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
	2014	2015	2016	2017	**2018**	**2018**
Net sales	¥381,182	¥426,238	¥491,564	¥500,336	**¥526,902**	**$4,959,545**
Construction	372,367	414,892	477,164	487,133	**517,526**	**4,871,291**
Development business	2,447	1,912	4,803	3,963	**580**	**5,461**
Other	6,368	9,434	9,597	9,240	**8,796**	**82,793**
Total assets	301,627	366,170	378,766	372,311	**418,824**	**3,942,242**
Net assets excluding non-controlling interests	67,339	77,033	80,588	96,377	**111,971**	**1,053,950**
Ordinary profit	9,160	11,393	19,409	23,709	**25,683**	**241,748**
Profit before income taxes	8,740	10,176	14,242	23,028	**25,290**	**238,044**
Profit attributable to owners of parent	3,763	6,183	7,806	15,272	**17,826**	**167,791**
Cash dividends	572	1,144	1,715	3,431	**4,003**	**37,675**

Per share of common stock:						U.S. dollars
Net assets excluding non-controlling interests	¥235.53	¥269.44	¥281.87	¥337.10	**¥392.27**	**$3.69**
Profit attributable to owners of parent	13.16	21.63	27.30	53.42	**62.41**	**0.59**
Cash dividends	2.00	4.00	6.00	12.00	**14.00**	**0.13**
Number of employees	2,905	2,949	3,025	3,074	**3,175**	

Note: 1. Figures in U.S. dollars are converted for convenience only, at the rate of ¥106.24 per U.S.$1, prevailing on March 31, 2018.
2. Cash dividends for shares held by BBT amounted to ￥6 million are included in cash dividends above.

Business Performance

The net sales for the group amounted to ¥526,902 million (US$4,959.5 million), an increase of ¥26,566 million (US$250.1 million) (5.3%) compared to the previous consolidated fiscal year, and operating profit totaled ¥27,618 million (US$260.0 million), an increase of ¥3,343 million (US$31.5 million) (13.8%) compared to the previous consolidated fiscal year. Ordinary profit totaled ¥25,683 million (US$241.7 million), an increase of ¥1,974 million (US$18.6 million) (8.3%) compared to the previous consolidated fiscal year. And, current net profit totaled ¥17,826 million (US$167.8 million), an increase of ¥2,554 million (US$24.0 million) (16.7%) compared to the previous consolidated fiscal year.

Gross operating profit increased due to the construction revenue improvement, and an increase in the operating profit, ordinary profit and current net profit was achieved.

Segment Information

In our Domestic Civil Engineering Business, sales amounted to ¥183,910 million (US$1,731.1 million), an increase of ¥28,565 million (US$268.9 million) (18.4%) compared to the previous consolidated fiscal year and segment profit totaled ¥14,015 million (US$131.9 million), an increase of ¥4,319 million (US$40.7 million) (44.5%) compared to the previous consolidated fiscal year due to the smooth progress of the many projects on hand.

In our Domestic Building Construction Business, sales amounted to ¥140,091 million (US$1,318.6 million), a decrease of ¥9,781 million (US$92.1 million) (-6.5%) compared to the previous consolidated fiscal year and segment profit totaled ¥8,129 million (US$76.5 million), a decrease of ¥3,062 million (US$28.8 million) (-27.4%) compared to the previous consolidated fiscal year mainly due to delay in acceptance of orders in the period.

In our Overseas Construction Business, sales amounted to ¥195,120 million (US$1,836.6 million), an increase of ¥11,560 million (US$108.8 million) (6.3%) compared to the previous consolidated fiscal year and segment profit totaled ¥4,791 million (US$45.1 million), an increase of ¥2,622 million (US$24.7 million) (120.8%) compared to the previous consolidated fiscal year due to the smooth progress of the many projects on hand.

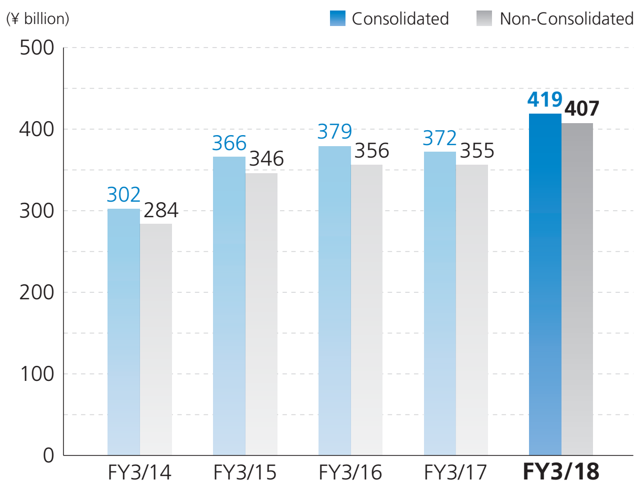
In our Domestic Real Estate Development Business, sales amounted to ¥723 million (US$6.8 million), a decrease of ¥3,370 million (US$31.7 million) (-82.3%) compared to the previous consolidated fiscal year and segment loss totaled ¥9 million (US$0.1 million) (segment profit in the previous consolidated fiscal year was ¥529 million (US$5.0 million).

In our Other Businesses, mainly consisting of shipbuilding, sales of construction materials, machine leasing and environment business, sales amounted to ¥9,753 million (US$91.8 million), a decrease of ¥271 million (US$2.5 million) (-2.7%) compared to the previous consolidated fiscal year and segment profit totaled ¥688 million (US$6.5 million), an increase of ¥4 million (US$40 thousands) compared to the previous consolidated fiscal year.

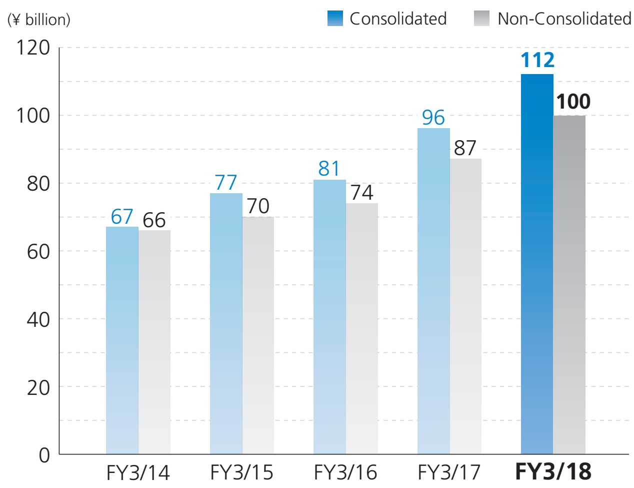
Orders Received and Contract Backlog

As for our non-consolidated construction orders received: Domestic Civil Engineering Business decreased by 11.0% to ¥166,789 million (US$1,569.9 million) due to the recoil after the undertaking of large-scale private offshore construction work in the previous year; Domestic Building Construction Business increased by 13.8% to ¥200,544 million (US$1,887.6 million) due to the undertaking of several large-scale construction works; Overseas Construction Business increased by 199.9% to ¥300,585 million (US$2,829.3 million) due to the undertaking of several large-scale overseas construction works; in total, there was an increase of 43.5% to ¥667,918 million (US$6,286.9 million).

Total Assets



Total Net Assets



Financial Position
The total assets of our group increased by ¥46,513 million (US$437.8 million) to ¥418,824 million (US$3,942.2 million) compared to the end of the previous consolidated fiscal year mainly due to the increase of notes receivable and accounts receivable from completed constructs. Liabilities increased by ¥30,926 million (US$291.1 million) to ¥306,793 million (US$2,887.7 million) compared to the end of the previous consolidated fiscal year mainly due to the issue of bonds and advances received on uncompleted construction contracts. Net assets increased by ¥15,586 million (US$146.7 million) to ¥112,031 million (US$1,054.5 million) compared to the end of the previous consolidated fiscal year mainly due to the increase of retained earnings through the posting of current net profit.

Cash Flows
With regard to cash flow from operations, it resulted in an excess of ¥3,445 million (US$32.4 million) in revenue due to the decrease of revenue by ¥27,848 million (US$262.1 million) compared to the previous consolidated fiscal year although net profit before income taxes was ¥25,290 million (US$238.0 million) (an excess of ¥31,294 million (US$294.6 million) in revenue in the previous consolidated fiscal year).

With regard to cash flow from investments, expenditures increased by ¥4,040 million (US$38.0 million) compared to the previous consolidated fiscal year mainly due to work vessel construct investments, and it resulted in an excess of ¥13,129 million (US$123.6 million) in expenditures (an excess of ¥9,090 million (US$85.6 million) in expenditures in the previous consolidated fiscal year).

Free cash flow, the total of cash flow from operations and investments, resulted in an excess of ¥9,684 million (US$91.2 million) in expenditures (an excess of ¥22,204 million (US$209.0 million) in revenue in the previous consolidated fiscal year).

With regard to cash flow from financial activities, although expenditures decreased by ¥19,658 million (US$185.0 million) compared to the previous consolidated fiscal year, it resulted in an excess of ¥4,125 million (US$38.8 million) in revenue mainly due to the income from bonds (an excess of ¥15,533 million (US$146.2 million) in revenue in the previous consolidated fiscal year).

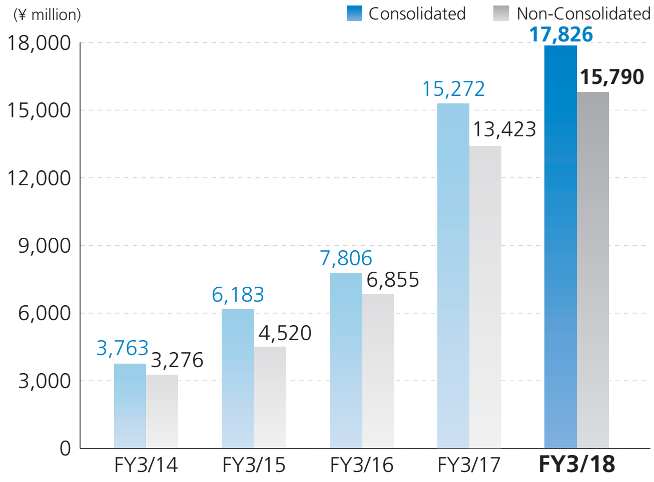
From these results, “cash and cash equivalents” as of the end of this consolidated fiscal year decreased by ¥6,658 million (US$62.7 million) (9.3%) compared to the end of the previous consolidated fiscal year to ¥65,112 million (US$612.9 million), and the balance of interest-bearing debts at the end of this fiscal year resulted in ¥67,493 million (US$635.3 million).

Dividends
Our basic policies are to improve profitability and increase corporate value by forward-looking reinforcement of business infrastructure and implementation of technology development and capital investment, as well as to distribute continuous and stable dividends to shareholders. Under these policies, we aim to achieve a consolidated dividend payout ratio of 20% to 25%. In addition, we plan to make use of internal reserves to the investment for engineering development or equipment investment to improve our corporate value. Regarding the performance of the current fiscal year, there was comprehensive consideration of progress in improving financial soundness and business deployment in the future, and dividends from surplus of the current fiscal year were determined at ¥14 per common share. The total amount of dividends was ¥4,003 million (US$37.7 million).

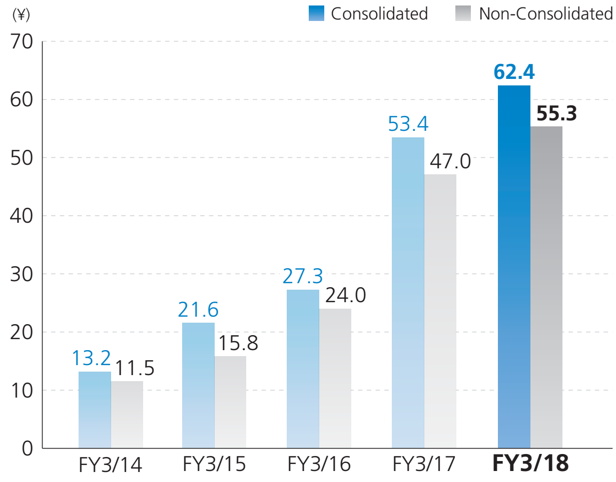
It is also our basic policy to pay a year-end dividend annually, determined by the general shareholders’ meetings.

* Exchange rate at the term end: US$1 = ¥106.24

Net Profit



Net Profit 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
	2017	**2018**	**2018**
Current assets:			
Cash and deposits (Note 20)	¥ 72,464	**¥ 65,706**	**$ 618,468**
Trade receivables: (Note 20)			
Notes	8,678	**10,112**	**95,181**
Accounts	172,780	**213,975**	**2,014,067**
Inventories: (Note 3 (5))			
Costs on uncompleted construction contracts	10,512	**14,383**	**135,381**
Real estate for sale and development projects in progress	4,444	**3,873**	**36,459**
Other	2,142	**2,497**	**23,506**
Deferred tax assets (Note 18)	2,561	**2,644**	**24,888**
Other	4,382	**3,241**	**30,497**
Allowance for doubtful accounts (Note 3 (9))	(757)	**(832)**	**(7,827)**
Total current assets	277,206	**315,599**	**2,970,620**
Property, plant and equipment: (Notes 3 (6) and 3 (8))			
Land	31,855	**33,721**	**317,402**
Buildings and structures	36,473	**37,115**	**349,353**
Machinery, equipment and vehicles	20,792	**23,446**	**220,693**
Dredgers and vessels	68,072	**68,141**	**641,388**
Construction in progress	4,223	**8,126**	**76,478**
Total property, plant and equipment	161,415	**170,549**	**1,605,314**
Less: accumulated depreciation	(88,713)	**(92,158)**	**(867,450)**
Property, plant and equipment — net	72,702	**78,391**	**737,864**
Intangible assets (Note 3 (7))	1,407	**1,400**	**13,185**
Investments and other assets:			
Investment securities (Notes 3(3), 6, 7 and 20)	16,044	**18,098**	**170,346**
Long–term loans receivables	147	**114**	**1,072**
Deferred tax assets (Note 18)	337	**93**	**872**
Net defined benefit asset (Note 19)	1,771	**2,414**	**22,721**
Other (Note 7)	3,009	**3,893**	**36,654**
Allowance for doubtful accounts (Note 3(9))	(352)	**(1,200)**	**(11,295)**
Total investments and other assets	20,956	**23,412**	**220,370**
Deferred assets (Notes 3(19))	40	**22**	**203**
Total assets	¥372,311	**¥418,824**	**$3,942,242**

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Current liabilities:			
Short–term loans payable (Note 8 and 20)	¥ 16,278	**¥ 17,528**	**$ 164,986**
Current portion of long–term loans payable and bonds payable (Note 8 and 20)	7,853	**17,610**	**165,759**
Trade payable: (Note 20)			
Notes	22,906	**19,364**	**182,263**
Accounts	94,103	**113,066**	**1,064,246**
Electronically recorded obligations–operating	26,059	**12,883**	**121,268**
Advance received on uncompleted construction contracts	29,708	**44,528**	**419,125**
Deposits received	24,540	**30,496**	**287,051**
Income taxes payable	5,420	**5,552**	**52,256**
Provision for loss on construction contracts (Note 3(12))	2,038	**1,332**	**12,536**
Provision for warranties for completed construction (Note 3(10))	1,573	**1,476**	**13,896**
Provision for bonuses (Note 3(11))	2,161	**2,489**	**23,425**
Other	2,712	**2,663**	**25,071**
Total current liabilities	235,351	**268,987**	**2,531,882**
Non-current liabilities:			
Bonds payable (Note 8 and 20)	20,000	**20,000**	**188,253**
Long–term loans payable (Note 8 and 20)	15,590	**12,354**	**116,286**
Provision for directors' retirement benefits	152	**—**	**—**
Provision for board benefit trust (Note 3(13))	—	**87**	**818**
Net defined benefit liability (Note 3(14) and 19)	357	**492**	**4,631**
Deferred tax liabilities for land revaluation (Note 9(2))	3,691	**3,680**	**34,634**
Other	725	**1,193**	**11,226**
Total non–current liabilities	40,515	**37,806**	**355,848**
Total liabilities	275,866	**306,793**	**2,887,730**
Commitments and contingent liabilities (Note 17)			
Net assets:			
Shareholders' equity:			
Capital stock	30,450	**30,450**	**286,615**
Authorized — 599,135,000 shares			
Issued shares — 286,013,910 shares 2017 and 2018			
Capital surplus (Note 9(1))	18,387	**18,387**	**173,068**
Retained earnings (Note 9(1))	39,842	**54,247**	**510,611**
Less: Treasury shares	(26)	**(326)**	**(3,070)**
Total shareholders' equity	88,653	**102,758**	**967,224**
Accumulated other comprehensive income:			
Valuation difference on available–for–sale securities (Note 3(3) and 9(3))	3,242	**4,435**	**41,742**
Deferred gains or losses on hedges	69	**26**	**251**
Revaluation reserve for land (Note 9(2))	3,921	**3,910**	**36,807**
Foreign currency translation adjustment (Note 3(2))	(78)	**(161)**	**(1,511)**
Remeasurements of defined benefit plans (Note 3(14) and 19)	570	**1,003**	**9,437**
Total accumulated other comprehensive income	7,724	**9,213**	**86,726**
Non–controlling interests	68	**60**	**562**
Total net assets	96,445	**112,031**	**1,054,512**
Total liabilities and net assets	¥372,311	**¥418,824**	**$3,942,242**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Income

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

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Construction business: (Note 3 (15))			
Net sales	¥487,133	**¥517,526**	**$4,871,291**
Cost of sales	448,922	**474,851**	**4,469,604**
Gross profit	38,211	**42,675**	**401,687**
Development business and other:			
Net sales	13,203	**9,376**	**88,254**
Cost of sales	10,544	**7,105**	**66,877**
Gross profit	2,659	**2,271**	**21,377**
Total:			
Total net sales	500,336	**526,902**	**4,959,545**
Total cost of sales	459,466	**481,956**	**4,536,481**
Total gross profit	40,870	**44,946**	**423,064**
Selling, general and administrative expenses	16,595	**17,328**	**163,108**
Operating profit	24,275	**27,618**	**259,956**
Non–operating income:			
Interest and dividends income	621	**492**	**4,631**
Reversal of allowance for doubtful accounts	158	**20**	**190**
Other (Note 10)	441	**391**	**3,681**
	1,220	**903**	**8,502**
Non–operating expenses:			
Interest expenses	792	**715**	**6,727**
Provision of allowance for doubtful accounts	12	**952**	**8,961**
Foreign exchange losses	818	**913**	**8,593**
Other (Note 11)	164	**258**	**2,429**
	1,786	**2,838**	**26,710**
Ordinary profit	23,709	**25,683**	**241,748**
Extraordinary income (Note 12)	120	**153**	**1,443**
Extraordinary losses (Note 13)	801	**546**	**5,147**
Profit before income taxes	23,028	**25,290**	**238,044**
Income taxes: (Notes 3(18) and 18)			
Current	7,698	**7,614**	**71,665**
Deferred	59	**(144)**	**(1,358)**
	7,757	**7,470**	**70,307**
Profit (loss) attributable to:	15,271	**17,820**	**167,737**
Non–controlling interests	(1)	**(6)**	**(54)**
Owners of parent	¥ 15,272	**¥ 17,826**	**$ 167,791**

	Yen		U.S. dollars
Profit attributable to owners of parent per share of common stock (Note 22)			
Basic	¥53.42	**¥62.41**	**$0.59**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement 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
	2017	**2018**	**2018**
Profit	¥15,271	**¥17,820**	**$167,737**
Valuation difference on available–for–sale securities	943	**1,192**	**11,223**
Deferred gains or losses on hedges	48	**(42)**	**(400)**
Foreign currency translation adjustments	4	**(86)**	**(807)**
Remeasurements of defined benefit plans	1,238	**433**	**4,075**
Total other comprehensive income (Note 15)	2,233	**1,497**	**14,091**
Comprehensive income	¥17,504	**¥19,317**	**$181,828**
(Breakdown)			
Comprehensive income attributable to owners of parent	¥17,505	**¥19,326**	**$181,904**
Comprehensive income attributable to non-controlling interests	(1)	**(9)**	**(76)**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Net Assets

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

For the year ended March 31, 2017

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	¥30,450	¥18,387	¥25,903	¥(26)	¥74,714
Changes of items during period					
Dividends of surplus			(1,715)		(1,715)
Profit attributable to owners of parent			15,272		15,272
Reversal of revaluation reserve for land			382		382
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	13,939	(0)	13,939
Balance at the end of current period	¥30,450	¥18,387	¥39,842	¥(26)	¥88,653

	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 adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥2,300	¥21	¥4,303	¥ (81)	¥ (669)	¥5,874	¥69	¥80,657
Changes of items during period								
Dividends of surplus								(1,715)
Profit attributable to owners of parent								15,272
Reversal of revaluation reserve for land								382
Purchase of treasury shares								(0)
Net changes of items other than shareholders' equity	942	48	(382)	3	1,239	1,850	(1)	1,849
Total changes of items during period	942	48	(382)	3	1,239	1,850	(1)	15,788
Balance at the end of current period	¥3,242	¥69	¥3,921	¥ (78)	¥ 570	¥7,724	¥68	¥96,445

For the year ended March 31, 2018

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	¥30,450	¥18,387	¥39,842	¥ (26)	¥ 88,653
Changes of items during period					
Dividends of surplus			(3,431)		(3,431)
Profit attributable to owners of parent			17,826		17,826
Reversal of revaluation reserve for land			10		10
Purchase of treasury shares				(300)	(300)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	14,405	(300)	14,105
Balance at the end of current period	¥30,450	¥18,387	¥54,247	¥(326)	¥102,758

	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 adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥3,242	¥69	¥3,921	¥ (78)	¥ 570	¥7,724	¥68	¥ 96,445
Changes of items during period								
Dividends of surplus								(3,431)
Profit attributable to owners of parent								17,826
Reversal of revaluation reserve for land								10
Purchase of treasury shares								(300)
Net changes of items other than shareholders' equity	1,193	(43)	(11)	(83)	433	1,489	(8)	1,481
Total changes of items during period	1,193	(43)	(11)	(83)	433	1,489	(8)	15,586
Balance at the end of current period	¥4,435	¥26	¥3,910	¥(161)	¥1,003	¥9,213	¥60	¥112,031

For the year ended March 31, 2018

	Thousands of U.S dollars				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	$286,615	$173,068	$375,017	$ (245)	$834,455
Changes of items during period					
Dividends of surplus			(32,293)		(32,293)
Profit attributable to owners of parent			167,791		167,791
Reversal of revaluation reserve for land			96		96
Purchase of treasury shares				(2,825)	(2,825)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	135,594	(2,825)	132,769
Balance at the end of current period	$286,615	$173,068	$510,611	$(3,070)	$967,224

	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 adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	$30,519	$651	$36,903	$ (726)	$5,363	$72,710	$638	$ 907,803
Changes of items during period								
Dividends of surplus								(32,293)
Profit attributable to owners of parent								167,791
Reversal of revaluation reserve for land								96
Purchase of treasury shares								(2,825)
Net changes of items other than shareholders' equity	11,223	(400)	(96)	(785)	4,074	14,016	(76)	13,940
Total changes of items during period	11,223	(400)	(96)	(785)	4,074	14,016	(76)	146,709
Balance at the end of current period	$41,742	$251	$36,807	$(1,511)	$9,437	$86,726	$562	$1,054,512

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

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

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Cash flows from operating activities:			
Profit before income taxes	¥23,028	**¥ 25,290**	**$ 238,044**
Adjustment to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	5,614	**6,847**	**64,447**
Impairment loss	694	**39**	**366**
Increase (Decrease) in allowance for doubtful accounts	(757)	**923**	**8,691**
Increase (Decrease) in net defined benefit liability	66	**65**	**613**
Decrease (Increase) in net defined benefit asset	(358)	**(494)**	**(4,646)**
Interest and dividends income	(621)	**(492)**	**(4,631)**
Interest expenses	792	**715**	**6,727**
Foreign exchange losses (gains)	242	**702**	**6,611**
Equity in (earnings) losses of affiliates	(8)	**(8)**	**(74)**
Loss (Gain) on sales of property, plant and equipment	(11)	**(60)**	**(569)**
Loss (Gain) on sales of investment securities	(61)	**(34)**	**(320)**
Loss on valuation of securities and investment securities	2	**4**	**34**
Change in assets and liabilities:			
Decrease (Increase) in notes and accounts receivable-trade	7,235	**(27,915)**	**(262,753)**
Decrease (Increase) in costs on uncompleted construction contracts	1,825	**(3,874)**	**(36,466)**
Decrease (Increase) in real estate for sale and development projects in progress and other inventories	2,232	**186**	**1,746**
Increase (Decrease) in notes and accounts payable-trade	(6,820)	**2,098**	**19,748**
Increase (Decrease) in advances received on uncompleted construction contracts	3,151	**14,819**	**139,490**
Increase (Decrease) in other provision	(92)	**(292)**	**(2,746)**
Other, net	3,954	**(7,446)**	**(70,083)**
Subtotal	40,107	**11,073**	**104,229**
Interest and dividends income received	620	**487**	**4,588**
Interest expenses paid	(799)	**(733)**	**(6,900)**
Income taxes paid	(8,634)	**(7,382)**	**(69,487)**
Net cash provided by operating activities	31,294	**3,445**	**32,430**
Cash flows from investing activities:			
Purchase of investment securities	(304)	**(429)**	**(4,034)**
Proceeds from sales and redemption of short-term and long-term investment securities	277	**125**	**1,175**
Purchase of property, plant and equipment	(9,107)	**(12,917)**	**(121,587)**
Proceeds from sales of property, plant and equipment	94	**429**	**4,036**
Collection of loans receivable	32	**33**	**307**
Other, net	(82)	**(370)**	**(3,479)**
Net cash used in investing activities	¥ (9,090)	**¥(13,129)**	**$(123,582)**

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	¥ (6,670)	**¥ 1,475**	**$ 13,880**
Proceeds from long-term loans payable	3,030	**4,374**	**41,171**
Repayment of long-term loans payable	(10,075)	**(7,853)**	**(73,919)**
Proceeds from issuance of bonds payable	—	**9,951**	**93,663**
Cash dividends paid	(1,710)	**(3,421)**	**(32,203)**
Other, net	(108)	**(401)**	**(3,762)**
Net cash provided by (used in) financing activities	(15,533)	**4,125**	**38,830**
Effect of exchange rate change on cash and cash equivalents	(335)	**(1,099)**	**(10,347)**
Net increase (decrease) in cash and cash equivalents	6,336	**(6,658)**	**(62,669)**
Cash and cash equivalents at the beginning of the period	65,434	**71,770**	**675,548**
Cash and cash equivalents at the end of the period	¥71,770	**¥65,112**	**$612,879**
(Notes) (1)Cash and cash equivalents are comprised as follows:			
Cash and deposits	¥72,464	**¥65,706**	**$618,468**
Less–Time deposits with maturity over three months	(694)	**(594)**	**(5,589)**
Cash and cash equivalents (Note 3(17))	¥71,770	**¥65,112**	**$612,879**

See accompanying Notes to 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 are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

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

The figures in these financial statements are shown in U.S. dollars at the conversion rate of U.S.$1=¥106.24, the exchange rate prevailing on March 31, 2018. This is solely for the convenience of readers outside Japan and does not mean that assets and liabilities originating in yen can be converted into or settled in dollars at the above rate.

2. Consolidation

(1) Scope of consolidation and application of equity method

The Company has 25 subsidiaries and 5 affiliated company as at March 31, 2018.

The Company consolidated all subsidiaries and applied the equity method to one affiliated company.

Jupiter Five Pte. Ltd. and Neptune Five Pte. Ltd. were liquidated and have been excluded from the scope of consolidation.

4 affiliated companies were not included in the scope of equity method, due to small impact on consolidated financial statements and insignificant on the whole.

(2) Consolidated closing date

Consolidated closing date is March 31.

Closing date for the Company, 10 domestic subsidiaries and 14 overseas subsidiaries including Andromeda Five Pte, Ltd. is March 31.

Closing date for one overseas subsidiary is December 31. The Company compiled the consolidated financial statements using the financial statements of each company's closing date, and adjustments were 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) Investment securities

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

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

Other investment 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 Company and its consolidated subsidiaries 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 Company and its consolidated subsidiaries provide provision for future losses from construction contracts outstanding at the fiscal year end.

(13) Provision for board benefit trust

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

(14) Net defined benefit liability

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

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

Prior service costs are recognized as an expense when incurred.

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

Regarding lump-sum severance indemnity plan for some of the consolidated subsidiaries, the amount is calculated based on simplified method which assumes that the retirement benefit obligation would be the amount to be paid to employees who voluntarily retired at the year-end.

(15) Recognition of sales and cost of sales

For the construction projects with uncertain work progress by the end of the year, the percentage-of-completion method (based on cost proportion method to estimate the progress of such construction project) has been applied.

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

(16) Hedge accounting

1) Hedge accounting method

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

2) Hedging instruments and hedged items

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

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

3) Hedging policy

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

4) Evaluation of the effectiveness of hedge accounting

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

(17) 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.

(18) 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 23.4 percent on taxable income, (b) enterprise tax of 3.6 percent on taxable income after certain adjustments, (c) prefectural and municipal taxes averaging 16.3 percent of corporation tax, and

(d) local corporation tax of 4.4 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.

(19) Deferred assets

Bond issuance cost is recognized as an expense when incurred.

Business commencement expenses are amortized using the straight-line method over 5 years and the amortization starts from the fiscal year when the business commenced.

(20) Consumption tax

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

(21) Adoption of consolidated taxation system

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

(22) 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.

4. Additional information

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

(1) Transaction summary

The Company approved a resolution at the 67th Annual General Meeting of Shareholders held on June 27, 2017 to introduce the Board Benefit Trust (the "BBT"), a performance-linked stock compensation plan for its directors and executive officers (the "Directors"). 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

Since the BBT plan was introduced in the fiscal year 2017, Trust & Custody Services Bank, Ltd. (Trust E) has acquired 456,100 shares of the company.

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 value of the treasury shares was JPY 299 million and the number of the stocks was 456,100 shares as of March 31, 2018.

5. Accounting standards issued but not yet effective

- "Implementation Guidance on Tax Effect Accounting" (Accounting Standards Board of Japan Guidance No.28, issued February 16, 2018)
- "Implementation Guidance on Recoverability of Deferred Tax Assets" (revised 2018) (Accounting Standards Board of Japan Guidance No.28, issued February 16, 2018)

1) Overview

The accounting treatment for taxable temporary differences related to investments in subsidiaries when an entity prepares separate financial statements was modified. In addition, the accounting treatment related to the recoverability of deferred tax assets in entities that qualify as Category 1 was clarified.

2) Scheduled date of adoption

The Company expects to adopt the implementation guidance from the beginning of the fiscal year ending March 31, 2019.

3) Impact of the adoption of implementation guidance

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

- "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Statement No.29, issued March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Guidance No.30, issued March 31, 2018)

1) Overview

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

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

2) Scheduled date of adoption

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

3) Impact of the adoption of implementation guidance

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

6. Investment securities

(1) Held-to-maturity debt securities

As of March 31, 2017	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Securities whose fair value exceeds their book value on consolidated B/S:			
National and local government bonds	¥208	¥216	¥ 8
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥208	¥216	¥ 8
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
National and local government bonds	¥ —	¥ —	¥—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥ —	¥ —	¥—
Total	¥208	¥216	¥ 8

As of March 31, 2018	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Securities whose fair value exceeds their book value on consolidated B/S:			
National and local government bonds	¥210	¥215	¥ 5
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥210	¥215	¥ 5
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
National and local government bonds	¥ —	¥ —	¥—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥ —	¥ —	¥—
Total	¥210	¥215	¥ 5

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
Securities whose fair value exceeds their book value on consolidated B/S:			
National and local government bonds	$1,972	$2,027	$55
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	$1,972	$2,027	$55
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
National and local government bonds	$ —	$ —	$—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	$ —	$ —	$—
Total	$1,972	$2,027	$55

(2) Other securities

As of March 31, 2017	Book value on consolidated B/S (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose book value on consolidated B/S exceeds their acquisition cost:			
Stock	¥11,867	¥7,244	¥4,623
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥11,867	¥7,244	¥4,623
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	¥ 1,049	¥1,087	¥ (38)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥ 1,049	¥1,087	¥ (38)
Total	¥12,916	¥8,331	¥4,585

(Notes) Since unlisted stocks (balance on consolidated balance sheet ¥2,797 Million have no market value, have no estimated future cash flows and are quite difficult to determine the fair value, they are not included in "Other securities" above.

As of March 31, 2018	Book value on consolidated B/S (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose book value on consolidated B/S exceeds their acquisition cost:			
Stock	¥14,515	¥8,191	¥6,324
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥14,515	¥8,191	¥6,324
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	¥ 492	¥ 521	¥ (29)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥ 492	¥ 521	¥ (29)
Total	¥15,007	¥8,712	¥6,295

	Book value on consolidated B/S (Thousands of U.S. dollars)	Acquisition cost (Thousands of U.S. dollars)	Difference (Thousands of U.S. dollars)
Securities whose book value on consolidated B/S exceeds their acquisition cost:			
Stock	$136,622	$77,102	$59,520
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	$136,622	$77,102	$59,520
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	$ 4,630	$ 4,904	$ (274)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	$ 4,630	$ 4,904	$ (274)
Total	$141,252	$82,006	$59,246

(Notes) Since unlisted stocks (balance on consolidated balance sheet ¥2,715 Million (U.S. $ 25,555 thousand)) have no market value, have no estimated future cash flows and are quite difficult to determine the fair value, they are not included in "Other securities" above.

(3) Other securities sold during the fiscal year

As of March 31, 2017	Millions of yen		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	¥278	¥ 61	¥ 0
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	¥278	¥ 61	¥ 0

As of March 31, 2018	Millions of yen		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	¥125	¥ 34	¥—
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	¥125	¥ 34	¥—

	Thousands of U.S. dollars		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	$1,175	$320	$—
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	$1,175	$320	$—

(4) Impairment of investment securities

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Other securities			
Stock	¥2	**¥4**	**$34**

7. Pledged assets

The following assets are pledged for fulfillment of construction contracts at March 31, 2017 and 2018.

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Investment securities	¥312	**¥322**	**$3,032**
Other (Investment and other assets)	159	**160**	**1,509**
Total	¥471	**¥482**	**$4,541**

8. Short-term loans, long-term loans, and bonds payable

Short-term and long-term loans and bonds payable as of March 31, 2017 and 2018 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Short-term loans from banks and insurance companies (The weighted average interest rate is 0.88%.)	¥16,278	**¥17,528**	**$164,986**
Long-term loans from banks and insurance companies due through 2023 (The weighted average interest rate is 0.77%.)	23,443	**19,964**	**187,918**
0.87% unsecured bonds payable due 2019	10,000	**10,000**	**94,127**
0.14% unsecured bonds payable due 2021	—	**10,000**	**94,127**
0.68% unsecured bonds payable due 2022	10,000	**10,000**	**94,127**
Less: current portion	(24,131)	**(35,138)**	**(330,745)**
Total	¥35,590	**¥32,354**	**$304,540**

The aggregate annual maturity of short-term and long-term loans and bonds payable after March 31, 2018 is as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2019	**¥35,138**	**$330,745**
2020	**7,300**	**68,714**
2021	**12,524**	**117,884**
2022	**11,428**	**107,568**
2023 and thereafter	**1,102**	**10,374**
Total	**¥67,492**	**$635,285**

9. 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
	2017	2018	2018
The difference between the appraisal value of land at the end of the current fiscal year and the book value	¥6,897	**¥7,128**	**$67,092**

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

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

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

This amounted to ¥ 4,435 million (U.S. $ 41,742 thousand) gain as of March 31, 2018.

10. Non–operating income

The composition of Non-operating income-other for the fiscal years ended March 31, 2017 and 2018 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Real estate rent	¥155	**¥122**	**$1,148**
Other	286	**269**	**2,533**
Total	¥441	**¥391**	**$3,681**

11. Non-operating expenses

The composition of Non-operating expenses-other for the fiscal years ended March 31, 2017 and 2018 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Other	¥176	**¥258**	**$2,429**
Total	¥176	**¥258**	**$2,429**

12. Extraordinary income

The composition of Extraordinary income for the fiscal years ended March 31, 2017 and 2018 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Gain on sales of non-current assets	¥ 53	**¥ 86**	**$ 812**
Gain on sales of investment securities	61	**34**	**320**
Gain on liquidation of subsidiaries	—	**28**	**263**
Other	6	**5**	**48**
Total	¥120	**¥153**	**$1,443**

13. Extraordinary losses

The composition of Extraordinary losses for the fiscal years ended March 31, 2017 and 2018 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Loss on sales of non-current assets	¥ 42	**¥ 26**	**$ 243**
Loss on retirement of non-current assets	59	**476**	**4,479**
Impairment loss (*1)	694	**39**	**366**
Other	6	**5**	**59**
Total	¥801	**¥546**	**$5,147**

(*1) The Company recognized impairment loss for the following group of assets in the fiscal years ended March 31, 2017 and 2018.

For the year ended March 31, 2017

Classification	Type of Assets	Location	Impairment loss
Business assets (for materials yard)	Land	Osaka	¥694 million

In principle, the Company and its consolidated subsidiaries have classified the fixed assets by business control unit (company, branch office, and business line), for which revenue and expenditure are continuously recorded. And the Company and its consolidated subsidiaries has classified the idle assets individually.

Book values of above assets classified into business assets were written down to recoverable amounts due to a following reason. During the current fiscal year, management decided to hold the land for material yard described above as selling-purpose. The impairment loss (¥ 694 million) was accounted for as an extraordinary losses.

The recoverable amount was measured at net realizable value based on a real-estate appraisal.

The recoverable amounts were measured by net realizable value. The business assets are assessed by reasonably estimated value based on inheritance tax, real-estate appraisal or expected sales price and the idle assets are assessed by reasonably estimated value base on inheritance tax.

For the year ended March 31, 2018
This information is omitted since it is immaterial.

14. Research and development costs

Research and development costs charged to income are ¥ 1,953 million for the fiscal year 2017 and ¥ 2,123 million (U.S. $ 19,981 thousand) for the fiscal year 2018, 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, 2017 and 2018:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Valuation difference on available–for–sale securities			
Amount arising during the year	¥1,413	**¥1,743**	**$16,404**
Reclassification adjustment for gains and losses realized in net profit	(60)	**(34)**	**(319)**
Amount before tax effect	1,353	**1,709**	**16,085**
Tax effect	(410)	**(517)**	**(4,862)**
Valuation difference on available-for-sale securities	943	**1,192**	**11,223**
Deferred gains or losses on hedges			
Amount arising during the year	0	**(471)**	**(4,435)**
Reclassification adjustment for gains and losses realized in net profit	0	**411**	**3,870**
Amount before tax effect	70	**(60)**	**(565)**
Tax effect	(22)	**18**	**165**
Deferred gains or losses on hedges	48	**(42)**	**(400)**
Foreign currency translation adjustments			
Amount arising during the year	4	**(58)**	**(544)**
Reclassification adjustment for gains and losses realized in net profit	—	**(28)**	**(263)**
Amount before tax effect	4	**(86)**	**(807)**
Tax effect	—	**—**	**—**
Foreign currency translation adjustments	4	**(86)**	**(807)**
Remeasurements of defined benefit plans			
Amount arising during the year	1,115	**80**	**749**
Reclassification adjustment for gains and losses realized in net profit	670	**544**	**5,124**
Amount before tax effect	1,785	**624**	**5,873**
Tax effect	(547)	**(191)**	**(1,798)**
Remeasurements of defined benefit plans	1,238	**433**	**4,075**
Total of other comprehensive income	¥2,233	**¥1,497**	**$14,091**

16. Derivative financial transactions

(1) Matters concerning derivative financial transactions

The Company and its consolidated subsidiaries 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, 2018, the Company has liabilities for guarantee to bank loans made by customers amounting to ¥ 309 million (U.S. $ 2,904 thousand).

The Company also has the guarantee amounting to ¥ 131 million (U.S. $ 1,236 thousand) to purchasers concerning deposits for purchase of the condominium apartments.

The Company has agreements on commitment line with 22 banks totaling ¥20,000 million (U.S. $ 188,253 thousand) for the purpose of flexible financing. Unused commitment line as of March 31, 2017 and 2018 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Commitment line			
Total of commitment line	¥40,000	**¥20,000**	**$188,253**
Use of commitment	—	**—**	**—**
Total of unused commitment line	¥40,000	**¥20,000**	**$188,253**

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
	2017	**2018**	**2018**
Deferred tax assets			
Employees' retirement benefits trust	¥ 1,976	**¥ 2,023**	**$ 19,043**
Loss on valuation of real estate for sale	1,396	**1,473**	**13,868**
Impairment loss	992	**901**	**8,482**
Provision for bonuses	670	**765**	**7,205**
Allowance for doubtful accounts	366	**643**	**6,054**
Provision for loss on construction contracts	627	**408**	**3,840**
Net operating loss carryforwards	265	**268**	**2,518**
Net defined benefit liability	118	**116**	**1,095**
Foreign tax credit carryforwards	1,579	**—**	**—**
Other	1,544	**1,759**	**16,543**
Total: deferred tax assets	9,533	**8,356**	**78,648**
Less: valuation allowance	(4,448)	**(3,128)**	**(29,442)**
Deferred tax assets	¥ 5,085	**¥ 5,228**	**$ 49,206**
Deferred tax liabilities			
Valuation difference on available–for–sale securities	¥ (1,343)	**¥ (1,860)**	**$ (17,504)**
Prepaid pension cost	(540)	**(739)**	**(6,957)**
Unrealized intercompany profit	(105)	**(105)**	**(990)**
Other	(203)	**(188)**	**(1,769)**
Total: deferred tax liabilities	(2,191)	**(2,892)**	**(27,220)**
Net: deferred tax assets	¥ 2,894	**¥ 2,336**	**$ 21,986**

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:

	2017
The statutory effective tax rate	**30.86%**
(Adjustments)	
Permanent differences (expense)	**1.82**
Permanent differences (income)	**(0.33)**
Per capita levy on inhabitant tax	**0.85**
Consolidated adjustments	**0.28**
Increase (Decrease) in valuation allowance	**(0.40)**
Foreign corporation tax	**3.19**
Other	**(2.59)**
Actual burden tax rate after the application of tax effect accounting	**33.68%**

For the year ended March 31, 2018, 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 Company and its other consolidated subsidiaries 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, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Retirement benefit obligation at the beginning of year	¥26,679	**¥26,638**	**$250,731**
Service cost	1,233	**1,266**	**11,919**
Interest cost	—	**26**	**246**
Actuarial gain and loss	221	**189**	**1,782**
Retirement benefits paid	(1,495)	**(1,908)**	**(17,965)**
Retirement benefit obligation at the end of year	¥26,638	**¥26,211**	**$246,713**

(2) The changes in the plan assets during the years ended March 31, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Plan assets at the beginning of year	¥26,686	**¥28,052**	**$264,040**
Expected return on plan assets	448	**471**	**4,437**
Actuarial gain	1,336	**269**	**2,531**
Contributions by the Company	794	**820**	**7,717**
Retirement benefits paid	(1,212)	**(1,479)**	**(13,922)**
Plan assets at the end of year	¥28,052	**¥28,133**	**$264,803**

(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, 2017 and 2018 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Funded retirement benefit obligation	¥26,176	**¥25,719**	**$242,082**
Plan assets at fair value	(28,052)	**(28,133)**	**(264,803)**
	¥ (1,876)	**¥ (2,414)**	**$ (22,721)**
Unfunded retirement benefit obligation	462	**492**	**4,631**
Net liability for retirement benefits in the balance sheet	¥ (1,414)	**¥ (1,922)**	**$ (18,090)**
Net defined benefit liability	¥ 357	**¥ 492**	**$ 4,631**
Net defined benefit asset	(1,771)	**(2,414)**	**(22,721)**
Net liability for retirement benefits in the balance sheet	¥ (1,414)	**¥ (1,922)**	**$ (18,090)**

(4) The components of retirement benefit expense for the years ended March 31, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Service cost	¥ 1,233	**¥ 1,266**	**$ 11,919**
Interest cost	—	**26**	**246**
Expected return on plan assets	(448)	**(471)**	**(4,437)**
Amortization of actuarial gain and loss	670	**544**	**5,124**
Retirement benefit expense	¥ 1,455	**¥ 1,365**	**$ 12,852**

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, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Actuarial gain and loss	¥ 1,785	**¥ 624**	**$ 5,873**
Total	¥ 1,785	**¥ 624**	**$ 5,873**

(6) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Unrecognized actuarial gain and loss	¥(821)	**¥(1,445)**	**$(13,602)**
Total	¥(821)	**¥(1,445)**	**$(13,602)**

(7) The fair value of plan assets, major category, as a percentage of total plan assets as of March 31, 2017 and 2018 are as follows:

	2017	2018
Bonds	39%	**43%**
Stocks	47	**47**
General accounts	6	**5**
Cash and deposits	1	**1**
Others	7	**4**
Total	100%	**100%**

Note: Total plan assets include retirement benefit trusts of 12% and 12% that are set up for a corporate pension plan as of March 31, 2017 and 2018, 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:

	2017	2018
Discount rates	0.1%	**0.1%**
Expected rates of long-term return on plan assets	1.0-2.0%	**1.1-2.0%**
Expected rates of increase in salary	3.1-4.9%	**3.2-4.9%**

20. Financial instruments

(1) Policy for financial instruments

The Company and its consolidated subsidiaries have limited the instruments of fund investment to short term deposits and other, and relied on bonds payable or bank loans for fund procurement.

Regarding credit risk to customers related to notes receivable, accounts receivable from completed construction contracts and other the Company and its consolidated subsidiaries' 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.

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

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

Bonds payable and Loans payable are mainly for procurement for operating funds and the Company 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, 2017 are as follows:

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 72,464	¥ 72,464	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	164,461	164,461	—
(3) Accounts receivable–other	16,998	16,998	—
(4) Investment securities	13,124	13,132	8
Total Assets	¥267,047	¥267,055	¥ 8
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	¥111,818	¥111,818	¥ —
(2) Electronically recorded obligations–operating	26,059	26,059	—
(3) Short-term loans payable	16,278	16,278	—
(4) Bonds payable	20,000	20,329	329
(5) Long-term loans payable (*1)	23,443	23,512	69
Total Liabilities	¥197,598	¥197,996	¥398
Derivative transaction (*2)	¥ 51	¥ 51	¥ —

(*1) Long-term loans payable includes the current portion of long-term loans payable.
(*2) The debit and credit balances recorded by derivative transaction are offset each other.

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

Assets

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

Liabilities

(1) Notes payable, accounts payable for construction contracts and other, (2) Electronically recorded obligations-operating, (3) Short-term loans payable
Since these items are settled within short term, the fair values are nearly equivalent to book values, therefore the current book value is used.
(4) Bonds payable, (5) Long-term loans payable
The fair value of these items are calculated by discounting the total of principal and interest using interest rate calculated assuming the loan is newly made or the bond is newly issued. Long-term loans payable with floating rate is subject to a special treatment of interest rate swap and is calculated by discounting the total of principal and interest, accounted for as if they were integral part of the interest rate swap, by interest rate that is reasonably estimated and applied in the case of similar loan.

Derivative transaction

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

(Notes 2) Since unlisted stocks (balance on consolidated balance sheet ¥2,920 million) have no market value, have no estimated future cash flows and are quite difficult to recognize the fair value, they are not included in "(4) Investment securities".

(Notes 3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2017

	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	¥ 72,416	¥ —	¥ —	¥—
Notes receivable, accounts receivable from completed construction contracts and other	159,740	4,721	—	—
Accounts receivable–other	16,998	—	—	—
Investment securities				
Held–to–maturity bonds				
National and local government bonds	—	137	71	—
Corporate bonds	—	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	—	—
Other	—	—	—	—
Total	¥249,154	¥4,858	¥ 71	¥—

(Note 4) The redemption schedule for short-term and long-term loans, and bonds payable is disclosed in Note 8

Book value on consolidated balance sheet, fair value and the difference as of March 31, 2018 are as follows:

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 65,706	¥ 65,706	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	192,720	192,720	—
(3) Accounts receivable – other	31,367	31,367	—
(4) Investment securities	15,216	15,222	6
Total Assets	¥305,009	¥305,015	¥ 6
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	¥127,446	¥127,446	¥ —
(2) Electronically recorded obligations – operating	12,883	12,883	—
(3) Short-term loans payable	17,528	17,528	—
(4) Bonds payable (*1)	30,000	30,176	176
(5) Long–term loans payable (*1)	19,964	20,028	64
Total Liabilities	¥207,821	¥208,061	¥240
Derivative transaction (*2)	¥ 102	¥ 102	¥ —

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	$ 618,468	$ 618,468	$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	1,814,005	1,814,005	—
(3) Accounts receivable – other	295,243	295,243	—
(4) Investment securities	143,225	143,279	54
Total Assets	$2,870,941	$2,870,995	$ 54
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	$1,199,606	$1,199,606	$ —
(2) Electronically recorded obligations – operating	121,268	121,268	—
(3) Short–term loans payable	164,986	164,986	—
(4) Bonds payable (*1)	282,380	284,036	1,656
(5) Long–term loans payable (*1)	187,918	188,515	597
Total Liabilities	$1,956,158	$1,958,411	$2,253
Derivative transaction (*2)	$ 963	$ 963	$ —

(*1) Bonds payable includes the current portion of bonds payable, and long-term loans payable includes the current portion of long-term loans payable.
(*2) The debit and credit balances recorded by derivative transaction are offset each other.

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

Assets

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

Liabilities

(1) Notes payable, accounts payable for construction contracts and other, (2) Electronically recorded obligations - operating, (3) Short-term loans payable
Since these items are settled within short term, the fair values are nearly equivalent to book values, therefore the current book value is used.
(4) Bonds payable, (5) Long-term loans payable
The fair value of these items are calculated by discounting the total of principal and interest using interest rate calculated assuming the loan is newly made or the bond is newly issued. Long-term loans payable with floating rate is subject to a special treatment of interest rate swap and is calculated by discounting the total of principal and interest, accounted for as if they were integral part of the interest rate swap, by interest rate that is reasonably estimated and applied in the case of similar loan.

Derivative transaction

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

(Notes 2) Since unlisted stocks (balance on consolidated balance sheet ¥2,881 million (U.S. $27,121 thousand)) have no market value, have no estimated future cash flows and are quite difficult to recognize the fair value, they are not included in "(4) Investment securities".

(Notes 3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2018

	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	¥ 65,654	¥ —	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other	172,667	20,053	—	—
Accounts receivable – other	31,367	—	—	—
Investment securities				
Held–to–maturity bonds				
National and local government bonds	—	157	53	—
Corporate bonds	—	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	—	—
Other	—	—	—	—
Total	¥269,688	¥20,210	¥53	¥—

	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	$ 617,978	$ —	$ —	$—
Notes receivable, accounts receivable from completed construction contracts and other	1,625,253	188,752	—	—
Accounts receivable – other	295,243	—	—	—
Investment securities				
Held–to–maturity bonds				
National and local government bonds	—	1,475	497	—
Corporate bonds	—	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	—	—
Other	—	—	—	—
Total	$2,538,475	$190,228	$497	$—

(Note 4) The redemption schedule for short-term and long-term loans, and bonds payable is disclosed in Note 8

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 four 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
(4) Domestic real estate development segment ········ Sale or rent of domestic real estate and other

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

Millions of yen

Year ended March 31, 2017	Reportable segment: Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Domestic real estate development segment	Total	Other (Note1)	Total	Adjustments (Note 2)	Recorded amount on consolidated statement of income (Note 3)
Net sales:									
Sales to third parties	¥154,890	¥149,867	¥183,560	¥3,951	¥492,268	¥8,068	¥500,336	¥ —	¥ 500,336
Intersegment sales and transfers	455	5	—	142	602	1,955	2,557	(2,557)	—
Total	155,345	149,872	183,560	4,093	492,870	10,023	502,893	(2,557)	500,336
Segment profit	9,696	11,190	2,170	529	23,585	683	24,268	7	24,275
Other item:									
Depreciation	1,998	600	2,534	57	5,189	431	5,620	(6)	5,614

Millions of yen

Year ended March 31, 2018	Reportable segment: Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Domestic real estate development segment	Total	Other (Note1)	Total	Adjustments (Note 2)	Recorded amount on consolidated statement of income (Note 3)
Net sales:									
Sales to third parties	¥183,231	¥140,076	¥195,120	¥577	¥519,004	¥7,898	¥526,902	¥ —	¥ 526,902
Intersegment sales and transfers	679	15	—	146	840	1,855	2,695	(2,695)	—
Total	183,910	140,091	195,120	723	519,844	9,753	529,597	(2,695)	526,902
Segment profit (loss)	14,015	8,129	4,791	(9)	26,926	688	27,614	4	27,618
Other item:									
Depreciation	2,030	562	3,777	55	6,424	427	6,851	(4)	6,847

Thousands of U.S. dollars

Year ended March 31, 2018	Reportable segment: Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Domestic real estate development segment	Total	Other (Note1)	Total	Adjustments (Note 2)	Recorded amount on consolidated statement of income (Note 3)
Net sales:									
Sales to third parties	$1,724,694	$1,318,484	$1,836,598	$5,430	$4,885,206	$74,339	$4,959,545	$ —	$4,959,545
Intersegment sales and transfers	6,388	146	—	1,370	7,904	17,459	25,363	(25,363)	—
Total	1,731,082	1,318,630	1,836,598	6,800	4,893,110	91,798	4,984,908	(25,363)	4,959,545
Segment profit (loss)	131,920	76,514	45,100	(88)	253,446	6,474	259,920	36	259,956
Other item:									
Depreciation	19,108	5,290	35,556	516	60,470	4,012	64,482	(35)	64,447

Notes
(1) Division of "Other" includes shipbuilding, leasing business, insurance business and environment business.
(2) The adjustment of segment profit (loss) is intersegment elimination.
(3) Segment profit is adjusted with operating profit in the consolidated statement of income.

(Related information)

For the year ended March 31, 2017

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

2. Geographical information
   (1) Net sales

Japan	Southeast Asia	Other	Total
¥316,776 million	¥177,405 million	¥6,155 million	¥500,336 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
¥54,183 million	¥17,680 million	¥839 million	¥72,702 million

3. Each main customer

Name of Customer	Net sales	Related segment
Government of Singapore	¥99,629 million	Overseas segment

For the year ended March 31, 2018

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

2. Geographical information
   (1) Net sales

Japan	Southeast Asia	Other	Total
¥331,782 million $3,122,948 thousand	¥185,228 million $1,743,490 thousand	¥9,892 million $93,107 thousand	¥526,902 million $4,959,545 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
¥60,099 million $565,687 thousand	¥14,423 million $135,757 thousand	¥3,869 million $36,420 thousand	¥78,391 million $737,864 thousand

3. Each main customer

Name of Customer	Net sales	Related segment
Government of Singapore	¥85,278 million $802,696 thousand	Overseas segment
Ministry of Land, Infrastructure, Transport and Tourism	¥56,628 million $533,023 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, 2017

There is no impairment loss divided by reportable segment.

The amount and contents of impairment loss which is not divided by reportable segment are omitted to disclose to Note 13 Extraordinary losses.

For the year ended March 31, 2018

There is no impairment loss divided by reportable segment.

The amount and contents of impairment loss which is not divided by reportable segment are omitted since they are immaterial.

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

For the year ended March 31, 2017

None

For the year ended March 31, 2018

None

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

For the year ended March 31, 2017

None

For the year ended March 31, 2018

None

22. Amounts per share

1. Per share information is summarized as follows:

	Yen		U.S. dollars
	2017	**2018**	**2018**
Net assets per share	¥337.10	**¥392.27**	**$3.69**
Profit attributable to owners of parent per share	53.42	**62.41**	**0.59**

Basic profit 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, 2017 and 2018 were 110 thousand and 387 thousand, respectively, including 276 thousand of shares held by BBT only in 2018.

2. For the year ended March 31, 2017 and 2018, diluted profit 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, 2018

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, 2018, was approved at the annual general shareholders' meeting held on June 26, 2018 and became effective June 27, 2018:

	Millions of yen	Thousands of U.S. dollars
	2018	**2018**
Cash dividends (￥14 (U.S. $0.13) per share)	**¥4,003**	**$37,675**

Dividends for shares held by BBT amounted to ￥6 million are included in dividends in accordance with the resolution at the annual general shareholders' meeting on June 26, 2018.

Independent Auditor's Report

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Building a better working world

Independent Auditor's Report

The Board of Directors
PENTA-OCEAN CONSTRUCTION CO., LTD.

We have audited the accompanying consolidated financial statements of PENTA-OCEAN CONSTRUCTION CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PENTA-OCEAN CONSTRUCTION CO., LTD. and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 26, 2018
Tokyo, Japan