

Message from the President

"I am President, Chief Executive Officer and Representative Director of the Company since June 27, 2014.

I will sincerely do my best in my mission towards the further development of the Company.

We look forward to your continuous support for Penta-Ocean in the years ahead."



T. Shimizu

Takuzo Shimizu
President, Chief Executive Officer and Representative Director

We, officers and employees, have returned to our roots to enhance our on-site/technological capabilities, meet the trust placed in us by our customers with reliable safety and quality, and to be a company with sustainable contribution to society.

Fortunately, the business environment in the construction industry is changing for the better due to the effect of the fiscal policies and growth strategies under the government of Prime Minister Abe. Along with this, we expect continued strong investment in infrastructure in Southeast Asia. In addition, a decision was made to hold the 2020 Tokyo Olympics and Paralympics centered on coastal and waterfront areas, which is one of the strengths of our Company, so there is an environment in which we will be able to make efforts with an eye toward the long-term. Moreover, our Group is making progress in improving our financial health, so

there are conditions in which we are able to devote ourselves to strengthening our core business.

The Medium-Term Management Plan that started from this fiscal year aims to make us the leading contractor in coastal and waterfront areas in both name and substance by working on business expansion and strengthening our management foundations serving as a good opportunity. The foundations of this are technology and people. We would like to be a company that can extend the powers of individuals and demonstrate comprehensive capabilities beyond the boundaries of the organization by these combinations.



Please tell us about your consolidated results in 2014 and achievement of the previous Medium-Term Management Plan.



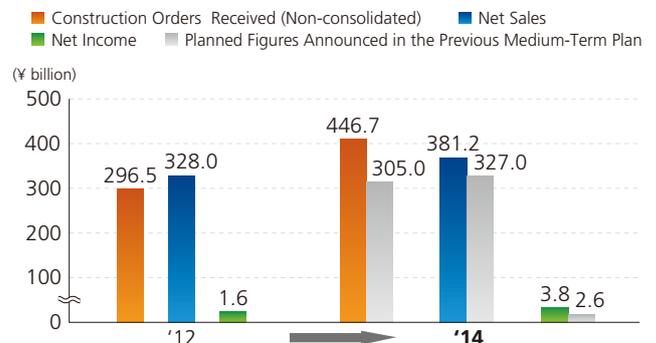
The construction industry in 2014 saw an increase in public investment due to the smooth implementation of the reconstruction budget for the Great East Japan Earthquake and the supplementary budget. Furthermore, private sector investment was also robust due to the increase in housing investment as a result of the last-minute demand prior to the consumption tax hike and the recovery in private sector capital investment against a background of improved corporate earnings.

In this favorable environment, net sales increased 9.0% against the previous fiscal year to ¥381.2 billion (U.S.\$3,703.7 million) due to an increase in orders resulting from the effect of economic measures under the government of Prime Minister Abe in addition to reconstruction from the earthquake. In addition to the increase in net sales, the gross margin on sales rose due to the improvement of the gross profit margin, so operating income increased year-on-year by ¥3.4 billion (U.S.\$33.3 million) to ¥9.9 billion (U.S.\$96.2 million), ordinary income increased year-on-year by ¥2.6 billion (U.S.\$25.3 million) to ¥9.2 billion (U.S.\$89.0 million) and current net income increased year-on-year by ¥1.7 billion (U.S.\$16.8 million) to ¥3.8 billion (U.S.\$36.6 million).

With regards to the consolidated results in the previous

Medium-Term Management Plan (2012 - 2014), there was an increase in yields for three consecutive years, so we achieved our final fiscal year targets for orders, completions and current net income. Individual orders were ¥449.1 billion (U.S.\$4,364.0 million) to exceed ¥400.0 billion (U.S.\$3,886.5 million) for the first time in 13 years. Moreover, we have been making progress in improving our financial health by increasing our net worth and significantly improving our financing income/expenditure, and we have been able to diversify our fundraising by improving our investment grade, enhancing our corporate valuation through new additional acquisitions and issuing corporate bonds twice.

Results of Medium-Term Management Plan (2012 – 2014)



Please tell us about the new Medium-Term Management Plan.



In the new Medium-Term Management Plan (2015 - 2017), we will work on business expansion and strengthening our management foundations by reliably seizing the business environment which is changing for the better both in Japan and overseas.

In specific terms, we have listed "promotion of being a technology-orientated company," "establishment of the Penta-Ocean brand," "strengthening of our management and organizational strengths" and "construction of solid financial foundations" as our basic strategy. We would like to continue pursuing customer trust and social contribution through high quality and safe manufacturing while building a foothold toward making great strides in the future by taking advantage of our strong competitiveness and profitability in coastal and waterfront areas.

We have set various numerical targets for our consolidated results. In 2015, which is the first year of the plan, we are aiming for net sales of ¥390.0 billion (U.S.\$3,789.4 million), operating income of ¥9.6 billion (U.S.\$93.3 million), ordinary income of ¥8.5 billion (U.S.\$82.6 million) and current net income of ¥3.0 billion (U.S.\$29.1 million). Furthermore, in 2017, which is the final year of the plan, we are aiming for net sales of ¥405.0 billion (U.S.\$3,935.1

million), operating income of ¥12.0 billion (U.S.\$116.6 million), ordinary income of ¥11.0 billion (U.S.\$106.9 million) and current net income of ¥5.0 billion (U.S.\$48.6 million).

In addition, taking into account the overall progress in improving our financial health and future results, we plan to pay a dividend of ¥3 per share in 2015, which is an increase of ¥1 compared to the previous period.

All officers and employees will continue to work together toward demonstrating the true value of the No. 1 contractor in coastal and waterfront areas and toward improving our corporate value and achieving our Medium-Term Management Plan. I would like to ask all our shareholders for your continued support.

Medium-Term Management Plan (2015 – 2017)

