CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Five-Year Summary

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

	Millions of yen					Thousands of U.S. dollars
	2007	2008	2009	2010	**2011**	**2011**
Orders received	¥368,262	¥395,083	¥334,236	¥270,184	**¥286,688**	**$3,447,841**
Construction	368,262	395,083	334,236	270,184	**286,688**	**3,447,841**
Net sales	323,265	352,809	398,486	324,782	**302,256**	**3,635,069**
Construction	311,389	337,476	384,824	312,613	**289,661**	**3,483,596**
Development business	1,447	4,436	1,209	1,007	**1,553**	**18,677**
Other	10,429	10,897	12,453	11,162	**11,042**	**132,796**
Total assets	355,069	340,233	339,587	294,246	**286,225**	**3,442,273**
Net assets excluding minority interests	57,581	53,851	52,188	54,437	**60,454**	**727,048**
Ordinary income	2,078	5,097	7,073	7,734	**7,431**	**89,369**
Income (Loss) before income taxes and minority interests	(11,890)	4,328	330	852	**5,516**	**66,338**
Net income (Loss)	(5,858)	2,571	(3,337)	1,747	**2,163**	**26,013**
Cash dividends	—	—	—	491	**572**	**6,879**

Per share of common stock:	Yen					U.S. dollars
Net assets excluding minority interests	¥117.18	¥219.19	¥212.43	¥221.59	**¥211.44**	**$2.54**
Net income (Loss)	(11.92)	10.46	(13.58)	7.11	**8.50**	**0.10**
Cash dividends	—	—	—	2.00	**2.00**	**0.02**
Number of employees	3,464	3,414	3,335	3,280	**2,954**	

Notes:
1. The amounts of orders received related to development business and other business are not stated on the above summary, because those amounts are small and do not have a material effect to respective total amounts.
2. Figures in U.S. dollars are converted for convenience only, at the rate of ¥83.15 per U.S.$1, prevailing on March 31, 2011.

Business Performance

Net sales for the Group amounted to ¥302,256 million (US$3,635.1 million) during the consolidated fiscal year ended in 2011, a year-on-year decrease of ¥22,525 million (US$270.9 million), or 6.9%. Operating income was ¥9,782 million (US$117.6 million), a decline of ¥1,017 million (US$12.2 million), or 9.4%, compared to the prior consolidated fiscal year, while ordinary income was ¥7,431 million (US$89.4 million), a decrease of ¥303 million (US$3.6 million), or 3.9%, compared to the prior consolidated fiscal year. While the Group recorded extraordinary gains of ¥1,196 million (US$14.4 million), it also posted extraordinary losses in the amount of ¥3,111 million (US$37.4 million), including a loss of ¥1,019 million (US$12.3 million) arising from the Great East Japan Earthquake. As a result, net income totaled ¥2,163 million (US$26.0 million), an increase of ¥416 million (US$5.0 million), or 23.8%, compared to the prior consolidated fiscal year.

Segment Information

In our domestic Civil Engineering Business, investment in public works decreased significantly in comparison with the prior fiscal year, when emergency economic stimulus measures were implemented. Competition for projects awarded under the comprehensive evaluation bidding method remained fierce, with multiple construction firms vying for orders. Under these circumstances, net sales for the segment came to ¥122,035 million (US$1,467.6 million), a decrease of ¥31,554 million (US$379.5 million), or 20.5%, compared to the prior consolidated fiscal year. Operating income was ¥9,925 million (US$119.4 million), which represented a decrease of ¥560 million (US$6.7 million), or 5.3%, compared to the prior fiscal year.

In our domestic Building Construction Business, housing investment was on track for a recovery, but investment activity was lackluster overall. An improvement in corporate earnings sparked a temporary increase in private-sector capital investment, but this rapidly cooled due to the impact of the Great East Japan Earthquake. Amid conditions such as these, net sales for the segment amounted to ¥89,423 million (US$1,075.4 million), an increase of ¥3,667 million (US$44.1 million), or 4.3%, compared to the prior consolidated fiscal year. The segment posted an operating loss of ¥2,078 million (US$25.0 million), compared to a loss of ¥2,453 million (US$29.5 million) in the prior consolidated fiscal year.

In our main overseas markets in Southeast Asia, including Singapore and Hong Kong, construction demand centering on social infrastructure development projects was brisk on the back of strong economic growth. Net sales in our Overseas Business segment totaled ¥82,341 million (US$990.3 million), an increase of ¥4,145 million (US$49.8 million), or 5.3%, compared to the prior consolidated fiscal year. However, operating income amounted to ¥2,661 million (US$32.0 million), a decrease of ¥496 million (US$6.0 million), or 15.7%, compared to the prior consolidated fiscal year.

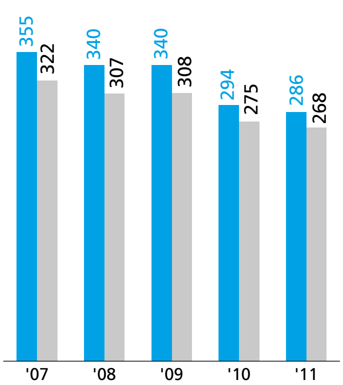
Net sales for our domestic Development Business amounted to ¥1,681 million (US$20.2 million), an increase of ¥497 million (US$6.0 million), or 42.0%, compared to the prior consolidated fiscal year. However, the segment posted an operating loss of ¥1,606 million (US$19.3 million) due in part to the deterioration of the domestic real estate market. This compared to a loss of ¥1,094 million (US$13.2 million) in the prior consolidated fiscal year.

Net sales for the Group's Other Business segment, which consists primarily of shipbuilding and construction materials sales/equipment leasing, came to ¥10,793 million (US$129.8 million), a decrease of ¥150 million (US$1.8 million), or 1.4%, compared to the prior consolidated fiscal year, while operating income rose to ¥868 million (US$10.4 million), an increase of ¥216 million (US$2.6 million), or 33.1%, compared to the prior consolidated fiscal year.

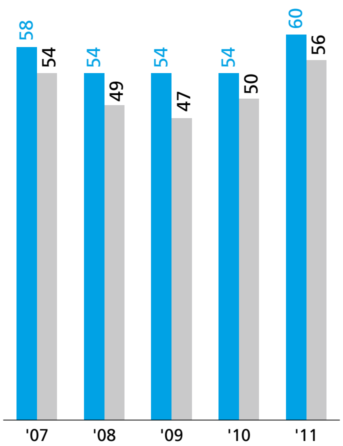
Orders Received and Contract Backlog

Non-consolidated construction orders received for domestic civil engineering projects decreased by 7.7% compared to the prior consolidated fiscal year to ¥95,172 million (US$1,144.6 million),

Total Assets
¥ billion



Total Net Assets
¥ billion



Consolidated
Non-Consolidated

as orders received from the private sector increased while those from government agencies decreased. Orders received for domestic building construction rose by 17% to ¥90,174 million (US$1,084.5 million) due to growth in both government construction projects and private-sector construction projects. Orders received for overseas construction projects rose by 17% to ¥90,034 million (US$1,082.8 million), due to orders received for large-scale land-based civil engineering and building construction projects in Singapore. In total, construction orders received in the period under review increased by 7.1% to ¥275,381 million (US$3,311.9 million).

Financial Position

Total assets for the Group decreased by ¥8,021 million (US$96.5 million) compared to the prior consolidated fiscal year to ¥286,225 million (US$3,442.3 million), due to factors including a decrease in cash and deposits. Total liabilities decreased by ¥14,015 million (US$168.6 million) compared to the prior consolidated fiscal year to ¥225,765 million (US$2,715.2 million), as the Group pressed ahead with the reduction of its interest-bearing debt, and recorded decreases in long- and short-term loans payable, as well as in notes payable and accounts payable for construction projects. The Group consolidated net income during the period under review, and procured funds through a public offering of new shares in January 2011, followed by an overallotment option in February 2011. As a result of factors such as these, net assets for the Group increased by ¥6,000 million (US$72.2 million) compared to the prior consolidated fiscal year to ¥60,460 million (US$727.1 million).

Cash Flows

Cash flows from operating activities decreased by ¥29,423 million (US$353.9) million year-on-year. Income before income taxes and minority interests amounted to ¥5,516 million (US$66.3 million), as compared with ¥852 million (US$10.2 million) in the prior consolidated fiscal year, while notes and accounts receivable increased and notes and accounts payable (trade) decreased. The result was a net increase of ¥1,917 million (US$23.1 million), as compared with a net increase of ¥31,340 million (US$376.9 million) in the prior consolidated fiscal year.

Cash flows from investing activities decreased by ¥14,650 million (US$176.2 million) on purchases of property, plant and equipment, for a net outlay of ¥9,144 million (US$110.0 million), compared to a net increase of ¥5,506 million (US$66.2 million) in the prior consolidated fiscal year.

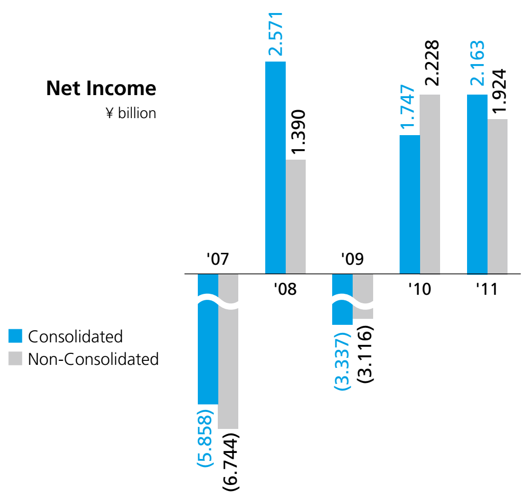
Cash flows from financing activities underwent a ¥16,266 million (US$195.6 million) decrease in outlays compared to the prior consolidated fiscal year due to a year-on-year decrease in repayments of long-term loans payable and the issuance of new stock. The result was a net outlay of ¥3,242 million (US$39.0 million), compared with a net outlay of ¥19,508 million (US$234.6 million) in the prior consolidated fiscal year.

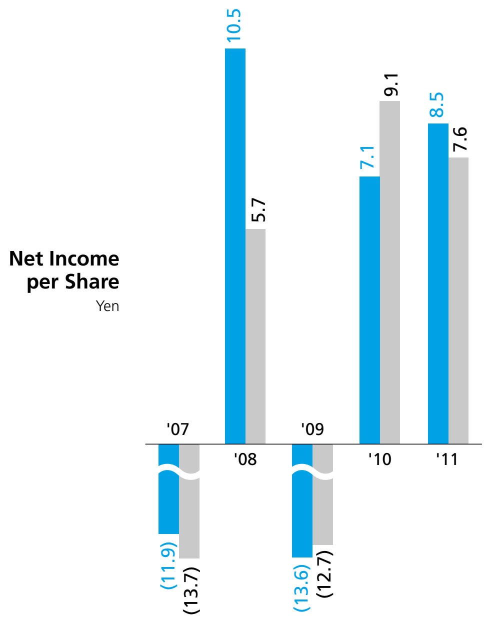
As a result of the foregoing, consolidated cash and cash equivalents as of the end of the consolidated fiscal year under review amounted to ¥45,663 million (US$549.2 million), a year-on-year decrease of ¥10,268 million (US$123.5 million), or 18.4%.

Dividends

The Company's basic policy with respect to dividends is to offer long-term, stable payouts to shareholders as circumstances allow, while building a stronger management foundation for the future, and taking into account the business environment, our earnings performance and other factors. Furthermore, the Company's policy is to utilize internal reserves to invest in technological development, capital expenditures and other value-enhancing activities, and to reward shareholders through the future development of our business.

Having given full consideration to our earnings performance in the fiscal year ended in 2011, the progress made on strengthening our fiscal health and the future development of our business, the Company distributed a shareholder dividend of ¥2 (US$0.02) per share.





CONSOLIDATED BALANCE SHEETS

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Current assets:			
Cash and deposits (Notes 8 and 25)	¥ 56,439	¥ 46,121	$ 554,672
Short-term investment securities (Notes 3 (4), 7, 8 and 25)	30	2	24
Trade receivables: (Note 25)			
Notes	2,742	3,599	43,283
Accounts	113,883	116,989	1,406,964
Inventories: (Note 3 (7))			
Costs on uncompleted construction contracts	12,066	11,148	134,071
Real estate for sale and development projects in progress	15,829	13,708	164,859
Other	1,963	2,429	29,212
Deferred tax assets (Note 20)	5,236	4,242	51,016
Other	4,066	2,953	35,514
Allowance for doubtful accounts (Note 3 (6))	(1,271)	(1,346)	(16,187)
Total current assets	210,983	199,845	2,403,428
Property, plant and equipment: (Notes 3 (8) and 3 (9))			
Land (Note 8)	35,069	41,762	502,249
Buildings and structures (Note 8)	31,625	31,205	375,286
Machinery, equipment and vehicles	19,126	16,860	202,766
Dredgers and vessels	49,880	49,460	594,828
Construction in progress	1,300	454	5,460
Total property, plant and equipment	137,000	139,741	1,680,589
Less: accumulated depreciation	(79,994)	(78,906)	(948,959)
Property, plant and equipment – net	57,006	60,835	731,630
Intangible assets: (Note 3 (10))	501	623	7,492
Investments and other assets:			
Investment securities (Notes 3 (4), 7, 8 and 25)	7,478	10,795	129,825
Long-term loans receivables	313	301	3,620
Deferred tax assets (Note 20)	10,089	9,480	114,011
Other	15,437	12,334	148,334
Allowance for doubtful accounts (Note 3 (6))	(7,561)	(7,988)	(96,067)
Total investments and other assets	25,756	24,922	299,723
Total assets	¥294,246	¥286,225	$3,442,273

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Current liabilities:			
Short-term loans payable (Notes 9 and 25)	¥ 28,024	¥ 27,422	$ 329,790
Current portion of long-term loans payable (Note 9)	25,657	25,565	307,456
Trade payable: (Note 25)			
Notes	22,607	24,916	299,651
Accounts	75,859	71,082	854,865
Advance received on uncompleted construction contracts	25,345	25,842	310,788
Deposits received	12,689	9,166	110,234
Income taxes payable	568	1,265	15,213
Provision for loss on construction contracts (Note 3 (12))	1,326	2,233	26,855
Provision for warranties for completed construction (Note 3 (13))	587	720	8,659
Provision for loss on voluntary retirement and other (Note 3 (16))	1,511	—	—
Other provision	1,092	1,015	12,207
Other	3,578	2,151	25,869
Total current liabilities	198,843	191,377	2,301,587
Noncurrent liabilities:			
Long-term loans payable (Notes 9 and 25)	32,159	25,685	308,900
Provision for retirement benefits (Notes 3 (11) and 24)	350	333	4,005
Provision for directors' retirement benefits (Note 3 (14))	199	144	1,732
Provision for loss on development business (Note 3 (15))	9	—	—
Deferred tax liabilities for land revaluation (Note 22 (2))	7,156	7,156	86,061
Other	1,064	1,070	12,868
Total noncurrent liabilities	40,937	34,388	413,566
Total liabilities	239,780	225,765	2,715,153
Net assets: (Note 23)			
Shareholders' equity:			
Capital stock	28,070	30,450	366,206
Authorized - 599,135,000 shares			
Issued shares			
March 31, 2011 286,013,910 shares			
March 31, 2010 245,763,910 shares			
Capital surplus (Note 22 (1))	16,007	18,387	221,130
Retained earnings (Note 22 (1))	6,130	6,384	76,777
Less: Treasury stock	(22)	(23)	(277)
Total shareholders' equity	50,185	55,198	663,836
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Notes 3 (4) and 22 (3))	248	(126)	(1,515)
Deferred gains (losses) on hedges	(5)	(8)	(96)
Revaluation reserve for land (Note 22 (2))	3,910	5,328	64,077
Foreign currency translation adjustments (Note 3 (2))	99	62	746
Total accumulated other comprehensive income	4,252	5,256	63,212
Minority interests	29	6	72
Total net assets	54,466	60,460	727,120
Total liabilities and net assets	¥294,246	¥286,225	$3,442,273
Commitments and contingent liabilities (Note 19)			

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Construction business: (Note 3 (3))			
Net sales	¥312,614	¥289,661	$3,483,596
Cost of sales	284,787	264,554	3,181,648
Gross profit	27,827	25,107	301,948
Development business and other:			
Net sales	12,168	12,595	151,473
Cost of sales	11,336	12,401	149,140
Gross profit	832	194	2,333
Total:			
Total net sales	324,782	302,256	3,635,069
Total cost of sales	296,123	276,955	3,330,788
Total gross profit	28,659	25,301	304,281
Selling, general and administrative expenses	17,860	15,519	186,638
Operating income	10,799	9,782	117,643
Non-operating income:			
Interest and dividends income	325	194	2,333
Other (Note 10)	443	570	6,855
	768	764	9,188
Non-operating expenses:			
Interest expenses	2,784	2,205	26,518
Other (Note 11)	1,049	910	10,944
	3,833	3,115	37,462
Ordinary income	7,734	7,431	89,369
Extraordinary gain (Note 12)	2,926	1,196	14,383
Extraordinary loss (Note 13)	9,808	3,111	37,414
Income before income taxes and minority interests	852	5,516	66,338
Income taxes: (Notes 3 (20) and 20)			
Current	439	1,671	20,096
Deferred	304	1,669	20,072
	743	3,340	40,168
Income before minority interests	—	2,176	26,170
Minority interests in income (loss)	(1,638)	13	157
Net income	¥ 1,747	¥ 2,163	$ 26,013

	Yen		U.S. dollars
Net income per share of common stock (Note 3 (17))			
Primary	¥7.11	¥8.50	$0.10

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Income before minority interests	—	¥2,176	$26,170
Valuation difference on available-for-sale securities	—	(374)	(4,498)
Deferred gains (losses) on hedges	—	(3)	(36)
Foreign currency translation adjustments	—	(35)	(421)
Total other comprehensive income (Note 15 (2))	—	(412)	(4,955)
Comprehensive income (Note 15 (1))	—	1,764	21,215
(Breakdown)			
Comprehensive income attributable to owners of the parent	—	1,750	21,046
Comprehensive income attributable to minority interests	—	¥ 14	$ 169

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2010 and 2011

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2009	¥28,070	¥20,106	¥ 678	¥(22)	¥48,832
Changes of items during the period					
Deficit disposition		(4,099)	4,099		
Net income			1,747		1,747
Reversal of revaluation reserve for land			(394)		(394)
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(4,099)	5,452	(0)	1,353
Balance at March 31, 2010	¥28,070	¥16,007	¥6,130	¥(22)	¥50,185

	Millions of yen						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2009	¥(225)	¥(30)	¥3,516	¥95	¥3,356	¥1,639	¥53,827
Changes of items during the period							
Deficit disposition							
Net income							1,747
Reversal of revaluation reserve for land							(394)
Purchase of treasury stock							(0)
Net changes of items other than shareholders' equity	473	25	394	4	896	(1,610)	(714)
Total changes of items during the period	473	25	394	4	896	(1,610)	639
Balance at March 31, 2010	¥ 248	¥ (5)	¥3,910	¥99	¥4,252	¥ 29	¥54,466

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2010	¥28,070	¥16,007	¥6,130	¥(22)	¥50,185
Changes of items during the period					
Issuance of new shares	2,380	2,380			4,760
Dividends from surplus			(491)		(491)
Net income			2,163		2,163
Reversal of revaluation reserve for land			(1,418)		(1,418)
Purchase of treasury stock				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during the period	2,380	2,380	254	(1)	5,013
Balance at March 31, 2011	¥30,450	¥18,387	¥6,384	¥(23)	¥55,198

	Millions of yen						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2010	¥ 248	¥(5)	¥3,910	¥99	¥4,252	¥29	¥54,466
Changes of items during the period							
Issuance of new shares							4,760
Dividends from surplus							(491)
Net income							2,163
Reversal of revaluation reserve for land							(1,418)
Purchase of treasury stock							(1)
Net changes of items other than shareholders' equity	(374)	(3)	1,418	(37)	1,004	(23)	981
Total changes of items during the period	(374)	(3)	1,418	(37)	1,004	(23)	5,994
Balance at March 31, 2011	¥(126)	¥(8)	¥5,328	¥62	¥5,256	¥ 6	¥60,460

	Thousands of U.S. dollars				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2010	$337,583	$192,507	$73,722	$(265)	$603,547
Changes of items during the period					
Issuance of new shares	28,623	28,623			57,246
Dividends from surplus			(5,904)		(5,904)
Net income			26,013		26,013
Reversal of revaluation reserve for land			(17,054)		(17,054)
Purchase of treasury stock				(12)	(12)
Net changes of items other than shareholders' equity					
Total changes of items during the period	28,623	28,623	3,055	(12)	60,289
Balance at March 31, 2011	$366,206	$221,130	$76,777	$(277)	$663,836

	Thousands of U.S. dollars						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2010	$ 2,983	$(60)	$47,023	$1,191	$51,137	$349	$655,033
Changes of items during the period							
Issuance of new shares							57,246
Dividends from surplus							(5,904)
Net income							26,013
Reversal of revaluation reserve for land							(17,054)
Purchase of treasury stock							(12)
Net changes of items other than shareholders' equity	(4,498)	(36)	17,054	(445)	12,075	(277)	11,798
Total changes of items during the period	(4,498)	(36)	17,054	(445)	12,075	(277)	72,087
Balance at March 31, 2011	$(1,515)	$(96)	$64,077	$ 746	$63,212	$ 72	$727,120

CONSOLIDATED STATEMENTS OF CASH FLOWS

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 852	**¥ 5,516**	**$ 66,338**
Adjustment to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities:			
Depreciation and amortization	3,951	**3,523**	**42,369**
Impairment loss	907	**1,158**	**13,927**
Increase (Decrease) in allowance for doubtful accounts	3,227	**502**	**6,037**
Increase (Decrease) in provision for retirement benefits	(242)	**(17)**	**(204)**
Interest and dividends income	(325)	**(194)**	**(2,333)**
Interest expenses	2,817	**2,205**	**26,518**
Foreign exchange losses (gains)	(238)	**(180)**	**(2,165)**
Equity in (earnings) losses of affiliates	(46)	**(37)**	**(445)**
Loss (Gain) on sales of property, plant and equipment	(48)	**(454)**	**(5,460)**
Loss (Gain) on sales of investment securities	(2,037)	**(22)**	**(264)**
Loss on valuation of securities and investment securities	361	**18**	**217**
Change in assets and liabilities:			
Decrease (Increase) in notes and accounts receivable-trade	39,387	**(5,525)**	**(66,446)**
Decrease (Increase) in costs on uncompleted construction contracts	3,736	**918**	**11,040**
Decrease (Increase) in real estate for sale and development projects in progress and other inventories	7,357	**1,597**	**19,206**
Increase (Decrease) in notes and accounts payable-trade	(29,239)	**(5,211)**	**(62,670)**
Increase (Decrease) in advances received on uncompleted construction contracts	(122)	**496**	**5,965**
Increase (Decrease) in other provision	675	**(689)**	**(8,286)**
Other, net	3,461	**1,293**	**15,550**
Subtotal	34,434	**4,897**	**58,894**
Interest and dividends income received	349	**204**	**2,453**
Interest expenses paid	(2,796)	**(2,227)**	**(26,783)**
Income taxes paid	(647)	**(957)**	**(11,509)**
Net cash provided by (used in) operating activities	31,340	**1,917**	**23,055**
Cash flows from investing activities:			
Purchase of short-term investment securities	(401)	**(2)**	**(24)**
Proceeds from sales of short-term investment securities	406	**30**	**361**
Purchase of investment securities	(227)	**(3,844)**	**(46,230)**
Proceeds from sales of investment securities	8,108	**125**	**1,503**
Purchase of property, plant and equipment	(2,569)	**(9,518)**	**(114,468)**
Proceeds from sales of property, plant and equipment	296	**3,981**	**47,877**
Payments of loans receivable	(40)	**(175)**	**(2,104)**
Collection of loans receivable	296	**195**	**2,345**
Proceeds for acquisition of shares of subsidiaries resulting in the change of consolidation scope	63	**0**	**0**
Other, net	(426)	**64**	**770**
Net cash provided by (used in) investing activities	5,506	**(9,144)**	**(109,970)**

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(3,838)	**(602)**	**(7,240)**
Proceeds from long-term loans payable	22,301	**19,090**	**229,585**
Repayment of long-term loans payable	(37,795)	**(25,657)**	**(308,563)**
Proceeds from issuance of common stock	—	**4,760**	**57,246**
Cash dividends paid	(0)	**(483)**	**(5,809)**
Other, net	(176)	**(350)**	**(4,209)**
Net cash provided by (used in) financing activities	(19,508)	**(3,242)**	**(38,990)**
Effect of exchange rate change on cash and cash equivalents	256	**201**	**2,417**
Net increase (decrease) in cash and cash equivalents	17,594	**(10,268)**	**(123,488)**
Cash and cash equivalents at the beginning of the period	38,337	**55,931**	**672,652**
Cash and cash equivalents at the end of the period	¥55,931	**¥45,663**	**$549,164**
(Note) (1) Cash and cash equivalents are comprised as follows:			
Cash and deposits	¥56,439	**¥46,121**	**$554,672**
Less-Time deposits with maturity over three months	(508)	**(458)**	**(5,508)**
Cash and cash equivalents (Note 3(18))	¥55,931	**¥45,663**	**$549,164**

See accompanying Notes to Consolidated Financial Statements.

1. Basis of preparation of consolidated financial statements

The accompanying consolidated financial statements of Penta-Ocean Construction Co., Ltd. (the "Company") and consolidated subsidiaries 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=¥83.15, the exchange rate prevailing on March 31, 2011. 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 thirty-one subsidiaries and four affiliated companies as at March 31, 2011.

The Company consolidated all subsidiaries and applied the equity method to three affiliated companies.

One affiliated company has been excluded from the scope of equity method, because its impact on consolidated financial statements was small and insignificant.

(2) Consolidation date

Consolidation date is March 31.

Closing date for the Company, ten domestic subsidiaries and thirteen overseas subsidiaries including Penta-Ocean Dredging Panama is March 31.

Closing date for other eight overseas subsidiaries 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 the closing date and the consolidation date.

(3) Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of subsidiaries are recorded at fair value upon acquisition. The difference between fair value and book value is allocated to Net assets.

(4) Goodwill

Goodwill is amortized over five years by the straight-line method.

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 sales 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 of 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 of 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) Recognition of sales and cost of sales

The Company recognizes revenue by applying the percentage-of-completion method for the construction projects with condition that the outcome of the construction activity is deemed certain at the end of the reporting period. To estimate the progress of such construction project, method to calculate the percentage of the cost incurred to the estimated total cost (= cost proportion method) has been applied.

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

(4) 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.

(5) 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.

(6) 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 the individual estimated uncollectible amount for any specific doubtful receivables.

(7) 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 period, inventories except for cost on uncompleted construction contracts are carried at the net realizable value on the closing date.

(8) Property, plant, equipment and Depreciation (excluding leased assets)

Property, plant and equipment are stated at cost and for the Company and domestic subsidiaries. Depreciation is calculated using the declining balance method, except for buildings (other than building fixtures) acquired on and after April 1, 1998, 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 domestic subsidiaries primarily use the useful lives and the residual value in accordance with the Corporation Tax Law.

(9) 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 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.

(10) 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 five years, the estimated useful life.

(11) Provision for retirement benefits

Provision for retirement benefits is provided for on an accrual basis based on the projected benefit obligations and pension fund assets at end of the fiscal year.

However, in case the amount of pension fund assets exceeds the amount of retirement benefit obligations add/less unrecognized transition obligations and unrecognized actuarial gains or losses, the balance is recorded as Prepaid Pension Cost on the Investments and other assets. Regarding lump-sum severance indemnity plan for some of the consolidated subsidiaries, the amount is calculated based on simplified method (method to assume required payment amount based on voluntary termination of employment on the closing date as retirement benefit obligations).

Effects of the application of the new accounting standards for retirement benefits are equally amortized over fifteen years.

Prior service liabilities are recognized as an expense when incurred.

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

(Change of accounting method-2010)

Effective from the fiscal year ended March 31, 2010, Accounting Standard Board of Japan Statement No. 19, Partial Amendments to "Accounting Standard for Retirement Benefits" (Part 3) revised on July 31, 2008 has been adopted.

Due to amortizing actuarial gain/loss from next fiscal year, there was no effect on operating income, ordinary income and income before income taxes and minority interests for this adoption. The unrecognized difference of retirement benefit obligations by adopting this accounting standard was ¥-269 million.

(12) Provision for loss on construction contracts

The Company provides provision for future losses from construction contracts outstanding at the fiscal year end.

(13) Provision for warranties for completed construction

The Company provides 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.

(14) Provision for directors' retirement benefits

Some subsidiaries provide provision for retirement pay equal to the amount required if all directors and statutory auditors retired on the closing date.

(15) Provision for loss on development business

The Company provides provision for estimated losses on development business of subsidiaries and affiliates by considering contents, business plans and other aspects for each subsidiary and affiliates.

(16) Provision for loss on voluntary retirement and other

To provide provision for the expenses of extra retirement payments and related costs, due to execution of the voluntary early retirement program, estimated amount required in the future is calculated.

(17) Net income per share

Primary net income per share is calculated by the weighted average number of outstanding common stocks during the period.

Net income per share assuming full dilution is not presented because there were no potential stocks as of March 31, 2011.

(18) Cash and cash equivalents

Cash and cash equivalents in the statements 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 three months or less and are not exposed to significant valuation risks.

(19) Hedge accounting

1) 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) Hedge instruments and hedged items

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

Hedged items are interest on bank loans and monetary receivables and payables denominated in foreign currencies.

3) 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.

(20) Income taxes

The Company and consolidated domestic 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 consolidated domestic subsidiaries comprise (a) corporation tax of 30.0 percent on taxable income, (b) enterprise tax of 7.6 percent on taxable income after certain adjustments, and (c) prefectural and municipal taxes averaging 20.4 percent of corporation tax. 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.

(21) Adoption of consolidated taxation system

The Company and some of its consolidated subsidiaries have received approval from the Commissioner of the National Tax Agency of Japan to adopt the consolidated taxation system effective the fiscal year ending March 31, 2012. From the fiscal year ended March 31, 2011, the accounting treatment and presentation have been based on Accounting Standard Board of Japan PITF No. 5 "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)," and PITF No. 7 "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)," under the assumption that the Company and some of its consolidated subsidiaries would adopt the 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. Change of accounting method

(1) Effective from the current fiscal year, Accounting Standard Board of Japan Statement No. 16 "Accounting Standard for Equity Method of Accounting for Investments" and PITF No. 24 "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" both issued on March 10, 2008 have been adopted.

There is no effect on ordinary income and income before income taxes and minority interests for this adoption.

(2) Effective from the current fiscal year, Accounting Standard Board of Japan Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and Accounting Standard Board of Japan Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations" both issued March 31, 2008 have been adopted.

There is no effect on operating income, ordinary income and income before income taxes and minority interests for this adoption.

(3) Effective from the current fiscal year, Accounting Standard Board of Japan Statement No. 21, "Accounting Standard for Business Combinations (issued on December 26, 2008)," Accounting Standard Board of Japan Statement No. 22, "Accounting Standard for Consolidated Financial Statements (issued on December 26, 2008)," Accounting Standard Board of Japan Statement No. 23, "Partial amendments to Accounting Standard for Research and Development Costs (issued on December 26, 2008)," Accounting Standard Board of Japan Statement No. 7, "Revised Accounting Standard for Business Divestitures (issued on December 26, 2008)," Accounting Standard Board of Japan Statement No. 16, "Revised Accounting Standard for Equity Method of Accounting for Investments (issued on December 26, 2008)," and Accounting Standard Board of Japan Guidance No. 10, "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (issued on December 26, 2008)" have been adopted.

5. Change in presentation

Effective from the current fiscal year, based on Accounting Standard Board of Japan Statement No. 22 "Accounting Standard of Consolidated Financial Statements" (issued on December 26, 2008), Cabinet Office Ordinance No. 5, "Cabinet Office Ordinance for Partial Amendment of Regulation for Terminology, Forms and Preparation of Financial Statements" (issued on March 24, 2009) has been adopted. As a result, the account item "Income before minority interests" is presented.

6. Additional information

Effective from the current fiscal year, Accounting Standard Board of Japan Statement No. 25 "Accounting Standard for Presentation of Comprehensive Income" issued June 30, 2010 has been adopted. The amounts of "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" for the previous fiscal year are the same as those of "Valuation and translation adjustments" and "Total valuation and translation adjustments" of the previous fiscal year, respectively. Please refer to Note 15.

7. Investment securities

The composition of securities as of March 31, 2010 and 2011 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Securities due within one year:			
Held-to-maturity bonds	¥ 1	**¥1**	**$12**
Investment trust bills	29	**1**	**12**
Total	¥30	**¥2**	**$24**
Investment securities:			
Held-to-maturity bonds	¥ 121	**¥ 191**	**$ 2,297**
Investment trust bills	211	**305**	**3,668**
Stocks	7,146	**10,299**	**123,860**
Total	¥7,478	**¥10,795**	**$129,825**

8. Pledged assets

(1) The following assets are pledged for fulfillment of construction contracts at March 31, 2010 and 2011.

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Deposits	¥158	**¥ —**	**$ —**
Short-term investment securities	1	**1**	**12**
Investment securities	208	**280**	**3,367**
Total	¥367	**¥281**	**$3,379**

(2) The following assets are in pledge to short-term bank loans at March 31, 2010 and 2011.

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Land	¥ 67	**¥ 67**	**$ 806**
Buildings	93	**91**	**1,094**
Total	¥160	**¥158**	**$1,900**

9. Short-term and long-term loans payable

Short-term loans are represented primarily in the form of overdraft facility notes. The weighted average interest rates are 1.59% for the fiscal year 2010 and 1.45% for the fiscal year 2011, respectively. Long-term loans as of March 31, 2010 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Long-term loans from banks and insurance companies maturing in 2016	¥57,816	**¥51,250**	**$616,356**
(The weighted average interest rate is 2.74%.)			
Less: current portion of long-term loans	(25,657)	**(25,565)**	**(307,456)**
Net	¥32,159	**¥25,685**	**$308,900**

The aggregate annual maturity of long-term loans after March 31, 2011 is as follows:

Years ending March 31,		
2012	**¥25,565**	**$307,456**
2013	**14,706**	**176,861**
2014	**7,232**	**86,976**
2015	**2,804**	**33,722**
2016	**943**	**11,341**
Total	**¥51,250**	**$616,356**

10. Non-operating income

The composition of Non-operating income - other for the fiscal years ended March 31, 2010 and 2011 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Real estate rent	¥ 71	**¥ 67**	**$ 806**
Equity in earnings of affiliates	47	**37**	**445**
Other	325	**466**	**5,604**
Total	¥443	**¥570**	**$6,855**

11. Non-operating expenses

The composition of Non-operating expenses – other for the fiscal years ended March 31, 2010 and 2011 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Foreign exchange losses	¥ 288	**¥230**	**$ 2,766**
Other	761	**680**	**8,178**
Total	¥1,049	**¥910**	**$10,944**

12. Extraordinary gain

The composition of Extraordinary gain for the fiscal years ended March 31, 2010 and 2011 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Gain on prior period adjustments	¥ 273	**¥ 145**	**$ 1,744**
Gain on sales of noncurrent assets	70	**463**	**5,568**
Gain on sales of investment securities	2,038	**22**	**264**
Reversal of allowance for doubtful accounts	288	**260**	**3,127**
Reversal of provision for warranties for completed construction	224	**201**	**2,417**
Other	33	**105**	**1,263**
Total	¥2,926	**¥1,196**	**$14,383**

13. Extraordinary loss

The composition of Extraordinary loss for the fiscal years ended March 31, 2010 and 2011 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Loss on prior period adjustments	¥ 3	**¥ —**	**$ —**
Loss on valuation of investment securities	361	**18**	**216**
Impairment loss *1	907	**1,158**	**13,927**
Loss on real estate development business	1,520	**—**	**—**
Provision for allowance for doubtful accounts	4,644	**525**	**6,314**
Provision for loss on voluntary retirement and other	1,511	**—**	**—**
Loss on disaster *2	—	**1,020**	**12,267**
Other	862	**390**	**4,690**
Total	¥9,808	**¥3,111**	**$37,414**

*1 The Company recognized impairment loss for the following group of assets in the current fiscal year ended March 31, 2011.

Location	Classification	Impairment loss	
Kanto area	Leased and other assets (6 objects)	Land	¥ 112 million (U.S.$ 1,347 thousand)
		Buildings and structure	¥1,046 million (U.S.$12,580 thousand)

The Company and consolidated subsidiaries have classified the fixed assets by business control unit such as company, branch office, and business line, which controls its revenue and expenditure continuously.

Book values of above assets were written down to recoverable amounts due to following reasons. Management decision on disposal has been made and no alternative investment has been planned. The impairment loss (¥1,158 million (U.S.$13,927 thousand)) was accounted for as the extraordinary loss.

The recoverable amounts related to the retirement assets were measured as zero. The recoverable amounts related to the other assets were measured by net realizable amounts based on the land value assessed for tax purposes.

*2 Loss on disaster includes cost and loss of damaged assets (¥636 million (U.S.$7,649 thousand)) and for rescue, support and transportation (¥384 million (U.S.$4,618 thousand)) by the Great East Japan Earthquake on March 11, 2011.

14. Research and development costs

Research and development costs charged to income are ¥852 million for the fiscal year 2010 and ¥1,061 million (U.S.$12,760 thousand) for the fiscal year 2011, respectively.

15. Consolidated statements of comprehensive income

(1) Comprehensive income for the year ended March 31, 2010 is as follows:

	Millions of yen
	2010
Comprehensive income attributable to owners of the parent	**¥2,249**
Comprehensive income (loss) attributable to minority interests	**(1,638)**
Total	**¥ 611**

(2) Other comprehensive income for the year ended March 31, 2010 is as follows:

	2010
Valuation difference on available-for-sale securities	**¥472**
Deferred gains or losses on hedges	**5**
Foreign currency translation adjustment	**4**
Share of other comprehensive income of associates accounted for using equity method	**21**
Total	**¥502**

16. Summary of finance lease transactions

The Company has entered into finance lease contracts on and before March 31, 2008. The finance lease transactions other than those where a title is transferred to the lessee are summarized as follows:

(1) Estimated acquisition costs, accumulated depreciation, accumulated impairment loss and estimated value of assets leased by the Company are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Estimated acquisition costs			
Equipment	¥107	**¥ 92**	**$1,106**
Vehicles	36	**12**	**144**
	143	**103**	**1,239**
Less: accumulated depreciation	(95)	**(81)**	**(974)**
Estimated value	¥ 48	**¥ 23**	**$ 276**

(2) Future lease payments on leased assets as of March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Within one year	¥26	**¥21**	**$253**
Over one year	24	**3**	**36**
Total	¥50	**¥24**	**$289**

(3) Lease payments, depreciation equivalents and interest expenses equivalents for the years ended March 31, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Lease payments	¥32	**¥27**	**$325**
Depreciation equivalents	31	**25**	**301**
Interest expense equivalents	1	**1**	**12**

17. Summary of operating lease transactions

Future lease payments, about non-cancelable operating lease assets as of March 31, 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Within one year	¥ —	**¥ 453**	**$ 5,448**
Over one year	—	**2,456**	**29,537**
Total	¥ —	**¥2,909**	**$34,985**

18. 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

Hedge accounting is applied for all derivative financial transactions for the year ended March 31, 2010 and 2011 and accordingly fair value information is waived.

19. Commitments and contingent liabilities

As of March 31, 2011, the Company has liabilities for guarantee to bank loans made by customers amounting to ¥1,325 million (U.S.$15,935 thousand).

The Company also has the guarantee amounting to ¥299 million (U.S.$3,596 thousand) to purchasers concerning deposits for purchase of the condominium apartments.

The Company has agreements on commitment line with 23 banks totaling ¥30,000 million (U.S.$360,794 thousand) for the purpose of flexible financing. There is no amount of loans using the line as of March 31, 2011.

20. 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
	2010	**2011**	**2011**
Deferred tax assets			
Net operating loss carried forward	¥ 6,895	**¥ 9,595**	**$115,394**
Loss on valuation of real estate for sale	4,062	**1,234**	**14,841**
Employees' retirement benefits trust	2,750	**2,788**	**33,530**
Allowance for doubtful accounts	2,082	**516**	**6,205**
Impairment loss	781	**1,731**	**20,818**
Provision for bonuses	439	**414**	**4,979**
Provision for loss on voluntary retirement and other	615	**—**	**—**
Provision for loss on construction contracts	539	**909**	**10,932**
Other	1,701	**1,845**	**22,189**
Total: deferred tax assets	19,864	**19,032**	**228,888**
Less: valuation allowance	(4,164)	**(4,702)**	**(56,549)**
Deferred tax assets	¥15,700	**¥14,330**	**$172,339**
Deferred tax liabilities			
Prepaid pension cost	¥ (238)	**¥ (526)**	**$ (6,326)**
Other	(137)	**(82)**	**(986)**
Total: deferred tax liabilities	(375)	**(608)**	**(7,312)**
Net: deferred tax assets	¥15,325	**¥13,722**	**$165,027**

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

	2010	**2011**
The statutory effective tax rate	40.69%	**40.69%**
(Adjustments)		
Permanent differences (expense)	86.33	**10.52**
Permanent differences (income)	(75.61)	**(7.47)**
Per capita levy on inhabitant tax	25.23	**4.17**
Consolidated adjustments	26.14	**(0.54)**
Increase in valuation allowance	(116.90)	**(3.40)**
Foreign corporation tax	—	**17.66**
Other	101.36	**(1.09)**
Actual burden tax rate after the application of tax effect accounting	87.24	**60.54**

21. Consumption tax

Consumption tax is usually levied at the rate of 5 percent on all transactions in connection with sales and purchases, except for tax-free transactions. Consumption tax is eliminated from sales and purchases stated in the statements of income.

22. 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 common 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
	2010	**2011**	**2011**
The difference between the appraisal value of land at the end of the current fiscal year and the book value	¥11,377	**¥11,943**	**$143,632**

Fair values were determined on the basis of Article 2 No. 4 and 5 of 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 ¥126 million (U.S.$1,515 thousand) loss as of March 31, 2011.

(4) Restriction of dividends

It is regulated by the Japanese Corporate Law that the unrealized valuation difference from assets evaluated by fair value is not available for payment of dividends.

23. Authorized shares

The Articles of Incorporation provides that if retirement of shares is carried out, the corresponding number of shares must be deducted from authorized shares.

24. Retirement benefits

I. Retirement benefits obligations

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
a. Retirement benefit obligations	¥(30,096)	¥(25,894)	$(311,413)
b. Pension fund assets	18,595	15,661	188,346
c. Unfunded retirement benefit obligations	(11,501)	(10,233)	(123,067)
d. Amortization term of effects of the application of the new accounting standards for retirement benefits	6,509	5,207	62,622
e. Unrecognized actuarial gain or loss	5,226	5,985	71,978
f. Net retirement benefit obligations	234	959	11,533
g. Prepaid pension cost	584	1,292	15,538
h. Provision for retirement benefits	¥ (350)	¥ (333)	$ (4,005)

II. Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
a. Service costs	¥1,136	¥1,082	$13,013
b. Interest costs	668	655	7,877
c. Expected return on pension fund assets	(607)	(651)	(7,829)
d. Amortization term of effects of the application of the new accounting standards for retirement benefits	1,302	1,302	15,658
e. Amortization of actuarial gain or loss	1,246	1,180	14,191
f. Retirement benefit costs	¥3,745	¥3,568	$42,910

III. Calculation basis of retirement benefit obligations

a. Recognition method of the projected retirements benefit obligations	Straight-line method
b. Discount rate	2.10%
c. Expected return rate on pension fund assets	3.50%
d. Recognition term of prior service liabilities	Fully recognized as incurred
e. Amortization term of actuarial gain or loss	Actuarial gains or losses are amortized by the straight-line method over the average remaining employees' service years from the next year of the respective accrual years (approximately 10 years)
f. Amortization term of effects of the application of the new accounting standards for retirement benefits	15 years

25. Financial instruments

(1) Policy for acquiring Financial instruments

The Company and consolidated subsidiaries have limited the instruments of fund investment to short term deposits and other, and relied on 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 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.

Short-term investment securities and investment securities include mainly stocks, held-to-maturity bonds and investment trusts. Those fair value, 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.

Loans payable is 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, 2010 are as follows:

As of March 31, 2010	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 56,439	¥ 56,439	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	101,618	101,572	(46)
(3) Short-term investment securities and investment securities	4,056	4,064	8
(4) Accounts receivable-other	15,006	15,006	—
Total Assets	¥177,119	¥177,081	¥(38)
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	¥ 92,630	¥ 92,630	¥ —
(2) Short-term loans payable	28,024	28,024	—
(3) Long-term loans payable *1	57,816	58,019	203
Total Liabilities	¥178,470	¥178,673	¥203
Derivative transaction *2	¥ (8)	¥ (8)	—

*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, (4) Accounts receivable-other

Since these items are settled within the short term, the fair values are nearly equivalent to the book values, therefore the book value is used.

(2) Notes receivable, accounts receivable from completed construction contracts and other

These items' fair values are the present value, discounted by using interest rate determined based on the term until maturity and credit risk with respect to the receivables categorized by a certain period.

(3) Short-term investment securities and investment securities

The fair value of stocks and bonds present the market values. Investment trust is the standard price released to public.

Liabilities

(1) Notes payable, accounts payable for construction contracts and other

(2) Short-term loans payable

Since these items are settled within short term, the fair values are nearly equivalent to book values, therefore the current book value is used.

(3) Long-term loans payable

The fair value of long-term loans payable is calculated by discounting the total of principal and interest using interest rate calculated assuming the loan is newly made. 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 case same loan is made.

Derivative transaction

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

(Note 2) Since unlisted stocks and investments in silent partnership for development investment business (balance on consolidated balance sheet ¥3,452 million have no market value, are not able to estimate the future cash flow and are quite difficult to recognize the fair value, they are not included in "(3) Short-term investment securities and investment securities."

(Note 3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2010

As of March 31, 2010

	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	¥ 56,402	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	93,095	8,524	—	—
Short-term investment securities and investment securities				
Held-to-maturity bonds				
National and local government bonds	1	—	111	—
Corporate bonds	—	—	10	—
Other marketable securities with maturities				
Other	28	—	12	—
Accounts receivable-other	15,006	—	—	—
Total	¥164,532	¥8,524	¥133	¥ —

(Note 4) The redemption schedule for long-term loans payable is disclosed in Notes 9.

(Additional Information)

Effective from the fiscal year ended March 31, 2010, Accounting Standard Board of Japan Statement No. 10, "Accounting Standard for Financial instruments" and Accounting Standard Board of Japan Guidance No. 19, "Guidance on Disclosures about Fair Value of Financial instruments" both issued on March 10, 2008 have been adopted.

Book value on consolidated balance sheet, fair value and the difference as of March 31, 2011 are as follows:

As of March 31, 2011

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 46,121	¥ 46,121	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	107,143	107,113	(30)
(3) Short-term investment securities and investment securities	7,450	7,452	2
(4) Accounts receivable-other	13,445	13,445	—
Total Assets	¥174,159	¥174,131	¥(28)
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	¥ 87,419	¥ 87,419	¥ —
(2) Short-term loans payable	27,422	27,422	—
(3) Long-term loans payable *1	51,249	51,397	148
Total Liabilities	¥166,091	¥166,239	¥148
Derivative transaction *2	¥ (13)	¥ (13)	¥ —

As of March 31, 2011

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	$ 554,672	$ 554,672	$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	1,288,551	1,288,190	(361)
(3) Short-term investment securities and investment securities	89,597	89,621	24
(4) Accounts receivable-other	161,696	161,696	—
Total Assets	$2,094,516	$2,094,179	$(337)
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	$1,051,341	$1,051,341	$ —
(2) Short-term loans payable	329,790	329,790	—
(3) Long-term loans payable *1	616,344	618,124	1,780
Total Liabilities	$1,997,475	$1,999,255	$1,780
Derivative transaction *2	$ (156)	$ (156)	$ —

*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.

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

Assets

(1) Cash and deposits, (4) Accounts receivable-other
Since these items are settled within the short term, the fair values are nearly equivalent to the book values, therefore the book value is used.

(2) Notes receivable, accounts receivable from completed construction contracts and other
These items' fair values are the present value, discounted by using interest rate determined based on the term until maturity and credit risk with respect to the receivables categorized by a certain period.

(3) Short-term investment securities and investment securities
The fair value of stocks and bonds present the market values. Investment trust is the standard price released to public.

Liabilities

(1) Notes payable, accounts payable for construction contracts and other

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

(3) Long-term loans payable
The fair value of long-term loans payable is calculated by discounting the total of principal and interest using interest rate calculated assuming the loan is newly made. 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 case same loan is made.

Derivative transaction

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

(Note 2) Since unlisted stocks and investments in silent partnership for development investment business (balance on consolidated balance sheet ¥3,347 million (U.S.$40,253 thousand) have no market value, are not able to estimate the future cash flow and are quite difficult to recognize the fair value, they are not included in "(3) Short-term investment securities and investment securities."

(Note 3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2011

As of March 31, 2011	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	¥ 46,085	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	102,504	4,639	—	—
Short-term investment securities and investment securities				
Held-to-maturity bonds				
National and local government bonds	1	31	149	—
Corporate bonds	—	10	—	—
Other marketable securities with maturities				
Other	1	—	112	—
Accounts receivable-other	13,445	—	—	—
Total	¥162,036	¥4,680	¥261	¥ —

As of March 31, 2011	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	$ 554,239	$ —	$ —	$ —
Notes receivable, accounts receivable from completed construction contracts and other	1,232,760	55,791	—	—
Short-term investment securities and investment securities				
Held-to-maturity bonds				
National and local government bonds	12	373	1,792	—
Corporate bonds	—	120	—	—
Other marketable securities with maturities				
Other	12	—	1,347	—
Accounts receivable-other	161,696	—	—	—
Total	$1,948,719	$56,284	$3,139	$ —

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

26. 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 architectural segment · · · Construction of domestic architectural 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 income 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 reported segment sales, profit or loss, and other items

	Millions of yen								
	Reporting segment								
Year ended March 31, 2010	Domestic civil engineering segment	Domestic architectural segment	Overseas segment	Domestic real estate development segment	Total	Other (Note 1)	Total	Adjustments (Note 2)	Recorded amount on consolidated statements of income (Note 3)
Net sales:									
Sales to third parties	¥150,654	¥84,996	¥78,196	¥ 915	¥314,761	¥10,021	¥324,782	¥ —	¥324,782
Intersegment sales and transfers	2,935	760	—	269	3,964	922	4,886	(4,886)	—
Total	153,589	85,756	78,196	1,184	318,725	10,943	329,668	(4,886)	324,782
Segment profit (loss)	10,485	(2,453)	3,157	(1,094)	10,095	652	10,747	52	10,799
Other item:									
Depreciation	1,252	238	2,033	95	3,618	353	3,971	(20)	3,951

	Millions of yen								
	Reporting segment								
Year ended March 31, 2011	Domestic civil engineering segment	Domestic architectural segment	Overseas segment	Domestic real estate development segment	Total	Other (Note 1)	Total	Adjustments (Note 2)	Recorded amount on consolidated statements of income (Note 3)
Net sales:									
Sales to third parties	¥119,282	¥89,340	¥82,341	¥1,483	¥292,446	¥9,810	¥302,256	¥ —	¥302,256
Intersegment sales and transfers	2,753	83	—	198	3,034	983	4,017	(4,017)	—
Total	122,035	89,423	82,341	1,681	295,480	10,793	306,273	(4,017)	302,256
Segment profit (loss)	9,925	(2,078)	2,661	(1,606)	8,902	868	9,770	12	9,782
Other item:									
Depreciation	1,134	243	1,737	92	3,206	329	3,535	(12)	3,523

	Thousands of U.S. dollars								
	Reporting segment								
Year ended March 31, 2011	Domestic civil engineering segment	Domestic architectural segment	Overseas segment	Domestic real estate development segment	Total	Other (Note 1)	Total	Adjustments (Note 2)	Recorded amount on consolidated statements of income (Note 3)
Net sales:									
Sales to third parties	$1,434,540	$1,074,444	$990,271	$17,835	$3,517,090	$117,979	$3,635,069	$ —	$3,635,069
Intersegment sales and transfers	33,109	998	—	2,381	36,488	11,822	48,310	(48,310)	—
Total	1,467,649	1,075,442	990,271	20,216	3,553,578	129,801	3,683,379	(48,310)	3,635,069
Segment profit (loss)	119,363	(24,991)	32,003	(19,315)	107,060	10,439	117,499	144	117,643
Other item:									
Depreciation	13,638	2,922	20,890	1,106	38,556	3,957	42,513	(144)	42,369

Notes

(1) Division of "Other" includes shipbuilding, leasing business, insurance business and consulting business.

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

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

(Additional information)

Effective from the current fiscal year, Accounting Standard Board of Japan Statement No. 17 "Accounting Standards of Disclosures about Segments of an Enterprise and Related information" and Accounting Standard Board of Japan Guidance No. 20 "Guidance on Accounting Standards of Disclosures about Segments of an Enterprise and Related information" both issued March 21, 2008 have been adopted.

(Related information)

For the year ended March 31, 2011

1. Information of each products and service

   Please refer to Note 26 Segment information, it omitted.

2. Geographical information

(1) Net sales

Japan	Southeast Asia	Other	Total
¥ 219,915 million	¥ 79,194 million	¥ 3,147 million	¥ 302,256 million
$2,644,798 thousand	$952,424 thousand	$37,847 thousand	$3,635,069 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
¥ 54,395 million	¥ 6,417 million	¥ 23 million	¥ 60,835 million
$654,179 thousand	$77,174 thousand	$277 thousand	$731,630 thousand

3. Each main customer

Name of Customer	Net sales	Related segment
Ministry of Land, Infrastructure, Transport and Tourism	¥ 46,590 million $560,313 thousand	Domestic civil engineering segment and Domestic architectural segment

(Information related to Impairment loss on fixed assets by reporting segment)

For the year ended March 31, 2011

There is no impairment loss divided by reporting segment.

For the amount and contents of impairment loss which is not divided by reporting segment, please refer to Note 13.

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

This information is omitted, due to insignificant amount.

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

This information is omitted, due to insignificant amount.

27. Related party transactions

For the year ended March 31, 2010

None

For the year ended March 31, 2011

None

28. Amounts per share

1. Per share information is summarized as follows:

	Yen		U.S. dollars
	2010	**2011**	**2011**
Net assets per share	¥221.59	**¥211.44**	**$2.54**
Net income per share	7.11	**8.50**	**0.10**

2. For the years ended March 31, 2010 and 2011, diluted net income per share is not disclosed, due to non-dilutive potential of shares of common stock is none.

29. Significant subsequent event

For the year ended March 31, 2010

None

For the year ended March 31, 2011

None

Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheets of PENTA-OCEAN CONSTRUCTION CO., LTD. and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of PENTA-OCEAN CONSTRUCTION CO., LTD. and consolidated subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of 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.

June 29, 2011

Ernst & Young ShinNihon LLC

Ernst & Young ShinNihon LLC