19.

A donation ceremony was held to mark the occasion, and we received words of gratitude from the residents.



## Cleanup Activities at Ishinomaki Port

As a “Smile Supporter” certified by the Ishinomaki Port Office of the Miyagi Prefectural Government, we helped clean up the Sendai-Shiogama Port (Ishinomaki Port Area) Harbor Road.

Smile Supporter is a system under which Miyagi Prefecture certifies companies and organizations that volunteer to clean up roads, rivers, beaches, parks and other prefecture-managed facilities, as well as to plant trees. We have been certified as a Smile Supporter and have been involved in cleanup and other activities. This fiscal year, we picked up trash along the Sendai-Shiogama Port Harbor Road three times.

We will continue these activities to contribute to the creation of a beautiful local environment.



# External Awards

## Received the Director-General's Commendation of New Technology Awards

The “Multi-purpose Self-propelled Hoist Vessel CP-5001” developed and built by POC received the “New Technology Grand Prix Award,” which recognizes new technology that has had a particularly significant effect.

The award was given in recognition of the high effectiveness of the technology in the restoration of the Port of Yokohama Minami-Honmoku Hama Road, where removal work was completed in less than half the time required by conventional technology and removal costs were significantly reduced.

Amid requests for early restoration from related parties, we made a significant contribution to the reopen for service within a short period of approximately eight months after the disaster, for which the Director of the Keihin Port Office expressed his gratitude.

This is the first time that the New Technology Award Director-General's Commendation has been awarded since the establishment of the Award.



## Won the Excellence Award at the 23rd National Land Technology Development Awards

The Excellence Award of the National Land Technology Development Award was given to the “Technology for loosening and granulation of soft mud by using water-absorbent mud modification material and Vtoru, a technology for utilizing the modified soil” which modifies soft construction generated soil and can be used as backfilling material.

The developers of this technology are Naruki Wakuri, Head of the Engineering Planning Group of the Environmental Business Division, and Hiromoto Yamauchi, director of JAIWAT Corporation, and the co-developer is Professor Kimitoshi Hayano of Yokohama National University Graduate School.

The National Land Technology Development Award is presented to outstanding new technologies in the construction industry in order to motivate engineers and raise the level of construction technology.

In an online ceremony, Mr. Akaba, Minister of Land, Infrastructure, Transport and Tourism, presented certificates and commemorative gifts to Mr. Noguchi, Director and Senior Managing Executive Officer, and Mr. Yamauchi, Director, JAIWAT.



## Received the 5th JAPAN Construction International Award

The “Ground Improvement Project for the Third Runway of Hong Kong International Airport,” which was constructed by a joint venture (Penta-Ocean - China State - Dong Ah Joint Venture) led by POC using the Cement Deep Mixing(CDM) method, won the JAPAN Construction International Award (Construction Project Category) sponsored by the Ministry of Land, Infrastructure, Transport and Tourism.

This award is given to international projects for delivering “High quality infrastructure” which contributed to local human resource development and international technology transfer. This is the third commendation for POC, following the first award for “485 Expressway in Marina District, Singapore” and the second award for “Zone A Development in Thilawa Special Economic Zone, Myanmar.”

This was the first large-scale seabed ground improvement project using Japan's Cement Deep Mixing (CDM) method. We contributed greatly to the project by leveraging our track record in airport construction in Japan. Our advanced construction technologies as well as our considerations for safety and environment were the additional reasons for the award.



## Received the Minister's Award and Encouragement Award of the Minister of Land, Infrastructure, Transport and Tourism for Overseas Infrastructure Projects

The 2021 Minister's Award for Overseas Infrastructure Projects by the Minister of Land, Infrastructure, Transport and Tourism was held online. Keiji Uchida, Executive General Manager, Deputy Head of International Civil Engineering Divisions Group, received the Minister Award from the Minister of Land, Infrastructure, Transport and Tourism, and Yamato Haraguchi, Senior Staff Manager of the project, received the Minister Encouragement Award.

The Ministry of Land, Infrastructure, Transport and Tourism's “Overseas Infrastructure Project Engineer Certification and Award Program” recognizes the achievements of engineers from Japanese companies who have worked on overseas infrastructure projects, and awards particularly outstanding individuals.

This year, 695 engineers (901 projects) were certified, including 60 engineers (71 projects) from POC. On the day of the award ceremony, 24 engineers (15 received the Minister of Land, Infrastructure, Transport and Tourism Award and 9 received the Minister of Land, Infrastructure, Transport and Tourism Encouragement Award) were honored for their outstanding achievements.

Mr. Haraguchi made a speech on behalf of the award winners and expressed his joy and aspirations for receiving the award, saying, “We were able to overcome the problems peculiar to construction work on remote islands and contributed to improving the working environment for local fishermen and the sanitary conditions of fresh marine products. We will continue to work hard to improve our abilities as civil engineers and contribute to the maintenance and development of social infrastructure in civil engineering projects both in Japan and overseas.”





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.

### Establishment of Corporate Governance Guidelines

Our company has established the “Penta-Ocean Construction Corporate Governance Guidelines,” which provides basic principle and operating guidelines for corporate governance. In response to the Corporate Governance Guidelines, which was revised in June 2021, the content of the guidelines has been expanded and revised (December 20, 2021).

- Objectives
- 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
- Structure of the Corporate Governance Guidelines
- Ensuring shareholders’ rights and equality
- Proper cooperation with stakeholders other than shareholders
- Ensuring appropriate disclosure and transparency
- Duties of the Board of Directors
- Dialogue with shareholders

### Continuous Improvement of Corporate Governance

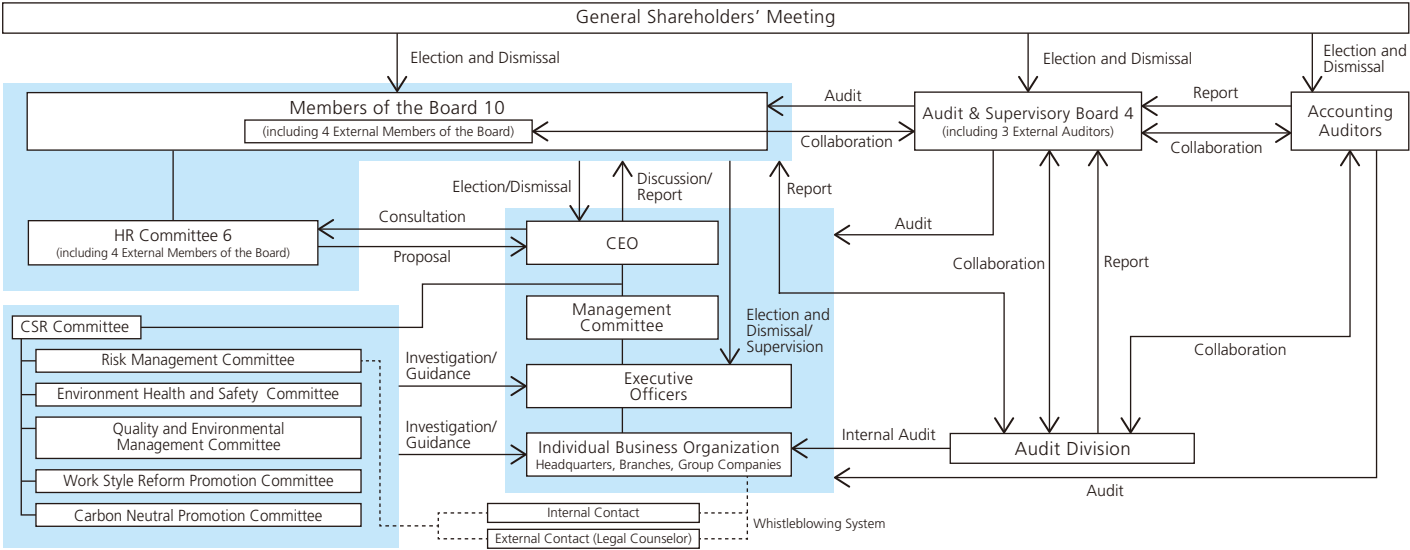
#### Management and Business Execution

Our company's Board of Directors is composed of 10 members, including four outside directors, and abides by all applicable laws, regulations, and articles of incorporation, in-house rules, and Penta-Ocean Construction Corporate Governance Guidelines. In principle, the Board of Directors meets twice a month, to decide on significant management issues and monitors the progress of business operation. In addition, we implemented an executive officer system, to define roles in 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 outside Members of the Board and additional small number of other Members of the Board, not exceeding a majority. Executive compensation is composed of (1) basic 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 Audit and Supervisory Board, which is composed of four corporate 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) to see how directors are carrying out their duties. We believe that adopting such a corporate governance system will enable fair, and transparent business management.

#### Corporate Governance System



#### Internal Control System

POC has established a basic internal control policy and developed an internal control system, overseen by the Board of Directors, in order to ensure thorough risk management, compliance with laws and regulations, and proper and efficient execution of business. The internal audit department audits the development and operation of the overall internal control system, especially focusing on the continuous improvements and appropriate operation. Their examination results are evaluated by the Board of Directors annually, to confirm that the internal control system is operating properly based on the basic internal control policy.

### Assessing the Effectiveness of the Board of Directors

At the end of each 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 conducting a self-assessment of FY 3/22 in June 2022, 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.

#### Skill Matrix for Directors and Corporate Auditors

In nominating candidates for directors and corporate auditors, the president and representative director selects candidates while comprehensively considering their background, personality, insight, ability and the balance of these factors, regardless of gender, nationality, etc. The Personnel Committee is consulted and the Board of Directors makes a decision on the candidates.

The following is a skills matrix listing the knowledge, experience and abilities of each director and corporate auditor.

Corporate Management	Those with experience as representative directors, directors of other companies, chairpersons or directors of audit corporations, foundations, etc.
Technology/IT	Those with expertise in construction technology, IT, etc./Experienced executive officers, general managers, and others
Sales/ Business Strategy	Experienced executive officer or general manager in charge of sales and business strategy
Financial Affairs/ Accounting	Person with expertise in finance and accounting/Experienced executive officer or general manager in charge of finance and accounting
Legal Affairs/ Risk Management	Person with expertise in legal affairs and risk management/Experienced executive officer or general manager in charge of legal affairs and risk management
CSR/ Sustainability	Person with expertise in CSR and sustainability/Experienced executive officer, general manager, etc.
Global	Person with expertise in global business/Experienced executive officer, general manager, etc. in charge/Experienced in overseas work

#### Strategic Shareholdings

To maintain and strengthen business and cooperative relationships with issuing companies, we hold strategic shareholdings on a long-term basis subject to a resolution of the Board of Directors. In June of each year, the

Board of Directors reviews the financial position, operating results, share price and dividends, as well as transactions in the past three years and future plans of each company in which we have vested to determine whether the holding's purpose, benefits and risks, and cost of capital are commensurate with the appropriateness of the holding.

Following a thorough dialogue with the companies with which we do business, we are proceeding with a gradual reduction in the interest of controlling holding risk and capital efficiency.

		Expertise and experience of directors and auditors						
	Name	Corporate Management	Technology/IT	Sales/Business Strategy	Financial Affairs/Accounting	Legal Affairs/Risk Management	CSR/Sustainability	Global
Members of the Board	Takuzo Shimizu	President, Chief Executive Officer and Representative Director	●	●	●		●	
	Kazuya Ueda	Representative Director Executive Vice President Head of Civil Engineering Sales and Marketing Divisions Group	●	●	●			
	Tetsushi Noguchi	Senior Managing Executive Officer, Head of Civil Engineering Divisions Group		●	●			
	Hiroshi Watanabe	Senior Managing Executive Officer, Head of Building Construction Sales and Marketing Divisions Group		●	●			●
	Tomoyuki Yamashita	Senior Managing Executive Officer, Head of Corporate Administration Divisions Group				●	●	●
	Osamu Hidaka	Executive Officer, Head of International Civil Engineering Divisions Group		●	●			●
	Yasuhiro Kawashima	outside members	●	●				●
	Hidenori Takahashi	outside members	●			●	●	
Audit & Supervisory Board Members	Hokuto Nakano	outside members	●		●	●		●
	Mina Sekiguchi (Ms.)	outside members	●		●	●		●
	Michio Inatomi					●	●	●
	Hideaki Kuraishi	outside members			●	●		●
	Shin Suganami	outside members			●			●
	Hisashi Takebayashi	outside members	●		●		●	

\*CSR/Sustainability: Includes ESG, IR/PR, D&I, respect for human rights, global environmental issues, etc.

## Directors' Remuneration

Fixed salary (monetary), performance-based remuneration (monetary), and performance-based remuneration (non-monetary) account for approximately 65%, 25%, and 10%, respectively, of the remuneration paid to directors and executive officers (hereinafter “directors and others”).

In consideration of their duties, outside Members of the Board shall receive only base salary (fixed remuneration in cash), which is set for each Member of the Board, and shall not receive performance-based remuneration (monetary and non-monetary).

## (i) Fixed salary (monetary)

The amount of remuneration consists of the base salary determined for each executive officer's position, plus additional remuneration for the Members of the Board commensurate with the weight of their responsibilities.

## (ii) Performance-based remuneration (monetary)

## Individual performance-based remuneration (monetary)

Individual performance-based remuneration is a variable amount of ±10% of the fixed remuneration (monetary), based on an evaluation of each individual based on objective indicators such as the performance of the division or branch to which the individual belongs, as well as a qualitative evaluation of the individual. Individual performance evaluation (five-level evaluation) is determined by evaluation of items such as company-wide performance evaluation (orders received, operating income, cash flow, quality and safety initiatives, and subsidiary performance) and qualitative evaluation.

$$\text{Individual performance-based remuneration} = \text{Fixed salary} \times \text{Evaluation coefficient based on individual performance evaluation}$$

## Short-term incentive compensation (monetary)

The base amount determined for each position is multiplied by the annual incentive coefficient, which is calculated by multiplying the company performance evaluation coefficient, operating income coefficient, Return on Equity (ROE) coefficient, and dividend payout ratio coefficient. The company performance evaluation coefficient is calculated using the same method as the individual performance-based remuneration and the operating income coefficient is calculated based on the amount of consolidated operating income.

The short-term incentive compensation is set at zero if ROE falls below 5% or if no dividend is paid.

$$\text{Short-term Incentive Compensation} = \text{Base Amount} \times \text{Annual Incentive Coefficient}$$

$$\text{Annual Incentive Coefficient} = \text{Company Performance Evaluation Coefficient} \times \text{Consolidated Operating Profit Coefficient} \times \text{ROE level coefficient} \times \text{Dividend payout ratio level coefficient}$$

## (iii) Performance-based compensation (non-monetary)

This is performance-based stock compensation using a stock benefit trust. Points to be granted to Members of the Board, etc. are determined each fiscal year by multiplying the points determined for each position by a company-wide evaluation coefficient based on an evaluation of the company's performance, an individual evaluation coefficient based on a qualitative evaluation of the individual, and a standard stock price coefficient for a standard stock price to be reviewed every three years, in the same manner as the individual performance-based compensation in (2) above.

Each point is converted into one share of common stock of the company at the time of payment of stock-based compensation.

As a general rule, Members of the Board and others receive benefits in the form of shares of our company, etc. when they retire from the Board of Directors.

The ratio of remuneration for Members of the Board

Fixed remuneration (monetary)	Performance-linked remuneration (monetary)	Performance-linked remuneration (non-monetary)
Approximately 65%	Approximately 25%	Approximately 10%

## Details of Executive Compensation

Type of Compensation	Members of the Board	Outside Members of the Board	Audit and Supervisory Board Members
Fixed remuneration (monetary)	●	●	●
Performance-linked remuneration (monetary)	●	-	-
Performance-linked remuneration (non-monetary)	●	-	-

## Remuneration for Directors and Corporate Auditors in FY 3/2022

Executive category	Total amount of remuneration, etc. (million yen)	Total amount of remuneration, etc. by type (million yen)		Number of Directors and Corporate Auditors to be paid
		Monetary compensation	Stock compensation	
Members of the Board (excluding outside Members of the Board)	356	332	23	7
Outside Members of the Board	37	36	0	4
Audit and Supervisory Board Members (excluding Outside Members)	24	24	-	2
Outside Audit and Supervisory Board Members	36	36	-	3

\*The number of Members of the Board and Audit and Supervisory Board Members paid and the amount paid include those for Members of the Board and Audit and Supervisory Board Members who retired during the fiscal year.

\*Stock compensation represents the amount paid during the fiscal year under review and the amount transferred to the reserve for Members of the Board's and Audit and Supervisory Board Members' stock benefits. It is paid at the time of retirement of directors or executive officers, and the amount of payment varies depending on the reason for retirement and the stock price at the time of payment.

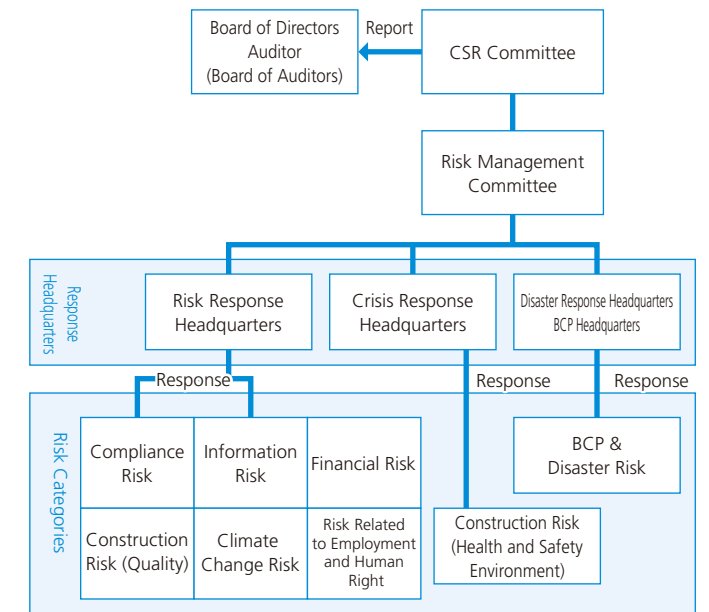
Penta-Ocean Construction Group identifies various risks that may arise during the course of its business operations and takes appropriate and continuous measures to prevent the occurrence of such risks and minimize losses that may affect the Group's overall management in the event that such risks arise.

## Risk Management Structure

Our Company has formed a Risk Management Committee within the CSR Committee, chaired by the President and Representative Director, to promote risk management. The committee plays a central role in addressing the company's inherent compliance risk, information risk, business continuity plan (BCP), large-scale disaster risk, and, and has designated a department in charge of each risk category. Furthermore, in April 2010, we introduced the concept of group risk management and began efforts to strengthen risk management at each Penta-Ocean Group company. By identifying and categorizing potential risks in advance, we have established a risk management system allowing us to promptly take countermeasures according to the type of risk when specific risks actually occur.

As a result, we can respond to minimize damage even if unexpected risks occur. In addition, after reviewing the results of our response to such risks, we disseminate our knowledge and preparedness for new risks horizontally. Also, in the unlikely event that a major risk occurs, the Committee establishes a Risk Response Headquarters, headed by the representative director. In the event of a major incident occurs that threatens the continuity of business activities, a BCP Headquarters is established. If a major work-related accident occurs, a Crisis Response Headquarters is established, and in the event of a natural disaster occurs, a Disaster Response Headquarters is 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 leaks of personal and other confidential information. As such an incident or accident occurs, the damage incurred by the company is immeasurable and the social responsibility is significant. Thus, the company is required to control information appropriately. Furthermore, in the current information society, the company is necessary to plan and act based on the information systems environment (electronic bidding, electronic delivery, e-commerce, etc.). Our company established its Information Management System in 2004, it has been reviewed and enhanced periodically. We are also leveraging common groupware, not only through 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 officers (twice a year) and job-specific training.

## Establishment of the Business Continuity Plan (BCP)

We have established a 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, 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 conduct large-scale BCP disaster drills, aiming to maintain a system that can smoothly activate the BCP in the event of an emergency and to continuously improve the plan.

## Specific BCP activities

- Confirmation of the safety of all group employees and their families through our safety confirmation system and the evaluation of damage to company workplaces
- Back-up support information resources at the Institute of Technology
- Provision of an alternative base in the event that the headquarters is damaged

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
2021	Security audit by an external organizations, and take countermeasures



BCP drill conducted in September 2021



POC Group 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 Policy

All executive officers and employees of POC group shall comply with laws and regulations in conducting their business activities, respect social norms and ethics, and always act with integrity. In particular, in construction bidding, we shall comply with the Antimonopoly Law and other related laws and regulations, and practice fair and free competition.

Our “Compliance Guidelines” stipulate several items related to the prevention of corruption, including “sound and normal relations with politics and government administration” and “prevention of improper payments to foreign public officials, etc.,” and we make these items known throughout the Company.

### 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 3/22, compliance training was conducted a total of 162 times across the group, with a total of 17,943 executives and employees taking part.

The International Business Unit provided compliance and anti-harassment training (including anti-corruption training) in 10 countries and regions (including Singapore, Hong Kong, and Mozambique). The training included explanations and case studies of the codes of conduct to be followed by our company’s officers and employees, including “anti-bribery,” “fair and free competition,” “proper use of software,” “prevention of information leaks,” “prevention of embezzlements, kickbacks, and other forms of corruption,” and “prevention of harassment,” as well as discussion-type training. For employees who may work in multiple countries and regions, the training covered a wide range of topics that are common to all countries where our company operates. For locally hired employees, the content focused on the laws of the relevant country and case studies, with a lawyer from a local law firm serving as a lecturer for each country.

### Guideline for Appropriate Bidding

On March 31, 2009, we issued a “Declaration of Bid Rigging and declaration of Compliance.” As one of the measures to ensure the implementation of the declaration, we formulated the “Action Guidelines for Proper Bidding” for all executive officers and employees of POC group in June of the same year.

This guideline is prepared in light of the Antimonopoly Law and other related laws and regulations.

- The guidelines indicate the types of conduct that are prohibited in the course of duties related to bidding operations.
- Penalties and illegal acts that may be imposed on individual executives and employees in the event of a violation
- The guidelines provide specific measures to be taken by executives and employees when they come into contact with acts that may be considered suspicious.

The guideline clearly states the Group’s basic stance against illegal activities: “We will not do, we will not allow, and we will not overlook”. We provide all executive officers and employees of the Group with the guideline via the intranet. In addition, e-learning training on the guideline is conducted every year to ensure their understanding.

### Thorough Elimination of Antisocial Forces

The Risk Management Committee 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.

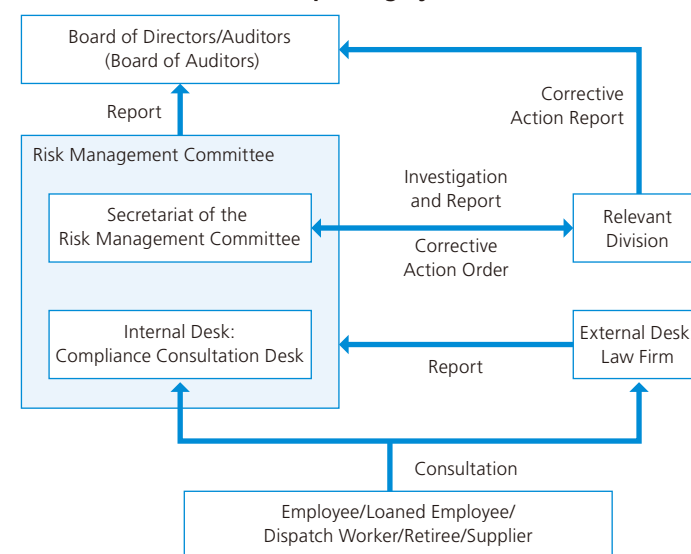
Regarding relationships with our business partners, our contracts (sales of goods contracts, construction subcontracting agreements, etc.) contain provisions for the eradication of antisocial forces.

### Internal Reporting System

As part of measures to further promote thorough compliance, our company established a Compliance Consultation Desk, which allows employees, business partners and others to report to outside counsel (lawyers) as well as the in-house consulting office when they notice actions that may be in conflict with laws, regulations, corporate ethics, and internal regulations, or when they suspected a violation of compliance. Our company clearly state 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 established a Harassment Consultation Desk to provide consultations on harassment and other issues (i.e., various acts of harassment, such as sexual harassment, power harassment, and maternity harassment, as well as other human rights issues). The Risk Management Committee investigates the facts of each case and takes appropriate measures including guidance and disciplinary actions, in accordance with company regulations.

#### Outline of the Internal Reporting System



For all 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 quarterly financial results briefings for analysts and institutional investors. The company president attends the briefing session after the announcements of the interim and final financial results, and provides explanations on the content of financial results, the business outlook, and the topics of interest.

#### One-on-One Meetings

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

#### IR Activities Overseas

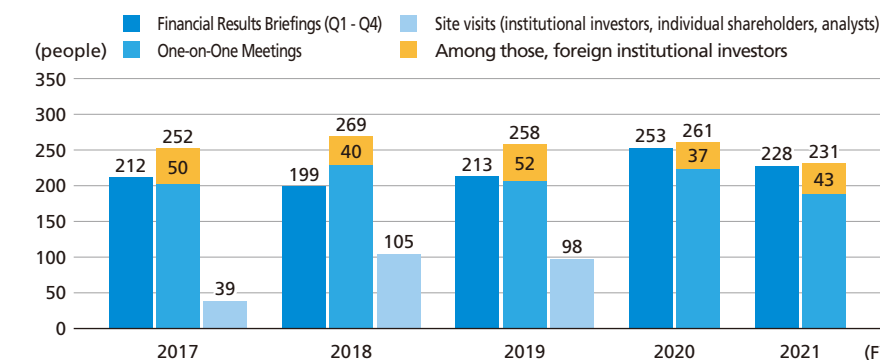
Our president holds one-on-one meetings with foreign institutional investors every year. In New York, London, and elsewhere, he holds dialogue on management conditions and business prospects.

#### Work Site Visits

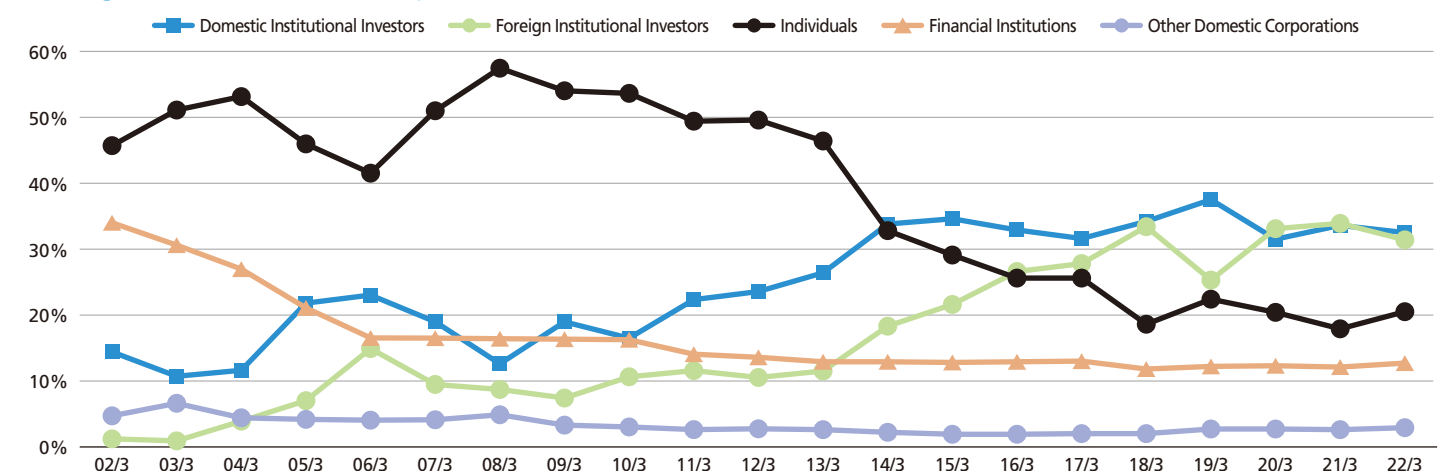
As part of our IR activities, we hold site visits for institutional investors, individual shareholders and analysts, to help them gain a deeper understanding of our business and construction performance.

\*In FY 3/21 and FY 3/22 we suspended our in-person IR activities, including IR activities overseas, 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)



#### Changes in shareholder composition



Financial Results Briefings (May 2022)



Individual shareholder site visit to the new Tokyo International Cruise Terminal (construction) (September 2019)



Work site visit held for individual shareholders (civil engineering) (September 2019)



## Consolidated Financial Statements

## 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
	2018	2019	2020	2021	2022	2022
Net sales	¥526,902	¥541,949	¥573,843	¥471,059	<b>¥458,232</b>	<b>\$3,743,418</b>
Construction	517,526	531,851	564,136	464,214	<b>447,888</b>	<b>3,658,913</b>
Other	9,376	10,098	9,707	6,845	<b>10,344</b>	<b>84,505</b>
Total assets	418,423	383,840	428,875	452,248	<b>467,364</b>	<b>3,818,022</b>
Net assets excluding non-controlling interests	111,971	126,517	141,175	158,287	<b>159,600</b>	<b>1,303,812</b>
Ordinary income	25,683	26,569	32,546	30,546	<b>15,659</b>	<b>127,924</b>
Income before income taxes	25,290	26,560	32,455	30,166	<b>16,074</b>	<b>131,310</b>
Net income attributable to owners of parent	17,826	18,899	23,353	20,994	<b>10,754</b>	<b>87,850</b>
Cash dividends	4,003	5,430	6,859	8,002	<b>6,573</b>	<b>53,700</b>
Per share of common stock:	Yen					U.S. dollars
Net assets excluding non-controlling interests	¥392.27	¥443.36	¥494.70	¥555.32	<b>¥559.85</b>	<b>\$4.57</b>
Net income attributable to owners of parent	62.41	66.22	81.83	73.62	<b>37.72</b>	<b>0.31</b>
Cash dividends	14.00	19.00	24.00	28.00	<b>23.00</b>	<b>0.19</b>
Number of employees	3,175	3,319	3,416	3,565	<b>3,667</b>	

Note: 1. Figures in U.S. dollars are converted for convenience only, at the rate of ¥122.41 per U.S.\$1, prevailing on March 31, 2022.  
2. Cash dividends for shares held by BBT amounted to ¥17 million (\$136 thousand) are included in cash dividends above.  
3. “Development business” presented as an 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.



## Business Performance

As our group's business results in the current consolidated fiscal year, we posted sales of ¥458.2 billion (US\$3,743.4 million) (down 2.7% from the previous consolidated fiscal year), an operating profit of ¥15.9 billion (US\$130.2 million) (down 47.7% from the previous consolidated fiscal year), an ordinary income of ¥15.7 billion (US\$127.9 million) (down 48.7% from the previous consolidated fiscal year), and a net income attributable to owners of parent of ¥10.8 billion (US\$87.9 million) (down 48.8% from the previous consolidated fiscal year).

The decrease in sales was mainly caused by the completion of a large civil engineering construction project related to the Tokyo Olympic and Paralympic Games in Japan in the previous year, and the completion or near completion of large-scale harbor constructions related to ODA overseas.

In terms of profit, Provision for loss on construction contracts of around ¥9 billion (US\$74 million) was recorded, firstly because construction costs were expected to rise due to mismatch about site conditions in a large-scale civil engineering construction project in Singapore, as well as the effect of the prolonged COVID-19 pandemic, and secondly due to unsuccessful negotiations for design changes to the completed construction. In addition, the decrease in gross profit from the completed construction caused by the decrease in sales of completed construction contracts from domestic civil engineering construction projects affected our performance. Consequently, operating profit, ordinary income and net income attributable to owners of parent all decreased significantly.

## Segment Information

(Domestic Civil Engineering Business)

In our Domestic Civil Engineering Business, orders amounted to ¥179.4 billion (US\$1,465.9 million), down ¥18.8 billion (US\$153.4 million) from the previous fiscal year (down 9.5%

from the previous consolidated fiscal year), due to an impact by the receipt of the order for a large-scale harbor construction project in the previous year, and the decrease of governmental onshore constructions. Sales amounted to ¥176.9 billion (US\$1,445.5 million) (down 11.1% from the previous consolidated fiscal year), and segment income was ¥17.5 billion (US\$142.7 million) (down 23.6% from the previous consolidated fiscal year), due to the decrease in gross profit from the completed construction caused by the decrease in sales.

(Domestic Building Construction Business)

In our Domestic Building Construction Business, orders amounted to ¥162.2 billion (US\$1,324.9 million), down ¥17.7 billion (US\$144.8 million) (down 9.9% from the previous consolidated fiscal year). Sales amounted to ¥153.4 billion (US\$1,253.5 million) (up 6.2% from the previous consolidated fiscal year), and segment income was ¥3.6 billion (US\$29.8 million) (down 9.9% from the previous consolidated fiscal year).

(Overseas Construction Business)

In our Overseas Construction Business, only 1 order for a large-scale construction was received, so orders decreased to ¥56 billion (US\$457.7 million), down ¥94.9 billion (US\$775.5 million) from the previous term (down 62.9% from the previous consolidated fiscal year). Sales amounted to ¥120.3 billion (US\$982.4 million) (down 1.4% from the previous consolidated fiscal year), and segment loss was ¥6 billion (US\$48.8 million) (a segment income of ¥2.9 billion (US\$23.4 million) in 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 ¥7.6 billion (US\$62.0 million) (up 33.2% from the previous consolidated fiscal year), and segment

income was ¥0.8 billion (US\$6.5 million)(up 16.5% from the previous consolidated fiscal year).

## Financial Position

The total assets of our group at the end of the current consolidated fiscal year stood at ¥467.4 billion (US\$3,818.0 million), up ¥15.1 billion (US\$123.5 million) from the end of the previous consolidated fiscal year, because of the increase in notes receivable and accounts receivable from completed construction contracts, despite the decrease in cash and deposits. Liabilities totaled ¥307.6 billion (US\$2,512.7 million), up ¥13.7 billion (US\$112.2 million) from the end of the previous consolidated fiscal year, owing to the increase of commercial papers. Total net assets stood at ¥159.8 billion (US\$1,305.3 million), up ¥1.4 billion (US\$11.3 million) from the end of the previous consolidated fiscal year, because of the increase in retained earnings caused by the posting of net income attributable to owners of parent.

## Cash Flows

Cash and cash equivalents as of the end of the current consolidated fiscal year stood at ¥43.6 billion (US\$355.9 million), down ¥15.6 billion (US\$127.7 million) (26.4%) from the end of the previous consolidated fiscal year. The status of cash flows for the current consolidated fiscal year and their factors are as follows.

(Cash flow from operations)

There was a cash outflow of ¥7.7 billion (US\$62.8 million) (a cash inflow of ¥30.7 billion (US\$250.7 million) in the previous consolidated fiscal year), as net income before taxes and other adjustments was ¥16.1 billion (US\$131.3 million), but accounts receivable increased.

(Cash flow from investments)

There was a cash outflow of ¥11.8 billion (US\$96.6 million) (a

cash outflow of ¥12.8 billion (US\$104.6 million) in the previous consolidated fiscal year), due to the purchase of shares of equity-method affiliates as well as the purchase of tangible fixed assets.

(Cash flow from financial activities)

There was a cash inflow of ¥1.4 billion (US\$11.1 million) (a cash outflow of ¥3.1 billion (US\$25.4 million) in the previous consolidated fiscal year) due to revenues from the issuance of commercial paper, etc..

## 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.

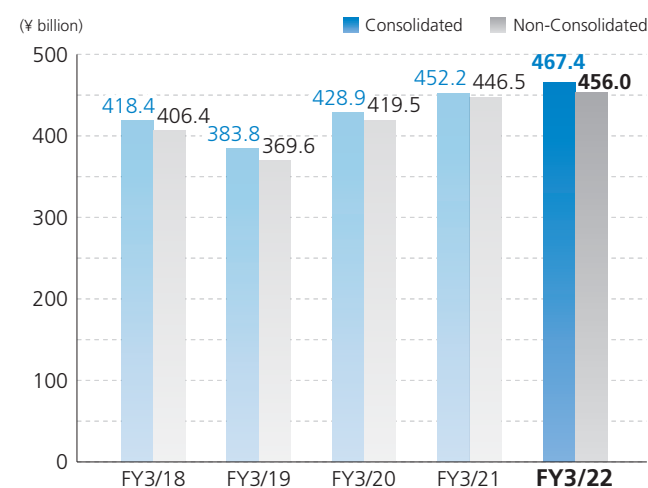
Under these policies, we have been aiming to achieve a (consolidated) dividend payout ratio of 30% or higher, however, from the fiscal year 2022, we have set a target (consolidated) total return ratio, including the acquisition of treasury shares, as a goal for shareholder returns, in addition to a target dividend payout ratio. In order to carry out our carbon-neutral initiatives, we plan to actively implement the investment in workboats for construction of offshore wind power generation plants, etc., and set the target (consolidated) total return ratio at 40%.

With regard to the dividend payment in the current fiscal year, based on the above policies and performance in the current fiscal year, it was set at ¥23 per common share.

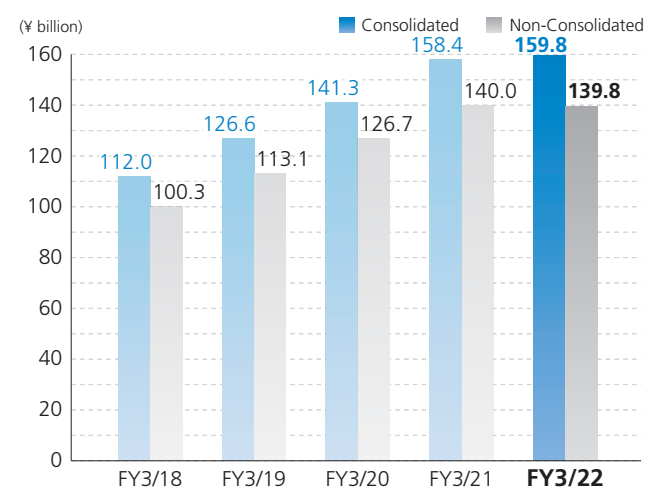
In addition, it is our policy to distribute an annual dividend at the end of each fiscal year, and its amount is determined at a general meeting of shareholders.

\* Exchange rate at the term end: US\$1 = ¥122.41

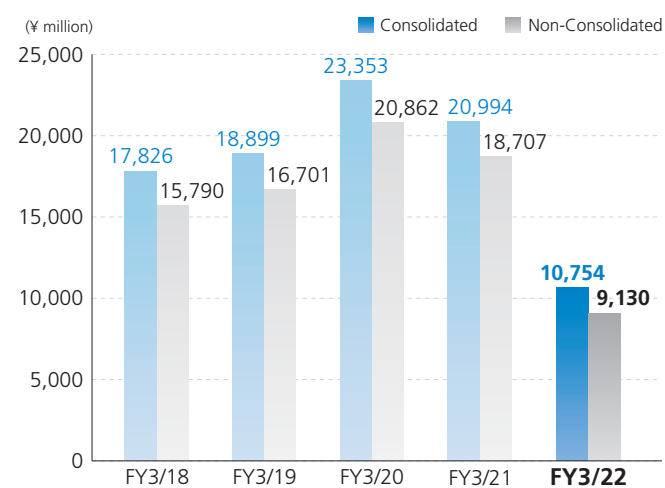
Total Assets



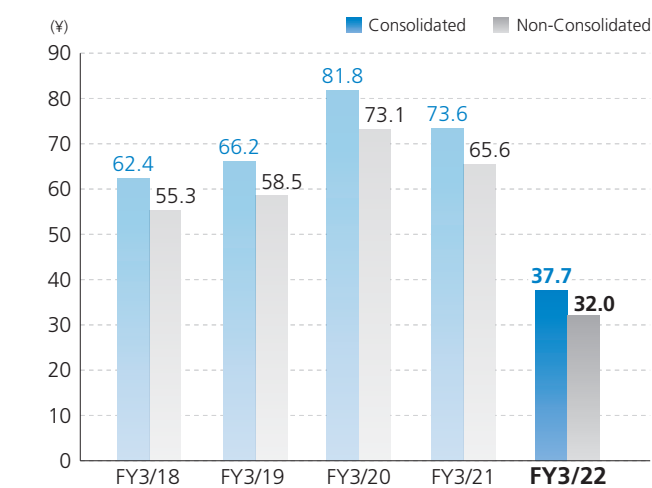
Total Net Assets



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
	2021	2022	2022
<b>Current assets:</b>			
Cash and deposits (Note 20)	¥ 59,782	¥ 44,838	\$ 366,296
Securities (Notes 3(3), 7, 8 and 20)	9	18	151
Trade receivables: (Notes 11 and 20)			
Notes	7,231	6,105	49,876
Accounts	250,606	269,436	2,201,092
Inventories: (Note 3(5))			
Costs on uncompleted construction contracts	9,258	11,453	93,562
Real estate for sale and development projects in progress	1,898	1,228	10,031
Other	3,137	3,443	28,128
Other	3,525	8,202	66,999
Allowance for doubtful accounts (Note 3(9))	(358)	(346)	(2,825)
Total current assets	335,088	344,377	2,813,310
<b>Non-current assets:</b>			
<b>Property, plant and equipment: (Notes 3(6) and 3(8))</b>			
Land	33,492	33,501	273,679
Buildings and structures	38,121	37,943	309,969
Machinery, equipment and vehicles	20,855	20,787	169,817
Dredgers and vessels	84,960	89,067	727,612
Construction in progress	11,963	16,341	133,493
Total property, plant and equipment	189,391	197,639	1,614,570
Less: accumulated depreciation	(104,984)	(110,132)	(899,698)
Property, plant and equipment - net	84,407	87,507	714,872
<b>Intangible assets (Notes 3(7) and 3(17))</b>	3,932	3,762	30,729
<b>Investments and other assets:</b>			
Investment securities (Notes 3(3), 7, 8 and 20)	19,485	21,057	172,018
Deferred tax assets (Note 18)	3,110	4,249	34,710
Net defined benefit asset (Note 19)	3,190	3,477	28,404
Other (Note 8)	6,298	6,434	52,559
Allowance for doubtful accounts (Note 3(9))	(3,262)	(3,499)	(28,580)
Total investments and other assets	28,821	31,718	259,111
Total non-current assets	117,160	122,987	1,004,712
<b>Total assets</b>	¥452,248	¥467,364	\$3,818,022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
<b>Current liabilities:</b>			
Short-term loans payable (Note 9)	¥ 20,919	¥ 21,188	\$ 173,087
Commercial papers (Note 9)	—	10,000	81,693
Current portion of long-term loans payable and bonds payable (Note 9)	17,922	7,922	64,717
Trade payable:			
Accounts	124,867	124,473	1,016,856
Advance received on uncompleted construction contracts (Note 11)	24,586	30,900	252,433
Deposits received	42,150	38,735	316,436
Income taxes payable	4,806	2,839	23,189
Provision for loss on construction contracts (Note 3(12))	1,375	3,868	31,596
Provision for warranties for completed construction (Note 3(10))	993	792	6,469
Provision for bonuses (Note 3(11))	2,980	3,123	25,511
Other	4,241	3,925	32,066
Total current liabilities	244,839	247,765	2,024,053
<b>Non-current liabilities:</b>			
Bonds payable (Notes 9 and 20)	20,000	30,000	245,078
Long-term loans payable (Notes 9 and 20)	23,372	23,447	191,548
Provision for board benefit trust (Note 3(13))	299	348	2,847
Net defined benefit liability (Notes 3(14) and 19)	1,118	1,847	15,090
Deferred tax liabilities for land revaluation (Note 10(2))	3,680	3,680	30,059
Other	536	491	4,009
Total non-current liabilities	49,005	59,813	488,631
Total liabilities	293,844	307,578	2,512,684
<b>Commitments and contingent liabilities (Note 17)</b>			
<b>Net assets:</b>			
Shareholders' equity:			
Capital stock	30,450	30,450	248,754
Authorized - 599,135,000 shares			
Issued shares - 286,013,910 shares 2021 and 2022			
Capital surplus (Note 10(1))	18,387	18,387	150,206
Retained earnings (Note 10(1))	101,199	103,985	849,480
Less: Treasury shares (Note 6(1))	(591)	(565)	(4,609)
Total shareholders' equity	149,445	152,257	1,243,831
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Notes 3(3) and 10(3))	4,584	3,228	26,367
Deferred gains or losses on hedges (Note 3(16))	(175)	(162)	(1,325)
Revaluation reserve for land (Note 10(2))	3,913	3,913	31,963
Foreign currency translation adjustment (Note 3(2))	(15)	512	4,193
Remeasurements of defined benefit plans (Notes 3(14) and 19)	536	(149)	(1,217)
Total accumulated other comprehensive income	8,843	7,342	59,981
Non-controlling interests	116	187	1,526
Total net assets	158,404	159,786	1,305,338
<b>Total liabilities and net assets</b>	¥452,248	¥467,364	\$3,818,022

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
	2021	2022	2022
<b>Construction business: (Notes 3(15), 4 and 11)</b>			
Net sales	¥464,214	<b>¥447,888</b>	<b>\$3,658,913</b>
Cost of sales	416,484	<b>413,458</b>	<b>3,377,641</b>
Gross profit	47,730	<b>34,430</b>	<b>281,272</b>
<b>Other:</b>			
Net sales	6,845	<b>10,344</b>	<b>84,505</b>
Cost of sales	4,536	<b>7,538</b>	<b>61,590</b>
Gross profit	2,309	<b>2,806</b>	<b>22,915</b>
<b>Total:</b>			
Total net sales	471,059	<b>458,232</b>	<b>3,743,418</b>
Total cost of sales	421,020	<b>420,996</b>	<b>3,439,231</b>
<b>Total gross profit</b>	50,039	<b>37,236</b>	<b>304,187</b>
<b>Selling, general and administrative expenses</b>	19,578	<b>21,296</b>	<b>173,973</b>
<b>Operating profit</b>	30,461	<b>15,940</b>	<b>130,214</b>
<b>Non-operating income:</b>			
Interest and dividends income	449	<b>391</b>	<b>3,196</b>
Foreign exchange gains	10	<b>177</b>	<b>1,443</b>
Other	732	<b>377</b>	<b>3,080</b>
	1,191	<b>945</b>	<b>7,719</b>
<b>Non-operating expenses:</b>			
Interest expenses	667	<b>636</b>	<b>5,197</b>
Provision of allowance for doubtful accounts	259	<b>266</b>	<b>2,173</b>
Other	180	<b>324</b>	<b>2,639</b>
	1,106	<b>1,226</b>	<b>10,009</b>
<b>Ordinary income</b>	30,546	<b>15,659</b>	<b>127,924</b>
<b>Extraordinary income (Note 12)</b>	139	<b>878</b>	<b>7,176</b>
<b>Extraordinary losses (Note 13)</b>	519	<b>463</b>	<b>3,790</b>
<b>Income before income taxes</b>	30,166	<b>16,074</b>	<b>131,310</b>
<b>Income taxes : (Notes 3(19) and 18)</b>			
Current	7,450	<b>5,621</b>	<b>45,916</b>
Deferred	1,735	<b>(267)</b>	<b>(2,184)</b>
	9,185	<b>5,354</b>	<b>43,732</b>
<b>Net income attributable to:</b>	20,981	<b>10,720</b>	<b>87,578</b>
Non-controlling interests	(13)	<b>(34)</b>	<b>(272)</b>
Owners of parent	¥ 20,994	<b>¥ 10,754</b>	<b>\$ 87,850</b>
	Yen		U.S. dollars
<b>Net income attributable to owners of parent per share of common stock (Note 23)</b>			
Basic	¥73.62	<b>¥37.72</b>	<b>\$0.31</b>

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
	2021	2022	2022
<b>Net income</b>	¥20,981	<b>¥10,720</b>	<b>\$87,578</b>
Valuation difference on available-for-sale securities	1,911	<b>(1,356)</b>	<b>(11,080)</b>
Deferred gains or losses on hedges	(219)	<b>13</b>	<b>106</b>
Foreign currency translation adjustments	155	<b>619</b>	<b>5,057</b>
Remeasurements of defined benefit plans	1,351	<b>(685)</b>	<b>(5,596)</b>
Share of other comprehensive income of associates accounted for using the equity method	—	<b>(85)</b>	<b>(692)</b>
<b>Total other comprehensive income (Note 15)</b>	3,198	<b>(1,494)</b>	<b>(12,205)</b>
<b>Comprehensive income</b>	¥24,179	<b>¥ 9,226</b>	<b>\$75,373</b>
<b>(Breakdown)</b>			
Comprehensive income attributable to owners of parent	¥24,188	<b>¥ 9,254</b>	<b>\$75,596</b>
Comprehensive income attributable to non-controlling interests	(9)	<b>(27)</b>	<b>(223)</b>

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, 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
Cumulative effects of changes in accounting policies					—
Restated balance	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							
	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	Non-controlling interests	Total net assets
<b>Balance at the beginning of current period</b>	¥2,673	¥ 45	¥3,910	¥(167)	¥(815)	¥5,646	¥125	¥141,300
Cumulative effects of changes in accounting policies								—
Restated balance	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, 2022

	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	¥101,199	¥(591)	¥149,445
Cumulative effects of changes in accounting policies			35		35
Restated balance	30,450	18,387	101,234	(591)	149,480
Changes of items during period					
Dividends of surplus			(8,003)		(8,003)
Net income attributable to owners of parent			10,754		10,754
Reversal of revaluation reserve for land					—
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				26	26
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	2,751	26	2,777
<b>Balance at the end of current period</b>	¥30,450	¥18,387	¥103,985	¥(565)	¥152,257

	Millions of yen							
	Accumulated other comprehensive income							
	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	Non-controlling interests	Total net assets
<b>Balance at the beginning of current period</b>	¥4,584	¥(175)	¥3,913	¥ (15)	¥ 536	¥8,843	¥116	¥158,404
Cumulative effects of changes in accounting policies								35
Restated balance	4,584	(175)	3,913	(15)	536	8,843	116	158,439
Changes of items during period								
Dividends of surplus								(8,003)
Net income attributable to owners of parent								10,754
Reversal of revaluation reserve for land								—
Purchase of treasury shares								(0)
Disposal of treasury shares								26
Net changes of items other than shareholders' equity	(1,356)	13	—	527	(685)	(1,501)	71	(1,430)
Total changes of items during period	(1,356)	13	—	527	(685)	(1,501)	71	1,347
<b>Balance at the end of current period</b>	¥3,228	¥(162)	¥3,913	¥512	¥(149)	¥7,342	¥187	¥159,786

For the year ended March 31, 2022

	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>	\$248,754	\$150,206	\$826,719	\$(4,821)	\$1,220,858
Cumulative effects of changes in accounting policies			285		285
Restated balance	248,754	150,206	827,004	(4,821)	1,221,143
Changes of items during period					
Dividends of surplus			(65,374)		(65,374)
Net income attributable to owners of parent			87,850		87,850
Reversal of revaluation reserve for land					—
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares				215	215
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	22,476	212	22,688
<b>Balance at the end of current period</b>	\$248,754	\$150,206	\$849,480	\$(4,609)	\$1,243,831

	Thousands of U.S. dollars							
	Accumulated other comprehensive income							
	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	Non-controlling interests	Total net assets
<b>Balance at the beginning of current period</b>	\$37,448	\$(1,431)	\$31,963	\$(124)	\$ 4,379	\$72,235	\$ 948	\$1,294,041
Cumulative effects of changes in accounting policies								285
Restated balance	37,448	(1,431)	31,963	(124)	4,379	72,235	948	1,294,326
Changes of items during period								
Dividends of surplus								(65,374)
Net income attributable to owners of parent								87,850
Reversal of revaluation reserve for land								—
Purchase of treasury shares								(3)
Disposal of treasury shares								215
Net changes of items other than shareholders' equity	(11,081)	106	—	4,317	(5,596)	(12,254)	578	(11,676)
Total changes of items during period	(11,081)	106	—	4,317	(5,596)	(12,254)	578	11,012
<b>Balance at the end of current period</b>	\$26,367	\$(1,325)	\$31,963	\$4,193	\$(1,217)	\$59,981	\$1,526	\$1,305,338

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
	2021	2022	2022
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥30,166	<b>¥16,074</b>	<b>\$131,310</b>
Adjustment to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	7,395	<b>6,488</b>	<b>53,003</b>
Amortization of goodwill	124	<b>261</b>	<b>2,136</b>
Increase (decrease) in allowance for doubtful accounts	(143)	<b>225</b>	<b>1,835</b>
Increase (decrease) in net defined benefit liability	40	<b>(0)</b>	<b>(2)</b>
Decrease (increase) in net defined benefit asset	(276)	<b>(286)</b>	<b>(2,337)</b>
Interest and dividends income	(449)	<b>(391)</b>	<b>(3,196)</b>
Interest expenses	667	<b>636</b>	<b>5,197</b>
Foreign exchange losses (gains)	(1,565)	<b>(2,475)</b>	<b>(20,218)</b>
Equity in (earnings) losses of affiliates	(11)	<b>(45)</b>	<b>(369)</b>
Loss (gain) on sales of property, plant and equipment	(46)	<b>4</b>	<b>31</b>
Loss (gain) on sales of investment securities	(43)	<b>(758)</b>	<b>(6,189)</b>
Loss on valuation of securities and investment securities	413	—	—
Change in assets and liabilities:			
Decrease (increase) in notes and accounts receivable-trade	380	<b>(23,852)</b>	<b>(194,855)</b>
Decrease (increase) in costs on uncompleted construction contracts	985	<b>(2,190)</b>	<b>(17,890)</b>
Decrease (increase) in real estate for sale and development projects in progress and other inventories	(305)	<b>552</b>	<b>4,510</b>
Increase (decrease) in notes and accounts payable-trade	(2,374)	<b>82</b>	<b>672</b>
Increase (decrease) in advances received on uncompleted construction contracts	3,121	<b>6,274</b>	<b>51,257</b>
Increase (decrease) in other provision	(1,660)	<b>2,460</b>	<b>20,096</b>
Other, net	4,294	<b>(2,843)</b>	<b>(23,227)</b>
Subtotal	40,713	<b>216</b>	<b>1,764</b>
Interest and dividends income received	445	<b>382</b>	<b>3,117</b>
Interest expenses paid	(651)	<b>(639)</b>	<b>(5,212)</b>
Income taxes paid	(9,817)	<b>(7,647)</b>	<b>(62,473)</b>
Net cash provided by operating activities	30,690	<b>(7,688)</b>	<b>(62,804)</b>
<b>Cash flows from investing activities:</b>			
Payments into time deposits	(33)	<b>(1,156)</b>	<b>(9,444)</b>
Proceeds from withdrawal of time deposits	43	<b>469</b>	<b>3,832</b>
Purchase of investment securities	(29)	<b>(424)</b>	<b>(3,460)</b>
Proceeds from sales and redemption of short-term and long-term investment securities	68	<b>1,079</b>	<b>8,815</b>
Purchase of property, plant and equipment	(11,041)	<b>(8,657)</b>	<b>(70,725)</b>
Proceeds from sales of property, plant and equipment	511	<b>481</b>	<b>3,926</b>
Collection of loans receivable	6	<b>6</b>	<b>52</b>
Acquisition of shares of subsidiaries resulting in change in scope of consolidation	(1,743)	—	—
Acquisition of shares of an affiliated company accounted for using the equity method	—	<b>(3,251)</b>	<b>(26,561)</b>
Other, net	(582)	<b>(368)</b>	<b>(3,007)</b>
Net cash used in investing activities	¥(12,800)	<b>¥(11,821)</b>	<b>¥(96,572)</b>

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans payable	¥ 1,433	<b>¥ (2,059)</b>	<b>\$(16,822)</b>
Net increase (decrease) in commercial papers	(17,999)	<b>10,000</b>	<b>81,693</b>
Proceeds from long-term loans payable	16,436	<b>9,396</b>	<b>76,757</b>
Repayment of long-term loans payable	(5,750)	<b>(7,922)</b>	<b>(64,717)</b>
Proceeds from issuance of bonds payable	19,899	<b>9,944</b>	<b>81,232</b>
Redemption of bonds	(10,000)	<b>(10,000)</b>	<b>(81,693)</b>
Cash dividends paid	(6,850)	<b>(7,994)</b>	<b>(65,307)</b>
Other, net	(280)	<b>(3)</b>	<b>(13)</b>
Net cash provided by (used in) financing activities	(3,111)	<b>1,362</b>	<b>11,130</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	1,391	<b>2,516</b>	<b>20,559</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	16,170	<b>(15,631)</b>	<b>(127,687)</b>
<b>Cash and cash equivalents at the beginning of the period (Note 3(18))</b>	43,028	<b>59,198</b>	<b>483,601</b>
<b>Cash and cash equivalents at the end of the period (Note 3(18))</b>	¥59,198	<b>¥43,567</b>	<b>\$355,914</b>
<b>(Note) (1) Cash and cash equivalents are comprised as follows:</b>			
Cash and deposits	¥59,782	<b>¥44,838</b>	<b>\$366,296</b>
Less-Time deposits with maturity over three months	(584)	<b>(1,271)</b>	<b>(10,382)</b>
Cash and cash equivalents (Note 3(18))	¥59,198	<b>¥43,567</b>	<b>\$355,914</b>
<b>(2) Breakdown of assets and liabilities of new consolidated subsidiaries by acquisition of its shares</b>			
<b>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	<b>¥—</b>	<b>\$—</b>
Non-current assets	44	—	—
Goodwill	2,432	—	—
Current liabilities	(1,595)	—	—
Non-current liabilities	(20)	—	—
Foreign currency translation adjustment	(3)	—	—
Acquisition cost of shares	2,609	—	—
Cash and cash equivalents	(866)	—	—
Payment for acquisition	1,743	—	—

See accompanying Notes to Consolidated Financial Statements.

# Notes to the Consolidated Financial Statements

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

## 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.

## 2. Consolidation

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

The Company has 31 subsidiaries and 7 affiliated companies as at March 31, 2022.

The Company consolidated 30 subsidiaries and applied the equity method to 2 affiliated companies.

Japan Offshore Marine Co., Ltd. and Penta-Ocean Construction Vietnam LLC. were established and have been included in the scope of consolidation.

Koh Brothers Eco Engineering Ltd. has been included in the scope of the equity method due to acquisition of shares.

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

The one unconsolidated subsidiary and the five affiliated

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=¥122.41, the exchange rate prevailing on March 31, 2022. 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.

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, 12 domestic subsidiaries and 16 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 other than stocks and other securities with no market price are stated at fair value. 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 of stocks and 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 major income and expense

In regard to construction business which is the main business, the Group has obligations on completion of projects and delivery to the customers.

These performance obligations are satisfied over time mainly because the control is transferred to the customers with the progress of projects. The revenues are recognized over time in accordance with the progress based on satisfaction of performance obligations.

The method of measuring progress on the performance obligations satisfied is based on proportion of costs incurred by the end of reporting period to the total estimated costs.

When the progress on the performance obligations satisfied is not reasonably estimable but the cost incurred is recoverable, the cost recovery method is applied. An alternative treatment is applied for the construction contracts for which the period from the commencement date to the date when the performance obligations are expected to be fully satisfied is very short. In this case, revenue is recognized at the time of completion, not over time.

### (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) Adoption of consolidated taxation system

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

### 4. Notes on accounting estimates

Recognition of major income and expense

In regard to Construction business which is the main business, the Group has obligations on completion of projects and delivery to the customers based on the contracts with customers.

These performance obligations are satisfied over time mainly because the control is transferred to the customer with the progress of projects. The revenues are recognized over time in accordance with the progress based on satisfaction of performance obligations.

Net sales of completed construction contracts using the method of recognizing revenue by satisfying performance obligations over time is measured by multiplying total construction revenue by progress toward completion of construction. Total construction revenue is determined by adding amounts agreed upon in contracts to estimated amounts substantially agreed upon with customers with whom contracts have not yet been entered. The method of estimating progress on the performance obligations satisfied over time is based on cost proportion method to estimate the progress of such construction project.

Net sales of completed construction contracts of ¥ 427,923 million (U.S. \$ 3,495,820 thousand) has been recorded by using the method of recognizing revenue by satisfying performance obligations over time in this consolidated fiscal year ended March 31, 2022. Net sales of completed construction contracts of ¥ 440,321 million were recorded in related to construction contracts of which the outcome of the construction activity is deemed certain by using the percentage-of-completion method (Progress toward completion of constructions is determined based on the ratio of construction costs incurred by the end of the fiscal year compared to the estimated total construction costs.) for the fiscal year ended March 31, 2021.

#### (1) Total construction revenues

Although construction contracts may potentially be modified due to new agreements with customers in the middle of construction, there are cases where the amounts of such modifications are not determined at

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

The Company and some of its domestic consolidated subsidiaries plan to shift from the consolidated taxation system to the group tax sharing system from the next consolidated fiscal year. 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).

From the beginning of the next consolidated fiscal year, the Company plans to apply "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Accounting Standards Board of Japan PITF No.42, issued August 12, 2021), which prescribes the accounting treatment and disclosure of corporate tax, local corporate tax and tax effect accounting when the Group Tax Sharing System is applied.

#### (24) 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.

the time of the modifications of construction contracts. 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, then it is necessary to reliably estimate the amount of consideration based on substantial agreements among parties and the details of 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 potential modifications in construction contracts, changes in weather and sea conditions and fluctuations in construction material prices and labor prices in the middle of 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 method of recognizing revenue by satisfying performance obligations over time 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 consolidated fiscal year.

### 5. Change in accounting policy

(Change in Accounting Standard for Revenue Recognition, etc.)  
The Group adopted "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Statement No. 29, issued March 31, 2020) etc. from the beginning of the current consolidated fiscal year. As a result, revenue is now recognized in amounts expected to be received for the exchange of deliverables or services at the time when control over promised deliverables or services are transferred to the customers.

Previously, 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) had been applied. For other construction projects, the completed-contract method had been applied. However, in the case the control over promised deliverables or services are transferred to the customer over time, the revenue for the construction contracts over a specific period is now recognized as the performance obligations are satisfied over time. In addition, the method of measuring progress on the performance obligations satisfied over time is based on proportion of costs incurred by the end of reporting period to the total estimated costs. When the progress on the performance obligations satisfied is not reasonably estimable but the cost incurred is recoverable, the cost recovery method is applied. An alternative treatment in paragraph 95 of the Implementation Guidance on Accounting Standard for Revenue Recognition is applied for the construction contracts for which the period from the commencement date to the date when the performance obligations are expected to be fully satisfied is very short. In this case, revenue is recognized at the time of completion, not over time.

The Group adopted the Accounting Standard for Revenue Recognition in accordance with transitional provision of paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative

effect of retroactively applying new accounting policies was reflected in the beginning balance of retained earnings. However, the Group applied the method prescribed in provision of paragraph 86 of the Accounting Standard for Revenue Recognition. New accounting policies were not applied retroactively for the contracts for which the revenue had been almost recognized by previous method.

As a result, the balance of retained earnings at the beginning of the current year increased by ¥35 million (U.S. \$285 thousand). The effect of this change on consolidated financial statements for consolidated current fiscal year is insignificant.

Notes regarding revenue recognition in the prior consolidated fiscal year are not disclosed in accordance with transitional provision of paragraph 89-3 of the Accounting Standard for Revenue Recognition.

(Change in Accounting Standard for Fair Value Measurement, etc.)

The Group adopted "Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan Statement No. 30, issued July 4, 2019) etc. from the beginning of the current consolidated fiscal year.

In accordance with transitional treatment of paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan Statement No. 10, issued July 4, 2019), the new policy is applied going forward at the beginning of current consolidated fiscal year.

There is no effect on consolidated financial statements for current consolidated fiscal year.

Matters concerning the breakdown of the fair value of financial instruments by level, etc. are disclosed in Note 20. But the ones in the prior consolidated fiscal year are not disclosed in accordance with transitional provision of paragraph 95 of the Implementation Guidance on Disclosure for Fair Value of Financial Instruments etc.

### 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 ¥499 million and ¥472 million (U.S. \$3,859 thousand) and the numbers of the stocks were 767,000 shares and 726,400 shares as of March 31, 2021 and 2022, respectively.

#### (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 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, 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

As of March 31, 2022	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	¥72	¥72	¥ 0
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥72	¥72	¥ 0
<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	¥72	¥72	¥ 0

	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	\$587	\$590	\$ 3
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	\$587	\$590	\$ 3
<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	\$587	\$590	\$ 3

## (2) Other securities

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

As of March 31, 2022	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	¥11,562	¥6,655	¥4,907
Bonds	—	—	—
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥11,562	¥6,655	¥4,907
<b>Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:</b>			
Stock	¥ 2,763	¥3,085	¥ (322)
Bonds	—	—	—
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥ 2,763	¥3,085	¥ (322)
Total	¥14,325	¥9,740	¥4,585

	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	\$ 94,454	\$54,362	\$40,092
Bonds	—	—	—
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	\$ 94,454	\$54,362	\$40,092
<b>Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:</b>			
Stock	\$ 22,568	\$25,206	\$ (2,638)
Bonds	—	—	—
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	\$ 22,568	\$25,206	\$ (2,638)
Total	\$117,022	\$79,568	\$37,454



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

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)

As of March 31, 2022	Millions of yen		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	¥1,111	¥758	¥—
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	¥1,111	¥758	¥—

	Thousands of U.S. dollars		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	\$9,077	\$6,189	\$—
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	\$9,077	\$6,189	\$—

### (4) Impairment of investment securities

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Other securities			
Stock	¥413	¥ —	\$ —

## 8. Pledged Assets

The following assets are pledged for guarantee against defect in house constructions and other at March 31, 2021 and 2022.

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Deposit	¥177	¥ 43	\$ 349
Securities	9	18	151
Investment securities	241	267	2,179
Other (Investment and other assets)	301	311	2,543
Total	¥728	¥639	\$5,222

## 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, 2021 and 2022 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Short-term loans from banks and insurance companies (The weighted average interest rate is 0.67%.)	¥20,919	¥19,790	\$161,667
Commercial papers	—	10,000	81,693
Long-term loans from banks and insurance companies due through 2026 (The weighted average interest rate is 0.53%.)	31,294	32,767	267,685
0.68% unsecured bonds payable due 2021	10,000	—	—
0.15% unsecured bonds payable due 2023	10,000	10,000	81,693
0.25% unsecured bonds payable due 2025 (Green bonds)	10,000	10,000	81,693
0.14% unsecured bonds payable due 2026	—	10,000	81,693
Total	¥82,213	¥92,557	\$756,124

The aggregate annual maturity of short-term and long-term loans, commercial papers and bonds payable after March 31, 2022 is as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2023	¥39,110	\$319,497
2024	17,958	146,704
2025	6,726	54,946
2026	12,682	103,603
2027 and after	16,081	131,374
Total	¥92,557	\$756,124

## 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
	2021	2022	2022
The difference between the appraisal value of land at the end of the current fiscal year and the book value	¥5,360	¥4,525	\$36,966

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 ¥3,228 million (U.S. \$26,367 thousand) gain as of March 31, 2022.

## 11. Revenue Recognition

### (1) Information of disaggregation on the revenue from contracts with customers

Information of disaggregation on the revenue from contracts with customers is disclosed in Note 21.

### (2) Basic information for understanding the revenue from contracts with customers

In regard to Construction Business which is the main business, the information of contracts and performance obligation and the information at the timing of the performance obligation is satisfied are described in Note 3(15).

Transaction prices are calculated based on contract amount adjusted by contract modification and variable consideration. In accordance with the estimation for contract modification and variable consideration, the Group applies the single most likely amount method. In addition, contract modification and variable consideration are included in the transaction prices only to the extent that it is

Balances of contract asset and contract liability for the fiscal years ended March 31, 2022 is as follows:

	Millions of yen	
	Beginning balance	Ending balance
Receivables from contracts with customers		
Notes receivable	¥ 7,231	¥ 6,105
Accounts receivable from completed construction contracts and other	61,767	91,129
Total	68,998	97,234
Contract assets	¥170,949	¥164,961

	Thousands of U.S. dollars	
	Beginning balance	Ending balance
Receivables from contracts with customers		
Notes receivable	\$ 59,074	\$ 49,876
Accounts receivable from completed construction contracts and other	504,590	744,459
Total	563,664	794,335
Contract assets	\$1,396,528	\$1,347,612

Conditions of payment terms are different among each contract and the relation with the performance obligation is insignificant. The payment is mainly more than once during construction period or with the progress of construction project over time.

Contract asset is the amount of consideration that performance obligation is satisfied at the end of the fiscal year but due date of claim is not arrived. It increases with revenue recognition and is transferred to a receivable from contracts with customers at the timing of the claim is issued to customer. And it increases or decreases with revising the estimation of total construction revenue and total construction costs.

Contract liability is the amount of consideration that is mainly related to the advance received on uncompleted construction works. It increases with claiming the advance received on uncompleted construction works to customer and is transferred to net sales with revenue recognition.

The amount included at the balance of beginning on contract

highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

In the case fluctuation provisions is stated in the contract with customer, transaction prices are adjusted by the estimated consideration.

The group receive transaction considerations mainly more than once during construction period or with the progress of construction project over time and there are no significant financing components.

Transaction prices are allocated to performance obligation by the ratio of stand-alone selling price estimated based on cost which is required to satisfy each performance obligation.

### (3) Information for understanding the amount of revenue for both current consolidated fiscal year and next consolidated fiscal year onwards

- Balances of contract asset and contract liability

liability and recognized as revenue in this consolidated fiscal year is ¥18,965 million (U.S.\$154,933 thousand).

Contract asset and receivable from contracts with customers are included in “Notes” and “Accounts” of “Trade receivables” and contract liability is included in “Advance received on uncompleted construction contracts” in the consolidated balance sheet.

- Transaction prices allocated to residual performance obligation  
The balance of total transaction prices allocated to residual performance obligation related to construction is ¥837,706 million (U.S.\$6,843,446 thousand) as of March 31, 2022.

Almost of it is expected to recognize as revenue within 1 to 3 years with satisfying performance obligation.

The balance of total transaction prices allocated to residual performance obligation includes the estimated amount of both contract modification and variable consideration.

## 12. Extraordinary income

The composition of Extraordinary income for the fiscal years ended March 31, 2021 and 2022 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Gain on sales of non-current assets	¥ 92	¥ 120	\$ 986
Gain on sales of investment securities	44	757	6,189
Other	3	1	1
Total	¥139	¥ 878	\$7,176

## 13. Extraordinary losses

The composition of Extraordinary losses for the fiscal years ended March 31, 2021 and 2022 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Loss on sales of non-current assets	¥ 46	¥125	\$1,018
Loss on retirement of non-current assets	45	305	2,493
Loss on valuation of investment securities	413	—	—
Other	15	33	279
Total	¥519	¥463	\$3,790

## 14. Research and development costs

Research and development costs charged to income are ¥2,348 million for the fiscal year 2021 and ¥2,405 million (U.S. \$19,650 thousand) for the fiscal year 2022, respectively.



## 15. 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, 2021 and 2022:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Valuation difference on available-for-sale securities			
Amount arising during the year	¥2,560	¥(1,170)	\$ (9,563)
Reclassification adjustment for gains and losses realized in net income	179	(758)	(6,189)
Amount before tax effect	2,739	(1,928)	(15,752)
Tax effect	(828)	572	4,672
Valuation difference on available-for-sale securities	1,911	(1,356)	(11,080)
Deferred gains or losses on hedges			
Amount arising during the year	(3,103)	(3,988)	(32,579)
Reclassification adjustment for gains and losses realized in net income	2,676	4,260	34,798
Acquisition cost adjustment of assets	111	(253)	(2,067)
Amount before tax effect	(316)	19	152
Tax effect	97	(6)	(46)
Deferred gains or losses on hedges	(219)	13	106
Foreign currency translation adjustments			
Amount arising during the year	155	619	5,057
Reclassification adjustment for gains and losses realized in net income	—	—	—
Amount before tax effect	155	619	5,057
Tax effect	—	—	—
Foreign currency translation adjustments	155	619	5,057
Remeasurements of defined benefit plans			
Amount arising during the year	1,830	(728)	(5,951)
Reclassification adjustment for gains and losses realized in net income	118	(259)	(2,115)
Amount before tax effect	1,948	(987)	(8,066)
Tax effect	(597)	302	2,470
Remeasurements of defined benefit plans	1,351	(685)	(5,596)
Share of other comprehensive income of associates accounted for using equity method			
Amount arising during the year	—	(85)	(692)
Share of other comprehensive income of associates accounted for using equity method	—	(85)	(692)
Total of other comprehensive income	¥3,198	¥(1,494)	\$(12,205)

## 16. 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.

## 17. Commitments and contingent liabilities

As of March 31, 2022, the Company has liabilities for guarantee to bank loans made by customers amounting to ¥5 million (U.S. \$41 thousand).

The Company also has the guarantee amounting to ¥11 million (U.S. \$93 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. \$163,385 thousand) for the purpose of flexible financing. Unused commitment line as of March 31, 2021 and 2022 are as follows.**

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
<b>Commitment line</b>			
Total of commitment line	¥20,000	¥20,000	\$163,385
Use of commitment	—	—	—
Total of unused commitment line	¥20,000	¥20,000	\$163,385

## 18. 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
	2021	2022	2022
<b>Deferred tax assets</b>			
Employees' retirement benefits trust	¥ 2,101	¥ 2,139	\$ 17,475
Allowance for doubtful accounts	1,114	1,182	9,660
Provision for bonuses	917	961	7,848
Impairment loss	861	832	6,799
Loss on valuation of real estate for sale	440	218	1,777
Net defined benefit liability	353	577	4,710
Provision for loss on construction contracts	344	1,110	9,064
Net operating loss carryforwards	274	258	2,106
Other	1,645	1,267	10,361
Total: deferred tax assets	8,049	8,544	69,800
Less: valuation allowance	(1,790)	(1,642)	(13,412)
Deferred tax assets	¥ 6,259	¥ 6,902	\$ 56,388
<b>Deferred tax liabilities</b>			
Valuation difference on available-for-sale securities	¥(1,929)	¥(1,357)	\$(11,085)
Prepaid pension cost	(977)	(1,065)	(8,697)
Unrealized intercompany income	(105)	(105)	(859)
Other	(138)	(127)	(1,036)
Total: deferred tax liabilities	(3,149)	(2,654)	(21,678)
Net: deferred tax assets	¥ 3,110	¥ 4,249	\$ 34,710

### 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:

	2021	2022
The statutory effective tax rate	—%	30.62%
(Adjustments)		
Permanent differences (expense)	—	1.70
Permanent differences (income)	—	(0.18)
Per capita levy on inhabitant tax	—	1.16
Consolidated adjustments	—	0.40
Increase (Decrease) in valuation allowance	—	(0.37)
Other	—	(0.02)
Actual burden tax rate after the application of tax effect accounting	—%	33.31%

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%.

**19. 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, 2021 and 2022 are as follows:**

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Retirement benefit obligation at the beginning of year	¥25,619	¥25,591	\$209,062
Service cost	1,418	1,455	11,888
Interest cost	25	50	405
Actuarial gain and loss	88	(191)	(1,561)
Retirement benefits paid	(1,559)	(1,635)	(13,356)
Retirement benefit obligation at the end of year	¥25,591	¥25,270	\$206,439

**(2) The changes in the plan assets during the years ended March 31, 2021 and 2022 are as follows:**

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Plan assets at the beginning of year	¥25,626	¥27,663	\$225,989
Expected return on plan assets	450	516	4,213
Actuarial gain	1,918	(920)	(7,512)
Contributions by the Company	861	877	7,163
Retirement benefits paid	(1,192)	(1,236)	(10,099)
Plan assets at the end of year	¥27,663	¥26,900	\$219,753

**(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, 2021 and 2022 for the Company's and the consolidated subsidiaries' defined benefit plans:**

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Funded retirement benefit obligation	¥24,953	¥24,586	\$200,847
Plan assets at fair value	(27,663)	(26,900)	(219,753)
	¥(2,710)	¥(2,314)	\$(18,907)
Unfunded retirement benefit obligation	638	685	5,593
Net liability for retirement benefits in the balance sheet	¥(2,072)	¥(1,630)	\$(13,314)
Net defined benefit liability	¥1,118	¥1,847	\$15,090
Net defined benefit asset	(3,190)	(3,477)	(28,404)
Net liability for retirement benefits in the balance sheet	¥(2,072)	¥(1,630)	\$(13,314)

**(4) The components of retirement benefit expense for the years ended March 31, 2021 and 2022 are as follows:**

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Service cost	¥1,418	¥1,455	\$11,888
Interest cost	25	50	404
Expected return on plan assets	(450)	(516)	(4,213)
Amortization of actuarial gain and loss	118	(259)	(2,115)
Retirement benefit expense	¥1,111	¥ 730	\$ 5,966

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, 2021 and 2022 are as follows:**

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Actuarial gain and loss	¥1,948	¥(987)	\$(8,066)
Total	¥1,948	¥(987)	\$(8,066)

**(6) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2021 and 2022 are as follows:**

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Unrecognized actuarial gain and loss	¥(773)	¥215	\$1,754
Total	¥(773)	¥215	\$1,754

**(7) The fair value of plan assets, major category, as a percentage of total plan assets as of March 31, 2021 and 2022 are as follows:**

	2021	2022
Bonds		
Stocks	43%	44%
General accounts	45	44
Cash and deposits	5	5
Others	2	4
Total	5	3
	100%	100%

Note: Total plan assets include retirement benefit trusts of 11% and 10% that are set up for a corporate pension plan as of March 31, 2021 and 2022, 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:**

	2021	2022
Discount rates	0.2%	0.3%
Expected rates of long-term return on plan assets	1.3 - 2.0%	1.6 - 2.0%
Expected rates of increase in salary	3.3 - 4.8%	3.2 - 4.8%



## 20. 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, loans payable and commercial papers 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, 2021 are as follows:

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
<b>Assets</b>			
(1)Notes receivable, accounts receivable from completed construction contracts and other	¥239,949	¥239,949	¥—
(2)Securities and investment securities			
Held-to-maturity debt securities	80	81	1
Other securities	16,167	16,167	—
Total Assets	¥256,196	¥256,197	¥ 1
<b>Liabilities</b>			
(1)Bonds payable (*3)	¥ 30,000	¥30,044	¥44
(2)Long-term loans payable (*4)	31,294	31,292	(2)
Total Liabilities	¥ 61,294	¥ 61,336	¥42
Derivative transaction (*5)	¥ (252)	¥ (252)	¥—

(\*1) "Cash and deposits", "Accounts receivable-other", "Accounts payable for construction contracts and other" and "Short-term loans payable" are not described because they are in cash or their fair values approximate their book values due to their short maturities.

(\*2) Stocks and other securities with no market price (balance on consolidated balance sheet ¥3,246 million) are not included in "Securities and investment securities".

(\*3) Bonds payable includes the current portion of bonds payable.

(\*4) Long-term loans payable includes the current portion of long-term loans payable.

(\*5) The debit and credit balances recorded by derivative transaction are offset each other.

(Note1) 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	¥—	¥—

(Note2) The redemption schedule for short-term and long-term loans, and bonds payable is disclosed in Note 9.

Book value on consolidated balance sheet, fair value and the difference as of March 31, 2022 are as follows:

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
<b>Assets</b>			
(1)Notes receivable, accounts receivable from completed construction contracts and other	¥263,966	¥263,966	¥ —
(2)Securities and investment securities			
Held-to-maturity debt securities	71	72	1
Other securities	14,325	14,325	—
Total Assets	¥278,362	¥278,363	¥ 1
<b>Liabilities</b>			
(1)Bonds payable	¥ 30,000	¥ 29,834	¥(166)
(2)Long-term loans payable (*3)	32,767	32,770	3
Total Liabilities	¥ 62,767	¥ 62,604	¥(163)
Derivative transaction (*4)	¥ (299)	¥ (299)	¥ —

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
<b>Assets</b>			
(1)Notes receivable, accounts receivable from completed construction contracts and other	\$2,156,409	\$2,156,409	\$ —
(2)Securities and investment securities			
Held-to-maturity debt securities	587	590	3
Other securities	117,022	117,022	—
Total Assets	\$2,274,018	\$2,274,021	\$ 3
<b>Liabilities</b>			
(1)Bonds payable	\$ 245,078	\$ 243,722	\$(1,356)
(2)Long-term loans payable (*3)	267,685	267,703	18
Total Liabilities	\$ 512,763	\$ 511,425	\$(1,338)
Derivative transaction (*4)	\$ (2,447)	\$ (2,447)	\$ —

(\*1) "Cash and deposits", "Accounts receivable-other", "Accounts payable for construction contracts and other", "Short-term loans payable", and "Commercial papers" are not described because they are in cash or their fair values approximate their book values due to their short maturities.

(\*2) Stocks and other securities with no market price (balance on consolidated balance sheet ¥2,632 million (U.S. \$21,503 thousand)) are not included in "Securities and investment securities".

(\*3) Long-term loans payable includes the current portion of long-term loans payable.

(\*4) The debit and credit balances recorded by derivative transaction are offset each other.

(Note1) Redemption schedule for receivables and marketable securities with maturities at March 31, 2022

	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	¥ 44,790	¥ —	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other	223,672	40,294	—	—
Securities and investment securities				
Held-to-maturity bonds				
National and local government bonds	19	53	—	—
Corporate bonds	—	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	—	—
Other	—	—	—	—
Accounts receivable-other	11,575	—	—	—
Total	¥280,056	¥40,347	¥—	¥—

	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	\$ 365,902	\$ —	\$—	\$—
Notes receivable, accounts receivable from completed construction contracts and other	1,827,236	329,172	—	—
Securities and investment securities				
Held-to-maturity bonds				
National and local government bonds	151	436	—	—
Corporate bonds	—	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	—	—
Other	—	—	—	—
Accounts receivable-other	94,560	—	—	—
Total	\$2,287,849	\$329,608	\$—	\$—

(Note2) The redemption schedule for short-term and long-term loans, and bonds payable is disclosed in Note 9.

### (3) Matters concerning the breakdown of the fair value of financial instruments by level, etc.

The fair value of financial instruments is classified into the following three levels, depending on the observability and materiality of the inputs used to calculate fair value.

Level 1 : Quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2 : Valuations measured by direct or indirect observable inputs other than Level 1

Level 3 : Valuations measured by significant unobservable inputs

When several inputs which make an important impact on for fair value measurement are used for fair value measurement, the level is determined based on the input that is the least important level in the fair value measurement as a whole.

• Financial instruments recorded on the consolidated balance sheet at fair value

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities	¥14,325	¥ —	¥—	¥14,325
Listed stocks				
Derivative transaction				
Currency related	—	775	—	775
Assets total	¥14,325	¥ 775	¥—	¥15,099
Derivative transaction				
Currency related	¥ —	¥(1,074)	¥—	¥(1,074)
Liabilities total	¥ —	¥(1,074)	¥—	¥(1,074)

	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities	\$117,022	\$ —	\$—	\$117,022
Listed stocks				
Derivative transaction				
Currency related	—	6,329	—	6,329
Assets total	\$117,022	\$6,329	\$—	\$123,351
Derivative transaction				
Currency related	\$ —	\$(8,776)	\$—	\$ (8,776)
Liabilities total	\$ —	\$(8,776)	\$—	\$ (8,776)

• Financial instruments other than those recorded on the consolidated balance sheet at fair value

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	¥—	¥263,966	¥—	¥263,966
Securities and investment securities				
Held-to-maturity debt securities				
National and local government bonds	72	—	—	72
Assets total	¥72	¥263,966	¥—	¥264,038
Bonds payable	¥—	¥ 29,834	¥—	¥ 29,834
Long-term loans payable	—	32,770	—	32,770
Liabilities total	¥—	¥ 62,604	¥—	¥ 62,604

	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	\$ —	\$2,156,409	\$—	\$2,156,409
Securities and investment securities				
Held-to-maturity debt securities				
National and local government bonds	590	—	—	590
Assets total	\$590	\$2,156,409	\$—	\$2,156,999
Bonds payable	\$ —	\$ 243,722	\$—	\$ 243,722
Long-term loans payable	—	267,703	—	267,703
Liabilities total	\$ —	\$ 511,425	\$—	\$ 511,425



(Note) Description of valuation techniques and inputs used in the calculation of fair value

Securities and investment securities

Listed stocks and government bonds are valued based on quoted market prices. Since listed stocks and government bonds are traded in active markets, their fair value is classified as Level 1 fair value.

Derivative transaction

The fair value of derivative transactions is calculated based on the prices posted by the counterparty financial institutions and classified as Level 2 fair value.

The fair value of interest rate swaps that qualify for special treatment is included in the fair value of the relevant borrowings because they are accounted for as an integral part of Long-term loans payable that are hedged (see “Long-term loans payable” below).

Notes receivable, accounts receivable from completed construction contracts and other

The fair value of these receivables is calculated based on the present value of each receivable classified by a certain period of time, discounted by the interest rate that takes into account the period until maturity and credit risk, and is classified as Level 2 fair value.

Bonds payable

The fair value of the bonds payable issued by the Company is based on quoted market prices. The fair value of the bonds payable is classified as Level 2 fair value because the bonds payable have quoted market prices but are not traded in an active market.

Long-term loans payable

The fair value of these loans is calculated by discounting the total amount of principal and interest by the interest rate that would be applicable to a similar new issue or borrowing, and is classified as Level 2 fair value. Long-term loans payable with floating interest rates mainly qualify for special treatment as interest rate swaps (see “Derivative transaction” above), and are calculated by discounting the total amount of principal and interest accounted for together with the interest rate swaps by the reasonably estimated interest rate that would be applicable if similar borrowings were made.

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, assets and other items and disaggregation on the revenue

Year ended March 31, 2021	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				
Net sales:								
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 income	22,856	4,050	2,865	29,771	688	30,459	2	30,461
Other item:								
Depreciation	3,470	520	2,977	6,967	430	7,397	(2)	7,395

Year ended March 31, 2022	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				
Net sales:								
Japan	¥176,923	¥153,442	¥ —	¥330,365	¥ 7,345	¥337,710	¥—	¥337,710
Southeast Asia	—	—	98,183	98,183	—	98,183	—	98,183
Other	—	—	22,078	22,078	—	22,078	—	22,078
Revenue from contracts with customers	176,923	153,442	120,261	450,626	7,345	457,971	—	457,971
Revenue from other	18	1	—	19	242	261	—	261
Sales to third parties	176,941	153,443	120,261	450,645	7,587	458,232	—	458,232
Intersegment sales and transfers	241	2	—	243	3,116	3,359	(3,359)	—
Total	177,182	153,445	120,261	450,888	10,703	461,591	(3,359)	458,232
Segment income(loss)	17,463	3,648	(5,976)	15,135	801	15,936	4	15,940
Other item:								
Depreciation	3,380	579	2,079	6,038	453	6,491	(3)	6,488

Year ended March 31, 2022	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				
Net sales:								
Japan	\$1,445,330	\$1,253,514	\$ —	\$2,698,844	\$60,004	\$2,758,848	\$ —	\$2,758,848
Southeast Asia	—	—	802,082	802,082	—	802,082	—	802,082
Other	—	—	180,366	180,366	—	180,366	—	180,366
Revenue from contracts with customers	1,445,330	1,253,514	982,448	3,681,292	60,004	3,741,296	—	3,741,296
Revenue from other	147	6	—	153	1,969	2,122	—	2,122
Sales to third parties	1,445,477	1,253,520	982,448	3,681,445	61,973	3,743,418	—	3,743,418
Intersegment sales and transfers	1,972	13	—	1,985	25,455	27,440	(27,440)	—
Total	1,447,449	1,253,533	982,448	3,683,430	87,428	3,770,858	(27,440)	3,743,418
Segment income(loss)	142,661	29,804	(48,821)	123,644	6,544	130,188	26	130,214
Other item:								
Depreciation	27,612	4,733	16,984	49,329	3,697	53,026	(23)	53,003

Notes

- (1) Division of “Other” includes domestic real estate development, shipbuilding, leasing business, insurance business and environment business.
- (2) The adjustment of segment income (loss) is intersegment elimination.
- (3) Segment income (loss) is adjusted with operating profit in the consolidated statement of income.

(Related information)

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	¥79,401 million	¥42,534 million	¥471,059 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
¥70,259 million	¥12,597 million	¥1,552 million	¥84,407 million

3. Each main customer

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

For the year ended March 31, 2022

1. Information of each products and service  
Please refer to above.

2. Geographical information

(1) Net sales

Japan	Southeast Asia	Other	Total
¥337,874 million \$2,760,179 thousand	¥98,280 million \$802,874 thousand	¥22,079 million \$180,365 thousand	¥458,232 million \$3,743,418 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
¥72,999 million \$596,350 thousand	¥13,262 million \$108,340 thousand	¥1,246 million \$10,182 thousand	¥87,507 million \$714,872 thousand

3. Each main customer

Name of Customer	Net sales	Related segment
Ministry of Land, Infrastructure, Transport and Tourism	¥51,630 million \$421,775 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, 2021

None

For the year ended March 31, 2022

None

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

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

For the year ended March 31, 2022

	Millions of yen						
	Reportable segment				Other	Adjustments	Total
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Total			
Amortization	¥—	¥—	¥ 261	¥ 261	¥—	¥—	¥ 261
Balance at the end of current period	—	—	2,320	2,320	—	—	2,320

Thousands of U.S. dollars

	Reportable segment				Other	Adjustments	Total
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Total			
Amortization	\$—	\$—	\$ 2,136	\$ 2,136	\$—	\$—	\$ 2,136
Balance at the end of current period	—	—	18,952	18,952	—	—	18,952

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

For the year ended March 31, 2021

None

For the year ended March 31, 2022

None

## 22. Amounts per share

1. Per share information is summarized as follows:

	Yen		U.S. dollars
	2021	2022	2022
Net assets excluding non-controlling interests per share	¥555.32	¥559.85	\$4.57
Net income attributable to owners of parent per share	73.62	37.72	0.31

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, 2021 and 2022 were 846 thousand and 946 thousand, including 636 thousand and 735 thousand of shares and held by BBT, respectively.

Basic net assets excluding non-controlling interests per share are calculated by the number of outstanding common stocks at the end of the year. Incidentally, shares held by BBT are included in treasury shares to be deducted from the number of shares at the end of the year in calculating it. The number of treasury shares issued and outstanding at March 31, 2021 and 2022 were 978 thousand and 938 thousand, including 767 thousand and 726 thousand of shares and held by BBT, respectively.

2. For the year ended March 31, 2021 and 2022, 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, 2022

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, 2022, was approved at the annual general shareholders' meeting held on June 24, 2022 and became effective June 27, 2022:

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Cash dividends (¥23 (U.S. \$ 0.19) per share )	¥6,573	\$53,700

Dividends for shares held by BBT amounted to ¥17 million (U.S. \$136 thousand) are included in dividends in accordance with the resolution at the annual general shareholders' meeting on June 24, 2022.





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, 2022, 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, 2022, 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.



Estimation of total construction revenue and total construction costs using the method of recognizing revenue over time	
Description of Key Audit Matter	Auditor's Response
<p>PENTA-OCEAN CONSTRUCTION CO., LTD. (the "Company") and its consolidated subsidiaries 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 major income and expense" under Note 3 "Summary of significant accounting policies" to the consolidated financial statements, the performance obligations on completion of projects and delivery to the customers based on construction contracts with the customers under the construction business, which is the main business, are determined to be satisfied over time mainly because the control is transferred to the customers with the progress of projects. The revenues are recognized over time in accordance with the progress based on satisfaction of performance obligations (progress toward completion of construction).</p> <p>The Company's net sales of completed construction contracts using the method of recognizing revenue over time amounts to 409,816 million yen, covering 89.4% of total net sales of 458,231 million yen, for the fiscal year ended March 31, 2022.</p> <p>Net sales of completed construction contracts using the method of recognizing revenue over time is measured by multiplying total construction revenue by progress toward completion of 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, the measurement of progress towards completion of construction is determined based on the ratio of construction costs incurred (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 method of recognizing revenue over time by the Company.</p> <p>(1) Evaluation of internal control</p> <p>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</p> <p>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 with customers, 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</p> <ul style="list-style-type: none"><li>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.</li><li>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.</li></ul>





The calculation method for measuring net sales of completed construction contracts using the method of recognizing revenue over time is as shown below.

$$\begin{aligned} &\text{Net sales of completed construction contracts} \\ &= \text{Total construction revenue} \\ &\quad \times \text{Progress towards completion of} \\ &\quad \text{construction} \left( \frac{\text{Costs incurred}}{\text{Total construction costs}} \right) \end{aligned}$$

(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.

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.

- The process for estimating the total construction costs timely and appropriately in accordance with the status of construction work, the amount of construction costs actually incurred versus the budget, and changes in specifications instructed by customers.
- 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.

(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 as a response to the uncertainties of each construction contract.

① Total construction revenue

- For estimates of amounts for which contracts have not yet been entered into with customers, 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 customers with the subsequent status of the contracts or re-estimated amounts.



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, we have determined the estimation of total construction revenue and total construction costs, which is a component in calculating progress toward completion of construction, to be a key audit matter due to its particular significance for the fiscal year ended March 31, 2022.

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 were 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 were not included 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 were consistent with the current status of construction work by making inquiries regarding the reasons for the revisions, and reconciling the changes with the work schedules, quotations from subcontractors, and other documents.
- We made inquiries regarding the status 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 were necessary, and examined whether the responses were consistent with the work schedules and the construction costs incurred.
- We inspected construction sites of certain contracts (including remote inspections) and examined whether the status of construction was consistent with the estimate of the total construction costs and progress towards completion of construction.
- We evaluated the process for estimating the total construction costs by comparing the prior estimate of total construction costs with the subsequent outcome of total construction costs or re-estimated amounts.





	<p>In addition, we used a progress anomaly detection tool (a tool that detects unusual progress in construction that apply the method of satisfying a performance obligation and recognizing revenue over time based on forecasts of progress towards completion of construction using machine learning, as well as forecasts of construction contracts that total construction costs exceed total construction revenue, and detects on the timing of unusual cost incurrence) and performed the following procedures for construction contracts in which anomalies were detected due to actual progress towards completion of construction exceeding a certain level of progress at the closing date as forecasted by the tool.</p> <ul style="list-style-type: none"> <li>• For cases in which significant revisions were made to the total construction costs, we examined whether the details of such revisions were consistent with the current status of construction work by making inquiries of those responsible for construction regarding the reasons for the revisions, and reconciling the revisions with work schedules, quotations from subcontractors, and other documents.</li> <li>• If a detected increase in progress towards completion of construction was attributable to the recognition of a large amount of construction costs at or near the financial closing date, we reconciled the large amount of construction costs recognized with work schedules, payment control sheets, invoices from major contractors, construction progress assessment reports, and other documents.</li> </ul>
--	---

#### Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Ernst & Young ShinNihon LLC



If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### 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.

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.

Ernst & Young ShinNihon LLC



- 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 consolidated 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.

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, 2022 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

December 22, 2022

/s/ 中川 政人  
Masato Nakagawa  
Designated Engagement Partner  
Certified Public Accountant

Ernst & Young ShinNihon LLC

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
	2018	2019	2020	2021	2022	2022
Orders received	¥668,572	¥501,360	¥439,765	¥505,258	¥374,917	\$3,062,795
Civil engineering	465,190	248,639	259,705	193,321	213,087	1,740,764
Building construction	202,728	251,723	179,707	311,633	160,423	1,310,540
Other	654	998	353	304	1,407	11,491
Net sales	499,165	512,193	541,530	445,142	428,991	3,504,544
Civil engineering	275,911	281,459	318,817	274,720	231,436	1,890,657
Building construction	222,531	229,736	222,359	170,118	196,149	1,602,397
Other	723	998	354	304	1,406	11,490
Contract backlog	875,260	873,475	759,517	816,329	785,186	6,414,393
Civil engineering	566,711	541,697	471,162	388,330	380,860	3,111,346
Building construction	308,549	331,778	288,355	427,999	404,326	3,303,047
Other	—	—	—	—	—	—
Total assets	406,373	369,609	419,497	446,526	456,004	3,725,221
Net assets	100,345	113,121	126,703	140,026	139,836	1,142,355
Ordinary income	22,932	23,441	28,984	27,271	13,180	107,670
Income before income taxes	22,497	23,409	28,877	26,887	13,595	111,060
Net income	15,790	16,701	20,862	18,707	9,130	74,583
Cash dividends	4,003	5,430	6,859	8,002	6,573	53,700
Per share of common stock:						
					Yen	U.S. dollars
Net assets	¥351.54	¥396.42	¥443.99	¥491.26	¥490.52	\$4.01
Net income	55.28	58.52	73.11	65.60	32.03	0.26
Cash dividends	14.00	19.00	24.00	28.00	23.00	0.19
Number of employees	2,673	2,793	2,893	3,046	3,136	

Note: 1. Figures in U.S. dollars are converted for convenience only, at the rate of ¥122.41 per U.S.\$1, prevailing on March 31, 2022.  
2. Cash dividends for shares held by BBT amounted to ¥ 17 million (\$ 136 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
	2021	2022	2022
<b>Current assets:</b>			
Cash and deposits	¥ 55,612	¥ 39,994	\$ 326,720
Securities	9	18	151
Trade receivables:			
Notes	6,246	5,790	47,303
Accounts	241,963	258,136	2,108,782
Subsidiaries and affiliates	7,799	5,524	45,131
Inventories:			
Costs on uncompleted construction contracts	8,807	10,937	89,345
Real estate for sale and development projects in progress	1,303	575	4,697
Raw materials and supplies	1,248	1,435	11,725
Other	3,400	7,068	57,741
Allowance for doubtful accounts	(366)	(350)	(2,859)
Total current assets	326,021	329,127	2,688,736
<b>Non-current assets:</b>			
<b>Property, plant and equipment:</b>			
Land	31,594	31,594	258,101
Buildings and structures	34,766	34,492	281,775
Machinery, equipment and vehicles	15,158	15,029	122,780
Dredgers and vessels	43,571	44,008	359,512
Construction in progress	11,650	15,856	129,533
Other	298	305	2,484
Total property, plant and equipment	137,037	141,284	1,154,185
Less: Accumulated depreciation	(68,340)	(71,092)	(580,771)
Property, plant and equipment — net	68,697	70,192	573,414
<b>Intangible assets:</b>	1,490	1,372	11,200
<b>Investments and other assets:</b>			
Stock of and long-term loans receivable from subsidiaries and affiliates	23,619	29,276	239,159
Investment securities	18,846	16,986	138,762
Deferred tax assets	2,814	3,631	29,661
Other	8,276	8,909	72,792
Allowance for doubtful accounts	(3,237)	(3,489)	(28,503)
Total investments and other assets	50,318	55,313	451,871
Total non-current assets	120,505	126,877	1,036,485
<b>Total assets</b>	¥446,526	¥456,004	\$3,725,221

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
<b>Current liabilities:</b>			
Short-term loans payable			
Bank	¥ 19,269	¥ 18,140	\$ 148,187
Commercial papers	—	10,000	81,693
Current portion of long-term loans payable and bonds payable	17,922	9,320	76,138
Trade payable:			
Accounts	118,129	115,409	942,806
Subsidiaries and affiliates	4,790	4,631	37,835
Advance received on uncompleted construction contracts	23,324	29,011	237,002
Deposits received	55,931	50,203	410,121
Income taxes payable	4,576	2,636	21,532
Provision for loss on construction contracts	1,109	3,597	29,384
Provision for warranties for completed construction	972	780	6,371
Provision for bonuses	2,735	2,857	23,340
Other	3,054	3,141	25,662
Total current liabilities	251,811	249,725	2,040,071
<b>Non-current liabilities:</b>			
Bonds payable	20,000	30,000	245,078
Long-term loans payable	19,790	18,380	150,151
Provision for retirement benefits	474	336	2,749
Provision for board benefit trust	299	348	2,847
Deferred tax liabilities for land revaluation	3,680	3,680	30,059
Other	10,446	13,699	111,911
Total non-current liabilities	54,689	66,443	542,795
Total liabilities	306,500	316,168	2,582,866
<b>Net assets:</b>			
Capital stock	30,450	30,450	248,754
Authorized - 599,135,000 shares			
Issued shares - 286,013,910 shares in 2021 and 2022			
Capital surplus			
Legal capital surplus	12,380	12,380	101,132
Other capital surplus	6,007	6,007	49,074
Total capital surplus	18,387	18,387	150,206
Retained earnings			
Reserve for advanced depreciation of non-current assets	80	74	609
General reserve	49,999	60,000	490,156
Retained earnings brought forward	33,378	24,511	200,235
Total retained earnings	83,457	84,585	691,000
Less: Treasury stock	(590)	(564)	(4,609)
Valuation difference on available-for-sale securities	4,584	3,227	26,365
Deferred gains or losses on hedges	(175)	(162)	(1,324)
Revaluation reserve for land	3,913	3,913	31,963
Total net assets	140,026	139,836	1,142,355
<b>Total liabilities and net assets</b>	<b>¥446,526</b>	<b>¥456,004</b>	<b>\$3,725,221</b>

# Non-Consolidated Statements of Income

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
<b>Construction business:</b>			
Net sales	¥444,838	¥427,585	\$3,493,054
Cost of sales	400,190	395,416	3,230,257
Gross profit	44,648	32,169	262,797
<b>Other:</b>			
Net sales	304	1,406	11,490
Cost of sales	190	946	7,730
Gross profit	114	460	3,760
<b>Total:</b>			
Total net sales	445,142	428,991	3,504,544
Total cost of sales	400,380	396,362	3,237,987
<b>Total gross profit</b>	44,762	32,629	266,557
<b>Selling, general and administrative expenses</b>	17,762	19,305	157,709
<b>Operating profit</b>	27,000	13,324	108,848
<b>Non-operating income:</b>			
Interest and dividends income	439	386	3,152
Interest and dividends income from subsidiaries and affiliates	381	276	2,254
Foreign exchange gain	—	151	1,232
Other	607	286	2,341
	1,427	1,099	8,979
<b>Non-operating expenses:</b>			
Interest expenses	691	655	5,347
Provision of allowance for doubtful accounts	259	266	2,173
Other	206	322	2,637
	1,156	1,243	10,157
<b>Ordinary income</b>			
	27,271	13,180	107,670
<b>Extraordinary income</b>	118	861	7,036
<b>Extraordinary losses</b>	502	446	3,646
<b>Income before income taxes</b>	26,887	13,595	111,060
<b>Income taxes:</b>			
Current	6,397	4,716	38,526
Deferred	1,783	(251)	(2,049)
Total income taxes	8,180	4,465	36,477
<b>Net income</b>	¥ 18,707	¥ 9,130	\$ 74,583
<b>Net income per share of common stock</b>			
	Yen		U.S. dollars
Basic	¥65.60	¥32.03	\$0.26

# Company Data

## Company Outline

(As of March 31, 2022)

<b>Company Name</b>	Penta–Ocean Construction Co., Ltd.
<b>Founded</b>	April 1896
<b>Established</b>	April 1950
<b>Headquarters</b>	2–8, Koraku 2–chome, Bunkyo–ku, Tokyo 112–8576, Japan Tel: 81–3–3817–7181 Fax: 81–3–3817–7642
<b>Paid–in Capital</b>	¥30,450 million (U.S.\$248.8 million)
<b>Employees</b>	3,136 (3,667 consolidated)
<b>Website</b>	https://www.penta-ocean.co.jp/english/

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

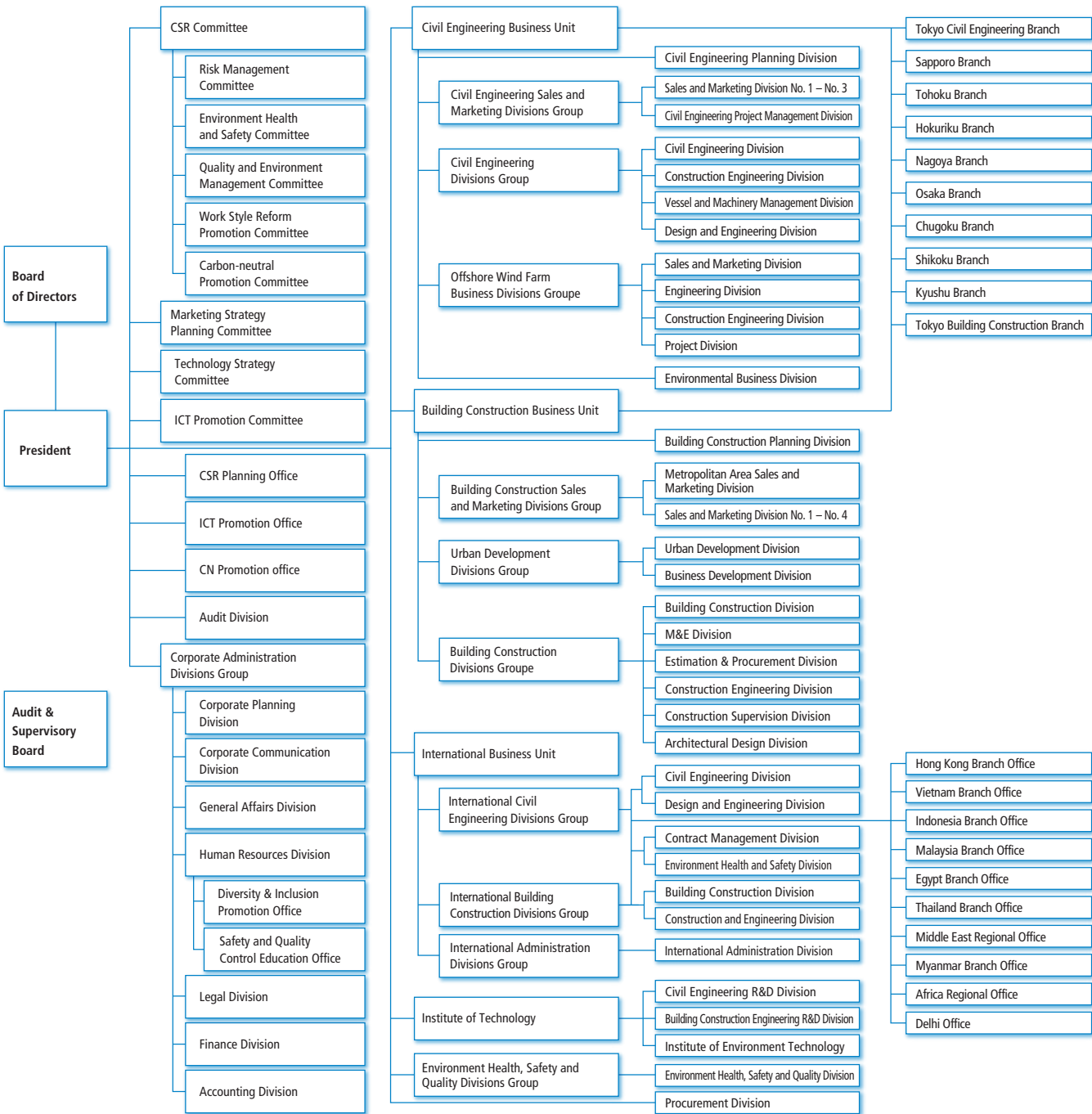
(As of June 25, 2022)

<b>President, Chief Executive Officer and Representative Director</b> Takuzo Shimizu		
<b>Executive Vice President, Representative Director</b> Kazuya Ueda		
<b>Members of the Board</b>		
Tetsushi Noguchi	Hiroshi Watanabe	Tomoyuki Yamashita
Osamu Hidaka	Yasuhiro Kawashima*	Hidenori Takahashi*
Hokuto Nakano*	Mina Sekiguchi*	
<b>Audit &amp; Supervisory Board Members</b>		
Michiko Inatomi	Hideaki Kuraishi*	Shin Suganami*
Hisashi Takebayashi*		

\* Indicates external members.

## Organization Chart

(As of July 2022)





Penta–Ocean Construction Network

(As of March 31, 2022)



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, 2022)

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
Japan Offshore 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
PENTA-OCEAN CONSTRUCTION VIETNAM LLC	Vietnam
Brichwood Co., Ltd.	Hong Kong
Penta–Ocean Technology Information Advisory (Shenzhen) Ltd.	China

Equity Affiliates

Haneda International Airport Apron PFI Co., Ltd.	Tokyo, Japan
Koh Brothers Eco Engineering Ltd.	Singapore

Non–Equity Affiliates

Tempozan Terminal Services Co., Ltd.	Osaka, Japan
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
PENTA–OCEAN/HYUNDAI/BOSKALIS JV PTE. LTD.	Singapore

Investor Information

(As of March 31, 2022)

<b>Fiscal Year</b>	April 1 – March 31
<b>Common Stock</b>	Authorized: 599,135,000 Issued: 286,013,910 (excluding 211,117 shares of treasury stock)
<b>Stock Listing</b>	Tokyo and Nagoya Stock Exchanges
<b>Shareholders</b>	42,527
<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 (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	48,618	17.0
Custody Bank of Japan, Ltd. (Trust Account)	24,511	8.6
State Street Bank and Trust Company 505001	8,414	2.9
Mizuho Bank, Ltd.	7,059	2.5
Meiji Yasuda Life Insurance Company	6,656	2.3
STATE STREET LONDON CAREOF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS- UNITED KINGDOM	5,483	1.9
Tokio Marine & Nichido Fire Insurance Co., Ltd.	4,763	1.7
Sompo Japan Insurance Inc.	4,280	1.5
Penta–Ocean Business Partner Shareholding Association	4,063	1.4
Juniper	3,931	1.4

The percentage of shares held is calculated after exclusion of treasury stock holdings (211,117shares).