

Penta-Ocean Construction
Annual Report 2012
Year Ended March 31, 2012



GOING FURTHER

その先の向こうへ



Corporate Message

GOING FURTHER

その先の向こうへ

Since its establishment in 1896 in Kure City, Hiroshima Prefecture, Penta-Ocean Construction has grown with society by contributing an enterprising, up-and-coming spirit and leading-edge construction technologies. Today, more than 100 years after our founding, a mentality of continually seeking challenges in new fields remains part of our corporate DNA. A spirit of accepting challenges that never varies, even as times change, and the power of flexible self-innovation to respond to the needs of each new era. At Penta-Ocean, we are never satisfied with things as they are, and we continue to move steadily forward, step by step.

Corporate Policy



Corporate Visions

Creative company for land and sea

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

Committed company guaranteeing solid quality

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

Future-oriented company creating rich environments for the future generations

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

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Consolidated Financial Highlights

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2011 and 2012

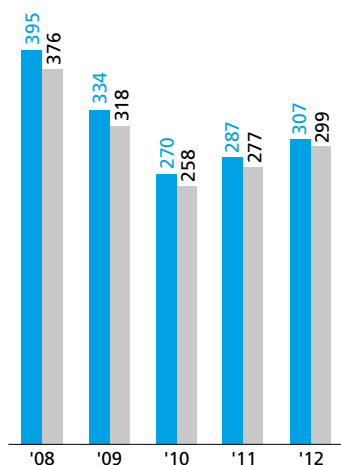
	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Orders Received	¥286,688	¥307,005	\$3,735,308
Net Sales	302,256	328,005	3,990,814
Total Assets	286,225	311,917	3,795,072
Net Assets Excluding Minority Interests	60,454	62,382	758,997
Ordinary Income	7,431	7,448	90,619
Income before Income Taxes and Minority Interests	5,516	6,308	76,749
Net Income	2,163	1,622	19,735
Cash Dividends	572	572	6,959

Per share of common stock:	Yen		U.S. dollars
Net Assets Excluding Minority Interests	¥211.44	¥218.19	\$2.65
Net Income	8.50	5.67	0.07
Cash Dividends	2.00	2.00	0.02

Note: Figures in U.S. dollars are converted for convenience only, at the rate of ¥82.19 per U.S.\$1, prevailing on March 31, 2012.

Orders Received

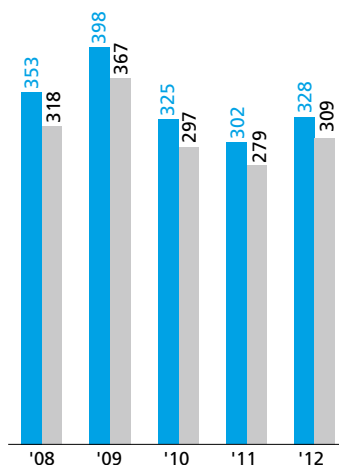
¥ billion



■ Consolidated ■ Non-Consolidated

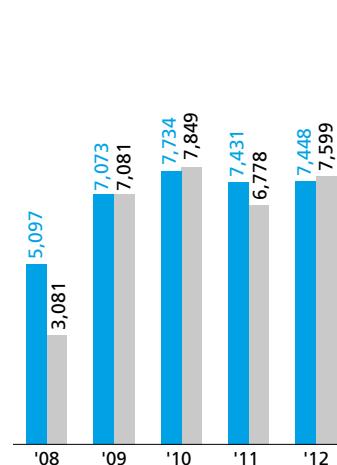
Net Sales

¥ billion



Ordinary Income

¥ million



Disclaimer

The information contained in this annual report concerning Penta-Ocean Construction Co., Ltd.'s forward-looking statements and management plans are based on information available to the company at the time that it was created. Please note that actual results may differ from the forecasts indicated here due to a variety of future factors.

Message from the President

During the fiscal year ended March 31, 2012, manufacturing recovered in Japan following the restoration of the domestic supply chain, which had been affected by the Great East Japan Earthquake. However, a slowdown in the global economy caused by Europe's debt problems and the impact of the stubbornly high yen created a situation in which it would take some time before a full-fledged recovery took hold in Japan.

In the domestic construction industry, the implementation of the national budget for restoration and recovery projects related to the Great East Japan Earthquake led to projections of an increase in public works projects. Residential investment, which had slowed in the aftermath of the earthquake, showed signs of recovering, particularly in metropolitan areas. Still, investment levels as a whole remained low. Efforts to restore the supply chain created some capital investment demand, and investment levels were low, reflecting uncertain economic trends. Meanwhile, construction demand was strong in the Penta-Ocean Construction Group's main overseas markets in Southeast Asia, mainly in the area of social infrastructure development.

In this business climate, the Group is targeting continued growth as the "No. 1 contractor in coastal and waterfront areas," and is striving to achieve the goals of its Medium-Term Management Plan. As a result, the Group's consolidated net sales came to ¥328,005 million (US\$3,990.8 million), an increase of 8.5% year-on-year. Operating income amounted to ¥8,983 million (US\$109.3 million), a decrease of ¥8.2 million year-on-year, and ordinary income totaled ¥7,448 million (US\$90.6 million), an increase of 0.2% year-on-year. The Group recorded income before income taxes and minority interests of ¥6,308 million (US\$76.7 million), an increase

of 14.4% year-on-year. Consolidated net income came to ¥1,622 million (US\$19.7 million), a decline of 25.0% year-on-year.

Penta-Ocean's Medium-Term Management Plan (2012-2014) sets forth diverse and stable funding as one of the basic strategies for strengthening the Group's business foundation. As part of this effort, we completed our first offering of unsecured bonds amounting to ¥10,000 million (US\$121.7 million) in October 2011. The proceeds will be used to repay loans.

Looking at the domestic construction market in the fiscal year ending in March 31, 2013, we anticipate the steady implementation of major projects that will allow the Group to make full use of its strengths. These include disaster recovery-related public works projects, which are being implemented in spite of Japan's fiscal challenges, and projects related to the development of strategic international ports and remote islands. While we expect to see a gradual recovery in private-sector construction projects, actual conditions will be heavily influenced by economic trends. Careful monitoring of such factors as exchange rates and the electricity supply are therefore necessary.

Elsewhere, the Group expects infrastructure development and the construction of medical and educational facilities to remain strong in Singapore, Hong Kong and other Southeast Asian markets.

The Penta-Ocean Group's corporate message is "Going Further." These words embody the future vision we must strive for, and our resolve as we face tomorrow. As the No. 1 frontrunner in coastal and waterfront areas, we will aim to enhance our corporate value, to develop and grow in a sustainable manner that harmoniously blend with the society and to be an attractive business, all while keeping our sights firmly fixed on "Going Further" and even beyond.

Y. Murashige

Yoshio Murashige,
President, Chief Executive Officer and Representative Director

**Targeting Further Growth
as the "No. 1 Contractor in
Coastal and Waterfront Areas"**



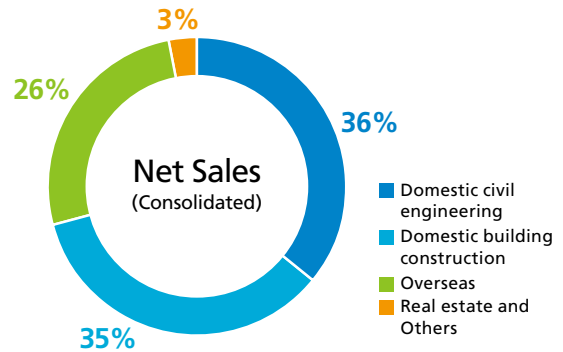
Questions and Answers with President Murashige

Q What is the composition of net sales for the period?

A The Penta-Ocean Group's net sales consist predominantly of construction projects, which is approximately 97% of the total. Roughly 3% of sales is derived from real-estate development, shipbuilding, equipment leasing, and sales of finished goods, which make up the bulk of the business labeled "Real Estate and Others."

Explanation

Net sales from domestic civil engineering works fell slightly below the previous year's level, while domestic construction was sharply higher. Overseas construction, meanwhile, was little changed from the previous year. As a result of these developments, consolidated net sales amounted to ¥328.0 billion yen, up a significant ¥25.7 billion yen (8.5% increase) year-on-year. The Japanese government's procurement of restoration and recovery projects related to the Great East Japan Earthquake peaked at the end of the fiscal year, and did not contribute to the Group's 2012 sales.

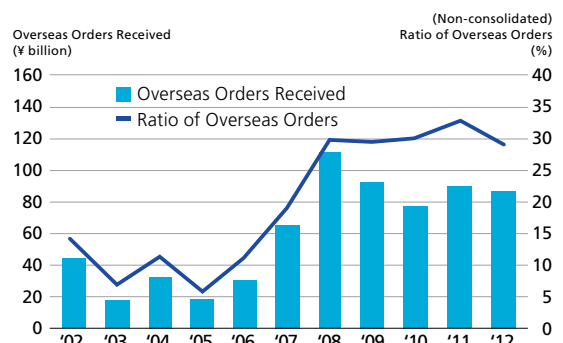


Q It appears that Penta-Ocean has enjoyed strong performance in overseas orders for the past several years. Does the Group plan to continue its aggressive expansion overseas?

A The Penta-Ocean Group's highest priority, in our international operations as well as in our other businesses, is securing profits. We are aiming for a gradual expansion in business volume.

Explanation

The Penta-Ocean Group's overseas expansion began in 1957. Now more than half a century, when we provided technical assistance for Goa Port in India. From the 1960s and '70s, the Group took part in numerous major overseas projects, including improvements of the Suez Canal and land reclamation projects in Singapore. We currently have offices in Singapore and Hong Kong, and in recent years we have been developing new bases in Vietnam and elsewhere. Orders received have been solid for the past several years, but in the end our top priority is securing profit. We established our World Operation Center in April 2011, which handles inquiries and management of all matters ranging from tenders to construction, and works to eliminate risk and ensure profit.

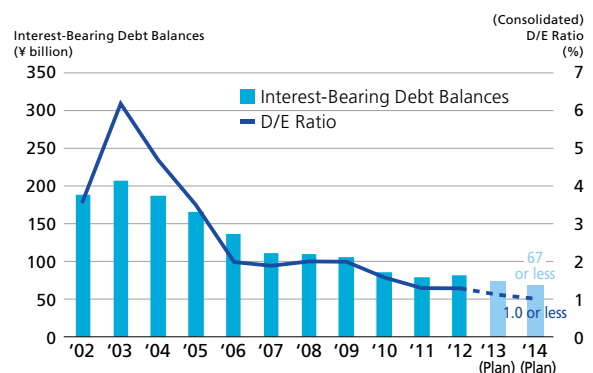


Q The Company has been reducing its interest-bearing debt in an effort to improve its financial well-being. What are the specific targets?

A Our aim is to achieve a consolidated interest-bearing debt balance of ¥67.2 billion or less and a D/E ratio of 1.0% or less at the end of the fiscal year ending in March 31, 2014.

Explanation

Penta-Ocean's core business both in Japan and overseas lies in marine civil engineering works. This necessitates capital investment in specialized equipment such as large-scale dredgers and soil improvement vessels. We carry out a large portion of our capital investment using loans from financial institutions, so our interest-bearing debt is high relative to total assets. Reducing our interest-bearing debt and strengthening our capital base to improve our financial health are matters of utmost urgency. In the fiscal year ended March 31, 2012, our interest-bearing debt balance increased slightly because we issued ¥10.0 billion worth of corporate bonds. Looking ahead, we will continue our efforts to reduce our interest-bearing debt in order to achieve a robust financial constitution. Specifically speaking, our goal at the end of the fiscal year ending 2014 is for a consolidated interest-bearing debt balance of ¥67.2 billion or less and a D/E ratio of 1.0% or less.



Medium-Term Management Plan

(For the Fiscal Years Ending March 31, 2013 and 2014)

Construction Market Outlook

Short-Term Outlook

- **Public Works Projects:**
Declining trend; selection and focus; budgetary allocations to disaster-preparation and other fields related to public comfort and security
- **Private-Sector Demand:**
Corporate earnings slacken, primarily among manufacturers, due to the major earthquake damage and Thai floods
- **Large-Scale Projects:**
Large-Scale projects seen starting second-half of the fiscal year ending 2013
- **Overseas:**
Southeast Asia brisk growth to continue with projects such as MRT in Singapore and 10 major infrastructure projects in Hong Kong

Medium-Term Outlook

- **Public Works Projects:**
Declining trend to ease temporarily on disaster-recovery projects, but the Group will undertake further selection and focus on business in preparation for the future
- **Private-Sector Demand:**
Gradual economic recovery, growing capital investment and recovery of housing market, but with disparities among industries, firms and regions
- **Large-Scale Projects:**
Progress on projects such as airports/harbor hubs, the Linear Chuo Shinkansen (bullet train), environment-related works and renewable energy
- **Overseas:**
Singapore and Hong Kong remain strong; new business opportunities in Southeast and South Asia

**Time of technology and price competition
in which only firms with superior technology and
project planning skills can survive**

Medium-Term Management Plan Basic Policies

Target Firm Image

**“No. 1 Contractor in Coastal
and Waterfront Areas”**
Transition from general
contractor model to core
business-integrated model

Basic Management Policies

1. Maintain business volume
2. Build competitiveness
3. Further improve quality of operations
4. Enter new fields, undertake capital investment
5. Strengthen the operating base

Japan's First Large-Scale Self-propelled Multi-purpose Working Vessel

CP-5001, a large-scale Self-propelled Multi-purpose working vessel, went into service in June 2012. It is a working ship designed for offshore civil engineering works, and first of its kind vessel in Japan capable of navigating itself through coastal waters. It is equipped with a 500t-class all-swivel crane, and can handle various tasks, such as dredging to excavate soil from the seabed or steel pipe pile driving. CP-5001 is equipped with marine broadband and other systems employing the most up-to-date technologies, and was designed with workers' comfort as well as energy-savings and other environmental considerations in mind. Penta-Ocean Group is bolstering its mainstay offshore civil engineering sector with the introduction of cutting-edge equipment. Toward this end, the Group used proceeds from its initial public offering to begin construction of CP-5001 in 2011. And we are currently in the process of building a self-propelled cutter dredger. We will continue to strive to increase our competitive strengths.



Target Earnings under Our Management Plan

	Medium-Term Management Plan			
	2013 Plan		2014 Plan	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Target Earning				
Construction Orders Received	¥ —	¥ 305.0	¥ —	¥ 305.0
Net Sales	347.0	327.0	327.0	306.0
Gross Profit	23.8	22.7	25.3	23.5
SG&A	15.3	14.0	14.8	13.5
Operating Income	8.5	8.7	10.5	10.0
Ordinary Income	6.6	7.0	8.4	8.0
Net Income	1.7	2.3	2.6	2.5
Consolidated Financial Targets				
ROE (%)	22% or greater		23% or greater	
Interest-Bearing Debt (¥ billion)	¥72.2 or less		¥67.2 or less	
D/E Ratio (%)	1.1% or less		1.0% or less	

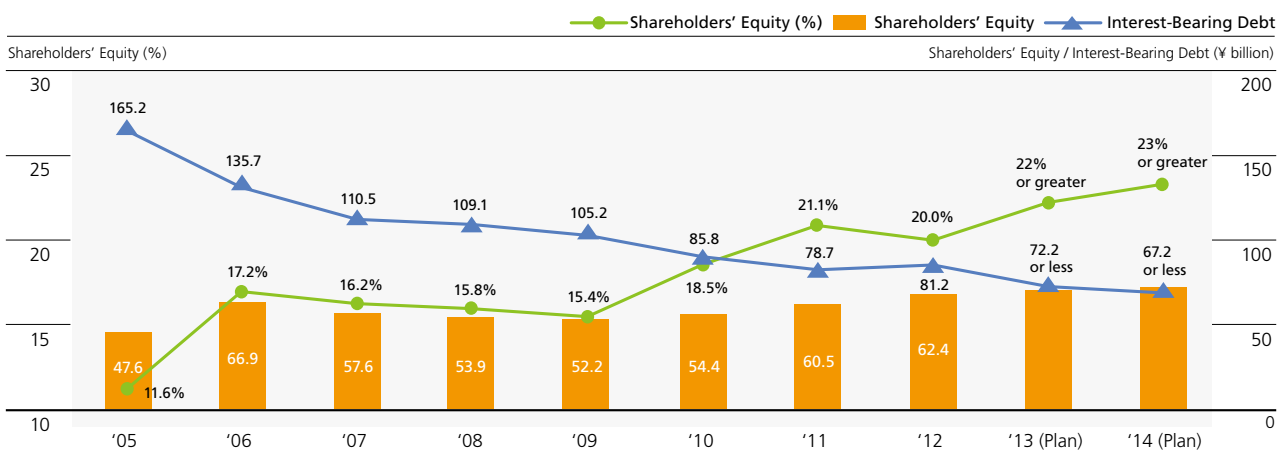
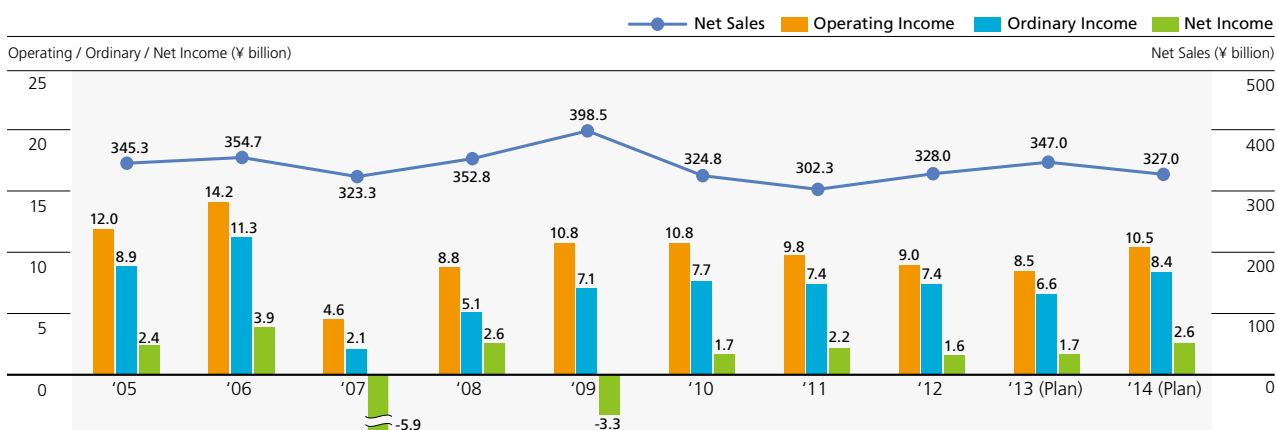
Shareholder Dividend

- Stable shareholder dividend
- Planned 2013 year-end dividend: ¥2 per share

Major Targets (Consolidated)

- 2013: Ordinary Income: ¥6.6 billion or greater
Debt-Equity Ratio: 1.1% or less
- 2014: Ordinary Income: ¥8.4 billion or greater
Debt-Equity Ratio: 1.0% or less

Major Operating Trends/Projection (Consolidated)



Overseas Projects

Pohnpei International Airport (Federated States of Micronesia)

Pohnpei International Airport, where Penta-Ocean took charge of the reclamation work for capital airport of Federated States of Micronesia (FSM), was inaugurated in 1969 and has been utilized by approximately 40,000 passengers annually. With the passing of over 40 years, its entire facilities have been depreciated due to old condition and the extension of runway was craved and now, it is completely renewed including other facilities after the rehabilitation programs.

Extension of runway and the newly-built terminal building, etc. were funded under the Japanese Grant Aid Program, while the pavement improvement of existing runway and newly-built Aircraft Rescue & Fire Fighting Building (ARFF), etc. were funded by the Federal Aviation Administration (FAA). The construction of both projects was awarded to Penta-Ocean.



International Cruise Terminal (Singapore)

Penta-Ocean completed the construction of an international cruise terminal in the Marina Bay area, where redevelopment projects are ongoing. This project resolved a number of issues with the previous cruise terminal, which was unable to meet the growing demand for cruise tourism and could not accommodate large cruise vessels.



The new cruise terminal consists of two berths and a terminal building. To enable docking by passenger ships on both sides, Penta-Ocean also built a wharf measuring 300 meters long and 120 meters wide and an access deck. The ANDROMEDA V, our large drag suction dredger, was employed to meet the extremely short construction schedule of 27 months.

This new cruise terminal is capable of simultaneously accommodating two ships in the world's largest passenger liner class for further boosting Singapore's attraction as a destination for cruise tourism.

Diocesan Girls' School (Hong Kong)

Penta-Ocean renovated the schoolhouse for one of Hong Kong's most prestigious girls' schools, the Diocesan Girls' School.

The existing schoolhouse had a long and rich history, but had fallen into a state of disrepair. For this reason, on the occasion of the 150th anniversary of the school's founding in 2010, this renovation project was planned for transforming the schoolhouse into a building accommodating a recital hall with a capacity of around 1,200 people and other features that fit the proud tradition and accomplishments of this renowned school.

The building that fully occupied a triangular-shaped site, is situated in one of Hong Kong's famous shopping and entertainment districts. It required adjustment of the carry-in routes and material yard based on the work progress, and as a result, the work had to be managed based on the daily progressing conditions of the site. Our local staff and Japanese staff worked in close coordination to bring the construction project to a successful completion.

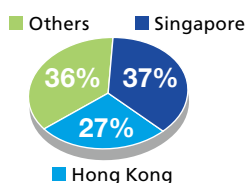


Foster Electric Factory (Vietnam)

Rapid economic progress of Vietnam draws so much interest from many foreign companies seeking for global business opportunities and better business resource environment. The Japanese manufacturers are not exceptions and many of them are making decision to invest their business resource in setting up new production line in Vietnam. Some aimed to expand their future business operation or a move to survive the tough market. Foster Electric is one of companies that put up a new factory.

Though the required overall construction period of only 9 months was a tight schedule, we successfully completed this new factory on time. It was the first enterprise built in a newly developed industrial park, located 20 km from Hanoi, the capital city of Vietnam.

The new facility has a modern exterior design giving an outstanding impression more than a just conventional designed factory and attracting people as an icon of the new industrial park.



Overseas Project: 2012 Orders Received by Sectors (Non-Consolidated)

Orders received by the segment included construction projects for an underground railway line in Singapore, the Hong Kong Stock Exchange's new data center, as well as dredging and reclamation project in Malaysia. However, orders received by our overseas divisions as a whole declined by 4.0% from the previous fiscal year, when the sector received orders for numerous projects, including the construction of a large-scale hospital in Singapore.

Domestic Projects

Civil Engineering

Sendai-Shiogama Port: Sendai, Koyo District Wharf (-14 m) Earthquake Reconstruction Work (Miyagi Prefecture)

This construction project was undertaken to repair the port functions of the Takasago No. 2 wharf that was damaged in the Great East Japan Earthquake. This project rebuilt 300 meters of the total wharf length of 330 meters, recovered hinterland that had sunk by liquefaction due to the earthquake, and performed soil improvement work.

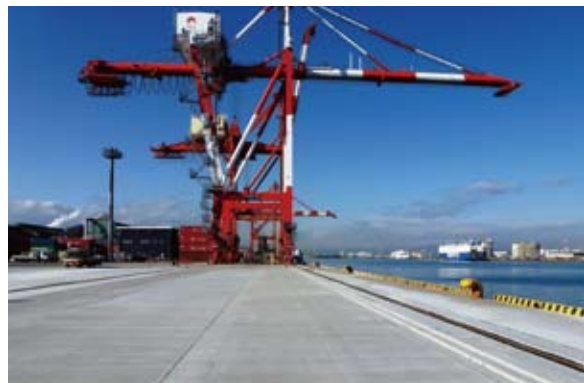
This wharf is a hub of the international distribution network in the Tohoku region. Because its recovery was needed urgently the wharf construction work was performed on a 24 hour basis, which is highly unusual

working time for this type of project. Work began in August 2011, and large container ships began docking in January 2012.

Today, more than one year has passed since the earthquake, and recovery and restoration projects are fully underway. Penta-Ocean has already completed the repairs at a number of ports. To fulfill the mission of the construction industry, we will continue to strive with our utmost effort for realizing recovery and restoration to assist the earthquake-ravaged areas.



Immediately After Earthquake



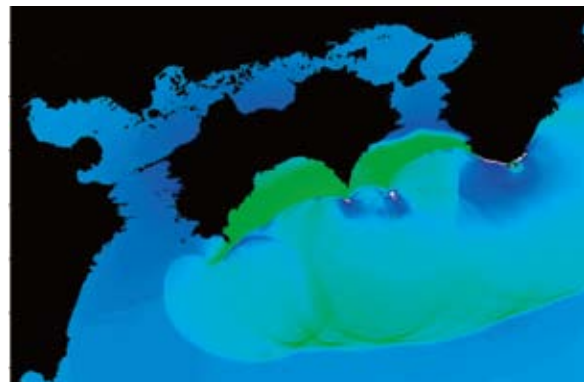
After Completion of Construction Work

Introducing a Technology for Tsunami and Earthquake Protection

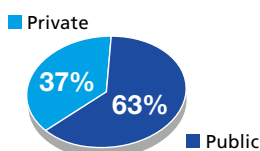
● Tsunami Submersion Simulation

Tsunami submersion simulation is a technology that enables simulation of tsunami damages by setting data of the sea floor, geographical features along the shore, and the scale of the expected earthquake.

After the Great East Japan Earthquake, this simulation has been widely used for the study of disaster preparedness, including disaster prevention plans by local governments and continuity planning (BCP) by companies.



Tsunami Submersion Simulation: Sample Analysis Data



Domestic Civil Engineering: 2012 Orders Received by Sectors (Non-Consolidated)

Orders received for the construction of national and regional government facilities and private-sector civil engineering works both rose, partly on increased orders received for recovery and reconstruction projects related to the Great East Japan earthquake. Orders received for domestic civil engineering works as a whole increased by 14.0% year-on-year.

Building Construction

Makabe Denshokan Museum (Ibaraki Prefecture)

Penta-Ocean completed the construction of a cultural facility in the village of Makabe in Sakuragawa, Ibaraki prefecture, a home to the remnants of an Edo era castle town. The surrounding area of this building is a region with a long and distinguished history, and the town has been designated as an important preservation district for historical buildings in Japan. Built on the former site of a community center that had fallen into disrepair over time, this new building was constructed with a design that blends harmoniously with the surrounding town.

The external appearance features black and white tones to match the surrounding storehouses made of soil and mortar, as well as the stones, and the south and west sides which are exposed to sunlight has cedar board paneling. The building itself has a unique design with three connected wings, and the structure uses steel sheets walls for providing earthquake resistance and also features a distinctive building interior without pillars for enabling a wide range of usage.

This building was awarded the Architectural Institute of Japan (AIJ) Prize for 2012.



Preservation and Restoration of Former Russo-Asiatic Bank Yokohama Branch Building (Kanagawa Prefecture)

Designated as a tangible cultural property by the city of Yokohama, the Russo-Asiatic Bank Yokohama Branch building was renovated for use as a wedding hall. Built around 1921 and later converted into consulate and business offices, this building withstood the Great Kanto Earthquake and possesses a high architectural and historical value. It combines a highly distinctive design with grace and elegance in appearance, but had aged and deteriorated to the point where it required

preservation and restoration.

This construction project aimed to maintain as much of its original building's appearance as possible while providing earthquake reinforcement work and external and internal repairs at the same time.

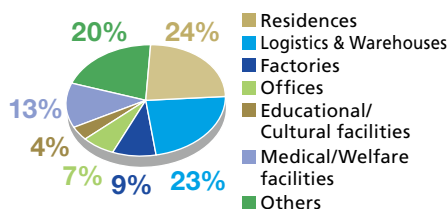
The building has been newly renovated as a wedding hall. The large marble staircase at the entrance that ascends to the second floor is used as the wedding aisle, and the bank safe is used as the gallery.



Before Restoration



After Restoration



Domestic Building Construction: 2012 Orders Received by Sectors (Non-Consolidated)

Orders received for large-scale redevelopment projects fueled a significant increase in orders received for residential construction. This offset a decline in orders received for non-residential construction, which resulted as orders received for large-scale projects shrank from the previous year. Orders received for domestic building construction overall rose by 12.0% year-on-year.

Corporate Governance / CSR Activities

Corporate Governance

Our Basic Stance on Corporate Governance

The Company positions effective Corporate Governance as a priority management issue for its enduring growth and development. And, with the goal of overall, Group-wide optimization, we are working to strengthen our Corporate Governance to enable the thorough implementation of management strategies, not only from the perspective of internal controls but also from a technological viewpoint. Specifically, we are implementing enhanced enterprise management-related audit and oversight functions, the promotion of risk management, and enhanced disclosure as policies of paramount importance.

Structure and Enhancement

Basic internal control policies and implementation of a practical internal control system

Adoption of an executive officer system and performance evaluation system

Effective corporate auditor audits, internal audits and financial statement audits

* For more information on the status of the Company's Corporate Governance efforts, please visit our website:

<http://www.penta-ocean.co.jp/english/company/management/index.html>

CSR Activities

CSR Policy

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

Dignified Business Conduct

Coexistence with the Environment and Nature

Human Propriety

Information Transparency

Column

Double Honors for Safety (Singapore)

In July 2011, Penta-Ocean received a pair of awards for its work on Contract 485, part of the Marina Coastal Expressway project in Singapore. The first was the Safety and Health Award Recognition for Projects under the Workplace Safety and Health Performance Awards organized by Singapore's Workplace Safety and Health (WSH) Council, with the support of the Ministry of Manpower (MOM). The Company also received a Certificate of Merit (Environmental) as part of the 2011 Annual Safety Award Convention organized by Singapore's Land Transport Authority (LTA). This project was selected from among numerous workplaces and job sites. The awards are significant honors recognizing both Penta-Ocean's commitment to creating a model workplace in terms of safety, environment and unified efforts of its workers.



Consolidated Financial Statements

Consolidated Five-Year Summary

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

	Millions of yen					Thousands of U.S. dollars	
	2008	2009	2010	2011	2012	2012	
Orders received	¥395,083	¥334,236	¥270,184	¥286,688	¥307,005	\$3,735,308	
Construction	395,083	334,236	270,184	286,688	307,005	3,735,308	
Net sales	352,809	398,486	324,782	302,256	328,005	3,990,814	
Construction	337,476	384,824	312,613	289,661	316,239	3,847,658	
Development business	4,436	1,209	1,007	1,553	2,460	29,931	
Other	10,897	12,453	11,162	11,042	9,306	113,225	
Total assets	340,233	339,587	294,246	286,225	311,917	3,795,072	
Net assets excluding minority interests	53,851	52,188	54,437	60,454	62,382	758,997	
Ordinary income	5,097	7,073	7,734	7,431	7,448	90,619	
Income before income taxes and minority interests	4,328	330	852	5,516	6,308	76,749	
Net income (loss)	2,571	(3,337)	1,747	2,163	1,622	19,735	
Cash dividends	—	—	491	572	572	6,959	

Per share of common stock:	Yen					U.S. dollars	
	2008	2009	2010	2011	2012	2012	
Net assets excluding minority interests	¥219.19	¥212.43	¥221.59	¥211.44	¥218.19	\$2.65	
Net income (loss)	10.46	(13.58)	7.11	8.50	5.67	0.07	
Cash dividends	—	—	2.00	2.00	2.00	0.02	
Number of employees	3,414	3,335	3,280	2,954	2,924		

Notes:

- 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.
- Figures in U.S. dollars are converted for convenience only, at the rate of ¥82.19 per U.S.\$1, prevailing on March 31, 2012.

Financial Review

Business Performance

Net sales for the Group amounted to ¥328,005 million (US\$3,990.8 million) during the consolidated fiscal year ended in March 2012, a year-on-year increase of ¥25,749 million (US\$313.3 million), or 8.5%. Operating income came to ¥8,983 million (US\$109.3 million), a year-on-year decrease of ¥799 million (US\$9.7 million), or 8.2%. Ordinary income amounted to ¥7,448 million (US\$90.6 million), an increase of ¥17 million (US\$0.2 million), or 0.2%, as non-operating income improved. Net income totaled ¥1,622 million (US\$19.7 million), a decrease of ¥541 million (US\$6.6 million), or 25.0%. Corporate tax adjustments increased compared to the prior fiscal year in line with revisions to Japanese tax laws, offsetting an improvement in the Group's extraordinary loss.

Segment Information

In our domestic Civil Engineering Business, the implementation of a supplementary budget for restoration and reconstruction projects related to the Great East Japan Earthquake spurred expectations of increased spending on public works. But orders received for such projects were concentrated in the second half of the fiscal year. As a result, the segment recorded net sales of ¥118,539 million (US\$1,442.3 million), a decrease of ¥3,496 million (US\$42.5 million) or 2.9% compared to the prior fiscal year. Operating income totaled ¥7,329 million (US\$89.2 million) a year-on-year decrease of ¥2,596 million (US\$31.6 million) or 26.2%.

Our domestic Building Construction Business recorded net sales of ¥115,188 million (US\$1,401.5 million), an increase of ¥25,765 million (US\$313.5 million) or 28.8%, compared to the prior fiscal year. The segment posted an operating loss of ¥1,284 million (US\$15.6 million), compared to a loss of ¥2,078 million (US\$25.3 million) in the prior fiscal year. Housing investment slumped immediately after the earthquake, but there were signs of a recovery later on, mainly

in urban centers. Meanwhile, the restoration of Japan's industrial supply chain fueled private-sector demand for capital investment. However, investment levels were low, reflecting uncertainty about the economy.

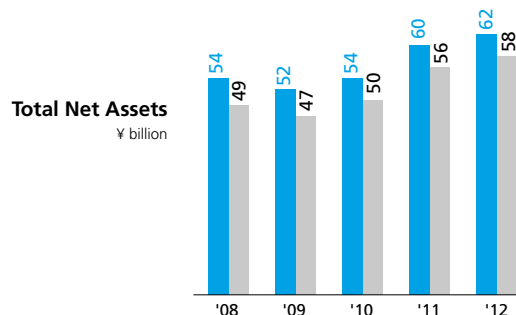
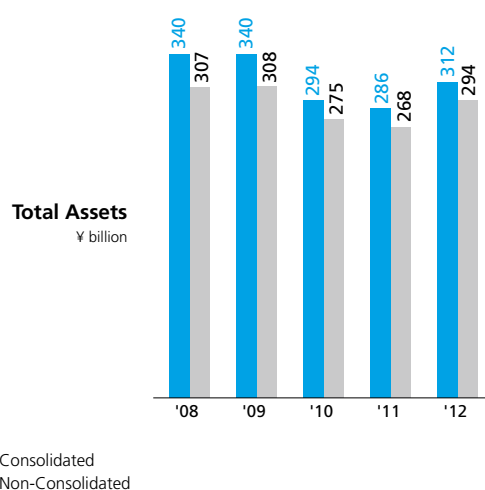
In our main overseas markets in Southeast Asia, including Singapore and Hong Kong, demand remained strong for construction projects centering on social infrastructure development. Net sales in our Overseas Business segment amounted to ¥83,716 million (US\$1,018.6 million), an increase of ¥1,375 million (US\$16.7 million) or 1.7% compared to the prior fiscal year. Operating income totaled ¥3,500 million (US\$42.6 million), a year-on-year increase of ¥839 million (US\$10.2 million) or 31.5%.

Net sales in our domestic Development Business amounted to ¥2,621 million (US\$31.9 million), an increase of ¥940 million (US\$11.4 million), or 55.9%, compared to the prior fiscal year. The segment posted an operating loss of ¥448 million (US\$5.5 million), as compared to a loss of ¥1,606 million (US\$19.5 million) for the prior fiscal year.

Net sales in the Group's Other Business segment, which centers on shipbuilding, equipment leasing and sales of finished goods, came to ¥12,066 million (US\$146.8 million), an increase of ¥1,273 million (US\$15.5 million), or 11.8%, compared to the prior fiscal year. Due to the deterioration of the revenue-expenditure balance in our shipbuilding business, operating income came to ¥18 million (US\$0.2 million), a decrease of ¥850 million (US\$10.3 million), or 98.0%, compared to the prior fiscal year.

Orders Received and Contract Backlog

Non-consolidated construction orders received for domestic civil engineering works increased by 12.2% compared to the prior fiscal year to ¥108,477 million (US\$1,319.8 million) on growth in orders received from both the private sector and government agencies.



Orders received for domestic building construction increased by 13.1% to ¥101,561 million (US\$1,235.7 million), as an expansion in private-sector construction projects outweighed a decline in public construction projects. The company received orders for large land-based civil engineering and construction projects in Singapore, yet orders received for overseas construction projects overall decreased by 4.8% to ¥86,474 million (US\$1,052.1 million). In total, construction orders received during the period under review increased by 7.1% to ¥296,513 million (US\$3,607.7 million).

Financial Position

Total assets for the Group increased by ¥25,692 million (US\$312.6 million) compared to the prior consolidated fiscal year, to ¥311,917 million (US\$3,795.1 million) on factors including an increase to cash and deposits. Total liabilities expanded by ¥23,766 million (US\$289.2 million) to ¥249,531 million (US\$3,036.0 million) as the Group recorded increases in notes payable and accounts payable for construction projects. Net assets increased by ¥1,926 million (US\$23.4 million) to ¥62,386 million (US\$759.0 million) compared to the prior fiscal year. This resulted as the Group recorded increases in both consolidated net income and the revaluation reserve for land, net of taxes.

Cash Flows

Cash flows from operating activities increased by ¥24,823 million (US\$302.0 million) for a net inflow of ¥26,740 million (US\$325.3 million) during the period under review (as compared to a net inflow of ¥1,917 million, or US\$23.3 million in the prior consolidated fiscal year). The primary factor was ¥6,308 million (US\$76.7 million) in net income before income taxes (¥5,516 million, or US\$67.1 million in the prior consolidated fiscal year).

With respect to cash flows from investing activities, the Group recorded a ¥2,442 million (US\$29.7 million) year-on-year increase in outlays due to purchases of property, plant and equipment. The result was a net outflow of ¥11,586 million (US\$141.0 million), as compared to a net outflow of ¥9,144 million (US\$111.3 million) in the prior consolidated fiscal year.

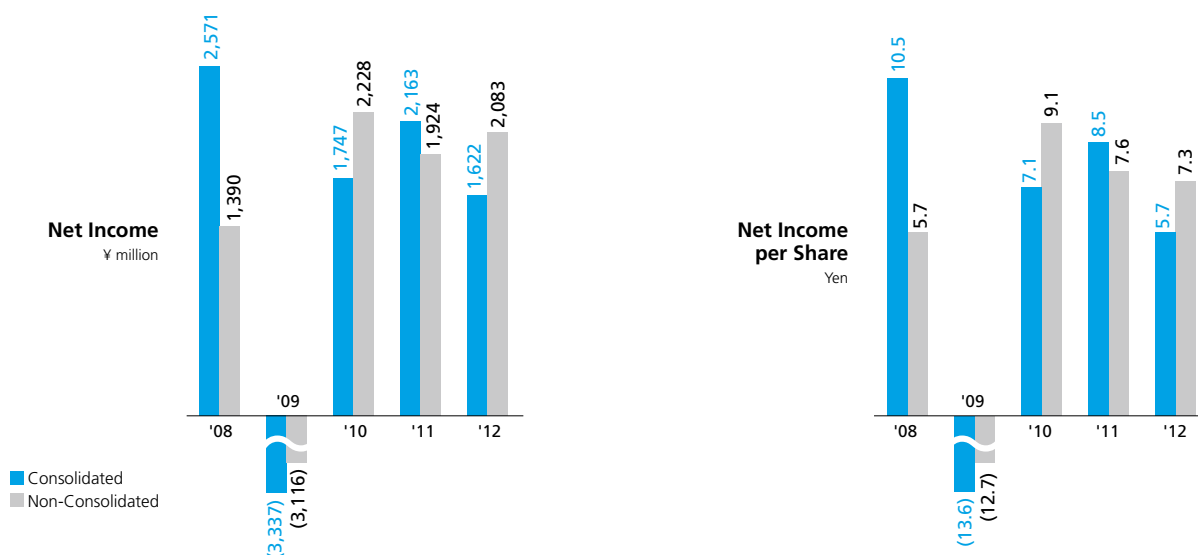
Cash flows from financing activities underwent a ¥4,980 million (US\$60.6 million) increase compared to the prior consolidated fiscal year, resulting in a net inflow of ¥1,738 million (US\$21.1 million). This was due to the Group's issuance of corporate bonds, and compares to a net outflow of ¥3,242 million (US\$39.4 million) in the prior consolidated fiscal year.

As a result of the foregoing, consolidated cash and cash equivalents amounted to ¥62,712 million (US\$763.0 million) as of the end of the consolidated fiscal year under review, a year-on-year increase of ¥17,049 million (US\$207.4 million), or 37.3%.

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 2012, 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, 2011 and 2012

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Current assets:			
Cash and deposits (Note 22)	¥ 46,121	¥ 63,371	\$ 771,031
Short-term investment securities (Notes 3 (3), 5, 6 and 22)	2	—	—
Trade receivables: (Note 22)			
Notes	3,599	10,993	133,751
Accounts	116,989	118,225	1,438,435
Inventories: (Note 3 (5))			
Costs on uncompleted construction contracts	11,148	11,128	135,394
Real estate for sale and development projects in progress	13,708	11,041	134,335
Other	2,429	1,864	22,679
Deferred tax assets (Note 18)	4,242	3,801	46,247
Other	2,953	2,331	28,360
Allowance for doubtful accounts (Note 3 (9))	(1,346)	(1,227)	(14,929)
Total current assets	199,845	221,527	2,695,304
Property, plant and equipment: (Notes 3 (6) and 3(8))			
Land	41,762	43,613	530,636
Buildings and structures	31,205	31,768	386,519
Machinery, equipment and vehicles	16,860	17,322	210,756
Dredgers and vessels	49,460	51,185	622,764
Construction in progress	454	5,475	66,614
Total property, plant and equipment	139,741	149,363	1,817,289
Less: accumulated depreciation	(78,906)	(80,856)	(983,769)
Property, plant and equipment – net	60,835	68,507	833,520
Intangible assets: (Note 3 (7))	623	637	7,750
Investments and other assets:			
Investment securities (Notes 3 (3), 5, 6 and 22)	10,795	10,823	131,683
Long-term loans receivables	301	286	3,480
Deferred tax assets (Note 18)	9,480	6,807	82,820
Other (Notes 3 (12) and 21)	12,334	9,568	116,413
Allowance for doubtful accounts (Note 3 (9))	(7,988)	(6,238)	(75,897)
Total investments and other assets	24,922	21,246	258,499
Total assets	¥286,225	¥311,917	\$3,795,072

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Current liabilities:			
Short-term loans payable (Notes 7 and 22)	¥ 27,422	¥ 24,933	\$ 303,358
Current portion of long-term loans payable (Notes 7 and 22)	25,565	20,754	252,512
Trade payable: (Note 22)			
Notes	24,916	32,164	391,337
Accounts	71,082	83,481	1,015,708
Advance received on uncompleted construction contracts	25,842	25,330	308,188
Deposits received	9,166	11,014	134,007
Income taxes payable	1,265	1,179	14,345
Provision for loss on construction contracts (Note 3 (11))	2,233	2,939	35,759
Provision for warranties for completed construction (Note 3 (10))	720	642	7,811
Other provision	1,015	1,225	14,904
Other	2,151	2,337	28,434
Total current liabilities	191,377	205,998	2,506,363
Non-current liabilities:			
Bonds payable (Notes 7 and 22)	—	10,000	121,669
Long-term loans payable (Notes 7 and 22)	25,685	25,483	310,050
Provision for retirement benefits (Notes 3 (12) and 21)	333	324	3,942
Provision for directors' retirement benefits (Note 3 (13))	144	137	1,667
Deferred tax liabilities for land revaluation (Note 19 (2))	7,156	6,251	76,055
Provision for loss on litigation (Note 3 (14))	—	350	4,259
Other	1,070	988	12,021
Total non-current liabilities	34,388	43,533	529,663
Total liabilities	225,765	249,531	3,036,026
Net assets: (Note 20)			
Shareholders' equity:			
Capital stock	30,450	30,450	370,483
Authorized - 599,135,000 shares			
Issued shares			
March 31, 2012 286,013,910 shares			
March 31, 2011 286,013,910 shares			
Capital surplus (Note 19 (1))	18,387	18,387	223,714
Retained earnings (Note 19 (1))	6,384	7,453	90,680
Less: treasury stock	(23)	(23)	(280)
Total shareholders' equity	55,198	56,267	684,597
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Notes 3 (3) and 19 (3))	(126)	(107)	(1,302)
Deferred losses on hedges	(8)	(10)	(122)
Revaluation reserve for land (Note 19 (2))	5,328	6,195	75,374
Foreign currency translation adjustments (Note 3 (2))	62	37	450
Total accumulated other comprehensive income	5,256	6,115	74,400
Minority interests	6	4	49
Total net assets	60,460	62,386	759,046
Total liabilities and net assets	¥286,225	¥311,917	\$3,795,072
Commitments and contingent liabilities (Note 17)			

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the two years ended March 31, 2012

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Construction business: (Note 3(15))			
Net sales	¥289,661	¥316,239	\$3,847,658
Cost of sales	264,554	292,109	3,554,070
Gross profit	25,107	24,130	293,588
Development business and other:			
Net sales	12,595	11,766	143,156
Cost of sales	12,401	11,712	142,499
Gross profit	194	54	657
Total:			
Total net sales	302,256	328,005	3,990,814
Total cost of sales	276,955	303,821	3,696,569
Total gross profit	25,301	24,184	294,245
Selling, general and administrative expenses	15,519	15,201	184,949
Operating income	9,782	8,983	109,296
Non-operating income:			
Interest and dividends income	194	278	3,382
Other (Note 8)	570	502	6,107
	764	780	9,489
Non-operating expenses:			
Interest expenses	2,205	1,812	22,046
Other (Note 9)	910	503	6,120
	3,115	2,315	28,166
Ordinary income	7,431	7,448	90,619
Extraordinary gain (Note 10)	1,196	437	5,317
Extraordinary loss (Note 11)	3,111	1,577	19,187
Income before income taxes and minority interests	5,516	6,308	76,749
Income taxes: (Notes 3 (19) and 18)			
Current	1,671	1,593	19,382
Deferred	1,669	3,095	37,657
	3,340	4,688	57,039
Income before minority interests	2,176	1,620	19,710
Minority interests in income (loss)	13	(2)	(25)
Net income	¥ 2,163	¥ 1,622	\$ 19,735
Net income per share of common stock (Notes 3 (18) and 24)			
	Yen		U.S. dollars
Primary	¥8.50	¥5.67	\$0.07

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the two years ended March 31, 2012

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Income before minority interests	¥2,176	¥1,620	\$19,710
Valuation difference on available-for-sale securities	(374)	19	231
Deferred losses on hedges	(3)	(2)	(24)
Revaluation reserve for land	—	885	10,768
Foreign currency translation adjustments	(35)	(25)	(304)
Total other comprehensive income (loss) (Note 13)	(412)	877	10,671
Comprehensive income	¥1,764	¥2,497	\$30,381
(Breakdown)			
Comprehensive income attributable to shareholders	¥1,750	¥2,500	\$30,417
Comprehensive income (loss) attributable to minority interests	14	(3)	(36)

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the two years ended March 31, 2012

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2010	¥28,070	¥16,007	¥6,130	¥(22)	¥50,185
Changes of items during the year					
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 year	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 losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 1, 2010	¥ 248	¥(5)	¥3,910	¥99	¥4,252	¥29	¥54,466
Changes of items during the year							
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 year	(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

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2011	¥30,450	¥18,387	¥6,384	¥(23)	¥55,198
Changes of items during the year					
Dividends from surplus			(572)		(572)
Net income			1,622		1,622
Reversal of revaluation reserve for land			19		19
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	—	1,069	(0)	1,069
Balance at March 31, 2012	¥30,450	¥18,387	¥7,453	¥(23)	¥56,267

	Millions of yen						
	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at April 1, 2011	¥(126)	¥(8)	¥5,328	¥62	¥5,256	¥6	¥60,460
Changes of items during the year							
Dividends from surplus							(572)
Net income							1,622
Reversal of revaluation reserve for land							19
Purchase of treasury stock							(0)
Net changes of items other than shareholders' equity	19	(2)	867	(25)	859	(2)	857
Total changes of items during the year	19	(2)	867	(25)	859	(2)	1,926
Balance at March 31, 2012	¥(107)	¥(10)	¥6,195	¥37	¥6,115	¥4	¥62,386

	Thousands of U.S. dollars				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2011	\$370,483	\$223,714	\$77,673	\$(280)	\$671,590
Changes of items during the year					
Dividends from surplus			(6,959)		(6,959)
Net income			19,735		19,735
Reversal of revaluation reserve for land			231		231
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity	—	—	13,007	(0)	13,007
Total changes of items during the year	—	—	13,007	(0)	13,007
Balance at March 31, 2012	\$370,483	\$223,714	\$90,680	\$(280)	\$684,597

	Thousands of U.S. dollars						
	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at April 1, 2011	\$(1,533)	\$(98)	\$64,825	\$754	\$63,948	\$73	\$735,611
Changes of items during the year							
Dividends from surplus							(6,959)
Net income							19,735
Reversal of revaluation reserve for land							231
Purchase of treasury stock							(0)
Net changes of items other than shareholders' equity	231	(24)	10,549	(304)	10,452	(24)	10,428
Total changes of items during the year	231	(24)	10,549	(304)	10,452	(24)	23,435
Balance at March 31, 2012	\$(1,302)	\$(122)	\$75,374	\$450	\$74,400	\$49	\$759,046

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the two years ended March 31, 2012

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 5,516	¥ 6,308	\$ 76,749
Adjustment to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	3,523	3,702	45,042
Impairment loss	1,158	69	840
Increase (Decrease) in allowance for doubtful accounts	502	(1,869)	(22,740)
Increase (Decrease) in provision for retirement benefits	(17)	(9)	(110)
Interest and dividends income	(194)	(278)	(3,382)
Interest expenses	2,205	1,813	22,059
Foreign exchange losses (gains)	(180)	(170)	(2,068)
Equity in (earnings) losses of affiliates	(37)	(74)	(900)
Loss (Gain) on sales of property, plant and equipment	(454)	(73)	(889)
Loss (Gain) on sales of investment securities	(22)	(0)	(0)
Loss on valuation of securities and investment securities	18	357	4,344
Change in assets and liabilities:			
Decrease (Increase) in notes and accounts receivable-trade	(5,525)	(11,588)	(140,991)
Decrease (Increase) in costs on uncompleted construction contracts	918	17	207
Decrease (Increase) in real estate for sale and development projects in progress and other inventories	1,597	2,922	35,552
Increase (Decrease) in notes and accounts payable-trade	(5,211)	25,538	310,719
Increase (Decrease) in advances received on uncompleted construction contracts	496	(512)	(6,230)
Increase (Decrease) in other provision	(689)	1,265	15,391
Other, net	1,293	2,317	28,191
Subtotal	4,897	29,735	361,784
Interest and dividends income received	204	413	5,025
Interest expenses paid	(2,227)	(1,688)	(20,538)
Income taxes paid	(957)	(1,720)	(20,927)
Net cash provided by operating activities	1,917	26,740	325,344
Cash flows from investing activities:			
Purchase of short-term investment securities	(2)	(1)	(12)
Proceeds from sales of short-term investment securities	30	2	24
Purchase of investment securities	(3,844)	(502)	(6,108)
Proceeds from sales of investment securities	125	28	341
Purchase of property, plant and equipment	(9,518)	(11,169)	(135,892)
Proceeds from sales of property, plant and equipment	3,981	220	2,677
Payments of loans receivable	(175)	(6)	(73)
Collection of loans receivable	195	114	1,387
Other, net	64	(272)	(3,310)
Net cash used in investing activities	(9,144)	(11,586)	(140,966)

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(602)	(2,490)	(30,296)
Proceeds from long-term loans payable	19,090	20,571	250,286
Repayment of long-term loans payable	(25,657)	(25,582)	(311,254)
Proceeds from issuance bonds payable	—	10,000	121,669
Proceeds from issuance of common stock	4,760	—	—
Cash dividends paid	(483)	(565)	(6,874)
Other, net	(350)	(196)	(2,385)
Net cash provided by (used in) financing activities	(3,242)	1,738	21,146
Effect of exchange rate change on cash and cash equivalents	201	157	1,910
Net increase (decrease) in cash and cash equivalents	(10,268)	17,049	207,434
Cash and cash equivalents at the beginning of the period	55,931	45,663	555,579
Cash and cash equivalents at the end of the period	¥45,663	¥62,712	\$763,013
(Note) Cash and cash equivalents are comprised as follows:			
Cash and deposits	¥46,121	¥63,371	\$771,031
Less-Time deposits with maturity over three months	(458)	(659)	(8,018)
Cash and cash equivalents (Note 3(17))	¥45,663	¥62,712	\$763,013

See accompanying Notes to Consolidated Financial Statements.

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=¥82.19, the exchange rate prevailing on March 31, 2012. 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 24 subsidiaries and 3 affiliated companies as at March 31, 2012.

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

One affiliated company was not included in the scope of equity method, since it has a 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 7 overseas subsidiaries including Andromeda Five Pte Ltd. is March 31.

Closing date for other 7 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 consolidated closing date.

(3) 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 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 transactions 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 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.

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

(10) 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.

(11) Provision for loss on construction contracts

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

(12) 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 plus/minus 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 15 years.

Prior service costs 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.

(Additional information)

Effective from the current fiscal year ended March 31, 2012, the company has revised its retirement benefit rules. In line with this revision, prior service cost increased by ¥290 million (U.S. \$3,528 thousand).

(13) Provision for directors' retirement benefits

Some subsidiaries provide provision for the amount required to be paid in accordance with internal rules for payment of severance benefits to directors and statutory auditors on the closing date.

(14) Provision for loss on litigation

To provide provision for losses on litigation, the estimated amount to be incurred in the future is calculated.

(15) 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 year. To estimate the progress of such construction projects, the 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.

(16) 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 treatment.

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.

(17) 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.

(18) Net income per share

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

Net income per share assuming full dilution is not presented because there were no potential stocks as of March 31, 2012.

(19) 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.

(20) Consumption tax

Consumption tax is eliminated from sales and purchases stated in the statements of income. 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.

(21) Adoption of consolidated taxation system

Effective from the current fiscal year, 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.

(23) Accounting method for deferred assets

Stock issuance cost is recognized as an expense when incurred.

4. Additional information

Effective from the current fiscal year, Accounting Standards Board of Japan Statement No.24, "Accounting Standard for Accounting Changes and Error Corrections" and Accounting Standards Board

of Japan Statement Guidance No.24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections" both issued on December 4, 2009 have been adopted.

5. Investment securities

(1) Held-to maturity debt securities

As of March 31, 2011

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Securities whose book value on consolidated B/S exceeds their fair value:			
National and local government bonds	¥113	¥116	¥ 3
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥113	¥116	¥ 3
Securities whose book value on consolidated B/S doesn't exceed their fair value:			
National and local government bonds	¥ 69	¥ 68	¥(1)
Corporate bonds	10	10	—
Other	—	—	—
Subtotal	¥ 79	¥ 78	¥(1)
Total	¥192	¥194	¥ 2

As of March 31, 2012

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Securities whose book value on consolidated B/S exceeds their fair value:			
National and local government bonds	¥183	¥189	¥ 6
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥183	¥189	¥ 6
Securities whose book value on consolidated B/S doesn't exceed their fair value:			
National and local government bonds	¥ 8	¥ 8	¥(0)
Corporate bonds	10	10	—
Other	—	—	—
Subtotal	¥ 18	¥ 18	¥(0)
Total	¥201	¥207	¥ 6

As of March 31, 2012

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
Securities whose book value on consolidated B/S exceeds their fair value:			
National and local government bonds	\$2,227	\$2,300	\$73
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	\$2,227	\$2,300	\$73
Securities whose book value on consolidated B/S doesn't exceed their fair value:			
National and local government bonds	\$ 97	\$ 97	\$ (0)
Corporate bonds	122	122	—
Other	—	—	—
Subtotal	\$ 219	\$ 219	\$ (0)
Total	\$2,446	\$2,519	\$73

(2) Other securities

As of March 31, 2011

	Millions of yen		
	Book value on consolidated B/S	Acquisition cost	Difference
Securities whose book value on consolidated B/S exceeds their acquisition cost:			
Stock	¥2,051	¥1,598	¥ 453
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	82	61	21
Subtotal	¥2,133	¥1,659	¥ 474
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	¥4,902	¥5,493	¥(591)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	223	233	(10)
Subtotal	¥5,125	¥5,726	¥(601)
Total	¥7,258	¥7,385	¥(127)

(Note) Since unlisted stocks and investments in silent partnership for development investment business (balance on consolidated balance sheet ¥3,131 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, 2012

	Millions of yen		
	Book value on consolidated B/S	Acquisition cost	Difference
Securities whose book value on consolidated B/S exceeds their acquisition cost:			
Stock	¥2,562	¥1,974	¥ 588
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	76	61	15
Subtotal	¥2,638	¥2,035	¥ 603
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	¥4,527	¥5,227	¥(700)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	100	100	—
Other	—	—	—
Other	127	137	(10)
Subtotal	¥4,754	¥5,464	¥(710)
Total	¥7,392	¥7,499	¥(107)

As of March 31, 2012

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Acquisition cost	Difference
Securities whose book value on consolidated B/S exceeds their acquisition cost:			
Stock	\$31,172	\$24,018	\$7,154
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	925	742	183
Subtotal	\$32,097	\$24,760	\$7,337
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	\$55,080	\$63,597	\$(8,517)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	1,217	1,217	—
Other	—	—	—
Other	1,545	1,667	(122)
Subtotal	\$57,842	\$66,481	\$(8,639)
Total	\$89,938	\$91,240	\$(1,302)

(Note) Since unlisted stocks (balance on consolidated balance sheet ¥3,124 million (U.S. \$38,009 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, 2011

	Millions of yen		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	¥22	¥22	¥—
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	¥22	¥22	¥—

As of March 31, 2012

	Millions of yen		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	¥28	¥0	¥—
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	¥28	¥0	¥—

As of March 31, 2012

	Thousands of U.S. dollars		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	\$341	\$0	\$—
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	\$341	\$0	\$—

(4) Impairment of investment securities

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Other securities			
Stock	¥18	¥357	\$4,344

6. Pledged assets

The following assets are pledged for fulfillment of construction contracts at March 31, 2011 and 2012.

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Short-term investment securities	¥ 1	¥ —	\$ —
Investment securities	280	272	3,309
Total	¥281	¥272	\$3,309

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

Short-term loans are represented primarily in the form of overdraft facility notes. The weighted average interest rates are 1.45% for the fiscal year 2011 and 1.05% for the fiscal year 2012, respectively. Long-term loans as of March 31, 2011 and 2012 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Long-term loans from banks and insurance companies due through 2026	¥51,250	¥46,237	\$562,562
(The weighted average interest rate is 2.40%.)			
1.25% unsecured bonds payable due 2014	—	10,000	121,669
Less: current portion	(25,565)	(20,754)	(252,512)
Net	¥25,685	¥35,483	\$431,719

The aggregate annual maturity of long-term loans and bonds payable after March 31, 2012 is as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥20,754	\$252,512
2014	13,900	169,120
2015	17,224	209,564
2016	3,099	37,705
2017	1,144	13,919
2018 and thereafter	116	1,411
Total	¥56,237	\$684,231

8. Non-operating income

The composition of Non-operating income—other for the fiscal years ended March 31, 2011 and 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Real estate rent	¥ 67	¥ 70	\$ 852
Equity in earnings of affiliates	37	74	900
Other	466	358	4,356
Total	¥570	¥502	\$6,108

9. Non-operating expenses

The composition of Non-operating expenses—other for the fiscal years ended March 31, 2011 and 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Foreign exchange losses	¥230	¥183	\$2,227
Other	680	320	3,893
Total	¥910	¥503	\$6,120

10. Extraordinary gain

The composition of Extraordinary gain for the fiscal years ended March 31, 2011 and 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Gain on prior period adjustments	¥ 145	¥ —	\$ —
Gain on sales of non-current assets	463	88	1,071
Reversal of allowance for doubtful accounts	260	—	—
Reversal of provision for warranties for completed construction	201	—	—
Reversal of loss on disaster	—	304	3,699
Other	127	45	547
Total	¥1,196	¥437	\$5,317

11. Extraordinary loss

The composition of Extraordinary loss for the fiscal years ended March 31, 2011 and 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Loss on retirement of non-current assets	¥ 192	¥ 403	\$ 4,903
Loss on valuation of investment securities	18	357	4,344
Provision for loss on litigation	—	350	4,258
Amortization of prior service cost	—	290	3,528
Loss on disaster	1,020	—	—
Other	1,881	177	2,154
Total	¥3,111	¥1,577	\$19,187

12. Research and development costs

Research and development costs charged to income are ¥1,061 million for the fiscal year 2011 and ¥1,496 million (U.S.\$18,202 thousand) for the fiscal year 2012, respectively.

13. Other comprehensive income

The following table presents reclassification and tax effects allocated to each component of other comprehensive income for the year ended March 31, 2012:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Valuation difference on available-for-sale securities		
Amount arising during the year	¥(328)	\$ (3,991)
Reclassification adjustment for gains and losses realized in net income	347	4,222
Amount before tax effect	19	231
Tax effect	0	0
Valuation difference on available-for-sale securities	19	231
Deferred losses on hedges		
Amount arising during the year	747	9,089
Reclassification adjustment for gains and losses realized in net income	(749)	(9,113)
Amount before tax effect	(2)	(24)
Tax effect	0	0
Deferred losses on hedges	(2)	(24)
Revaluation reserve for land		
Tax effect	885	10,767
Foreign currency translation adjustments		
Amount arising during the year	(26)	(316)
Reclassification adjustment for gains and losses realized in net income	1	12
Amount before tax effect	(25)	(304)
Tax effect	—	—
Foreign currency translation adjustments	(25)	(304)
Total other comprehensive income	¥ 877	\$10,670

14. 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
	2011	2012	2012
Estimated acquisition costs			
Equipment	¥92	¥60	\$730
Vehicles	12	7	85
	103	67	815
Less: accumulated depreciation	(81)	(64)	(778)
Estimated value	¥23	¥ 3	\$ 37

(2) Future lease payments on leased assets as of March 31, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Within one year	¥21	¥3	\$37
Over one year	3	0	0
Total	¥24	¥3	\$37

(3) Lease payments, depreciation equivalents and interest expenses equivalents for the years ended March 31, 2011 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Lease payments	¥27	¥21	\$256
Depreciation equivalents	25	20	243
Interest expense equivalents	1	0	0

15. Summary of operating lease transactions

Future lease payments, about non-cancelable operating lease assets as of March 31, 2012 are as follows:

<Borrower>	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Within one year	¥ 453	¥ 453	\$ 5,512
Over one year	2,456	2,002	24,358
Total	¥2,909	¥2,455	\$29,870

<Lender>	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Within one year	¥ —	¥132	\$1,606
Over one year	—	528	6,424
Total	¥ —	¥660	\$8,030

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

Hedge accounting is applied for all derivative financial transactions for the year ended March 31, 2011 and 2012 and accordingly fair value information is waived.

17. Commitments and contingent liabilities

As of March 31, 2012, the Company has liabilities for guarantee to bank loans made by customers amounting to ¥1,171 million (U.S.\$14,247 thousand).

The Company also has the guarantee amounting to ¥177 million (U.S.\$2,154 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.\$365,008 thousand) for the purpose of flexible financing. There is no amount of loans using the line as of March 31, 2012.

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
	2011	2012	2012
Deferred tax assets			
Net operating loss carried forward	¥ 9,595	¥ 6,212	\$ 75,581
Employees' retirement benefits trust	2,788	2,320	28,227
Impairment loss	1,731	1,417	17,241
Loss on valuation of real estate for sale	1,234	1,264	15,379
Provision for loss on construction contracts	909	1,117	13,590
Allowance for doubtful accounts	516	430	5,232
Provision for bonuses	414	466	5,670
Other	1,845	1,855	22,569
Total: deferred tax assets	19,032	15,081	183,489
Less : valuation allowance	(4,702)	(4,003)	(48,704)
Deferred tax assets	¥14,330	¥11,078	\$134,785
Deferred tax liabilities			
Prepaid pension cost	¥ (526)	¥ (275)	\$ (3,346)
Other	(82)	(195)	(2,372)
Total: deferred tax liabilities	(608)	(470)	(5,718)
Net: deferred tax assets	¥13,722	¥10,608	\$129,067

(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:

	2011	2012
The statutory effective tax rate	40.69%	40.69%
(Adjustments)		
Permanent differences (expense)	10.52	8.01
Permanent differences (income)	(7.47)	(11.38)
Per capita levy on inhabitant tax	4.17	3.26
Consolidated adjustments	(0.54)	2.32
Increase in valuation allowance	(3.40)	(0.34)
Foreign corporation tax	17.66	19.90
Downward adjustment of deferred tax assets at the year end due to the change in corporate tax rates ...	—	12.69
Other	(1.09)	(0.83)
Actual burden tax rate after the application of tax effect accounting	60.54	74.32

(3) Following the promulgation on December 2, 2011 of the “Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No.114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No.117 of 2011), corporation tax rates will be reduced for the fiscal years beginning on or after April 1, 2012. In addition, the Special Reconstruction Corporation Tax, a surtax for reconstruction funding after the Great East Japan Earthquake, will be imposed for the fiscal years beginning in the period from April 1, 2012 to March 31, 2015.

In line with these changes, the effective statutory tax rate

used to measure deferred tax assets and liabilities were changed from 40.69% to 38.01% for temporary differences expected to be reversed from the fiscal year beginning April 1, 2012 to the fiscal year beginning April 1, 2014. The rate was also changed to 35.64% for temporary differences expected to be reversed in the fiscal years beginning on or after April 1, 2015.

As a result of this change, deferred tax assets as of March 31, 2012 decreased by ¥798 million (U.S.\$9,709 thousand), and income taxes-deferred increased by ¥798 million (U.S.\$9,709 thousand). And deferred tax liabilities for land revaluation as of March 31, 2012 decreased by ¥885 million (U.S.\$10,768 thousand) and revaluation reserve for land increased by ¥885 million (U.S.\$10,768 thousand).

19. 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.

The difference between the appraisal value of land at the end of the current fiscal year and the book value

	Millions of yen	Thousands of U.S. dollars
	2011	2012
	¥11,943	¥12,954
		\$157,610

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 consolidated closing date. This amounted to ¥107 million (U.S.\$1,302 thousand) loss as of March 31, 2012.

(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.

20. 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.

21. Retirement benefits

I. Retirement benefits obligations

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
a. Retirement benefit obligations	¥(25,894)	¥(25,558)	\$(310,963)
b. Pension fund assets	15,661	16,024	194,963
c. Unfunded retirement benefit obligations	(10,233)	(9,534)	(116,000)
d. Amortization term of effects of the application of the new accounting standards for retirement benefits	5,207	3,905	47,512
e. Unrecognized actuarial gain or loss	5,985	6,176	75,143
f. Net retirement benefit obligations	959	547	6,655
g. Prepaid pension cost	1,292	871	10,597
h. Provision for retirement benefits	¥ (333)	¥ (324)	\$ (3,942)

II. Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
a. Service costs	¥1,082	¥ 963	\$11,717
b. Interest costs	655	537	6,534
c. Expected return on pension fund assets	(651)	(548)	(6,667)
d. Amortization term of effects of the application of the new accounting standards for retirement benefits	1,302	1,302	15,841
e. Amortization of actuarial gain or loss	1,180	948	11,534
f. Amortization of prior service cost	—	290	3,528
g. Retirement benefit costs	¥3,568	¥3,492	\$42,487

III. Calculation basis of retirement benefit obligations

a. Recognition method of the projected retirements benefit obligations	Straight-line method
b. Discount rate	1.80%
c. Expected return rate on pension fund assets	3.50%
d. Amortization term of prior service cost	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

22. 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 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 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, held-to-maturity

bonds and investment trusts and are exposed to fluctuation of market value. 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.

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, 2011 are as follows:

	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)	¥ —

*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. The fair value of investment trust is based on 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 the case of similar loan.

Derivative transactions

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) have no market value, have no estimated future cash flows and are quite difficult to recognize the fair value, they are not included in "(3) Short-term investment securities and investment securities."

(Note 3) Redemption schedule for receivables and marketable securities with maturities at 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	¥ —

Book value on consolidated balance sheet, fair value and the difference as of March 31, 2012 are as follows:

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 63,371	¥ 63,371	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	118,610	118,591	(19)
(3) Investment securities	7,593	7,599	6
(4) Accounts receivable-other	10,608	10,608	—
Total Assets	¥200,182	¥200,169	¥ (13)
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	¥112,843	¥112,843	¥ —
(2) Short-term loans payable	24,933	24,933	—
(3) Bonds payable	10,000	9,821	(179)
(4) Long-term loans payable *1	46,238	46,558	320
Total Liabilities	¥194,014	¥194,155	¥141
Derivative transaction *2	¥ (15)	¥ (15)	¥ —

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	\$ 771,031	\$ 771,031	\$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	1,443,120	1,442,888	(232)
(3) Investment securities	92,384	92,457	73
(4) Accounts receivable-other	129,067	129,067	—
Total Assets	\$2,435,602	\$2,435,443	\$ (159)
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	\$1,372,953	\$1,372,953	\$ —
(2) Short-term loans payable	303,358	303,358	—
(3) Bonds payable	121,669	119,491	(2,178)
(4) Long-term loans payable *1	562,575	566,468	3,893
Total Liabilities	\$2,360,555	\$2,362,270	\$1,715
Derivative transaction *2	\$ (183)	\$ (183)	\$ —

*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) Investment securities

The fair value of stocks and bonds present the market values. The fair value of investment trust is based on 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) Bonds payable, (4) 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 transactions

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

(Note 2) Since unlisted stocks (balance on consolidated balance sheet ¥3,229 million (U.S.\$39,287 thousand) have no market value, have no estimated future cash flows and are quite difficult to recognize the fair value, they are not included in "(3) Investment securities."

(Note 3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2012

	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	¥ 63,344	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	113,864	4,746	—	—
Investment securities				
Held-to-maturity bonds				
National and local government bonds	—	61	130	—
Corporate bonds	—	10	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	100	—
Other	—	10	—	—
Accounts receivable-other	10,608	—	—	—
Total	¥187,816	¥4,827	¥230	¥ —

As of March 31, 2012

	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	\$ 770,702	\$ —	\$ —	\$ —
Notes receivable, accounts receivable from completed construction contracts and other	1,385,375	57,744	—	—
Investment securities				
Held-to-maturity bonds				
National and local government bonds	—	742	1,581	—
Corporate bonds	—	122	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	1,217	—
Other	—	122	—	—
Accounts receivable-other	129,067	—	—	—
Total	\$2,285,144	\$58,730	\$2,798	\$ —

(Note 4) The redemption schedule for long-term loans payable is disclosed in Note 7.

23. 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

- (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

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

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:

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.

Year ended March 31, 2011	Reportable segment				Millions of yen		Total	Adjustments (Note 2)	Recorded amount on consolidated statements of income (Note 3)
	Domestic civil engineering segment	Domestic architectural segment	Overseas segment	Domestic real estate development segment	Total	Other (Note 1)			
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

Year ended March 31, 2012	Reportable segment				Millions of yen		Total	Adjustments (Note 2)	Recorded amount on consolidated statements of income (Note 3)
	Domestic civil engineering segment	Domestic architectural segment	Overseas segment	Domestic real estate development segment	Total	Other (Note 1)			
Net sales:									
Sales to third parties ...	¥118,118	¥114,723	¥83,716	¥2,441	¥318,998	¥9,007	¥328,005	¥ —	¥328,005
Intersegment sales and transfers	421	465	—	180	1,066	3,059	4,125	(4,125)	—
Total	118,539	115,188	83,716	2,621	320,064	12,066	332,130	(4,125)	328,005
Segment profit (loss)	7,329	(1,284)	3,500	(448)	9,097	18	9,115	(132)	8,983
Other item:									
Depreciation	1,326	240	1,678	72	3,316	395	3,711	(9)	3,702

Year ended March 31, 2012	Reportable segment				Thousands of U.S. dollars		Total	Adjustments (Note 2)	Recorded amount on consolidated statements of income (Note 3)
	Domestic civil engineering segment	Domestic architectural segment	Overseas segment	Domestic real estate development segment	Total	Other (Note 1)			
Net sales:									
Sales to third parties ...	\$1,437,133	\$1,395,827	\$1,018,567	\$29,699	\$3,881,226	\$109,588	\$3,990,814	\$ —	\$3,990,814
Intersegment sales and transfers	5,122	5,658	—	2,190	12,970	37,219	50,189	(50,189)	—
Total	1,442,255	1,401,485	1,018,567	31,889	3,894,196	146,807	4,041,003	(50,189)	3,990,814
Segment profit (loss)	89,171	(15,622)	42,585	(5,451)	110,683	219	110,902	(1,607)	109,295
Other item:									
Depreciation	16,133	2,920	20,416	876	40,345	4,806	45,151	(109)	45,042

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.

(Related information)

For the year ended March 31, 2011

1. Information of each products and service

Please refer to Note 23 Segment information.

2. Geographical information

(1) Net sales

Japan	Southeast Asia	Other	Total
¥219,915 million	¥79,194 million	¥3,147 million	¥302,256 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
¥54,395 million	¥6,417 million	¥23 million	¥60,835 million

3. Each main customer

Name of customer	Net sales	Related segment
Ministry of Land, Infrastructure, Transport and Tourism	¥46,590 million	Domestic civil engineering segment and Domestic architectural segment

For the year ended March 31, 2012

1. Information of each products and service

Please refer to Note 23 Segment information.

2. Geographical information

(1) Net sales

Japan	Southeast Asia	Other	Total
¥244,273 million \$2,972,052 thousand	¥82,142 million \$999,417 thousand	¥1,590 million \$19,345 thousand	¥328,005 million \$3,990,814 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
¥59,164 million \$719,844 thousand	¥9,339 million \$113,627 thousand	¥4 million \$49 thousand	¥68,507 million \$833,520 thousand

3. Each main customer

Name of customer	Net sales	Related segment
Ministry of Land, Infrastructure, Transport and Tourism	¥36,639 million \$445,784 thousand	Domestic civil engineering segment and Domestic architectural segment

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

For the year ended March 31, 2011

There is no impairment loss divided by reportable segment.

For the amount and contents of impairment loss which is not divided by reportable segment is as follows:

Location	Classification	Impairment loss
Kanto area	Leased and other assets (6 objects)	Land ¥ 112 million
		Buildings and structure ¥1,046 million

For the year ended March 31, 2012

There is no impairment loss divided by reportable segment.

For the amount and contents of impairment loss which is not divided by reportable segment is omitted to insignificant amount.

(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 reportable segments)

For the year ended March 31, 2011

This information is omitted, due to insignificant amount.

For the year ended March 31, 2012

None

24. Amounts per share

1. Per share information is summarized as follows:

	Yen		U.S. dollars
	2011	2012	2012
Net assets per share	¥211.44	¥218.19	\$2.65
Net income per share	8.50	5.67	0.07

2. For the years ended March 31, 2011 and 2012, diluted net income per share is not disclosed, because the dilutive potential of shares of common stock is none.

25. Significant subsequent event

For the year ended March 31, 2012

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, 2012, was approved at the general shareholders' meeting held on June 28, 2012 and became effective June 29, 2012:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Cash dividends (¥2 (U.S.\$0.02) per share)	¥572	\$6,959

Report of Independent Auditors

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, 2012, 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 consolidated subsidiaries as at March 31, 2012, 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.

June 28, 2012

Ernst & Young ShinNihon LLC

Ernst & Young ShinNihon LLC

Non-Consolidated Financial Statements

Non-Consolidated Five-Year Summary

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

	Millions of yen					Thousands of U.S. dollars
	2008	2009	2010	2011	2012	2012
Orders received	¥375,945	¥317,829	¥257,950	¥276,936	¥299,133	\$3,639,530
Civil engineering	205,839	194,839	167,275	127,903	156,294	1,901,618
Architectural engineering	167,756	121,212	89,780	147,479	140,219	1,706,035
Development business and other	2,350	1,778	895	1,554	2,620	31,877
Net sales	317,856	366,553	297,438	279,374	308,576	3,754,423
Civil engineering	167,482	201,705	185,758	164,706	158,503	1,928,495
Architectural engineering	145,045	163,653	110,497	113,026	147,452	1,794,038
Development business and other	5,329	1,195	1,183	1,642	2,621	31,890
Contract backlog	474,371	406,042	366,094	360,558	349,956	4,257,890
Civil engineering	283,685	262,343	243,919	204,470	201,590	2,452,732
Architectural engineering	190,686	143,116	121,881	155,881	148,160	1,802,652
Development business and other	0	583	294	207	206	2,506
Total assets	307,211	308,078	274,733	268,403	293,775	3,574,340
Net assets	48,710	47,339	50,043	55,860	58,271	708,979
Ordinary income	3,081	7,081	7,849	6,778	7,599	92,457
Income before income taxes	2,810	66	2,518	4,649	6,499	79,073
Net income (loss)	1,390	(3,116)	2,228	1,924	2,083	25,344
Cash dividends	—	—	491	572	572	6,959
<hr/>						
Per share of common stock:	Yen					U.S. dollars
Net assets	¥198.26	¥192.69	¥203.70	¥195.37	¥203.81	\$2.48
Net income (loss)	5.66	(12.68)	9.07	7.56	7.29	0.09
Cash dividends	—	—	2.00	2.00	2.00	0.02
Number of employees	2,778	2,731	2,674	2,390	2,391	

Note: Figures in U.S. dollars are converted for convenience only, at the rate of ¥82.19 per U.S.\$1, prevailing on March 31, 2012.

Non-Consolidated Balance Sheets

Penta-Ocean Construction Co., Ltd.
As of March 31, 2011 and 2012

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Current assets:			
Cash and deposits	¥ 37,799	¥ 57,112	\$ 694,878
Short-term investment securities	2	—	—
Trade receivables:			
Notes	2,198	9,774	118,919
Accounts	110,725	111,415	1,355,579
Subsidiaries and affiliates	4,961	3,793	46,149
Inventories:			
Costs on uncompleted construction contracts	10,521	10,518	127,972
Real estate for sale and development projects in progress	13,081	10,435	126,962
Raw materials and supplies	1,404	1,043	12,690
Deferred tax assets	4,151	3,682	44,799
Other	2,212	1,651	20,087
Allowance for doubtful accounts	(1,164)	(1,203)	(14,637)
Total current assets	185,890	208,220	2,533,398
Property, plant and equipment:			
Land	40,146	42,012	511,157
Buildings and structures	29,112	29,410	357,830
Machinery, equipment and vehicles	13,259	13,134	159,800
Dredgers and vessels	24,486	23,946	291,349
Construction in progress	352	5,079	61,796
Other	128	150	1,825
Total property, plant and equipment	107,483	113,731	1,383,757
Less: Accumulated depreciation	(54,618)	(55,150)	(671,006)
Property, plant and equipment – net	52,865	58,581	712,751
Intangible assets:	579	581	7,069
Investments and other assets:			
Stock of and long-term loans receivable from subsidiaries and affiliates	5,033	5,999	72,989
Investment securities	10,459	10,607	129,055
Long-term loans receivable	135	125	1,521
Deferred tax assets	9,346	6,614	80,472
Other	11,855	8,927	108,614
Allowance for doubtful accounts	(7,759)	(5,879)	(71,529)
Total investments and other assets	29,069	26,393	321,122
Total assets	¥268,403	¥293,775	\$3,574,340

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Current liabilities:			
Short-term loans payable			
Bank	¥ 25,440	¥ 22,940	\$ 279,109
Current portion of long-term loans payable	25,554	20,742	252,366
Trade payable:			
Notes	17,277	21,928	266,797
Accounts	61,539	76,922	935,905
Subsidiaries and affiliates	4,317	8,091	98,443
Advance received on uncompleted construction contracts	25,232	24,733	300,925
Deposits received	8,647	10,192	124,005
Income taxes payable	837	988	12,021
Accrued consumption taxes	4,627	—	—
Provision for loss on construction contracts	2,216	2,787	33,909
Provision for warranties for completed construction	718	640	7,787
Other provision	850	1,077	13,104
Other	2,039	2,098	25,526
Total current liabilities	179,293	193,138	2,349,897
Non-current liabilities:			
Bonds payable	—	10,000	121,669
Long-term loans payable	25,674	25,318	308,042
Provision for loss on litigation	—	350	4,259
Deferred tax liabilities for land revaluation	7,156	6,251	76,055
Other	420	447	5,439
Total non-current liabilities	33,250	42,366	515,464
Total liabilities	212,543	235,504	2,865,361
Net assets:			
Common stock	30,450	30,450	370,483
Authorized - 599,135,000 shares			
Issued shares			
March 31, 2012 286,013,910 shares			
March 31, 2011 286,013,910 shares			
Capital surplus			
Legal capital surplus	12,380	12,380	150,626
Other capital surplus	6,007	6,007	73,087
Total capital surplus	18,387	18,387	223,713
Retained earnings			
Retained earnings brought forward	1,849	3,379	41,112
Total retained earnings	1,849	3,379	41,112
Less: Treasury stock	(23)	(23)	(280)
Valuation difference on available-for-sale securities	(123)	(107)	(1,302)
Deferred losses on hedges	(8)	(10)	(121)
Revaluation reserve for land	5,328	6,195	75,374
Total net assets	55,860	58,271	708,979
Total liabilities and net assets	¥268,403	¥293,775	\$3,574,340

Non-Consolidated Statements of Income

Penta-Ocean Construction Co., Ltd.
For the two years ended March 31, 2012

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Construction business:			
Net sales	¥277,732	¥305,955	\$3,722,533
Cost of sales	253,340	283,100	3,444,458
Gross profit	24,392	22,855	278,075
Development business and other:			
Net sales	1,642	2,621	31,890
Cost of sales	2,946	2,882	35,065
Gross loss	(1,304)	(261)	(3,175)
Total:			
Total net sales	279,374	308,576	3,754,423
Total cost of sales	256,286	285,982	3,479,523
Total gross profit	23,088	22,594	274,900
Selling, general and administrative expenses	14,043	13,838	168,366
Operating income	9,045	8,756	106,534
Non-operating income:			
Interest and dividends income	179	268	3,261
Interest and dividends income from subsidiaries and affiliates	197	500	6,083
Other	458	310	3,772
	834	1,078	13,116
Non-operating expenses:			
Interest expenses	2,214	1,821	22,156
Other	887	414	5,037
	3,101	2,235	27,193
Ordinary income	6,778	7,599	92,457
Extraordinary gain	719	368	4,477
Extraordinary loss	2,848	1,468	17,861
Income before income taxes	4,649	6,499	79,073
Income taxes:			
Current	1,194	1,234	15,014
Deferred	1,531	3,182	38,715
	2,725	4,416	53,729
Net income	¥ 1,924	¥ 2,083	\$ 25,344
Net income per share of common stock			
	Yen		U.S. dollars
Primary	¥7.56	¥7.29	\$0.09

Company Data

(As of March 31, 2012)

Company Outline

Company Name	Penta-Ocean Construction Co., Ltd.
Established	April 1896
Head Office	2-8, Koraku 2-chome, Bunkyo-ku, Tokyo 112-8576, Japan Tel: 81-3-3817-7181 Fax: 81-3-3817-7642
Paid-in Capital	¥30,450 million (US\$370.5 million)
Employees	2,391
Website	www.penta-ocean.co.jp

Board of Directors and Auditors (As of June 28, 2012)

President, Chief Executive Officer and Representative Director
Yoshio Murashige

Representative Director
Hayuru Tsuda

Directors

Kiyoshi Ida	Kosuke Kondo	Sumio Yamashita
Kunihiko Sasaki	Yasuji Kakimoto	Takuzo Shimizu
Yuji Nakamitsu	Hisanori Ohara*	

Corporate Auditors

Terumi Tawara	Tatsushi Higuchi*
Hironaga Fukuda*	Kazunori Kameyama*

* Indicates an external director or external corporate auditor

Penta-Ocean Construction Group

Consolidated Subsidiaries

Penta-Ocean Dredging Co., Ltd.	Tokyo, Japan
Yoshin Construction Co., Ltd.	Hiroshima, Japan
Penta Builders Corporation	Tokyo, Japan
Obama Marine Co., Ltd.	Nagasaki, Japan
Kegoya Dock Co., Ltd.	Hiroshima, Japan
Penta Techno Service Co., Ltd.	Tochigi, Japan
Sand Techno Co., Ltd.	Chiba, Japan
Domi Environmental Solutions	Tokyo, Japan
Penta Insurance Services Co., Ltd.	Tokyo, Japan
Jaiwat Co., Ltd.	Miyagi, Japan
Penta-Ocean (Malaysia) SDN. BHD.	Malaysia
Siam Goyo Co., Ltd.	Thailand
Thai Penta-Ocean Co., Ltd.	Thailand
Penta-Ocean Construction (Hong Kong) Ltd.	Hong Kong
Brichwood Co., Ltd.	Hong Kong
Angkutlaut Ltd.	Malaysia

Andromeda Five Pte Ltd.	Singapore
Mercury Five Pte Ltd.	Singapore
Mars Five Pte Ltd.	Singapore
Jupiter Five Pte Ltd.	Singapore
Neptune Five Pte Ltd.	Singapore
Cherry Five Pte Ltd.	Singapore
KD Shipping Inc.	Panama
Penta-Ocean Technology Information Advisory (Shenzhen) Ltd.	China

Equity Affiliates

Haneda Airport International Airline Apron PFI	Tokyo, Japan
Miyajima Aqua Partners Co., Ltd.	Hiroshima, Japan

Non-Equity Affiliate

Matsuyama Environmental Technology Co., Ltd.	Ehime, Japan
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Penta-Ocean Construction Network



1 HEAD OFFICE

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

2 SINGAPORE OFFICE

1 Kim Seng Promenade, #13-01/02, Great World City, East Tower, Singapore 237994
Tel: 65-6338-8966 Fax: 65-6337-0987

3 HONG KONG OFFICE

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

4 VIETNAM OFFICE

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

5 INDONESIA OFFICE

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

6 MALAYSIA OFFICE

508, 5th Floor, Block A, Kelana Business Centre 97, Jalan SS 7/2, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Tel: 60-3-7492-2208 Fax: 60-3-7492-2209

7 EGYPT OFFICE

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

8 COLOMBO OFFICE

P.O. Box 383, No. 3-2, CBM House No. 2A, Lake Drive, Colombo 8, Sri Lanka
Tel: 94-11-2690316 Fax: 94-11-2671944

9 BANGKOK OFFICE

11th Floor, Room 1106, Vanit II Building, 1126/2, New Petchburi Road, Makkasan Rajthevee, Bangkok 10400, Thailand
Tel: 66-2-655-2183 Fax: 66-2-655-2185

10 DUBAI OFFICE

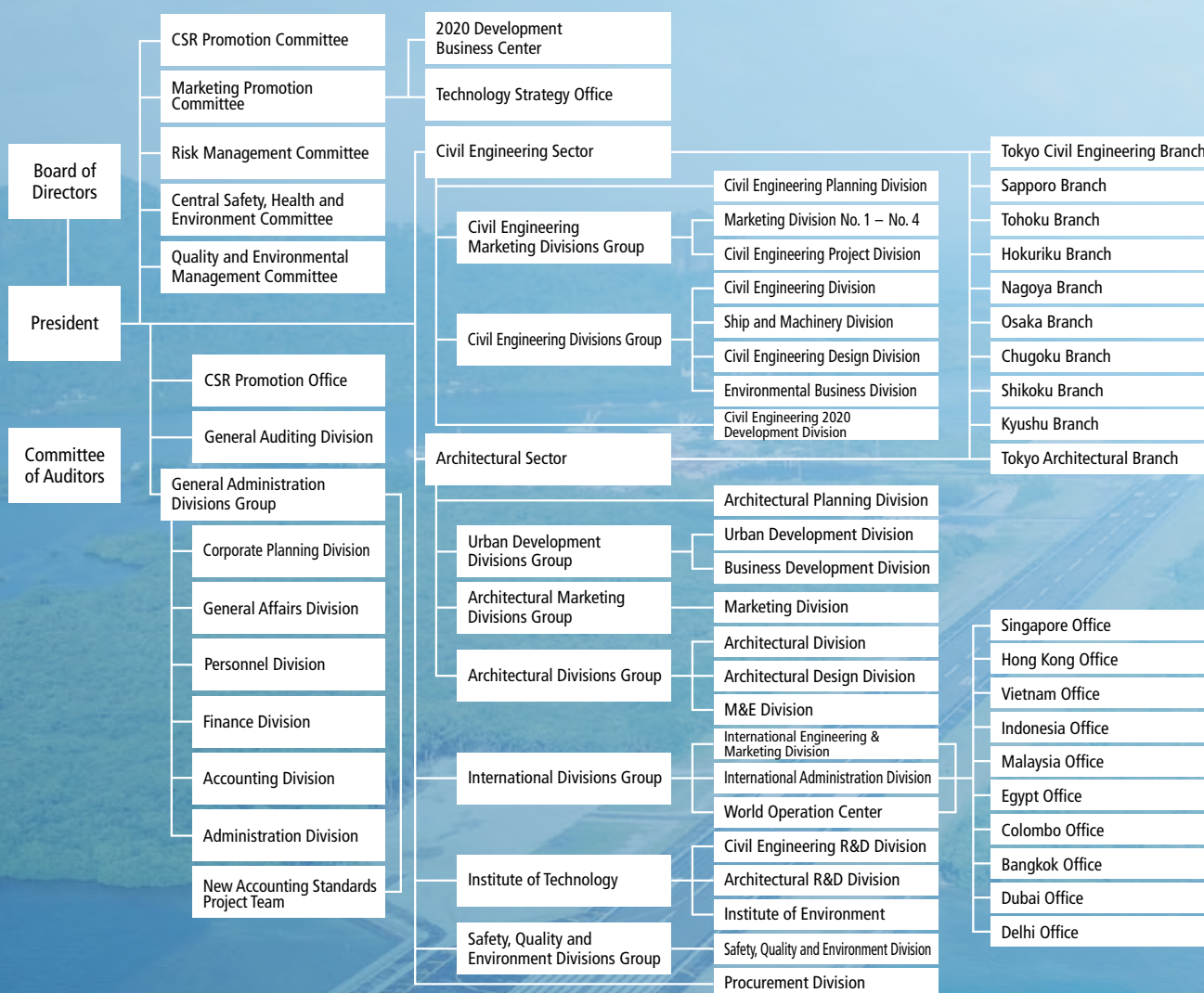
P.O.Box 118791, #102, Al Yamama Bldg., Al Karama, Dubai, U.A.E.
Tel: 971-4-342-6930 Fax: 971-4-342-6903

11 DELHI OFFICE

No. 402, 4th Floor, Time Tower, Mehrauli Gurgaon Road, Gurgaon-122002, Haryana, India
Tel: 91-124-436-8355 Fax: 91-124-436-8356

Organization Chart

(As of April 1, 2012)



Investor Information

(As of March 31, 2012)

Fiscal Year	April 1 - March 31
Common Stock	Authorized: 599,135,000 Issued: 286,013,910
Stock Listing	First Section of the Tokyo and Nagoya Stock Exchanges
Shareholders	47,853
Transfer Agency	Mizuho Trust & Banking Co., Ltd. 2-8-4, Izumi, Suginami-ku, Tokyo 168-8507, Japan

Major Shareholders

Shareholders	Shares held (thousands)	Voting right ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	17,446	6.1
The Master Trust Bank of Japan, Ltd. (Trust Account)	13,691	4.8
Mizuho Corporate Bank, Ltd.	7,059	2.5
Meiji Yasuda Life Insurance Co.	6,656	2.3
Sompo Japan Insurance Inc.	6,113	2.1
Juniper	4,410	1.5
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,934	1.4
Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,861	1.4
Mizuho Trust & Banking Co., Ltd.	3,470	1.2
Penta-Ocean Employee Stock Ownership Plan	3,410	1.2



www.penta-ocean.co.jp