

## Message from the President



*"As one of the world's top players in coastal and waterfront engineering, we are now aiming to become a general contractor that possesses a spirit for progress and originality. Our mission is to affirmatively respond to the customers' trust with reliable safety and product quality, thereby contributing to society through advanced technology."*

*T. Shimizu*

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

Penta-Ocean Construction Co., Ltd. was first established in 1896 as Mizuno-Gumi in Kure City, Hiroshima Prefecture. This year, we celebrated our 120th anniversary. Since our foundation, our initial venture in marine civil engineering has significantly expanded to encompass land civil engineering and building construction. Overseas, we have historically been involved in numerous and notable major projects, particularly the iconic Suez Canal development and expansion projects. This year, we commemorate the 52nd anniversary of the establishment of our Singapore branch office. As one of the world's top players in coastal and waterfront engineering, we are now aiming to become a unique general contractor with a positive and progressive spirit.

During the previous term, the construction industry in Japan and other developed countries maintained a trend of moderate recovery. However, the outlook for the Japanese and the global economy remained volatile due to such complex factors as the slowdown of emerging economies including China, currency fluctuations, and a record decline in crude oil prices. Domestically, capital expenditure by the public sector continued in a downward trend, but still remained firm. Private capital investment and housing

investment have both shown a gradual increase, reflecting improved corporate profits. In Singapore and Hong Kong, our group's major overseas markets, we saw robust demand for construction in large-scale projects, mainly in the social infrastructural domain.

In FY 3/15, which was the first year of the mid-term management plan (FY3/15-FY3/17), mega contract awards of overseas contributed greatly to record-high net sales and earnings. The following year, FY 3/16, saw a second consecutive term of record-high earnings thanks to our abundant backlog volume and a general improvement in the construction margin. We strive to increase both sales and income for this fiscal year, too.

Our mission is to affirmatively respond to the customers' trust with reliable safety and product quality, thereby contributing to society through advanced technology. It is the combination of promoting innovative technology and highly-motivated people that will realize this mission. We, therefore, are not only developing the potential strength of individuals, but also integrating this collective strength in order to become a company that can demonstrate comprehensive power across organizational boundaries.

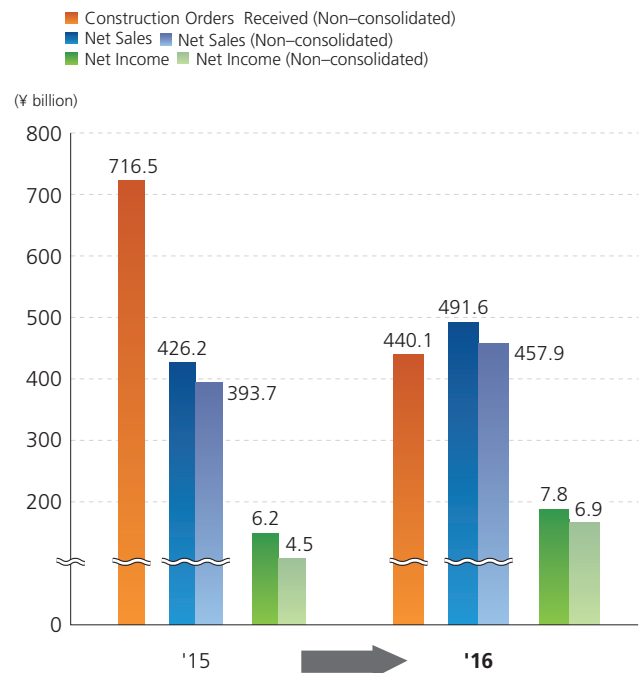


## Could you explain the consolidated results in FY3/16?



Our consolidated net sales increased by 15.3% compared to the previous fiscal year to ¥491.6 billion. Despite an extraordinary loss of ¥5.4 billion due to impairment losses in shipbuilding and business assets, we had favorable results supported by the increase in net sales and a general improvement in the construction margin. We achieved outstanding results for operating profit, at ¥20.6 billion (an increase of 67.7%), ordinary profit, at ¥19.4 billion (an increase of 70.4%), and current net profit, at ¥7.8 billion (an increase of 26.2%).

### Construction Orders Received/Net Sales/Net Income



## Could you tell us about the outlook for the current term?



In the current term, which is the last year of the mid-term management plan, we expect to witness the start of full-capacity construction for projects related to the 2020 Tokyo Olympic and Paralympics Games, as well as vital capital expenditure supported by Prime Minister Abe's active fiscal stimulus packages. Outside of Japan, we anticipate strong demand for mega construction projects both in Singapore and Hong Kong. In other Southeast Asian countries and in Africa, there is expected to be further expansion of public capital expenditure in ports and harbors, backed by Japan's active foreign policy of promoting strategic infrastructural exports. With the support of the sufficient volume of projects in progress, we strive to achieve record-high earnings for this fiscal year. Before formulating the next mid-term management plan, we will take proactive initiatives to achieve our goals by strengthening the business structure in which each of our three business units — Domestic Civil Engineering, Domestic Building Construction and International Business — contribute a balanced share of our profits.

### Medium-Term Management Plan (2015 – 2017)

