

GOING FURTHER

その先の向こうへ



**Penta-Ocean Construction
Annual Report 2016**

Year Ended March 31, 2016



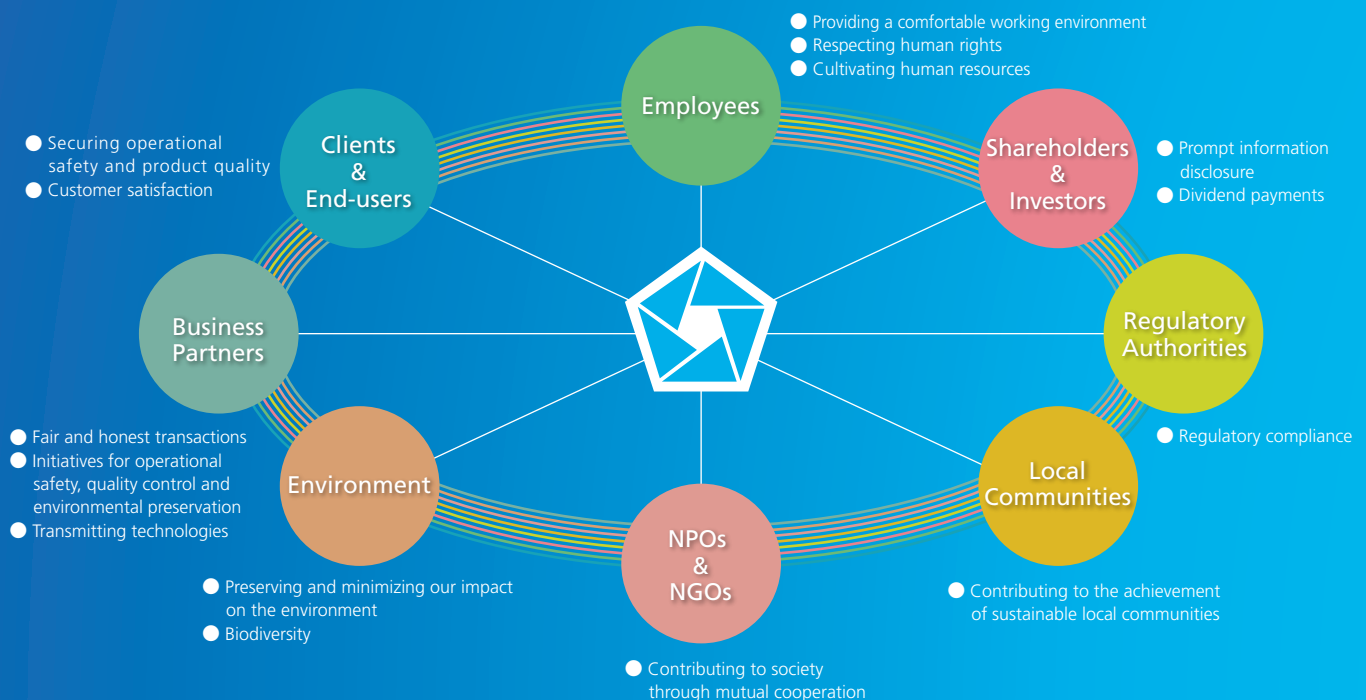
GOING FURTHER

その先の向こうへ



Since its establishment in 1896 in Kure city, Hiroshima prefecture, Penta-Ocean Construction Co., Ltd. has grown with society by contributing an enterprising, up-and-coming spirit and leading-edge construction technologies. Today, 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.

Penta-Ocean Construction Group and Our Stakeholder Engagement Model



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Corporate Policy

Affiliating with Society

The Company keeps abreast of continued growth by contributing high quality construction services and building trustful relationships with all stakeholders.

Creating a Nature-Rich Environment

The Company strongly believes that the cornerstone of our social and economic activities is delivering a nature-rich environment to the future generations. We create safe and comfortable living and rich social environment through our earth conscientious operations.

Cherishing a Pioneering Spirit

The Company demonstrates an enterprising spirit in dealing with changing society that influences our business in order to conscientiously respond to the needs of our customers and communities.

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.

Penta-Ocean Construction Group's Corporate Value Chain



Contribution to the
sustained growth
of society

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 high, quality workmanship backed by advanced technologies developed with high regard for safety and ecological considerations.

Dignified Business
Conduct

Coexistence with
the Environment
and Nature

Human Propriety

Information
Transparency

Consolidated Financial Highlights

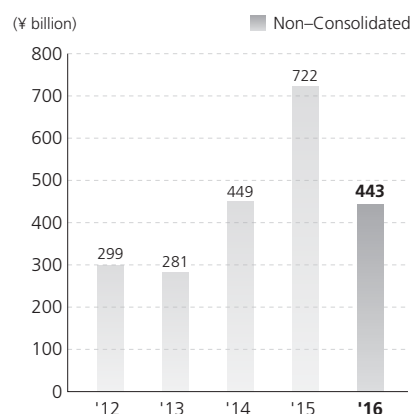
Penta–Ocean Construction Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Net Sales	¥426,238	¥491,564	\$4,362,478
Total Assets	366,170	378,766	3,361,433
Net Assets Excluding Non-Controlling Interests	77,033	80,588	715,191
Ordinary Income	11,393	19,409	172,245
Income before Income Taxes and Non-Controlling Interests	10,176	14,242	126,396
Net Income	6,183	7,806	69,274
Cash Dividends	1,144	1,715	15,224

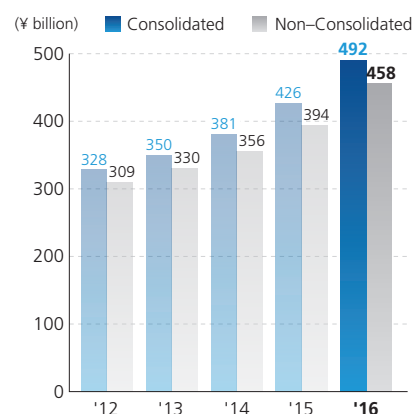
Per share of common stock:	Yen		U.S. dollars
	2015	2016	2016
Net Assets Excluding Non-Controlling Interests	¥269.44	¥281.87	\$2.50
Net Income	21.63	27.30	0.24
Cash Dividends	4.00	6.00	0.05

Note: Figures in U.S. dollars are converted for convenience only, at the rate of ¥112.68 per U.S.\$1, prevailing on March 31, 2016.

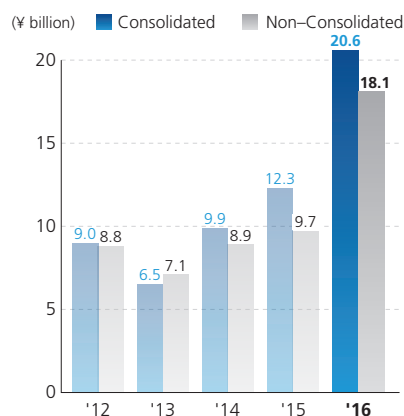
Orders Received



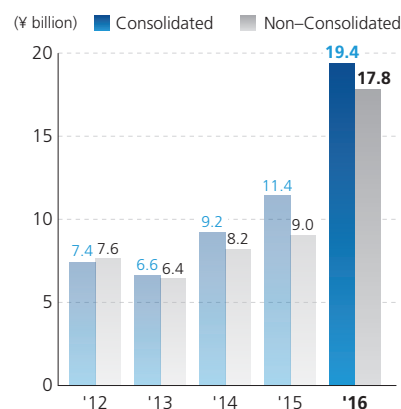
Net Sales



Operating Income



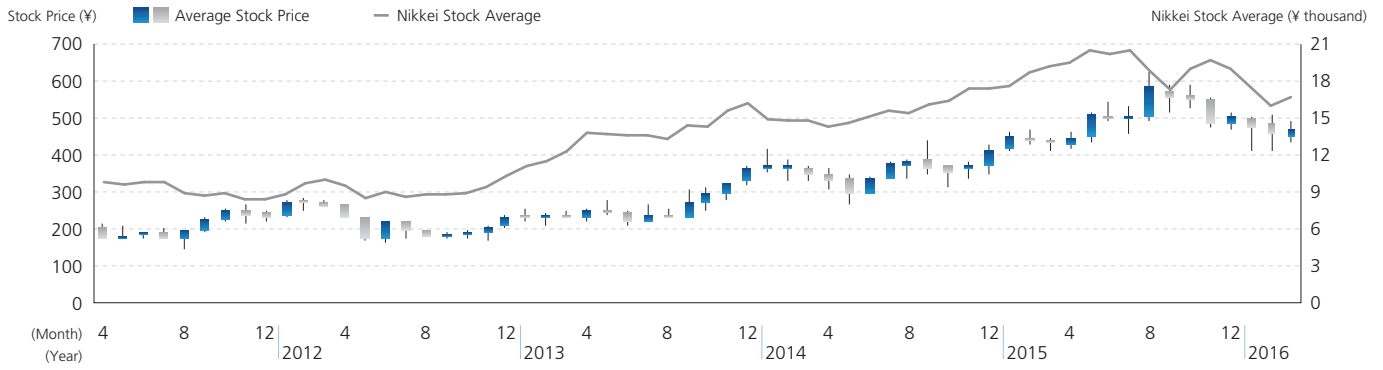
Ordinary Income



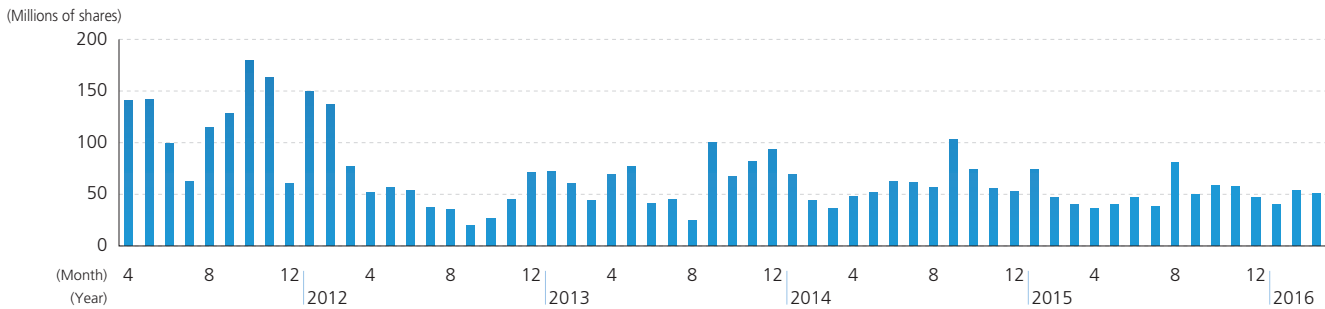
Disclaimer

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.

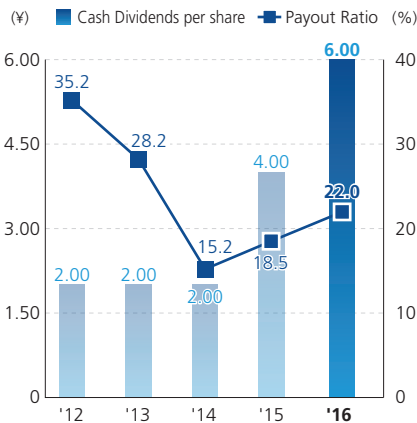
Stock Price Range



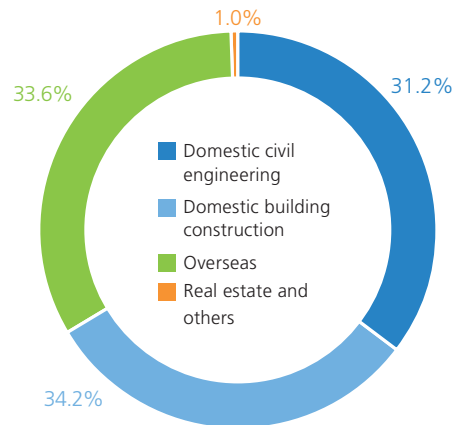
Trading Volume



Cash Dividends per Share and Payout Ratio



Sales by Segments

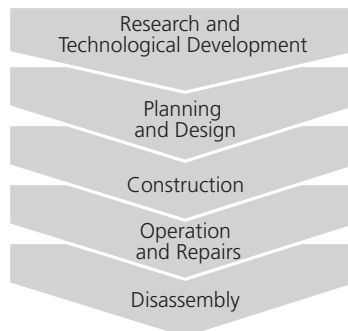


Business Activities and Environmental Burden

INPUT

Power (kWh)*	10,362,000
Light oil (kl)	26,162,000
Heavy oil (kl)	24,551,000
Kerosene (kl)*	135,000
Concrete (t)	1,147,000
Asphalt concrete (t)	79,000
Rubble (m ³)	888,000
Earth and sand (m ³)	1,496,000

* Site + office combined number



OUTPUT

Amount of CO ₂ emissions (t-CO ₂)	142,000
Amount of construction waste (t)	483,000
Final disposal rate (%)	2.8
Recycling rate (%)	97.2
Amount of soil generated from construction (m ³)	2,722,000

Environmental conservation/
restoration and communication

Creation of abundant environments

Handing over to the
next generation

Message from the President



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

T. Shimizu

Takuzo Shimizu
President, Chief Executive Officer and Representative Director

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

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

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

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

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

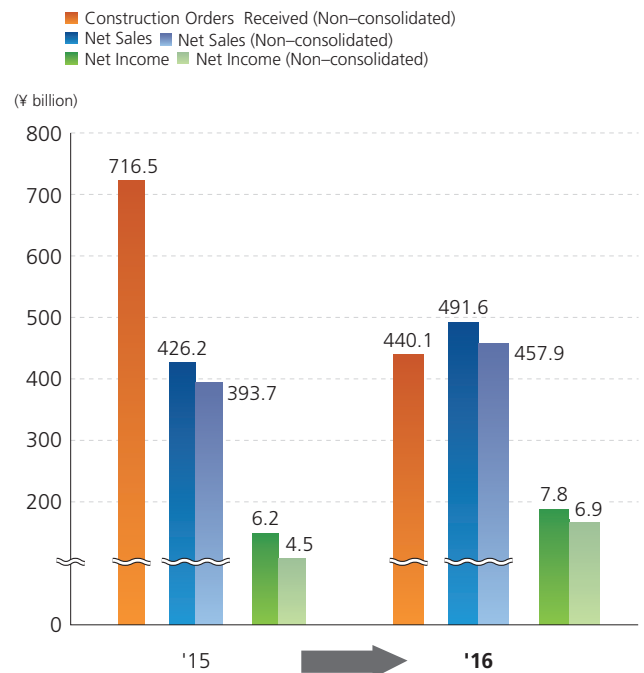


Could you explain the consolidated results in FY3/16?



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

Construction Orders Received/Net Sales/Net Income

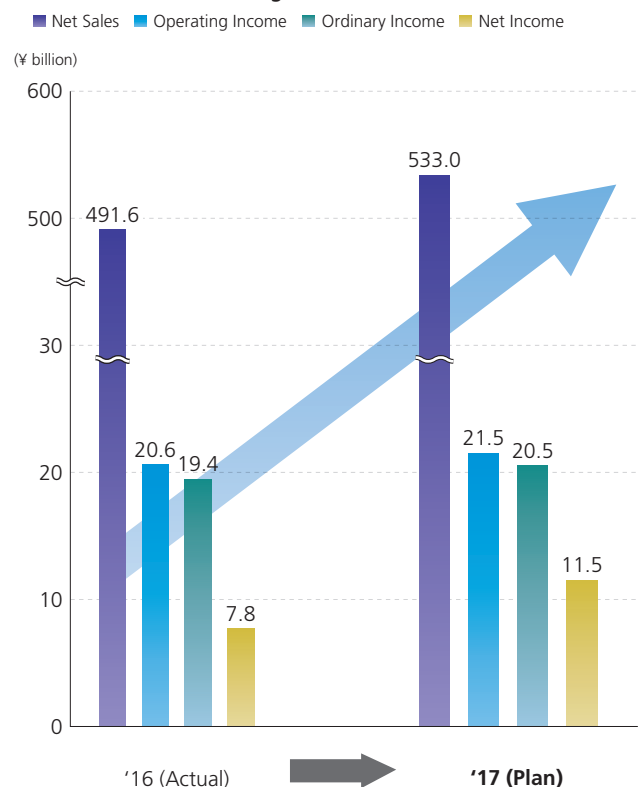


Could you tell us about the outlook for the current term?



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

Medium-Term Management Plan (2015 – 2017)



Overview of the New Medium-Term Management Plan (2015–2017)

Policy

Pursue customers' trust and contribution to society through high quality and safe operations.

- Strengthen on-site capabilities (technology, site operation, safety and total management)
- Develop our brand value
- Build strong management foundations

No.1 contractor in coastal and waterfront areas

Make our strong competitiveness and profitability in coastal and waterfront areas become our driving force to grow

Strategy

1

Promote becoming a technology oriented company : Return to basics and improve on-site capabilities

- Comprehensively review and strengthen our on-site capabilities (technology, operation, safety and total management).
- Reinforce our advantages in the comprehensive valuation system and proposals (marketing, technology, operation and cost competitiveness).

2

Develop our brand value as the "No.1 contractor in coastal and waterfront areas"

- Aim to expand business to relevant areas with our advantages in coastal and waterfront areas.
- Develop and apply new technologies to strengthen our advantages.
- Start up new business e.g. recycling of construction generated soil, ground purification, improvement of sea area environments and offshore wind farms to prepare for the post-2020 market.

3

Strengthen management and organizational capabilities : Disseminate our management strategy

- Implement our thorough policy "focus on profitability" by preventing project deficits and problems in quality and safety.
- Integrate total resources for marketing and operation under cross-functional cooperation.

4

Build strong management foundations : Establish a foothold toward future growth

- Further strengthen our financial position: Carry out flexible fundraising in terms of enhancing our capital and panning business.
- Secure and develop excellent human resources: Make use of the potential of young employees at an early stage and utilize a variety of human resources e.g. seniors, mid-career employment and women.
- Reinforce total group competitiveness under mutual cooperation and synergy.

Earnings Targets under Management Plan

Medium-Term Management Plan (2015–2017)

(¥ billion)

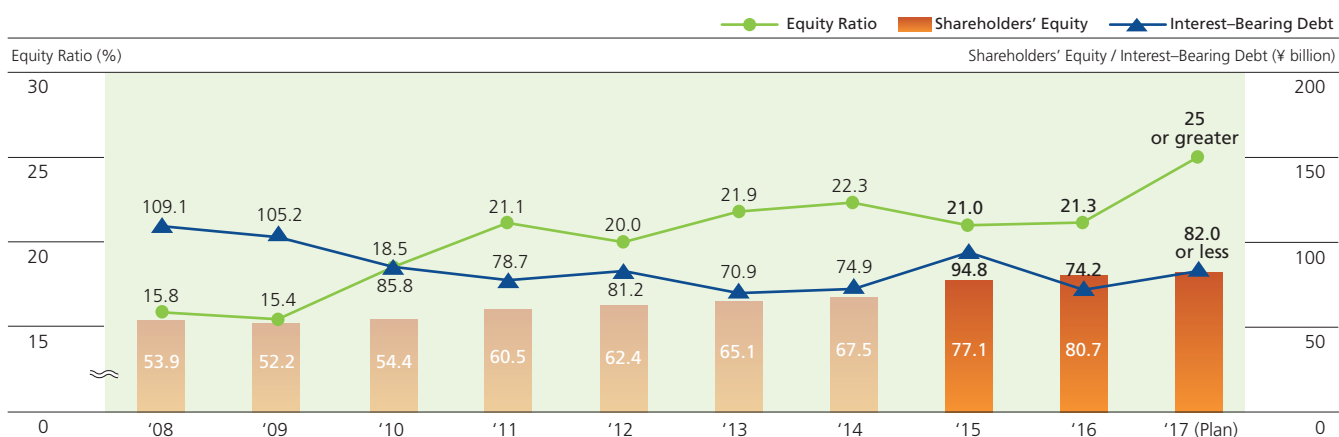
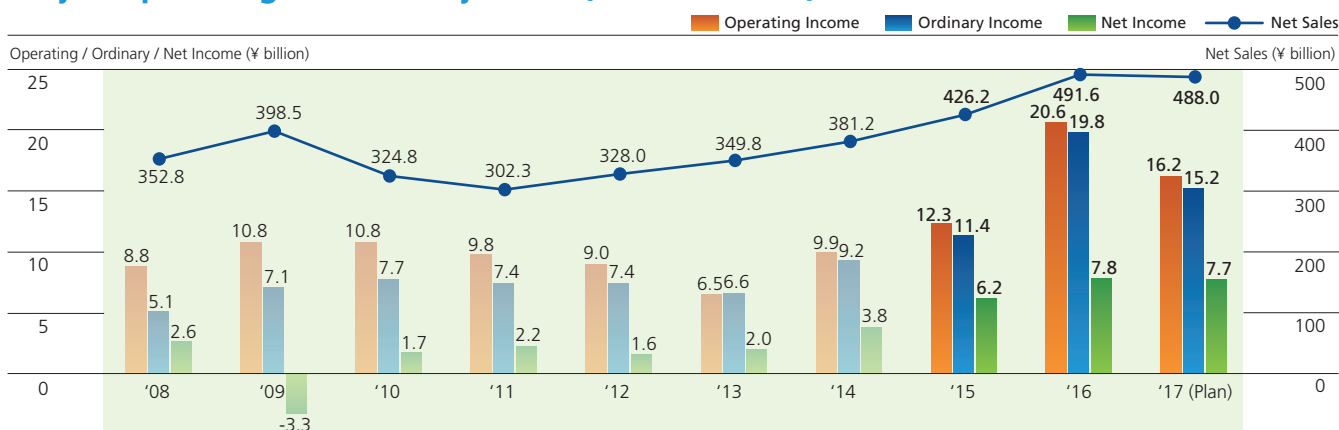
	2016 Actual		2017 Plan	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Construction Orders Received	—	¥440.1	—	¥430.0
Net Sales	¥491.6	457.9	¥533.0	500.0
Gross Profit	36.0	32.1	38.3	34.3
Operating Income	20.6	18.1	21.5	19.0
Ordinary Income	19.4	17.8	20.5	18.0
Net Income	7.8	6.9	11.5	10.0
Earnings Per Share (¥)	27.3	24.0	40.2	35.0

Earnings Targets

Consolidated Financial Targets

Equity Ratio (%)	21.3%	24.3%
Interest-Bearing Debt (¥ billion)	¥74.2	¥61.5 or less
Net D/E Ratio (times)	0.1times	0.1times or less
ROE	9.9%	8% or higher
Payout Ratio	22.0%	20~25%

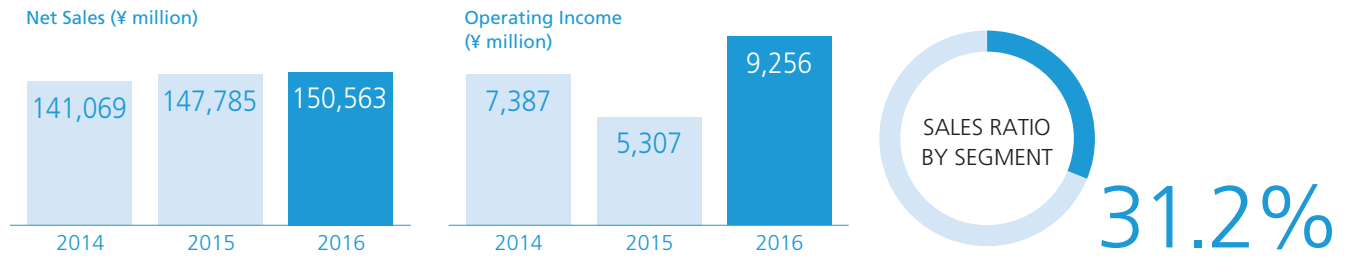
Major Operating Trends/Projection (Consolidated)



Completed Projects for Regional Development

In this section, we showcase construction projects that have contributed to the social infrastructure and regional development.

Domestic Civil Engineering



Channel and Basin Dredging (-14 m) at Pier 4 of Port of Soma

Fukushima Prefecture

In order to cope with the changing global energy trend including the distribution transport and to secure stable energy supply in time of disaster, the nationwide development of LNG receiving terminals is one of the priority projects.

In this project, as part of LNG receiving terminal construction within the Port of Soma, we performed the dredging work and discharged dredged materials to the reclamation area. A cutter suction dredger "No.5 Suez" was deployed from overseas to undertake the 14-meter deep dredging to accommodate mega LNG vessels.



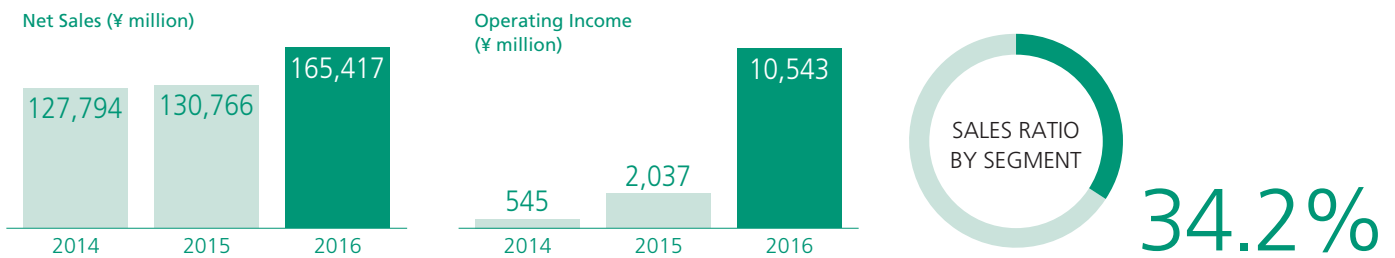
Earthquake Resistant Reinforcement of Section II (RC-7) of Rokko Island Berth (-16 m) in Kobe Port

Hyogo Prefecture

The Hanshin Port was designated by the Japanese government as one of the Strategic International Container Ports, where the Rokko Island Berth forms one of the central sections. With increasing demand for ultra-large container vessels, existing berths are required to strengthen its resistance against the force of an earthquake, with the aim of enhancing international competitiveness.

In this project, we improved soil for preventing the liquefaction of the apron area behind the berths. The reinforced berths will adequately handle the surge of cargo volume, while securing safe and vital water transport hub during a major earthquake.

Domestic Building Construction



New City Hall for Kure City

Hiroshima Prefecture

Penta-Ocean has its origin in Kure City, Hiroshima. This year we had an honor to construct a new city hall in the very heart of the city, a monumental structure representing the city for the next century. The project had attracted the attention of municipal officers and residents of Kure City. During the construction period, we considered the importance of open communication with them through regular study sessions and posting the regular progress reports on the walls of former city halls. We also hosted a site visit in the occasion of a local festival in April, attracting 800 visitors to show the actual site condition inside the temporary hoardings. The new city hall was completed in December 2015, and inaugurated in February 2016, making a fresh start for another century.



Tagajyo Station North Area Redevelopment Project

Miyagi Prefecture

Tagajyo City had been working on the redevelopment of its station area for the past four decades. After the Great East Japan Earthquake, the project expanded for more restoration works of the city's historical and symbolic structure, "the largest cultural exchange center in Tohoku." Section I of the project has integrated a library and retail shops, and Section II is composed of facilities, including a childcare center, a nursery, a dental office, a day care service and an accommodation for the elderly. Parking lots are available in Section III.

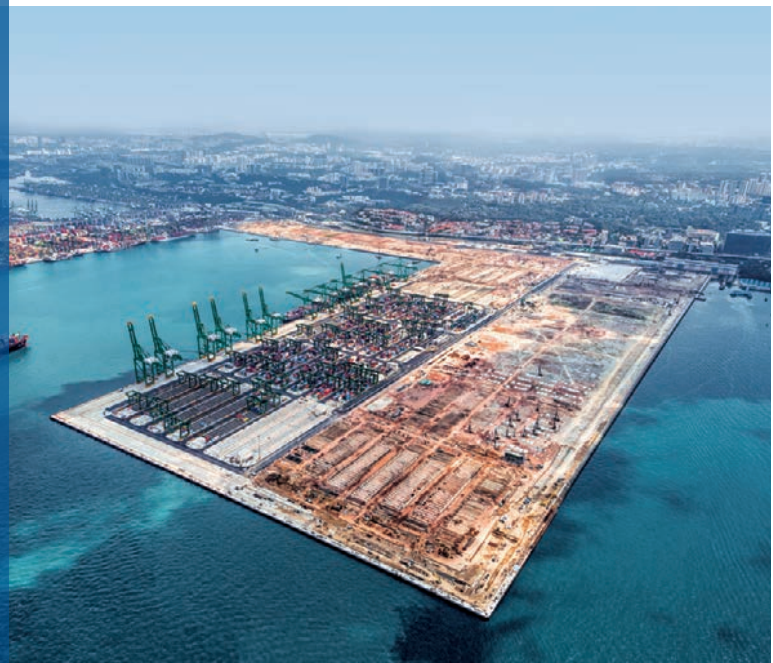
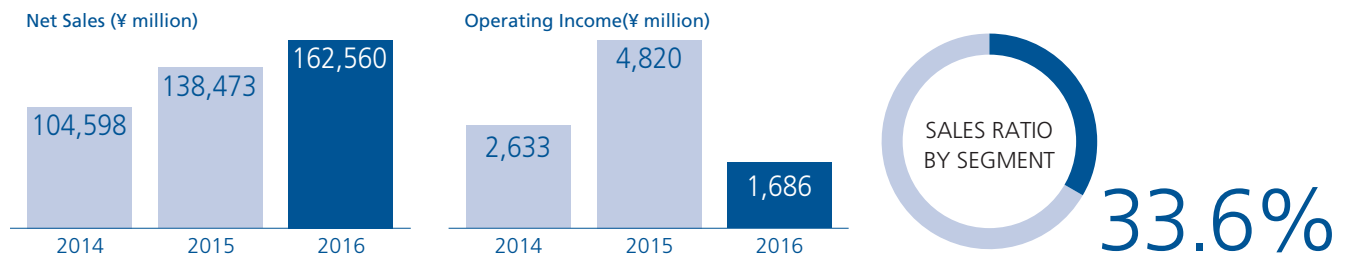
The project participants shared a passionate commitment in creating this building complex and becoming local favorites.



Completed Projects for Regional Development

In this section, we showcase construction projects that have contributed to the social infrastructure and regional development.

Overseas



Pasir Panjang Container Terminal Phases 3 and 4

Singapore

This project is part of a large-scale port and harbor development plan, one of the priority policies set by the government of Singapore. In 2007, Penta-Ocean Construction was awarded a contract with Joint Venture partners from Korea, Singapore and Netherlands to construct large container terminals. Upon completion, Singapore's container handling capacity will increase from the current 35 million TEUs by 50%, securing its competitiveness as one of the biggest international hub ports in the world. With 18~23 meters deep berths, the terminal is designed to handle the mega container vessels of the next generation.



Foster Electric, Thilawa Factory

Myanmar

Both Japanese and Myanmar governments have partnered with private companies to develop the "Thilawa Special Economic Zone". This innovative audio-equipment factory with sophisticated façade was completed in time despite severe rainy season and started its operation at the same time as inauguration of the Special Economic Zone. The factory is expected to create new jobs in this remarkably developing country and the building features the leading-edge manufacturing technology of Japan. Penta-Ocean had already delivered two building factories, and currently constructing many more within the Special Economic Zone.

Features

A Heritage Reaching back over 120 Years

Penta-Ocean Construction has a corporate heritage going back 120 years to its foundation under the name Mizuno-Gumi in Kure City, Hiroshima Prefecture. Soon after the war ended, our initial marine civil engineering business significantly expanded into land civil engineering and building construction. With our century-old expertise, we have evolved into a unique general contractor distinguished by our work in coastal and waterfront areas and overseas ventures. Inheriting Mizuno-Gumi's enterprising spirit, we strive to make a further leap towards the future.

The First 100 Years: From Marine Civil Engineering to Land Civil Engineering, Building Construction, and Further Expansion Overseas

During the Meiji Era's efflorescence of national modernization, Mizuno-Gumi undertook multiple port and harbor engineering projects and gained public recognition as a premier marine engineering company. After World War II, Mizuno-Gumi focused on port and harbor development works, taking on land reclamation projects in coastal and waterfront areas. We were also one of the first Japanese construction companies to establish a foothold overseas.

In the 1960s, the Egyptian government awarded us a contract for Suez Canal expansion and reconstruction works. Even after multiple decades, this spirit of embracing arduous challenges under adverse conditions remains deeply ingrained in our corporate DNA. In 1964, we relocated our head office from Hiroshima Prefecture to Tokyo. The company name was changed to Goyo-Kensetsu Co., Ltd. in 1967. After multiple mergers and acquisitions with Sakai Construction Co., Ltd. and Jin Industrial Co., Ltd., we reinforced our Land Civil Engineering Unit and expanded our business bases nationwide.

From the 1970s, we participated in numerous nation-building projects in Singapore, while establishing an outstanding track record in large-scale construction both in Japan and overseas. From the late 1970s, we strived to bolster our Building Construction Unit to bring about our present-day business structure, in which there is a balanced contribution of profits from each of our three units: Domestic Civil, Building Construction and International Business.

Our Centenary Onward: Becoming a Global No.1 General Contractor in Coastal and Waterfront Areas

After 1996, our 100th anniversary milestone, overseas contracts have grown steadily. Since Singapore's foundation, its government has taken proactive initiatives to expand its territory, and Penta-Ocean Construction's share in land expansion work totals 10% of the country's reclaimed land. In our domestic ventures, we have increased our involvement in national-level projects including construction of D-Runway at Tokyo International Airport, container terminals, and the Tokyo Bay Aqua-Line.

The extensive efforts that we put into the Building Construction Unit from the late 1960s have resulted in tremendous success starting in the 1990s. Today, we have constructed a substantial variety of structures including a logistics facility, a ballpark with over 30,000 seats, and a multi-functional complex centering on a high-rise building. Overseas, we have undertaken the construction of high-rise buildings and large public facilities both in Singapore and Hong Kong.

With the advent of a new era marked by our 120th anniversary, Penta-Ocean Construction is still pervaded by the pioneering spirit that governed our predecessor, Mizuno-Gumi. Underpinned by our 120-year tradition and expertise, we, as a No.1 contractor in coastal and waterfront areas, will make our best endeavors to enhance our three business units to contribute to society through the construction of high-quality infrastructures.



Cutter suction dredger "Suez"



Replacement of cutter heads

Features

A Heritage Reaching back over 120 Years

Corporate History – a Glimpse at the Yesteryears of Penta-Ocean Construction

Phase I

From foundation to development

Phase II

Recovery from WW2, overseas expansion and development in land civil engineering

Phase III

Evolving into a general contractor by strengthening our building construction abilities

1896



Mr. Jinjiro Mizuno founded Mizuno-Gumi (1896)

1950



Contract awarded for construction of coastal industrial zone for Nippon Kokan Kabushiki Kaisha (currently JFE Engineering) in Fukuyama Prefecture (1961)

Stock listed on the Second Section of the Tokyo Stock Exchange (1962)

Stock listed on the First Section of the Tokyo Stock Exchange (1964)

1960



Contract awarded for construction of first large-scale quay walls and industrial facilities in the postwar era in Tsukumi Port, Oita Prefecture (1948)

1970



Contract awarded for Suez Canal reconstruction (1961)

Contract awarded for Suez Canal deepening and widening (1974)

1980



Contract awarded for reclamation work on Jurong Island, Tuas View Extension (1984)



Contract awarded for phase I of construction of an artificial island for Kansai International Airport (1986)

Contract awarded for phase II of construction of an artificial island for Kansai International Airport (1999)

1990



Completion of the World Cargo Distribution Center (1993)



Completion of New Technology Institute in Nasushiobara City, Tochigi Prefecture (1994)

1996



Celebrated 100th anniversary of the Company's founding (1996)



The company renamed Goyo Kensetsu, and named Penta Ocean Construction Co., Ltd in English (1967)

Historical Events

1896

First modern Olympic Games (1896)

Great Kanto Earthquake (1923)

World War 2 (1939-1945)

Arab- Israeli Conflict (1948-1973)

1950

Completion of Tokyo Tower (1958)

Launch of the Tokaido Shinkansen (1964)

1964 Summer Tokyo Olympic Games (1964)

1970

Full opening of Tomei Expressway (1969)

First Oil Crisis (1973)

Second Oil Crisis (1979)

1980

Launch of the Tohoku Shinkansen (1982)

The Plaza Accord (and consequent drastic appreciation of the Yen) (1985)

1990

1996

Great Hanshin Earthquake (1995)

Sarin Gas Attack on Tokyo Subway (1995)

Since its foundation as Mizuno-Gumi, Penta-Ocean Construction has expanded its business horizons through various endeavors. While embarking on overseas ventures well in advance of our competitors, and undertaking domestic ventures in land civil engineering including the construction of tunnels and subways, we have preserved in our corporate DNA a vigorous spirit for taking on new challenges. Having taken all obstacles and setbacks in our stride, we have a strong conviction that we can further enhance our contribution to society both in Japan and overseas.

Phase IV

Evolution and advancement

2000



Completion of Esplanade-Theatres on the Bay, Singapore (2002)



Self-propelling trailing suction hopper dredger, "QUEEN OF PENTA-OCEAN", (currently ANDROMEDA V) put into commission in Singapore (1999)



Completion of Kogouchi Tunnel of New Tomei Expressway (2005)

2010



Completion of MAZDA Zoom-Zoom Stadium Hiroshima (2009)



Opening of D-Runway of Tokyo International Airport (2010)



Completion of ION Orchard, and the Orchard Residence, in Singapore (2010)

2020



Completion of a large-scale self-propelled multi-purpose working vessel, "CP-5001" (2012)



Completion of a self-propelled cutter suction dredger, "CASSIOPEIA V" (2014)



Completion of new city hall for Kure City (2015)

Contract awarded for consecutive construction of large-scale hospitals in Singapore (2014,2016)

2000

Adoption of the Kyoto Protocol (1997)
Nagano Olympic Winter Games (1998)

September 11 attacks, USA (2001)

Iraq War(2003)

"EXPO 2005 Aichi", Japan World Exposition(2005)

2010

Bankruptcy of Lehman Brothers (2008)

Great East Japan Earthquake (2011)

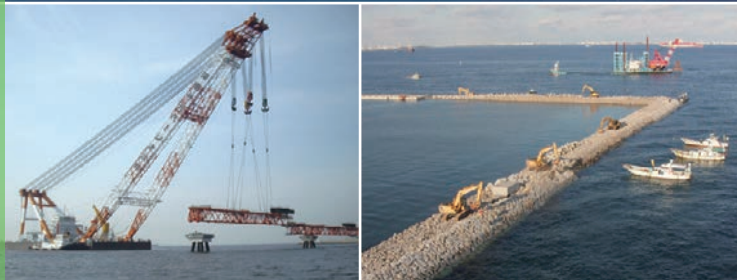
2020

Implementation of "Abenomics", Prime Minister Abe's economic stimulus package (2013)

Features

A Heritage Reaching back over 120 Years

A Challenge to Large-Scale Projects



D-Runway of Tokyo International Airport (Haneda Airport), Tokyo Metropolitan

Construction Period: March 2005 to August 2010
(Construction work commenced in October 2010)

With significant growth in demand for aviation to and from Tokyo, Tokyo International Airport's limited airfield capacity had become a major constraint. Upon completion of D-Runway, the annual number of takeoff and landing slots increased from 300,000 to 410,000. The new runway alleviates the congestion of domestic flights and accommodates long-haul international flights, giving the additional value to the airport as the second "hub" airport in greater Tokyo. We constructed the 518-meter seawall and land reclamation of the head of runway, including the taxiway bridge. The works were a series of complex processes as it required utmost care for not interfering with the operation of the existing runways or navigation of vessels passing through the Tokyo Bay. D-Runway was successfully constructed as a result of continuous pursuit for safety and efforts to reduce the economic impact.



New City Hall of Kure City, Hiroshima Prefecture

Construction Period: September 2013 to December 2015

As nationwide measures are taken to enhance the earthquake-resistant structure of public buildings such as municipality halls and schools, the new city hall of Kure City was designed and built with cutting-edge technology securing the maximum earthquake resistance of the structure. The former city hall was built over a half century ago and had been assessed, and it was found that it had a high risk of collapsing under an earthquake of intensity 6 or worse, and its reconstruction became a public demand. The new hall features barrier-free access and conference rooms equipped with hearing aids, providing universal design to the public.

We will introduce major large-scale projects in the preceding ten years, including the construction of Runway D of Tokyo International Airport (Haneda Airport), whose value as an “international hub airport” has improved, and a complex building on Orchard Road, a central sightseeing spot in Singapore. Penta-Ocean Construction will keep contributing to the development of society by constructing high-quality social infrastructure, based on the sure technology we have nurtured over the past 120 years.

Self-propelled Cutter Suction With Automatic Dredging Control “Cassiopeia V”

Construction Period: September 2011 to August 2014

With remarkable economic growth in South-East Asia, the development needs for ports and harbors to support foreign trade are enormous. The cutter suction dredger* “Cassiopeia V” was built to meet such needs. Penta-Ocean’s expertise and European technology were integrated to build this state-of-the-art vessel, with a dredging capacity of 8,000 kw, approximately 1.4 times larger than the capacity of the largest cutter suction dredger in Japan (5,880 kw). The “Cassiopeia V” is the first large cutter suction dredger with a self-propelling function that is expected to make substantial contributions globally in distant waters.

*Vessels equipped with a rotating cutter head to cut hard soil or rock into fragments and the dredging pumps to suck the cut soil.



Cutter head



Propulsion engine that can swivel in any direction

ION Orchard and the Orchard Residences (Singapore)

Construction Period: July 2006 - August 2010

Ion Orchard and the Orchard Residences features a lofty 56-storey luxurious residential tower measuring 218 meters high. It was built as part of the large-scale urban redevelopment planning of the Orchard shopping belt. This new landmark is located in Orchard Road, the busiest shopping district of Singapore. Besides attracting attention, it is highly recognized as integrated commercial facilities by locals and tourists.



Current Missions

▶ Human Resource Development Initiatives

Promoting Diversity

We established a “Diversity Promotion Office” within our human resources division in April 2016. Both in Japan and overseas, we strive to secure various human resources including female engineers. We endeavor to instill the awareness of diversity into all employees by providing training programs and enlightenment workshops. Enhancing normalization for physically challenged employees is one example. We are creating a working environment in which anyone can flourish regardless of age, gender, nationality, ethnicity and physical disabilities.



▶ New Business Initiatives

Civil Engineering 2020 Business Development Division

We established a “Civil Engineering 2020 Business Development Division” to develop and manage new lines of business, aiming to exert a synergistic effect with our core business as a general contractor. Part of this new office’s scope is our subsidiary, JAIWAT, which manufactures and distributes mud modifiers made from paper sludge. The modifier’s name “Watoru”, derived from the words “water” and “toru”, which means “absorb” in Japanese, are widely used in building construction nowadays.



Corporate Governance

Penta-Ocean Construction Group has built a unique corporate governance system to ensure soundness, transparency and compliance in management, as well as for the perpetual growth and development of the Company.

Corporate Governance Structure

1 Management and Business Execution

In order to strengthen the audit functions for management, we have appointed an external director and are working to cooperate with the Audit Board and Internal Audit / Internal Regulation Directors.

We are aiming to revitalize the Board of Directors and speed up decision making, so we have introduced an Executive Officer System to clarify the responsibilities in business execution and we have also established a Human Affairs Committee that reports on executive candidates and executive compensation proposals to the Board of Directors. As a general rule, the members of the Board of Directors meet twice a month and make decisions upon engaging in lively discussions on important matters. We have introduced an Executive Performance Evaluation System that links performance with remuneration in order to clarify responsibilities in regards to the compensation of company directors and executive officers.

Furthermore, the Company has adopted an Auditor System and has appointed three external auditors. In addition to attending Board of Directors' Meetings, the auditors also actively participate in

Moreover, we are implementing "strengthening of audits and audit functions (e.g. audits by auditors, internal audits and accounting audits)" relating to corporate management as our most important measure in order to enhance this system.

important meetings in the Company (e.g. Executive Board Meetings) and have set up a system to thoroughly monitor the work performance of company directors. (The number of external directors and external auditors is current as of March 31, 2016.)

2 Internal Control and Risk Management

In order to ensure thorough risk control, legal compliance and appropriate and effective execution of business, we have formulated an Internal Control Basic Policy in the Board of Directors and have established an Internal Control System.

The Risk Management Committee that was established in our Head Office has formulated a Basic Risk Management Policy and each Business Execution Department is aiming to promote compliance through the implementation of training in accordance with the policy of this Committee. We are working to prevent risk and minimize corporate losses associated with it in regards to the various risks that occur in companies continuing business activities (e.g. financial risks, construction risks and business continuity plan risks) not limited to compliance risks.

Establishment of the Guidelines for Corporate Governance

In our board meeting of November 11th, 2015, we decided to formulate the Penta-Ocean Construction Corporate Governance Guidelines to achieve future growth and to enhance our medium- to long-term corporate value.

1 Objectives

Penta-Ocean Construction makes CSR-oriented management a priority in its corporate philosophy. Pursuant to our corporate creed that "our greatest contribution to society is the construction of superior infrastructure", we have set high goals to offer high-quality construction backed by safety and environmental considerations and by our cutting-edge technologies. We strive to achieve perpetual growth and to further enhance our corporate value in order to grow into an even more attractive corporation in the eyes of our various stakeholders.

To achieve this goal, we have decided to place a greater focus on enhancing corporate governance, and have formulated the Penta-Ocean Construction Corporate Governance Guidelines as a set of basic policies and guidelines. In accordance with these guidelines, we will strive to expedite our decision-making process and ensure management transparency while responding appropriately to changing business conditions.

2 Structure of the Corporate Governance Guidelines

1. Basic policies
2. Relationship with shareholders
3. Appropriate cooperation with stakeholders excluding shareholders
4. Structure of corporate governance

Compliance

The Group has established Risk Management Committees in each company of the Group based on our "Basic Compliance Policy." The employees and executives of the entire Group are working in order

to allow to respect social norms / corporate ethics and to be able to act in good faith at all times.

Basic Compliance Policy

All employees and executives of Penta-Ocean Construction Group not only comply with laws in business activities and respect social norms / ethics, but also act in good faith at all

times. In particular, when bidding for construction projects, we practice free competition by complying with the Antitrust Act and all other relevant laws and regulations.

Compliance Promotion Efforts

The Group is working so that it allows employees and executives to appropriately comply with the complex laws surrounding each of them during their busy day-to-day activities through various in-house training courses and dissemination of information on the Group Intranet.

Occupational Safety and Health

Penta-Ocean Construction gives top priority to safety in construction work, with the basic policy of respecting each person. In the construction field, Penta-Ocean obtained the "certification

of COHSMS" early, and continues safety and health management with "PENTA-COHSMS."

Health & Safety, Quality and Environmental Policy

Penta-Ocean Construction Group shall aim to be a company that grows sustainably as a trusted corporation and attractive to all our stakeholders through promoting construction activities taking utmost consideration of health & safety, quality and environment, as well as through complying with all relevant laws and other requirements.

We shall provide products and services that give satisfaction to our customers by devoting our full efforts to prevent all accidents through safety-first construction with respect for people forming basic stance in the management philosophy of this Company. Together with this, we shall establish trust from society through friendly business operation to the global environment.

Health & Safety Activities Guidelines

- 1 We shall strive to prevent worker accidents as well as all other accidents, including public accidents.
- 2 We shall form comfortable workplace environments by preventing occupational diseases and promoting healthy mind and body.
- 3 We shall conduct health & safety inspection activities based on cooperation between employees and partner companies with the aim of improving its level.

Examples of Accident Prevention Activities

1 Efforts to Prevent Fall Accidents

The Company has introduced an "Immediate Red Card for the Non-use of Safety Belts System" that sees those who fail to use safety belts when working at height and sent out of the plant in order to ensure that employees use safety belts with the aim of achieving "zero fall accidents."

*Workers who have been ordered to leave the plant are allowed to return to work after again undergoing safety training.

2 Efforts to Prevent Crane Accidents

We are implementing hands-on sling education that incorporates

the "3-3-3 Exercise" by actually allowing all workers to use cranes with the aim of achieving "zero crane accidents."

*3-3-3 Exercise: This is an exercise to give recognition about the risks of slinging work by making all workers aware of the following rules: "Move 3m away from a suspended load once slung," "temporarily stop hoisting at 30cm" and "wind up 3 seconds after hoisting."

3 Enhancing On-site Communication

We are working on the promotion of a "Sympathetic Friendly Greeting Campaign" that aims to achieve "zero incidents, accidents and illnesses" by creating a safe, healthy and lively workplace culture.

Environmental Initiatives

Our environmental preservation initiatives include actions to fight against global warming and to counter the environmental impact of

our business activities and the inappropriate management of chemical products.

Against Global Warming

Efforts for reducing carbon dioxide emissions

We have set the goal of reducing our 1990 CO₂ emissions by 20% by 2020, and have acted on this goal by surveying and keeping records on CO₂ emissions since 2004. In 2015, we took samples from a total of 140 construction sites (81 civil engineering sites and 59 building construction sites) to aggregate CO₂ emissions. The results showed emissions of 89.2t CO₂/100 million JPY in civil engineering, 15.8t CO₂/100 million JPY in building construction, and 47.9t CO₂/100 million JPY across the organization, which exceeded the total reduction target of under 48.01t CO₂/100 million JPY. By 2015, we had achieved a 15.9% reduction on 1990 emissions, falling short of the long-term reduction target of 20% by 2020.

Energy Saving in the Office

As a measure to fight against global warming, we implement the "Cool Biz & Warm Biz" energy-saving campaign, which involves dressing to suit the weather. In 2014, our main office building underwent seismic resistant repairs and equipment renewal, and our offices are now equipped with LED lighting and new air conditioning devices. In 2015, we recorded a 3% year-on-year reduction in electricity consumption. We take meticulous energy-saving measures across the organization, which include turning off lights during lunch breaks, partial lights out when leaving the office, setting more eco-friendly air conditioner temperatures, limiting the zones occupied by overtime workers, using fans instead of air conditioners, and limiting the number of elevators in use during weekdays and weekends.

Basic Environmental Guidelines

1. We shall contribute to a recycling-oriented society and preserve the natural environment by preventing global warming.
2. We shall prevent environmental accidents.
3. We shall enhance mutual communication with local communities and conduct eco-friendly planning and construction, while developing technologies to preserve and restore the environment.
4. We shall communicate with all our stakeholders to enhance their awareness of the importance of environmental preservation.

Activities in 2015

Social Contributions by Providing Construction Services for Superior Social Infrastructure

From the viewpoint of “the greatest contribution to society is the construction of superior infrastructure,” we have proactively addressed technological development and capital investment as a group of companies committed to solid manufacturing this year. In addition, we have received many awards for high quality construction under construction management.

We will continue to contribute to superior social capital improvements considering social contexts.

Key Events

- Completion of Phase I of the Thilawa Special Economic Zone. **1**
- Completion of the pre-mixed-clay reclaimer “PM-6001”. **2**
- Completion of the multi-functional backhoe dredger “BHC-2401”. **3**



Human Rights, Industrial Safety and Health, and Environment

Our basic policy is to respect the human rights of not only our employees, but all stakeholders.

We conduct various educational and training programs, as well as the introduction and review of systems to create a working environment where safety is the highest priority. This motivates our employees and those engaged in our group companies, and enables them to fully demonstrate their abilities.

We also uphold eco-friendly construction promoting environmentally-conscious manufacturing as a high priority.

Key Events

- Our construction office for Singapore’s Thomson East Coast MRT Line T202 received the Workplace Safety and Health Award 2015. **4**
- Our soil improvement works for the C-Runway at Tokyo International Airport received the Comfortable Workplace Award from the Japan Federation of Construction Contractors. **5**
- We held training seminars targeting overseas expatriates and local employees on various topics including preventing collateral damage in terrorist attacks, anti-bribery policy, environmental awareness, and health management. **6 7**



Communications with Stakeholders

We are promoting social contribution activities focusing on communication and dialogue with stakeholders, including cooperative participation in local events, volunteer activities, observation-tours of sites and the technical research center. Through these activities, we aim to be a well trusted group of companies invoking the continuous support of our stakeholders.

Key Events

- Participation in volunteer trash clean-up activities nationwide. **8**
- Site-observation tours for institutional investors. **9**
- Invitation of international site-managers to training seminars in Japan. **10**
- Family-day site visit. **11**



Consolidated Financial Statements

Consolidated Five-Year Summary

Penta–Ocean Construction Co., Ltd. and Consolidated Subsidiaries
Fiscal years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2012	2013	2014	2015	2016	2016
Net sales	¥328,005	¥349,839	¥381,182	¥426,238	¥491,564	\$4,362,478
Construction	316,239	341,067	372,367	414,892	477,164	4,234,684
Development business	2,460	1,143	2,447	1,912	4,803	42,622
Other	9,306	7,629	6,368	9,434	9,597	85,172
Total assets	311,917	296,726	301,627	366,170	378,766	3,361,433
Net assets excluding non-controlling interests	62,382	65,080	67,339	77,033	80,588	715,191
Ordinary income	7,448	6,560	9,160	11,393	19,409	172,245
Profit before income taxes	6,308	5,018	8,740	10,176	14,242	126,396
Profit attributable to owners of parent	1,622	2,030	3,763	6,183	7,806	69,274
Cash dividends	572	572	572	1,144	1,715	15,224
Per share of common stock:	Yen					U.S. dollars
Net assets excluding non-controlling interests	¥218.19	¥227.63	¥235.53	¥269.44	¥281.87	\$2.50
Profit attributable to owners of parent	5.67	7.10	13.16	21.63	27.30	0.24
Cash dividends	2.00	2.00	2.00	4.00	6.00	0.05
Number of employees	2,924	2,911	2,905	2,949	3,025	

Note: Figures in U.S. dollars are converted for convenience only, at the rate of ¥112.68 per U.S.\$1, prevailing on March 31, 2016.

Business Performance

The net sales for the Group amounted to ¥491,564 million (US\$4,362.5 million), increased by ¥65,326 million (US\$579.8 million) (15.3%) compared to the previous consolidated fiscal year. Operating profits totaled ¥20,618 million (US\$183.0 million), increased by ¥8,324 million (US\$73.9 million) (67.7%) compared to the previous consolidated fiscal year. Ordinary profits totaled ¥19,409 million (US\$172.2 million), increased by ¥8,016 million (US\$71.1 million) (70.4%) compared to the previous consolidated fiscal year. Current net income totaled ¥7,806 million (US\$69.3 million), increased by ¥1,622 million (US\$14.4 million) (26.2%) compared to the previous consolidated fiscal year.

Gross operating profits rose because sales grew through the steady progress of ongoing construction projects and the income and expenditure for construction work improved, although extraordinary losses, such as the impairment losses of the shipbuilding and industrial real estate business, were posted. All operating profits, ordinary profits, and current net profits achieved an increase.

Segment Information

The performance of our domestic Civil Engineering Business remains high, although the number of public works is declining. In these circumstances, sales amounted to ¥150,563 million (US\$1,336.2 million), increased by ¥2,778 million (US\$24.6 million) (1.9%) compared to the previous consolidated fiscal year. Segment profits totaled ¥9,256 million (US\$82.1 million), decreased by ¥3,948 million (US\$35.0 million) (-74.4%) compared to the previous consolidated fiscal year.

In our domestic Building Construction Business, private equipment investment is gently increasing due to the improvement of corporate earnings, etc., and housing investment is recovering. In that situation, sales amounted to ¥165,417 million (US\$1,468.0 million), increased by ¥34,651 million (US\$307.5 million) (26.5%) compared to the previous consolidated fiscal year. Segment profits totaled ¥10,543 million (US\$93.6 million), increased by ¥8,507 million

(US\$75.5 million) (417.7%) compared to the previous consolidated fiscal year.

In our overseas Construction Business, sales amounted to ¥162,560 million (US\$1,442.7 million), increased by ¥24,087 million (US\$213.8 million) (17.4%) compared to the previous consolidated fiscal year. Segment profits totaled ¥1,686 million (US\$15.0 million), decreased by ¥3,135 million (US\$27.8 million) (-65.0%) compared to the previous consolidated fiscal year.

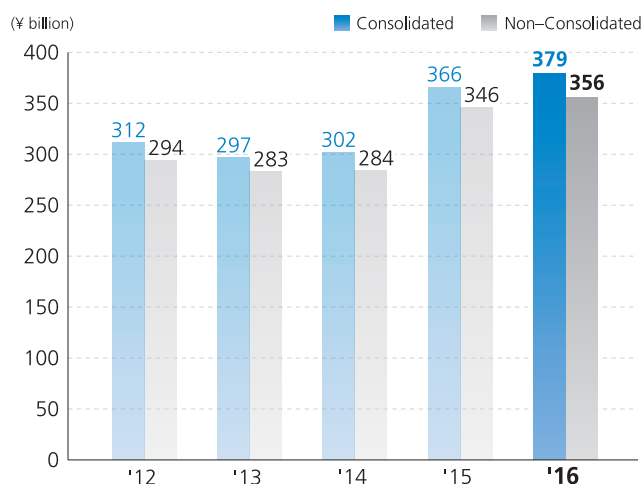
In our domestic Development Business, sales amounted to ¥4,962 million (US\$44.0 million), increased by ¥2,892 million (US\$25.7 million) (139.8%) compared to the previous consolidated fiscal year. Segment deficit amounted to ¥630 million (US\$5.6 million) (deficit of ¥279 million (US\$2.5 million) in the previous consolidated fiscal year).

In our Other Businesses, mainly including sales of construction materials, machine leasing, shipbuilding and environment business, sales amounted to ¥10,797 million (US\$95.8 million), increased by ¥600 million (US\$5.3 million) (5.9%) compared to the previous consolidated fiscal year. Segment deficit totaled ¥250 million (US\$2.2 million) (profits of ¥398 million (US\$3.5 million) in the previous consolidated fiscal year).

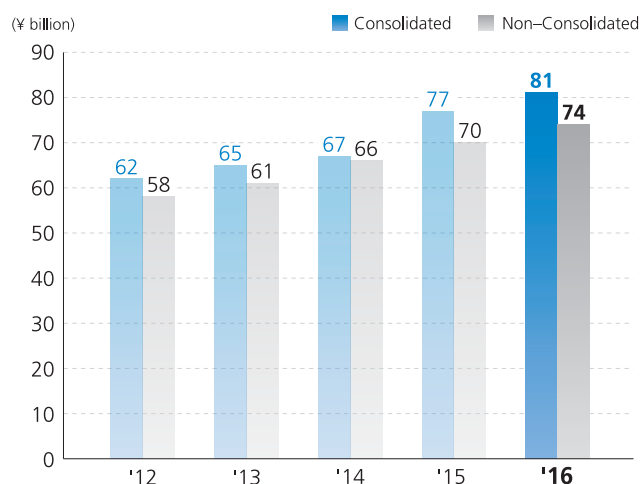
Orders received and contract backlog

In the domestic civil engineering business, our non-consolidated construction orders received decreased by 19.0% to ¥153,233 million (US\$1,359.9 million) mainly due to a decrease in government related constructions because of the recoil after the undertaking of several large-scale land construction works in the previous fiscal year, etc. as well as a decrease in constructions from the private sector. In the domestic building construction business, sales decreased by 15.4% to ¥145,084 million (US\$1,287.6 million) due to a decrease in government related constructions despite an increase in constructions from the private sector. In overseas building works, sales decreased by 60.2% to ¥141,754 million (US\$1,258.0 million) mainly due to the recoil after the undertaking of large-scale construction works in the previous fiscal year. In total,

Total Assets



Total Net Assets



construction orders received decreased by 38.6% to ¥443,182 million (US\$3,933.1 million).

Financial Position

Total assets of our group increased by ¥12,596 million (US\$111.8 million) compared to the end of the previous consolidated fiscal year to ¥378,766 million (US\$3,361.4 million) mainly due to the growth of cash and deposits through the collection of accounts receivable. Liabilities increased by ¥9,008 million (US\$79.9 million) compared to the end of the previous consolidated fiscal year to ¥298,109 million (US\$2,645.6 million) as electronically recorded debts and amounts received for uncompleted works augmented while the redemption of commercial paper, etc. decreased liabilities. Net assets increased by ¥3,588 million (US\$31.8 million) compared to the end of the previous consolidated fiscal year to ¥80,657 million (US\$715.8 million) mainly due to the growth of retained earnings through the posting of current net profit.

Cash flows

With regard to cash flow from operations, revenues increased by ¥59,840 million (US\$531.1 million) due to the recording of income before income taxes of ¥14,242 million (US\$126.4 million) and an increase in trade payable, and it resulted in an excess of ¥55,202 million (US\$489.9 million) in income (an excess of ¥4,638 million (US\$41.2 million) in expenditure in the previous consolidated fiscal year).

With regard to cash flow from investments, expenditures decreased by ¥4,358 million (US\$38.7 million) compared to the previous consolidated fiscal year mainly due to a decrease in expenditures for the purchase of tangible fixed assets, and it resulted in an excess of ¥4,695 million (US\$41.7 million) in expenditure (an excess of ¥9,053 million (US\$80.3 million) in expenditure in the previous consolidated fiscal year).

Free cash flow from operations and investments resulted in an excess of ¥50,507 million (US\$448.2 million) in income (an excess of ¥13,691 million (US\$121.5 million) in expenditure in the previous

consolidated fiscal year).

With regard to cash flow from financial activities, expenditures increased by ¥39,826 million (US\$353.4 million) compared to the previous consolidated fiscal year mainly due to the redemption of commercial paper, and it resulted in an excess of ¥20,713 million (US\$183.8 million) in expenditure (an excess of ¥19,113 million (US\$169.6 million) in expenditure in the previous consolidated fiscal year).

From these results, cash and cash equivalents as of the end of this consolidated fiscal year increased by ¥27,568 million (US\$244.7 million) (72.8%) compared to the end of the previous consolidated fiscal year to ¥65,434 million (US\$580.7 million). The balance of interest-bearing debts at the end of this fiscal year resulted in ¥74,199 million (US\$658.5 million) (¥72,474 million (US\$643.2 million) on a non-consolidated basis).

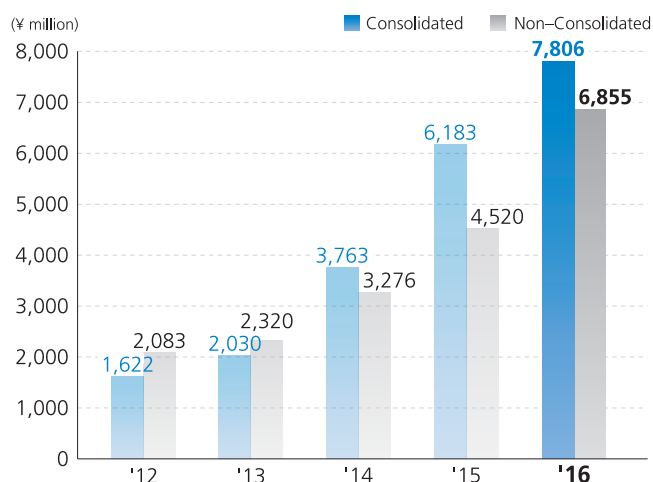
Dividends

Our basic policies are to increase earning power and enhance corporate value by forward-looking reinforcement of business infrastructure and implementation of technology development and capital investment, as well as to distribute stable dividends continuously to shareholders. Under these policies, we aim to achieve a dividend payout ratio of 20% to 25%. In addition, we plan to allocate internal reserves to the investment for technology, equipment, and improving our corporate value, etc. Upon considering the performance of the current fiscal year, progress in improving financial soundness, and business deployment in the future in an integrated manner, dividends of surplus for the current year were determined to be ¥6 per common share. The total amount of dividends was ¥1,715million (US\$15.2 million).

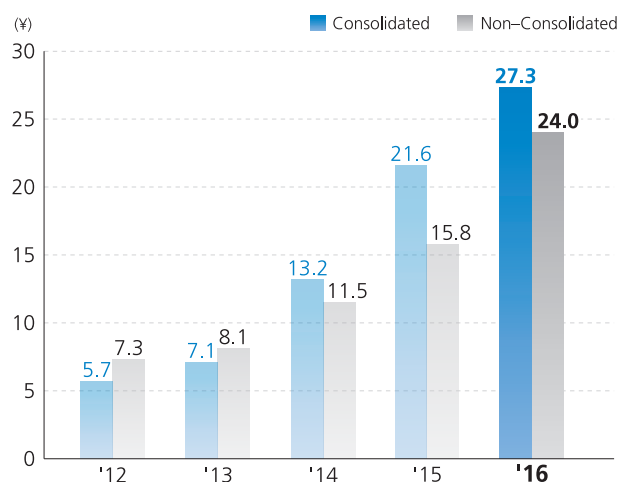
Our basic policy for dividends of surplus is a one-time payment annually at year-end and actual payment of dividends is determined by the shareholder's meeting.

*Exchange rate at the term end US\$1=¥112.68

Net Income



Net Income per Share



Consolidated Balance Sheets

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Current assets:			
Cash and deposits (Note 20)	¥ 38,469	¥ 66,398	\$ 589,265
Securities (Notes 3(3), 5, 6 and 20)	43	32	281
Trade receivables: (Note 20)			
Notes	13,088	13,351	118,488
Accounts	183,834	180,368	1,600,713
Inventories: (Note 3 (5))			
Costs on uncompleted construction contracts	9,898	12,340	109,513
Real estate for sale and development projects in progress	10,455	6,307	55,976
Other	2,571	2,331	20,690
Deferred tax assets (Note 17)	2,722	2,708	24,033
Other	6,457	4,025	35,711
Allowance for doubtful accounts (Note 3 (9))	(1,020)	(903)	(8,014)
Total current assets	266,517	286,957	2,546,656
Property, plant and equipment: (Notes 3 (6) and 3 (8))			
Land	37,326	32,730	290,466
Buildings and structures	35,310	36,222	321,462
Machinery, equipment and vehicles	17,156	20,122	178,578
Dredgers and vessels	68,744	66,735	592,256
Construction in progress	862	531	4,708
Total property, plant and equipment	159,398	156,340	1,387,470
Less: accumulated depreciation	(82,733)	(85,914)	(762,465)
Property, plant and equipment — net	76,665	70,426	625,005
Intangible assets (Note 3 (7))	1,143	1,457	12,930
Investments and other assets:			
Investment securities (Notes 3 (3), 5, 6 and 20)	16,662	14,591	129,490
Long-term loans receivables	1,050	179	1,592
Deferred tax assets (Note 17)	522	1,401	12,430
Net defined benefit asset (Note 19)	1,261	1,092	9,686
Other	3,505	3,567	31,660
Allowance for doubtful accounts (Note 3 (9))	(1,232)	(962)	(8,535)
Total investments and other assets	21,768	19,868	176,323
Deferred assets (Note 3 (19))	77	58	519
Total assets	¥366,170	¥378,766	\$3,361,433

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Current liabilities:			
Short-term loans payable (Notes 7 and 20)	¥ 27,255	¥ 23,709	\$ 210,413
Commercial papers (Notes 7 and 20)	19,996	—	—
Current portion of long-term loans payable and bonds payable (Notes 7 and 20)	11,031	10,076	89,425
Trade payable: (Note 20)			
Notes	26,906	31,969	283,717
Accounts	103,117	102,176	906,782
Electronically recorded obligations—operating	9,808	15,824	140,432
Advance received on uncompleted construction contracts	21,524	26,557	235,688
Deposits received	15,473	26,009	230,819
Income taxes payable	2,533	6,091	54,058
Provision for loss on construction contracts (Note 3 (12))	3,021	2,415	21,428
Provision for warranties for completed construction (Note 3 (10))	705	1,473	13,072
Provision for bonuses (Note 3 (11))	1,542	1,877	16,661
Other	2,743	3,315	29,413
Total current liabilities	245,654	251,491	2,231,908
Non-current liabilities:			
Bonds payable (Notes 7 and 20)	20,000	20,000	177,494
Long-term loans payable (Notes 7 and 20)	16,615	20,414	181,164
Provision for directors' retirement benefits (Note 3 (13))	140	174	1,547
Net defined benefit liability (Notes 3 (14) and 19)	118	1,085	9,626
Deferred tax liabilities for land revaluation (Note 18 (2))	5,382	3,869	34,337
Other	1,193	1,076	9,555
Total non-current liabilities	43,448	46,618	413,723
Total liabilities	289,102	298,109	2,645,631
Commitments and contingent liabilities (Note 16)			
Net assets:			
Shareholders' equity:			
Capital stock	30,450	30,450	270,234
Authorized — 599,135,000 shares			
Issued shares — 286,013,910 shares 2015 and 2016			
Capital surplus (Note 18 (1))	18,387	18,387	163,177
Retained earnings (Note 18 (1))	16,646	25,903	229,878
Less: Treasury Shares	(25)	(26)	(228)
Total shareholders' equity	65,458	74,714	663,061
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Notes 3 (3) and 18 (3))	3,607	2,300	20,409
Deferred gains or losses on hedges	(17)	21	184
Revaluation reserve for land (Note 18 (2))	6,677	4,303	38,191
Foreign currency translation adjustment (Note 3 (2))	19	(81)	(721)
Remeasurements of defined benefit plans (Notes 3 (14) and 19)	1,289	(669)	(5,933)
Total accumulated other comprehensive income	11,575	5,874	52,130
Non-controlling interests	35	69	611
Total net assets	77,068	80,657	715,802
Total liabilities and net assets	¥366,170	¥378,766	\$3,361,433

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Income

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Construction business: (Note 3 (15))			
Net sales	¥414,892	¥477,164	\$4,234,684
Cost of sales	388,148	441,859	3,921,366
Gross profit	26,744	35,305	313,318
Development business and other:			
Net sales	11,346	14,400	127,794
Cost of sales	10,617	13,694	121,533
Gross profit	729	706	6,261
Total:			
Total net sales	426,238	491,564	4,362,478
Total cost of sales	398,765	455,553	4,042,899
Total gross profit	27,473	36,011	319,579
Selling, general and administrative expenses	15,180	15,393	136,604
Operating income	12,293	20,618	182,975
Non-operating income:			
Interest and dividends income	309	329	2,916
Reversal of allowance for doubtful accounts	47	208	1,846
Other (Note 8)	561	503	4,469
	917	1,040	9,231
Non-operating expenses:			
Interest expenses	1,019	1,066	9,457
Foreign exchange losses	538	843	7,483
Other (Note 9)	260	340	3,021
	1,817	2,249	19,961
Ordinary income	11,393	19,409	172,245
Extraordinary income (Note 10)	550	267	2,370
Extraordinary losses (Note 11)	1,767	5,434	48,219
Profit before income taxes	10,176	14,242	126,396
Income taxes: (Notes 3(18) and 17)			
Current	2,924	7,018	62,278
Deferred	985	(581)	(5,149)
	3,909	6,437	57,129
Profit attributable to:	6,267	7,805	69,267
Non-controlling interests	84	(1)	(7)
Owners of parent	¥ 6,183	¥ 7,806	\$ 69,274
		Yen	U.S. dollars
Profit attributable to owners of parent per share of common stock (Note 22)			
Basic	¥21.63	¥27.30	\$0.24

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Profit	¥ 6,267	¥7,805	\$69,267
Valuation difference on available-for-sale securities	857	(1,308)	(11,606)
Deferred gains or losses on hedges	(8)	38	340
Revaluation reserve for land	550	221	1,957
Foreign currency translation adjustments	11	(104)	(922)
Remeasurements of defined benefit plans	3,797	(1,958)	(17,376)
Share of other comprehensive income of associates accounted for by the equity method	1	—	—
Total other comprehensive income (Note 13)	5,208	(3,111)	(27,607)
Comprehensive income	¥11,475	¥4,694	\$41,660
(Breakdown)			
Comprehensive income attributable to owners of parent	¥11,595	¥4,699	\$41,700
Comprehensive income attributable to non-controlling interests	(120)	(5)	(40)

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Net Assets

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

For the year ended March 31, 2015

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	¥30,450	¥18,387	¥11,729	¥(25)	¥60,541
Cumulative effects of changes in accounting policies			(1,130)		(1,130)
Restated balance	30,450	18,387	10,599	(25)	59,411
Changes of items during period					
Dividends of surplus			(572)		(572)
Profit attributable to owners of parent			6,183		6,183
Reversal of revaluation reserve for land			440		440
Purchase of treasury shares				(0)	(0)
Change in scope of equity method			(4)		(4)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	6,047	(0)	6,047
Balance at the end of current period	¥30,450	¥18,387	¥16,646	¥(25)	¥65,458

	Millions of yen								
	Accumulated other comprehensive income							Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	¥2,750	¥(11)	¥6,568	¥ (1)	¥(2,508)	¥ 6,798	¥155	¥67,494	
Cumulative effects of changes in accounting policies								(1,130)	
Restated balance	2,750	(11)	6,568	(1)	(2,508)	6,798	155	66,364	
Changes of items during period									
Dividends of surplus								(572)	
Profit attributable to owners of parent								6,183	
Reversal of revaluation reserve for land								440	
Purchase of treasury shares								(0)	
Change in scope of equity method								(4)	
Net changes of items other than shareholders' equity	857	(6)	109	20	3,797	4,777	(120)	4,657	
Total changes of items during period	857	(6)	109	20	3,797	4,777	(120)	10,704	
Balance at the end of current period	¥3,607	¥(17)	¥6,677	¥19	¥1,289	¥11,575	¥ 35	¥77,068	

For the year ended March 31, 2016

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	¥30,450	¥18,387	¥16,646	¥(25)	¥65,458
Cumulative effects of changes in accounting policies					—
Restated balance	30,450	18,387	16,646	(25)	65,458
Changes of items during period					
Dividends of surplus			(1,144)		(1,144)
Profit attributable to owners of parent			7,806		7,806
Reversal of revaluation reserve for land			2,595		2,595
Purchase of treasury shares				(1)	(1)
Change in scope of equity method					—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	9,257	(1)	9,256
Balance at the end of current period	¥30,450	¥18,387	¥25,903	¥(26)	¥74,714

Millions of yen								
	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	¥3,607	¥(17)	¥6,677	¥19	¥1,289	¥11,575	¥35	¥77,068
Cumulative effects of changes in accounting policies								—
Restated balance	3,607	(17)	6,677	19	1,289	11,575	35	77,068
Changes of items during period								
Dividends of surplus								(1,144)
Profit attributable to owners of parent								7,806
Reversal of revaluation reserve for land								2,595
Purchase of treasury shares								(1)
Change in scope of equity method								—
Net changes of items other than shareholders' equity	(1,307)	38	(2,374)	(100)	(1,958)	(5,701)	34	(5,667)
Total changes of items during period	(1,307)	38	(2,374)	(100)	(1,958)	(5,701)	34	3,589
Balance at the end of current period	¥2,300	¥21	¥4,303	¥(81)	¥ (669)	¥ 5,874	¥69	¥80,657

For the year ended March 31, 2016

Thousands of U.S. dollars					
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	\$270,234	\$163,177	\$147,732	\$(224)	\$580,919
Cumulative effects of changes in accounting policies					—
Restated balance	270,234	163,177	147,732	(224)	580,919
Changes of items during period					
Dividends of surplus			(10,149)		(10,149)
Profit attributable to owners of parent			69,274		69,274
Reversal of revaluation reserve for land			23,021		23,021
Purchase of treasury shares				(4)	(4)
Change in scope of equity method					—
Net changes of items other than shareholders' equity			82,146	(4)	82,142
Total changes of items during period	—	—	82,146	(4)	82,142
Balance at the end of current period	\$270,234	\$163,177	\$229,878	\$(228)	\$663,061

Thousands of U.S. dollars								
	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	\$32,014	\$(155)	\$59,256	\$168	\$11,443	\$102,726	\$313	\$683,958
Cumulative effects of changes in accounting policies								—
Restated balance	32,014	(155)	59,256	168	11,443	102,726	313	683,958
Changes of items during period								
Dividends of surplus								(10,149)
Profit attributable to owners of parent								69,274
Reversal of revaluation reserve for land								23,021
Purchase of treasury shares								(4)
Change in scope of equity method								—
Net changes of items other than shareholders' equity	(11,605)	339	(21,065)	(889)	(17,376)	(50,596)	298	(50,298)
Total changes of items during period	(11,605)	339	(21,065)	(889)	(17,376)	(50,596)	298	31,844
Balance at the end of current period	\$20,409	\$184	\$38,191	\$(721)	\$(5,933)	\$ 52,130	\$611	\$715,802

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Cash flows from operating activities:			
Profit before income taxes	¥10,176	¥14,242	\$126,396
Adjustment to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	5,288	5,550	49,250
Impairment loss	1,440	4,908	43,560
Increase (Decrease) in allowance for doubtful accounts	(2,695)	(387)	(3,435)
Increase (Decrease) in net defined benefit liability	(3,294)	31	274
Decrease (Increase) in net defined benefit asset	983	(1,875)	(16,641)
Interest and dividends income	(309)	(329)	(2,916)
Interest expenses	1,019	1,066	9,457
Foreign exchange losses (gains)	(1,492)	1,676	14,877
Equity in (earnings) losses of affiliates	(6)	(7)	(61)
Loss (Gain) on sales of property, plant and equipment	96	392	3,479
Loss (Gain) on sales of investment securities	(52)	(209)	(1,852)
Loss on valuation of securities and investment securities	3	2	14
Change in assets and liabilities:			
Decrease (Increase) in notes and accounts receivable—trade	(38,430)	(2,567)	(22,784)
Decrease (Increase) in costs on uncompleted construction contracts	(582)	(2,459)	(21,820)
Decrease (Increase) in real estate for sale and development projects in progress and other inventories	576	4,353	38,632
Increase (Decrease) in notes and accounts payable—trade	28,967	8,833	78,389
Increase (Decrease) in advances received on uncompleted construction contracts	5,295	5,057	44,883
Increase (Decrease) in other provision	504	(270)	(2,404)
Other, net	(8,865)	21,584	191,552
Subtotal	(1,378)	59,591	528,850
Interest and dividends income received	290	353	3,140
Interest expenses paid	(1,096)	(1,108)	(9,835)
Income taxes paid	(2,454)	(3,634)	(32,250)
Net cash provided by operating activities	(4,638)	55,202	489,905
Cash flows from investing activities:			
Purchase of investment securities	(292)	(349)	(3,095)
Proceeds from sales and redemption of short-term and long-term investment securities	147	624	5,539
Purchase of property, plant and equipment	(9,461)	(6,227)	(55,259)
Proceeds from sales of property, plant and equipment	450	1,253	11,123
Payments of loans receivable	(18)	—	—
Collection of loans receivable	203	925	8,205
Other, net	(82)	(921)	(8,180)
Net cash used in investing activities	(9,053)	(4,695)	(41,667)

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	3,158	(2,268)	(20,127)
Net increase (decrease) in commercial papers	19,996	(19,996)	(177,461)
Proceeds from long-term loans payable	10,120	14,050	124,689
Repayment of long-term loans payable	(13,387)	(11,211)	(99,493)
Proceeds from issuance bonds payable	9,943	—	—
Redemption of bonds	(10,000)	—	—
Cash dividends paid	(570)	(1,137)	(10,096)
Other, net	(147)	(151)	(1,336)
Net cash provided by (used in) financing activities	19,113	(20,713)	(183,824)
Effect of exchange rate change on cash and cash equivalents	503	(2,226)	(19,753)
Net increase (decrease) in cash and cash equivalents	5,925	27,568	244,661
Cash and cash equivalents at the beginning of the period	31,941	37,866	336,049
Cash and cash equivalents at the end of the period	¥37,866	¥65,434	\$580,710
(Note) (1) Cash and cash equivalents are comprised as follows:			
Cash and deposits	¥38,469	¥66,398	\$589,265
Less—Time deposits with maturity over three months	(603)	(964)	(8,555)
Cash and cash equivalents (Note 3 (17))	¥37,866	¥65,434	\$580,710

See accompanying Notes to Consolidated Financial Statements.

Notes to the 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=112.68, the exchange rate prevailing on March 31, 2016. 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 27 subsidiaries and 3 affiliated company as at March 31, 2016.

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

PT. Penta Ocean Construction was established and included in the scope of consolidation.

KD Shipping Incorporated was liquidated and excluded from the scope of consolidation.

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

(2) Consolidated closing date

Consolidated closing date is March 31.

Closing date for the Company, 10 domestic subsidiaries and 12 overseas subsidiaries including Andromeda Five Pte, Ltd. is March 31. Closing date for other 5 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 their closing dates and the consolidated closing date.

Penta-Ocean (Malaysia) Sdn. Bhd. and Angkutlout Ltd. have changed their closing date from December 31 to March 31.

Therefore, the financial results of these two entities were consolidated covering the period from January 1, 2015 to March 31, 2016 in this consolidated fiscal year.

3. Summary of significant accounting policies

(1) Conversion method of foreign currency transactions of the Company and its domestic subsidiaries and affiliated companies

Transactions in foreign currencies are converted into yen at the exchange rate prevailing at the time of the transactions. Monetary receivables and payables denominated in foreign currencies including foreign cash are converted into yen at the exchange rate prevailing on the closing date. Non-monetary items denominated in foreign currencies are converted into yen at the historical rate. Held-to-maturity bonds denominated in foreign currencies are translated into yen at the exchange rate prevailing on the closing date, securities for purpose of sale and investment securities other than the above are converted into yen from the fair value based on foreign currencies at the exchange rate prevailing on the closing date and stock of subsidiaries and affiliated companies at the exchange rate prevailing at the time of acquisition by the Company, and those are written down, when declined remarkably. The valuation amount of derivative financial instruments resulting from derivative transaction denominated in foreign currencies are translated at the exchange rate prevailing on the closing date based on the fair value or the actual value estimated in foreign currencies excluding those applying hedge accounting. Exchange gains or losses, realized or unrealized, are included in current income.

(2) Conversion method of financial statements of overseas subsidiaries stated in foreign currency

Financial statements stated in foreign currency are translated into yen at the exchange rate prevailing on the closing date except for the components of Net assets which are translated at the exchange rate prevailing at the time of acquisition by the Company and at the historical rate to their increase thereafter.

Exchange differences arising from conversion of balance sheet accounts are stated as foreign currency translation adjustments in Net assets.

(3) Investment securities

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

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

Other investment securities with no fair value are stated at moving average cost.

(4) Derivative financial transactions

Derivative financial instruments are stated at fair value.

Hedge accounting is adopted for derivative financial instruments which conform to requirements of hedge accounting.

(5) Inventories

Inventories are stated at identified cost, except for raw materials and supplies which are stated at cost determined by the first-in first-out method.

In the case that the net realizable value falls below the historical cost at the end of the year, inventories except for cost on uncompleted construction contracts are carried at the net realizable value on the closing date.

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

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

(7) Research and development costs and computer software

Research and development costs are charged to income as incurred.

Computer software purchased for internal use is amortized by the straight-line method over 5 years, the estimated useful life.

(8) Leased assets

For leased assets under finance lease transactions that transfer ownership, the depreciation expense is calculated based on the same depreciation method as is applied to fixed assets owned by the Company and its subsidiaries.

For leased assets under finance lease transactions that do not transfer ownership, the depreciation expense is calculated under the straight-line method based on the assumption that the useful life equals to the lease term and the residual value equals to zero.

(9) Allowance for doubtful accounts

Allowance for doubtful accounts is accounted for using the estimated doubtful account ratio determined based on the past actual bad debt losses for general receivable and on the individual estimated uncollectible amount for any specific doubtful receivables.

(10) Provision for warranties for completed construction

The Company and its consolidated subsidiaries provide provision for the costs of repairs for damages related to completed construction works based on actual damages in the past and estimated amount of compensation for damages in the future.

(11) Provision for bonuses

To provide provision for the payment of bonuses for employees, the expected payment amount at end of this fiscal year is calculated.

(12) Provision for loss on construction contracts

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

(13) Provision for 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) Net defined benefit liability

Net defined benefit liability is provided based on the projected benefit obligation and plan assets at end of the fiscal year. Regarding determination of retirement benefit obligation, the benefit formula basis is adopted as the method of attributing expected benefit to the periods until this fiscal year end.

Prior service costs are recognized as an expense when incurred.

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

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

(15) Recognition of sales and cost of sales

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

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

(16) Hedge accounting

1) Hedge accounting method

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

2) Hedging instruments and hedged items

Hedging instruments are interest rate swap agreements, forward exchange contracts and non-deliverable forwards. Hedged items are interest on bank loans and monetary receivables and payables denominated in foreign currencies.

3) Hedging policy

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

4) Evaluation of the effectiveness of hedge accounting

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

(17) Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows, consist of cash, deposits which can be drawn out freely and easily converted into cash and short-term investments which have an original maturity of three months or less and are not exposed to significant valuation risks.

(18) Income taxes

The Company and its domestic consolidated subsidiaries declare corporation and other taxes on the basis of taxable income calculated under the provisions of the Corporation Tax Law and other tax regulations. Taxable income thus calculated is different from earnings in the account book.

Japanese corporation and other taxes applicable to the Company and its consolidated domestic subsidiaries comprise (a) corporation tax of 23.9 percent on taxable income, (b) enterprise tax of 5.9 percent on taxable income after certain adjustments, (c) prefectural and municipal taxes averaging 16.3 percent of corporation tax, and (d) local corporation tax of 4.4 percent on taxable income. Enterprise tax paid is deductible for income tax purposes.

Foreign subsidiaries declare income taxes at the rate applicable in each country. Foreign tax credit related to the amount of income

taxes paid to foreign tax offices by the Company directly or indirectly, is subject to certain limitations in accordance with Japanese tax regulations.

(19) Deferred assets

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

(20) Consumption tax

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

(21) Adoption of consolidated taxation system

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

(22) Reclassifications

Certain amounts in prior year's consolidated financial statements and related footnotes have been reclassified to conform to the presentation in the current year.

4. Change in accounting policy

(Change in Accounting Standard for Business Combinations, etc.)

The Company and its domestic consolidated subsidiaries adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7), "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2), "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10), and "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4) effective from April 1, 2015. As a result, under these revised accounting standards, the accounting treatment for any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary and the

corresponding accounting for acquisition-related costs were revised. In addition, the presentation method of profit (loss) attributable to owners of parent was amended, the reference to "minority interests" was changed to "non-controlling interests," and accounting treatment for adjustments to provisional amounts during measurement period was also changed.

For the adoption of these accounting standards, the company and its domestic consolidated subsidiaries adopted the transitional provisions in item (4), paragraph 58-2 of the Accounting Standard for Business Combinations, item (4), paragraph 44-5 of the Accounting Standard for Consolidated Financial Statements, and item (4), paragraph 57-4 of the Accounting Standard for Business Divestitures effective from the April 1, 2015.

There is no effect on the consolidated profit and per share amounts for the fiscal year 2015.

5. Investment securities

(1) Held-to maturity debt securities

As of March 31, 2015	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Securities whose fair value exceeds their book value on consolidated B/S:			
National and local government bonds	¥232	¥241	¥9
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥232	¥241	¥9
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
National and local government bonds	¥ 35	¥ 34	¥(1)
Corporate bonds	10	10	—
Other	—	—	—
Subtotal	¥ 45	¥ 44	¥(1)
Total	¥277	¥285	¥8

As of March 31, 2016	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Securities whose fair value exceeds their book value on consolidated B/S:			
National and local government bonds	¥238	¥250	¥12
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥238	¥250	¥12
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
National and local government bonds	¥ —	¥ —	¥—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥ —	¥ —	¥—
Total	¥238	¥250	¥12

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
Securities whose fair value exceeds their book value on consolidated B/S:			
National and local government bonds	\$2,109	\$2,212	\$103
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	\$2,109	\$2,212	\$103
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
National and local government bonds	\$ —	\$ —	\$ —
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	\$ —	\$ —	\$ —
Total	\$2,109	\$2,212	\$103

(2) Other securities

As of March 31, 2015	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	¥13,079	¥7,770	¥5,309
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥13,079	¥7,770	¥5,309
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	¥ 368	¥ 454	¥ (86)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	100	100	—
Other	—	—	—
Other	—	—	—
Subtotal	¥ 468	¥ 554	¥ (86)
Total	¥13,547	¥8,324	¥5,223

(Note) Since unlisted stocks (balance on consolidated balance sheet ¥2,772 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, 2016	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	¥ 8,269	¥4,691	¥3,578
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥ 8,269	¥4,691	¥3,578
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	¥ 3,213	¥3,558	¥ (345)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥ 3,213	¥3,558	¥ (345)
Total	¥11,482	¥8,249	¥3,233

	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	\$ 73,388	\$41,631	\$31,757
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	\$ 73,388	\$41,631	\$31,757
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	\$ 28,512	\$31,581	\$ (3,069)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	\$ 28,512	\$31,581	\$ (3,069)
Total	\$101,900	\$73,212	\$28,688

(Note) Since unlisted stocks (balance on consolidated balance sheet ¥2,788 million (U.S.\$24,743 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, 2015	Millions of yen		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	¥147	¥ 52	¥—
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	147	52	—
Other	—	—	—
Total	¥294	¥104	¥—

As of March 31, 2016	Millions of yen		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	¥515	¥209	¥—
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	¥515	¥209	¥—

	Thousands of U.S. dollars		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	\$4,569	\$1,852	\$—
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	\$4,569	\$1,852	\$—

(4) Impairment of investment securities

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Other securities			
Stock	¥3	¥2	\$14

6. Pledged assets

The following assets are pledged for fulfillment of construction contracts at March 31, 2015 and 2016.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Securities	¥ 33	¥ 32	\$ 281
Real estate for sale	644	645	5,721
Investment securities	304	303	2,690
Other (Investment and other assets)	5	48	429
Total	¥986	¥1,028	\$9,121

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

Short-term and long-term loans, commercial papers and bonds payable as of March 31, 2015 and 2016 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Short-term loans from banks and insurance companies (The weighted average interest rate is 0.60%.)	¥27,255	¥23,709	\$210,413
Commercial papers	¥19,996	—	—
Long-term loans from banks and insurance companies due through 2021 (The weighted average interest rate is 1.01%.)	27,646	30,490	270,590
0.87% unsecured bonds payable due 2019	10,000	10,000	88,747
0.68% unsecured bonds payable due 2022	10,000	10,000	88,747
Less: current portion	(58,282)	(33,785)	(299,838)
Total	¥36,615	¥40,414	\$358,659

The aggregate annual maturity of short-term and long-term loans, and bonds payable after March 31, 2016 is as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2017		\$299,838
2018	¥33,785	63,767
2019	7,185	143,807
2020	16,204	52,309
2021 and thereafter	5,894	98,776
Total	11,131	\$658,497

8. Non-operating income

The composition of Non-operating income—other for the fiscal years ended March 31, 2015 and 2016 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Real estate rent	¥ 97	¥144	\$1,274
Other	464	359	3,195
Total	¥561	¥503	\$4,469

9. Non-operating expenses

The composition of Non-operating expenses—other for the fiscal years ended March 31, 2015 and 2016 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Other	¥260	¥340	\$3,021
Total	¥260	¥340	\$3,021

10. Extraordinary income

The composition of Extraordinary income for the fiscal years ended March 31, 2015 and 2016 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Gain on sales of non-current assets	¥ 82	¥ 57	\$ 509
Gain on sales of investment securities	52	209	1,852
Gain on bargain purchase	200	—	—
Subsidy income	190	—	—
Other	26	1	9
Total	¥550	¥267	\$2,370

Gain on bargain purchase is related to the additional acquisition of shares of the Company's consolidated subsidiary, Thai Penta-Ocean Co., Ltd.

11. Extraordinary losses

The composition of Extraordinary losses for the fiscal years ended March 31, 2015 and 2016 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Loss on sales of non-current assets	¥ 177	¥ 449	\$ 3,988
Loss on retirement of non-current assets	101	71	627
Impairment loss ^(*)	1,440	4,908	43,560
Other	49	6	44
Total	¥1,767	¥5,434	\$48,219

(*) The Company recognized impairment loss for the following group of assets in the current fiscal years ended March 31, 2015 and 2016.

For the year ended March 31, 2015

Classification	Type of Assets	Location	Impairment loss
Leased assets	Land, Buildings	Hokkaido	¥49 million
Business assets	Land, Mining rights	Saga	¥1,391 million

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

Book values of above assets were written down to recoverable amounts due to following reasons. Management decision on disposal has been made and no alternative investment has been planned. The impairment loss (¥1,440 million) was accounted for as extraordinary losses.

The recoverable amounts were measured by net realizable amounts based on contract price or estimated sales price.

For the year ended March 31, 2016

Classification	Type of Assets	Location	Impairment loss
Business assets (site for plant, etc.)	Land	Hokkaido	¥686 million \$6,086 thousand
Business assets (for shipbuilding business)	Land and buildings, etc.	Hiroshima	¥2,192 million \$19,452 thousand
Business assets (for materials yard)	Land	Chiba	¥2,022 million \$17,948 thousand
Idle assets	Land	Hokkaido	¥8 million \$74 thousand

In principle, the Company and its consolidated subsidiaries have classified the fixed assets by business control unit such as company, branch office, and business line, which controls its revenue and expenditure continuously. And the Company and its consolidated subsidiaries has classified the idle assets individually .

Book values of above assets classified into business assets were written down to recoverable amounts due to following reasons. The original cash flow plan cannot be expected to meet in revised future business plan based on current market and downturn of business condition for site for plant, etc. (branch assets) and business assets for shipbuilding business. Management decision on disposal has been made and no alternative investment has been planned for the materials yard. The impairment loss (¥4,900 million, U.S.\$43,486 thousand) was accounted for as an extraordinary losses.

In addition, while one of welfare facilities had been classified into assets for common use, it was written down to recoverable amount since it became an idle asset and there is no plan to use it in the future. The impairment loss (¥8 million, U.S.\$74 thousand) was accounted for as an extraordinary losses.

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

12. Research and development costs

Research and development costs charged to income are ¥1,633 million for the fiscal year 2015 and ¥1,730 million (U.S.\$15,355 thousand) for the fiscal year 2016, respectively.

13. Other comprehensive income

The following table presents reclassification and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2015 and 2016:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Valuation difference on available-for-sale securities			
Amount arising during the year	¥1,154	¥(1,782)	\$(15,815)
Reclassification adjustment for gains and losses realized in net income	(52)	(209)	(1,852)
Amount before tax effect	1,102	(1,991)	(17,667)
Tax effect	(245)	683	6,061
Valuation difference on available-for-sale securities	857	(1,308)	(11,606)
Deferred gains or losses on hedges			
Amount arising during the year	(1,806)	(99)	(875)
Reclassification adjustment for gains and losses realized in net income	1,795	155	1,374
Amount before tax effect	(11)	56	499
Tax effect	3	(18)	(159)
Deferred gains or losses on hedges	(8)	38	340
Revaluation reserve for land			
Tax effect	550	221	1,957
Foreign currency translation adjustments			
Amount arising during the year	17	(104)	(922)
Reclassification adjustment for gains and losses realized in net income	(6)	—	—
Amount before tax effect	11	(104)	(922)
Tax effect	—	—	—
Foreign currency translation adjustments	11	(104)	(922)
Remeasurements of defined benefit plans			
Amount arising during the year	3,985	(2,981)	(26,456)
Reclassification adjustment for gains and losses realized in net income	1,817	112	992
Amount before tax effect	5,802	(2,869)	(25,464)
Tax effect	(2,005)	911	(8,088)
Remeasurements of defined benefit plans	3,797	(1,958)	(17,376)
Share of other comprehensive income of associates accounted for using equity method			
Amount arising during the year	1	—	—
Reclassification adjustment for gains and losses realized in net income	—	—	—
Share of other comprehensive income of associates accounted for using equity method	1	—	—
Total of other comprehensive income	¥5,208	¥(3,111)	\$(27,607)

14. Summary of operating lease transactions

Future lease payments, about non-cancelable operating lease assets as of March 31, 2015 and 2016 are as follows:

<Borrower>	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Within one year	¥ 453	¥453	\$4,023
Over one year	642	189	1,676
Total	¥1,095	¥642	\$5,699

<Lender>	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Within one year	¥193	¥—	\$—
Over one year	193	—	—
Total	¥386	¥—	\$—

15. Derivative financial transactions

(1) Matters concerning derivative financial transactions

The Company and its consolidated subsidiaries have entered into interest rate swap agreements, forward exchange contracts and non-deliverable forwards only for hedging risks from fluctuation in interest rates and foreign exchange rates, not for speculative purposes.

The derivative financial transactions are mainly performed by the Company, and have been made in accordance with the bylaw, which clearly describes purposes, execution and control for transaction.

(2) Matters concerning fair value

The current value for derivative transactions is calculated based on the prices provided by relevant financial institutions. And hedge accounting has been adopted for derivative financial instruments which conform to requirements for hedge accounting. However the transactions that apply to special treatment of interest rate swap are accounted for as if they were integral part of the hedged long-term loans payable, its fair value is included in the fair value of long-term loans payable.

16. Commitments and contingent liabilities

As of March 31, 2016, the Company has liabilities for guarantee to bank loans made by customers amounting to ¥574 million (U.S.\$5,093 thousand).

The Company also has the guarantee amounting to ¥987 million (U.S.\$8,756 thousand) to purchasers concerning deposits for purchase of the condominium apartments.

The Company has agreements on commitment line with 22 banks totaling ¥40,000 million (U.S.\$354,988 thousand) for the purpose of flexible financing. Unused commitment line as of March 31, 2015 and 2016 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Commitment line			
Total of commitment line	¥32,621	¥40,000	\$354,988
Use of commitment	¥ 9,374	¥ 4,000	\$ 35,499
Total of unused commitment line	¥23,247	¥36,000	\$319,489

The amount of total of commitment line in 2015 includes foreign currency commitment line of 30,000 thousand Singapore dollar (¥2,621 million) and the amount of use of commitment in 2015 includes 10,000 thousand Singapore dollar (¥874 million) related to the commitment line in Singapore dollar.

17. 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
	2015	2016	2016
Deferred tax assets			
Net operating loss carried forward	¥ 255	¥ 243	\$ 2,159
Employees' retirement benefits trust	2,073	1,946	17,269
Net defined benefit liability	45	341	3,027
Impairment loss	854	963	8,546
Loss on valuation of real estate for sale	1,793	1,717	15,235
Provision for loss on construction contracts	992	747	6,627
Allowance for doubtful accounts	757	612	5,433
Provision for bonuses	512	582	5,166
Other	1,101	1,753	15,558
Total: deferred tax assets	8,382	8,904	79,020
Less: valuation allowance	(2,995)	(3,275)	(29,060)
Deferred tax assets	¥5,387	¥5,629	\$49,960
Deferred tax liabilities			
Prepaid pension cost	¥ (388)	¥ (332)	\$ (2,949)
Valuation difference on available-for-sale securities	(1,616)	(933)	(8,279)
Unrealized intercompany profit	—	(105)	(933)
Other	(139)	(150)	(1,336)
Total: deferred tax liabilities	(2,143)	(1,520)	(13,497)
Net: deferred tax assets	¥3,244	¥4,109	\$36,463

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

	2015	2016
The statutory effective tax rate	35.64%	33.06%
(Adjustments)		
Permanent differences (expense)	8.80	4.09
Permanent differences (income)	(1.31)	(2.38)
Per capita levy on inhabitant tax	1.06	1.42
Consolidated adjustments	0.70	2.21
Increase (Decrease) in valuation allowance	(1.33)	2.07
Foreign corporation tax	(3.50)	6.19
Downward adjustment of deferred tax assets at the year end due to the change in corporate tax rates	4.65	1.57
Effect from the application of consolidated taxation system	(2.74)	(0.69)
Other	(3.56)	(2.34)
Actual burden tax rates after the application of tax effect accounting	38.41%	45.20%

3. Change in effective statutory tax rate

In accordance with the promulgation on March 29, 2016, of the "Act on Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act on Partial Revision of the Local Tax Act, etc." (Act No. 13 of 2016), the effective statutory tax rate of 32.34% utilized previously for the computation of deferred tax assets and deferred tax liabilities for the fiscal year ended March 31, 2015 (applied only to temporary differences expected to be recovered or settled on or after April 1, 2016) has been revised to 30.86% for temporary differences expected to be recovered or settled during the period from April 1, 2016 to March 31, 2018, and to 30.62% for temporary differences expected to be recovered or settled from April 1, 2018.

As a result, net deferred tax assets (after offsetting deferred tax liabilities, excluding for those for land revaluation) decreased by ¥187 million (U.S.\$1,663 thousand), deferred tax liabilities for land revaluation decreased by ¥221 million (U.S.\$1,957 thousand), income taxes-deferred increased by ¥224 million (U.S.\$1,987 thousand), revaluation reserve for land increased by ¥221 million (U.S.\$1,957 thousand), valuation difference on available-for-sale securities increased by ¥52 million (U.S.\$465 thousand), and remeasurements of defined benefit plans decreased by ¥17 million (U.S.\$147 thousand) as of and for the fiscal year ended March 31, 2016.

18. Net assets

(1) Legal retained earnings and legal capital surplus

The Japanese Corporate Law requires to provide a legal retained earnings equal to 10 percent of cash out flow, that is, payment of dividends approved by the Shareholders' meeting every fiscal years, until the total amounts of legal retained earnings plus legal capital surplus or either of them reach 25 percent of capital stock.

In the consolidated financial statements, those are included in retained earnings and capital surplus, respectively.

(2) Revaluation reserve for land

Lands used for business purposes has been revaluated on March 31, 2000 based on the "Law Concerning Land Revaluation (Law No. 34, promulgated on March 31, 1998)" and the "Partial Revision of the Law Concerning Land Revaluation (Law No. 24, promulgated on March 31, 1999)." Relating to revaluation excess, the deferred tax on the revaluation is accounted for as a long-term deferred tax liabilities and the remaining revaluation difference is accounted for as revaluation reserve for land in net assets.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
The difference between the appraisal value of land at the end of the current fiscal year and the book value	¥11,705	¥7,824	\$69,433

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

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

Valuation difference on available-for-sale securities is based on the difference between fair market value and book value at March 31. This amounted to ¥2,300 million (U.S.\$20,409 thousand) gain as of March 31, 2016.

19. Retirement benefits

The Company and its other consolidated subsidiaries have funded or unfunded type defined benefit plan and defined contribution plan.

The Company has introduced cash balance plan as defined benefit corporate pension plan (funded only and that solely adopted by the Company), which establishes nominal individual accounts equivalent to funds of funded and annuity amounts. In the nominal individual accounts interest credit based on market interest and contribution credit based on classification and evaluation are accumulated. Retirement benefit trust has established for the defined benefit corporate pension plan.

Based on lump-sum payment plans (unfunded but become funded as a result of establishment of retirement benefit trust), lump-sum payment based on classification and evaluation as retirement benefit.

In lump-sum payment plans held by other consolidated subsidiaries, the simplified calculation methods are applied for retirement benefit liability and service costs.

(1) The changes in the retirement benefit obligation during the years ended March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Retirement benefit obligation at the beginning of year	¥24,834	¥25,696	\$228,045
Cumulative effect of change in accounting principle	1,755	—	—
Restated balance at the beginning of the year	26,589	25,696	228,045
Service cost	1,132	1,133	10,052
Interest cost	210	152	1,348
Actuarial gain and loss	(494)	1,442	12,793
Retirement benefits paid	(1,760)	(1,744)	(15,469)
Prior service cost	19	—	—
Retirement benefit obligation at the end of year	¥25,696	¥26,679	\$236,769

(2) The changes in the plan assets during the years ended March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Plan assets at the beginning of year	¥21,438	¥26,840	\$238,195
Expected return on plan assets	371	430	3,809
Actuarial gain	3,491	(1,540)	(13,663)
Contributions by the Company	2,995	2,370	21,036
Retirement benefits paid	(1,455)	(1,414)	(12,548)
Plan assets at the end of year	¥26,840	¥26,686	\$236,829

(3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2015 and 2016 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Funded retirement benefit obligation	¥25,311	¥26,241	\$232,878
Plan assets at fair value	(26,840)	(26,686)	(236,829)
	¥ (1,529)	¥ (445)	\$ (3,951)
Unfunded retirement benefit obligation	386	438	3,891
Net liability for retirement benefits in the balance sheet	¥ (1,143)	¥(7)	\$ (60)
Net defined benefit liability	¥ 118	¥ 1,085	\$ 9,626
Net defined benefit asset	(1,261)	(1,092)	(9,686)
Net liability for retirement benefits in the balance sheet	¥ (1,143)	¥ (7)	\$ (60)

(4) The components of retirement benefit expense for the years ended March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Service cost	¥1,132	¥1,133	\$10,052
Interest cost	210	152	1,348
Expected return on plan assets	(372)	(430)	(3,809)
Amortization of actuarial gain and loss	515	112	991
Amortization of prior service cost	19	—	—
Amortization of net retirement benefit obligation at transition	1,302	—	—
Retirement benefit expense	¥2,806	¥ 967	\$ 8,582

Note: Retirement benefit expense of consolidated subsidiaries which adopt the simplified method are included in "Service cost."

(5) The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Actuarial gain and loss	¥4,500	¥(2,870)	\$(25,465)
Net retirement benefit obligation at transition	1,302	—	—
Total	¥5,802	¥(2,870)	\$(25,465)

(6) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Unrecognized actuarial gain and loss	¥(1,906)	¥964	\$8,552
Total	¥(1,906)	¥964	\$8,552

(7) The fair value of plan assets, major category, as a percentage of total plan assets as of March 31, 2015 and 2016 are as follows:

	2015	2016
Bonds	36%	39%
Stocks	50	44
General accounts	5	6
Cash and deposits	0	2
Others	9	9
Total	100%	100%

Note: Total plan assets include retirement benefit trusts of 13% and 10% that are set up for a corporate pension plan as of March 31, 2015 and 2016, respectively

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

(8) The assumptions used in accounting for the above plans are as follows:

	2015	2016
Discount rates	0.8%	0.0%
Expected rates of long-term return on plan assets	1.2-2.0%	0.9-2.0%
Expected rates of increase in salary	3.1-5.0%	3.2-5.0%

20. Financial instruments

(1) Policy for financial instruments

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

Regarding credit risk to customers related to notes receivable, accounts receivable from completed construction contracts and other the Company and its consolidated subsidiaries' bylaw has been applied to reduce the risk. Additionally notes receivable, accounts receivable from completed construction contracts and other in foreign currencies are exposed to foreign currency risk, and the Company enters into forward exchange contracts and non-deliverable forwards to hedge the risk.

Securities and investment securities include mainly stocks and held-to-maturity bonds are exposed to fluctuation of market value.

Those fair values, financial status of the issuers and so on are checked regularly. Accounts receivable — other is mainly credit other than accounts receivable associated with operating transactions and most of the accounts are collected in short term and detail of the balance is reviewed on monthly basis.

Bonds payable and Loans payable are mainly for procurement for operating funds and the Company enters into interest rate swap agreements and manages to fix its interest cost to hedge the risk from interest volatility related to long-term loans payable.

Execution and control of derivative transaction is held in accordance with the Company's bylaw where its purpose, action and control of such transaction are clearly stated and derivative transactions shall not be used for speculative purpose.

(2) Estimated fair value of financial instruments

Book value on consolidated balance sheet, fair value and the difference as of March 31, 2015 are as follows:

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 38,469	¥ 38,469	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	170,229	170,228	(1)
(3) Securities and investment securities	13,825	13,833	8
(4) Accounts receivable — other	26,693	26,693	—
Total Assets	¥249,216	¥249,223	¥ 7
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	¥127,083	¥127,083	¥ —
(2) Electronically recorded obligations—operating	9,808	9,808	—
(3) Short-term loans payable	27,255	27,255	—
(4) Commercial papers	19,996	19,996	—
(5) Bonds payable	20,000	20,176	176
(6) Long-term loans payable ^{(*)1}	27,646	28,058	412
Total Liabilities	¥231,788	¥232,376	¥588
Derivative transaction ^{(*)2}	¥ (26)	¥ (26)	¥ —

(*)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) 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) Electronically recorded obligations—operating, (3)

Short-term loans payable, (4) Commercial papers

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

(5) Bonds payable, (6) Long-term loans payable

The fair value of these items are calculated by discounting the total of principal and interest using interest rate calculated assuming the loan is newly made or the bond is newly issued. Long-term loans payable with floating rate is subject to a special treatment of interest rate swap and is calculated by discounting the total of principal and interest, accounted for as if they were integral part of the interest rate swap, by interest rate that is reasonably estimated and applied in the case of similar loan.

Derivative transaction

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

(Note 2) Since unlisted stocks (balance on consolidated balance sheet ¥2,880 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) Securities and investment securities."

(Note 3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2015

	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	¥ 38,428	¥ —	¥ —	¥—
Notes receivable, accounts receivable from completed construction contracts and other	166,757	3,472	—	—
Securities and investment securities				
Held-to-maturity bonds				
National and local government bonds	33	87	147	—
Corporate bonds	10	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	100	—
Other	—	—	—	—
Accounts receivable – other	26,693	—	—	—
Total	¥231,921	¥3,559	¥247	¥—

Book value on consolidated balance sheet, fair value and the difference as of March 31, 2016 are as follows:

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 66,398	¥ 66,398	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	172,410	172,410	—
(3) Securities and investment securities	11,720	11,731	11
(4) Accounts receivable – other	21,310	21,310	—
Total Assets	¥271,838	¥271,849	¥ 11
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	¥129,562	¥129,562	¥ —
(2) Electronically recorded obligations – operating	15,824	15,824	—
(3) Short-term loans payable	23,709	23,709	—
(4) Bonds payable	20,000	20,290	290
(5) Long-term loans payable (*1)	30,490	30,630	140
Total Liabilities	¥219,585	¥220,015	¥430
Derivative transaction (*2)	¥ (35)	¥ (35)	¥ —

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	\$ 589,265	\$ 589,265	\$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	1,530,081	1,530,081	—
(3) Securities and investment securities	104,009	104,112	103
(4) Accounts receivable – other	189,120	189,120	—
Total Assets	\$2,412,475	\$2,412,578	\$ 103
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	\$1,149,827	\$1,149,827	\$ —
(2) Electronically recorded obligations – operating	140,432	140,432	—
(3) Short-term loans payable	210,413	210,413	—
(4) Bonds payable	177,494	180,067	2,573
(5) Long-term loans payable (*1)	270,590	271,832	1,242
Total Liabilities	\$1,948,756	\$1,952,571	\$3,815
Derivative transaction (*2)	\$ (310)	\$ (310)	\$ —

(*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) Securities and investment securities

The fair value of stocks and bonds present the market values.

Liabilities

(1) Notes payable, accounts payable for construction contracts and other, (2) Electronically recorded obligations-operating, (3) Short-term loans payable

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

(4) Bonds payable, (5) Long-term loans payable

The fair value of these items are calculated by discounting the total of principal and interest using interest rate calculated assuming the loan is newly made or the bond is newly issued. Long-term loans payable with floating rate is subject to a special treatment of interest rate swap and is calculated by discounting the total of principal and interest, accounted for as if they were integral part of the interest rate swap, by interest rate that is reasonably estimated and applied in the case of similar loan.

Derivative transaction

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

(Note 2) Since unlisted stocks (balance on consolidated balance sheet ¥2,903 million (U.S.\$25,763 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) Securities and investment securities."

(Note 3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2016

	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	¥ 66,351	¥ —	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other	164,453	7,957	—	—
Securities and investment securities				
Held-to-maturity bonds				
National and local government bonds	32	127	79	—
Corporate bonds	—	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	—	—
Other	—	—	—	—
Accounts receivable – other	21,310	—	—	—
Total	¥252,146	¥8,084	¥79	¥—

	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	\$ 588,842	\$ —	\$ —	\$—
Notes receivable, accounts receivable from completed construction contracts and other	1,459,465	70,616	—	—
Securities and investment securities				
Held-to-maturity bonds				
National and local government bonds	281	1,130	698	—
Corporate bonds	—	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	—	—
Other	—	—	—	—
Accounts receivable – other	189,120	—	—	—
Total	\$2,237,708	\$71,746	\$698	\$—

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

21. Segment information

(Segment information)

1. General information about reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decisions about resource allocation and to assess performance.

The Company is organized into business units based on their products and services and has four reported segments as follows:

- (1) Domestic civil engineering segment Construction of domestic civil engineering and other
- (2) Domestic building construction segment Construction of domestic building construction and other
- (3) Overseas segment Construction of overseas and other
- (4) Domestic real estate development segment Sale or rent of domestic real estate and other

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

The accounting policies of the segments are substantially the same as those described in the summary of significant accounting policies in Note 3. Segment performance is evaluated based on operating income or loss.

Intersegment sales and transfers are based on prevailing market price.

The Company do not allocate assets to business segments.

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

Millions of yen

	Reportable segment				Total	Other (Note 1)	Total	Adjustments (Note 2)	Recorded amount on consolidated statement of income (Note 3)
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Domestic real estate development segment					
Year ended March 31, 2015									
Net sales:									
Sales to third parties	¥147,147	¥130,763	¥138,473	¥1,895	¥418,278	¥7,960	¥426,238	¥ —	¥426,238
Intersegment sales and transfers	638	3	—	174	815	2,237	3,052	(3,052)	—
Total	147,785	130,766	138,473	2,069	419,093	10,197	429,290	(3,052)	426,238
Segment profit (loss)	5,307	2,037	4,820	(279)	11,885	398	12,283	10	12,293
Other item:									
Depreciation	1,666	411	2,624	58	4,759	542	5,301	(13)	5,288

Millions of yen

	Reportable segment				Total	Other (Note 1)	Total	Adjustments (Note 2)	Recorded amount on consolidated statement of income (Note 3)
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Domestic real estate development segment					
Year ended March 31, 2016									
Net sales:									
Sales to third parties	¥150,241	¥165,413	¥162,560	¥4,784	¥482,998	¥8,566	¥491,564	¥ —	¥491,564
Intersegment sales and transfers	322	4	—	178	504	2,231	2,735	(2,735)	—
Total	150,563	165,417	162,560	4,962	483,502	10,797	494,299	(2,735)	491,564
Segment profit (loss)	9,256	10,543	1,686	(630)	20,855	(250)	20,605	13	20,618
Other item:									
Depreciation	1,937	443	2,574	57	5,011	548	5,559	(10)	5,549

Thousands of U.S. dollars

	Reportable segment				Total	Other (Note 1)	Total	Adjustments (Note 2)	Recorded amount on consolidated statement of income (Note 3)
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Domestic real estate development segment					
Year ended March 31, 2016									
Net sales:									
Sales to third parties	\$1,333,346	\$1,467,988	\$1,442,673	\$42,460	\$4,286,467	\$76,011	\$4,362,478	\$ —	\$4,362,478
Intersegment sales and transfers	2,852	36	—	1,573	4,461	19,808	24,296	(24,269)	—
Total	1,336,198	1,468,024	1,442,673	44,033	4,290,928	95,819	4,386,747	(24,269)	4,362,478
Segment profit (loss)	82,144	93,570	14,960	(5,596)	185,078	(2,218)	182,860	115	182,975
Other item:									
Depreciation	17,190	3,936	22,845	498	44,469	4,861	49,330	(80)	49,250

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 statement of income.

(Related information)

For the year ended March 31, 2015

1. Information of each products and service

Please refer to Note 21 Segment information.

2. Geographical information

(1) Net sales

Japan	Southeast Asia	Other	Total
¥287,599 million	¥136,912 million	¥1,727 million	¥426,238 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
¥56,363 million	¥20,300 million	¥2 million	¥76,665 million

3. Each main customer

Name of Customer	Net sales	Related segment
Ministry of Land, Infrastructure, Transport and Tourism	¥44,335 million	Domestic civil engineering segment and Domestic building construction segment

For the year ended March 31, 2016

1. Information of each products and service

Please refer to Note 21 Segment information.

2. Geographical information

(1) Net sales

Japan	Southeast Asia	Other	Total
¥328,887 million U.S.\$2,918,773 thousand	¥161,924 million U.S.\$1,437,022 thousand	¥753 million U.S.\$6,683 thousand	¥491,564 million U.S.\$4,362,478 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
¥52,816 million U.S.\$468,723 thousand	¥17,588 million U.S.\$156,084 thousand	¥22 million U.S.\$198 thousand	¥70,426 million U.S.\$625,005 thousand

3. Each main customer

Name of Customer	Net sales	Related segment
Government of Singapore	¥67,837 million U.S.\$602,033 thousand	Overseas segment

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

For the year ended March 31, 2015

There is no impairment loss divided by reportable segment.

The amount and contents of impairment loss which is not divided by reportable segment is omitted to disclose to Note 12 Extraordinary losses.

For the year ended March 31, 2016

There is no impairment loss divided by reportable segment.

The amount and contents of impairment loss which is not divided by reportable segment is omitted to disclose to Note 12 Extraordinary losses.

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

For the year ended March 31, 2015

This information is omitted, due to insignificant amount.

For the year ended March 31, 2016

None

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

For the year ended March 31, 2015

This information is omitted, due to insignificant amount.

For the year ended March 31, 2016

None

22. Amounts per share

1. Per share information is summarized as follows:

	Yen		U.S. dollars
	2015	2016	2016
Net assets per share	¥269.44	¥281.87	\$2.50
Profit attributable to owners of parent per share	21.63	27.30	0.24

Basic profit attributable to owners of parent per share is calculated by the weighted average number of outstanding common stocks during the year.

2. For the years ended March 31, 2015 and 2016, diluted profit attributable to owners of parent per share is not disclosed, because the dilutive potential of shares of common stock is none.

23. Significant subsequent events

Dividends

For the year ended March 31, 2016

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, 2016, was approved at the general shareholders' meeting held on June 24, 2016 and became effective June 27, 2016:

	Millions of yen	Thousands of U.S. dollars
	2016	2016
Cash dividends (¥6 (u.s.\$0.05) per share)	¥1,715	\$15,224

Independent Auditor's Report



Ernst & Young ShinNihon LLC
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Tokyo 100-0011, Japan

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Fax: +81 3 3503 1197
www.shinnihon.or.jp

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of PENTA-OCEAN CONSTRUCTION CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PENTA-OCEAN CONSTRUCTION CO., LTD. and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 24, 2016
Tokyo, Japan

A member firm of Ernst & Young Global Limited



Non-Consolidated Financial Statements

Non-Consolidated Five-Year Summary

Penta-Ocean Construction Co., Ltd.
Fiscal years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2012	2013	2014	2015	2016	2016
Orders received	¥299,133	¥281,428	¥449,146	¥722,341	¥443,182	\$3,933,099
Civil engineering	156,294	131,883	274,182	405,004	195,832	1,737,948
Building construction	140,219	148,423	172,482	311,453	244,240	2,167,552
Development business and other	2,620	1,122	2,482	5,884	3,110	27,599
Net sales	308,576	329,510	355,927	393,711	457,862	4,063,386
Civil engineering	158,503	179,012	191,384	216,009	235,976	2,094,217
Building construction	147,452	149,210	162,101	175,633	216,925	1,925,136
Development business and other	2,621	1,288	2,442	2,069	4,961	44,033
Contract backlog	349,956	315,084	416,885	762,370	719,343	6,383,946
Civil engineering	201,590	163,471	251,106	452,830	391,952	3,478,453
Building construction	148,160	151,574	165,701	305,647	325,349	2,887,372
Development business and other	206	39	78	3,893	2,042	18,121
Total assets	293,775	282,616	283,701	345,576	356,335	3,162,362
Net assets	58,271	61,317	65,578	69,795	74,456	660,784
Ordinary income	7,599	6,385	8,152	9,044	17,807	158,030
Profit before income taxes	6,499	5,100	7,526	7,611	12,615	111,950
Profit	2,083	2,320	3,276	4,520	6,855	60,834
Cash dividends	572	572	572	1,144	1,715	15,224
Per share of common stock:						
	Yen					U.S. dollars
Net assets	¥203.81	¥214.46	¥229.37	¥244.12	¥260.43	\$2.31
Profit	7.29	8.12	11.46	15.81	23.98	0.21
Cash dividends	2.00	2.00	2.00	4.00	6.00	0.05
Number of employees	2,391	2,386	2,390	2,441	2,522	

Note: Figures in U.S. dollars are converted for convenience only, at the rate of ¥112.68 per U.S.\$1, prevailing on March 31, 2016.

Non-Consolidated Balance Sheets

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2015
Current assets:			
Cash and deposits	¥ 28,185	¥ 52,496	\$ 465,882
Trade receivables:			
Notes	12,394	12,635	112,132
Accounts	174,607	167,206	1,483,906
Subsidiaries and affiliates	6,395	9,545	84,708
Securities	43	32	281
Inventories:			
Costs on uncompleted construction contracts	9,214	11,824	104,933
Real estate for sale and development projects in progress	9,802	5,656	50,194
Raw materials and supplies	909	836	7,420
Deferred tax assets	2,586	2,569	22,797
Other	5,484	3,348	29,717
Allowance for doubtful accounts	(976)	(897)	(7,961)
Total current assets	248,643	265,250	2,354,009
Property, plant and equipment:			
Land	36,399	30,770	273,071
Buildings and structures	31,953	32,980	292,688
Machinery, equipment and vehicles	12,222	14,716	130,603
Dredgers and vessels	26,302	26,908	238,800
Construction in progress	379	440	3,905
Other	266	364	3,227
Total property, plant and equipment	107,521	106,178	942,294
Less: Accumulated depreciation	(53,297)	(55,602)	(493,448)
Property, plant and equipment — net	54,224	50,576	448,846
Intangible assets:	1,092	1,412	12,531
Investments and other assets:			
Stock of and long-term loans receivable from subsidiaries and affiliates	22,043	19,665	174,522
Investment securities	16,543	14,466	128,378
Long-term loans receivable	83	55	490
Deferred tax assets	836	719	6,379
Other	3,267	5,133	45,558
Allowance for doubtful accounts	(1,155)	(941)	(8,351)
Total investments and other assets	41,617	39,097	346,976
Total assets	¥345,576	¥356,335	\$3,162,362

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Current liabilities:			
Short-term loans payable			
Bank	¥ 25,490	¥ 22,009	\$ 195,326
Commercial papers	19,996	—	—
Current portion of long-term loans payable and bonds payable	11,012	10,051	89,201
Trade payable:			
Notes	19,726	23,757	210,840
Accounts	95,113	93,466	829,478
Electronically recorded monetary payable	9,252	15,130	134,272
Subsidiaries and affiliates	8,507	7,347	65,205
Advance received on uncompleted construction contracts	20,116	25,634	227,494
Deposits received	14,228	24,373	216,300
Income taxes payable	2,309	5,788	51,365
Provision for loss on construction contracts	2,901	2,312	20,520
Provision for warranties for completed construction	682	1,450	12,863
Other provision	1,395	2,403	21,328
Other	2,266	2,875	25,511
Total current liabilities	232,993	236,595	2,099,703
Non-current liabilities:			
Bonds payable	20,000	20,000	177,494
Long-term loans payable	16,415	20,414	181,164
Provision for retirement benefits	583	601	5,335
Deferred tax liabilities for land revaluation	5,382	3,869	34,337
Other	408	400	3,545
Total non-current liabilities	42,788	45,284	401,875
Total liabilities	275,781	281,879	2,501,578
Net assets:			
Capital stock	30,450	30,450	270,234
Authorized — 599,135,000 shares			
Issued shares — 286,013,910 shares in 2015 and 2016			
Capital surplus			
Legal capital surplus	12,380	12,380	109,865
Other capital surplus	6,007	6,007	53,312
Total capital surplus	18,387	18,387	163,177
Retained earnings			
Retained earnings brought forward	10,717	19,022	168,821
Total retained earnings	10,717	19,022	168,821
Less: Treasury stock	(25)	(26)	(228)
Valuation difference on available-for-sale securities	3,606	2,299	20,404
Deferred gain(losses) on hedges	(17)	21	184
Revaluation reserve for land	6,677	4,303	38,192
Total net assets	69,795	74,456	660,784
Total liabilities and net assets	¥345,576	¥356,335	\$3,162,362

Non-Consolidated Statement of Income

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Construction business:			
Net sales	¥391,642	¥452,901	\$4,019,353
Cost of sales	367,986	420,331	3,730,305
Gross profit	23,656	32,570	289,048
Development business and other:			
Net sales	2,069	4,961	44,033
Cost of sales	2,224	5,406	47,975
Gross loss	(155)	(445)	(3,942)
Total:			
Total net sales	393,711	457,862	4,063,386
Total cost of sales	370,210	425,737	3,778,280
Total gross profit	23,501	32,125	285,106
Selling, general and administrative expenses	13,807	14,006	124,297
Operating income	9,694	18,119	160,809
Non-operating income:			
Interest and dividends income	507	293	2,592
Interest and dividends income from subsidiaries and affiliates	238	1,232	10,935
Other	443	469	4,161
	1,188	1,994	17,688
Non-operating expenses:			
Interest expenses	1,009	1,101	9,772
Foreign exchange losses	586	892	7,913
Other	243	313	2,782
	1,838	2,306	20,467
Ordinary income	9,044	17,807	158,030
Extraordinary income	328	264	2,340
Extraordinary losses	1,761	5,456	48,420
Profit before income taxes	7,611	12,615	111,950
Income taxes:			
Current	1,966	6,254	55,499
Deferred	1,125	(494)	(4,383)
Total income taxes	3,091	5,760	51,116
Profit	¥ 4,520	¥ 6,855	\$ 60,834
Profit per share of common stock			
	Yen		U.S. dollars
Basic	¥15.81	¥23.98	\$0.21

Company Data

Company Outline

(As of March 31, 2016)

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 (U.S.\$270.2 million)
Employees	2,522 (3,025 consolidated)
Website	http://www.penta-ocean.co.jp

Members of the Board and Audit & Supervisory Board Members

(As of June 24, 2016)

President, Chief Executive Officer and Representative Director

Takuzo Shimizu

Executive Vice President, Representative Director

Kunihiko Sasaki

Members of the Board

Akihiko Togo Kazuya Ueda Yuji Nakamitsu
Tetsushi Noguchi Shinichi Igarashi Michio Inatomi
Hisanori Ohara* Yasuhiro Kawashima*

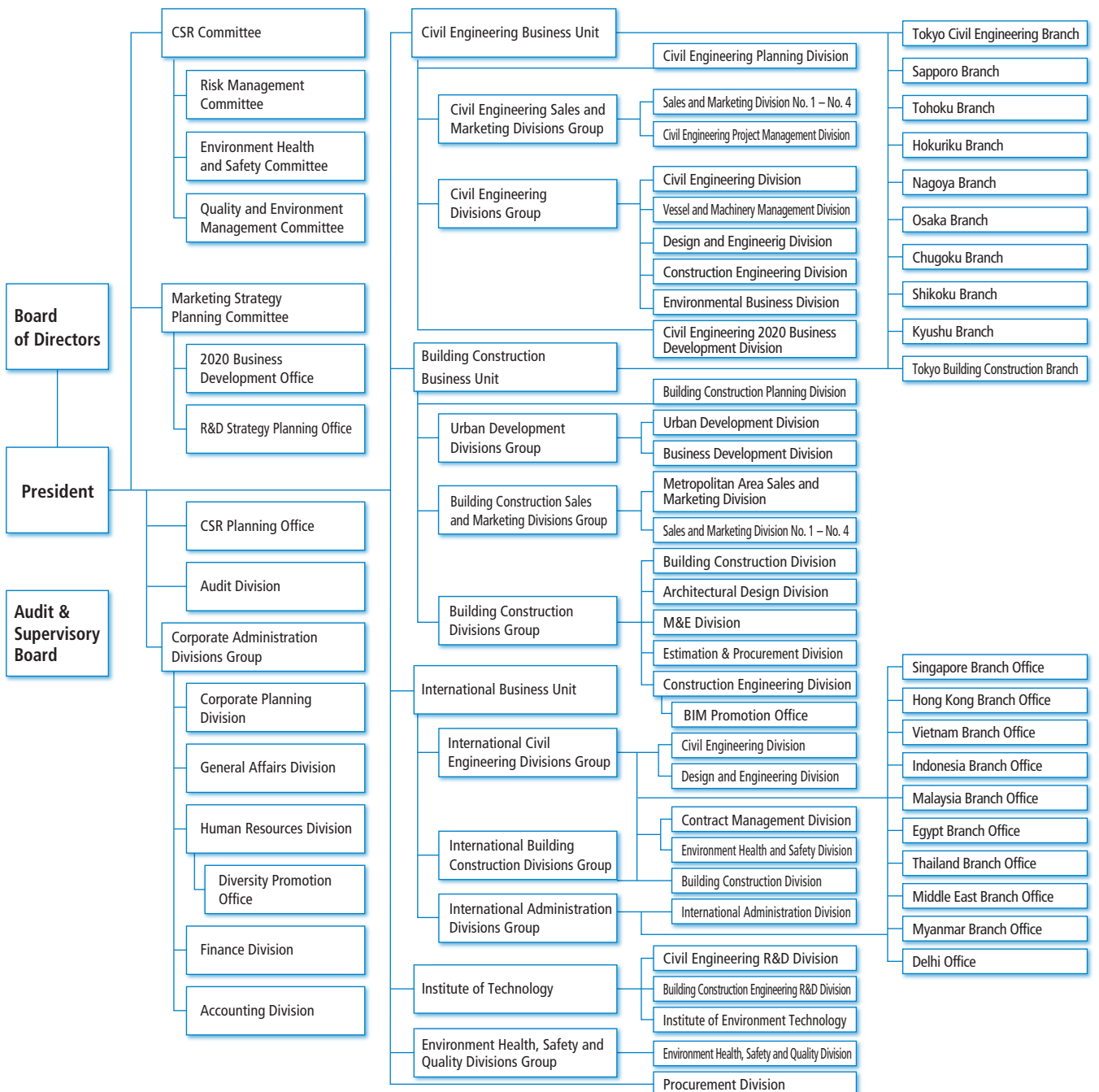
Audit & Supervisory Board Members

Takeshi Miyazono Hironaga Fukuda* Yoshiaki Ohashi*
Tatsuya Toyoshima*

* Indicates external members.

Organization Chart

(As of April 1, 2016)





1 HEAD OFFICE

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

2 SINGAPORE BRANCH OFFICE

1 Kim Seng Promenade, #11-03, Great World City,
East Tower, 237994 Singapore
Tel: 65-6338-8966 Fax: 65-6337-0987

3 HONG KONG BRANCH OFFICE

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

4 VIETNAM BRANCH OFFICE

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

5 INDONESIA BRANCH 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 BRANCH OFFICE

Suite 3B-20-6, Level 20, Block 3B Plaza Sentral,
Jalan Stesen Sentral 5
Kuala Lumpur Sentral 50470 Kuala Lumpur, Malaysia
Tel: 60-3-2260-6736 Fax: 60-3-2260-6737

7 EGYPT BRANCH 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 THAILAND BRANCH OFFICE

17th Floor, Room 1704, Vanit II Building, 1126/2
New Petchburi Road, Makkasan Rajthevee,
Bangkok 10400, Thailand
Tel: 66-2-655-2183 Fax: 66-2-655-2185

9 MIDDLE EAST BRANCH OFFICE

Office No.15424, Jafza LOB 15. P.O. Box 118791, Dubai, U.A.E.
Tel: 971-4-880-8824 Fax: 971-4-880-8834

10 MYANMAR BRANCH OFFICE

Room 202, La Pyayt Wun Plaza, No.37 Alanpya Pagoda Road,
Dagon Township, Yangon 11191 Myanmar
Tel: 95-1-370839 Fax: 95-1-370839

11 DELHI OFFICE

Unit No.1120, 11th Floor, JMD Megapolis, Sector-48, Sohana Road,
Gurgaon-122018, Haryana, India
Tel: 91-124-436-8355 Fax: 91-124-436-8356

Penta–Ocean Construction Group

(As of March 31, 2016)

Consolidated Affiliates

Penta–Ocean Dredging Co., Ltd.	Tokyo, Japan
Yoshin Construction Co., Ltd.	Hiroshima, Japan
Penta Builders Corporation	Tokyo, Japan
Kegoya Dock Co., Ltd.	Hiroshima, Japan
Penta Techno Service Co., Ltd.	Tochigi, Japan
Sand Techno Co., Ltd.	Chiba, Japan
Domi Environmental Solutions Co., Ltd.	Tokyo, Japan
Penta Insurance Services Co., Ltd.	Tokyo, Japan
Jaiwat Co., Ltd.	Miyagi, Japan
Miki Biotech Co., Ltd.	Hyogo, Japan
Penta–Ocean Marine Holdings Pte. Ltd.	Singapore
Andromeda Five Pte. Ltd.	Singapore
Cassiopeia 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

Penta–Ocean (Malaysia) SDN. BHD.	Malaysia
Angkutlaut Ltd.	Malaysia
PT. PENTA Ocean Construction	Indonesia
Siam Goyo Co., Ltd.	Thailand
Thai Penta–Ocean Co., Ltd.	Thailand
Penta–Ocean Construction (Hong Kong) Ltd.	Hong Kong
Penta–Ocean Construction (India) Pvt. Ltd.	India
Brichwood Co., Ltd.	Hong Kong
Penta–Ocean Technology Information Advisory (Shenzhen) Ltd.	China

Equity Affiliate

Haneda International Airport Apron PFI Co., Ltd.	Tokyo, Japan
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Non–Equity Affiliates

Miyajima Aqua Partners Co., Ltd.	Hiroshima, Japan
Matsuyama Environment Technology Co., Ltd.	Ehime, Japan
Mito Environment Technology Co., Ltd.	Ibaraki, Japan

Investor Information

(As of March 31, 2016)

Fiscal Year	April 1 – March 31
Common Stock	Authorized: 599,135,000 Issued: 285,903,958 (excluding 109,952 shares of treasury stock)
Stock Listing	First Section of the Tokyo and Nagoya Stock Exchanges
Shareholders	35,050
Transfer Agency	Mizuho Trust & Banking Co., Ltd. 2–8–4, Izumi, Suginami–ku, Tokyo 168–8507, Japan

Major Shareholders

Shareholders	Number of shares held (thousands)	Percentage of shares held (%)
Japan Trustee Service Bank, Ltd. (Trust Account)	41,746	14.6
The Master Trust Bank of Japan, Ltd. (Trust Account)	15,957	5.6
Mizuho Bank, Ltd.	7,059	2.5
Meiji Yasuda Life Insurance Co.	6,656	2.3
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	5,781	2.0
JUNIPER	5,039	1.8
NOMURA BANK (LUXEMBOURG) S.A. S/A NOMURA MULTI CURRENCY JAPAN STOCK LEADERS FUND	4,833	1.7
Sompo Japan Nipponkoa Insurance Inc.	4,280	1.5
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,934	1.4
Mizuho Securities Co., Ltd.	3,604	1.2



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