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
	2013	2014	2015	2016	**2017**	**2017**
Net sales	¥349,839	¥381,182	¥426,238	¥491,564	**¥500,336**	**$4,459,722**
Construction	341,067	372,367	414,892	477,164	**487,133**	**4,342,032**
Development business	1,143	2,447	1,912	4,803	**3,963**	**35,328**
Other	7,629	6,368	9,434	9,597	**9,240**	**82,362**
Total assets	296,726	301,627	366,170	378,766	**372,311**	**3,318,576**
Net assets excluding non-controlling interests	65,080	67,339	77,033	80,588	**96,377**	**859,052**
Ordinary income	6,560	9,160	11,393	19,409	**23,709**	**211,330**
Profit before income taxes	5,018	8,740	10,176	14,242	**23,028**	**205,258**
Profit attributable to owners of parent	2,030	3,763	6,183	7,806	**15,272**	**136,124**
Cash dividends	572	572	1,144	1,715	**3,431**	**30,581**

Per share of common stock:	Yen					U.S. dollars
Net assets excluding non-controlling interests	¥227.63	¥235.53	¥269.44	¥281.87	**¥337.10**	**$3.00**
Profit attributable to owners of parent	7.10	13.16	21.63	27.30	**53.42**	**0.48**
Cash dividends	2.00	2.00	4.00	6.00	**12.00**	**0.11**
Number of employees	2,911	2,905	2,949	3,025	**3,074**	

Note: Figures in U.S. dollars are converted for convenience only, at the rate of ¥112.19 per U.S.$1, prevailing on March 31, 2017.

Financial Review

Business Performance

The net sales for the group amounted to ¥500,336 million (US$4,459.7 million), an increase of ¥8,772 million (US$78.2 million) (1.8%) compared to the previous consolidated fiscal year, and operating profits totaled ¥24,275 million (US$216.4 million), an increase of ¥3,657 million (US$32.6 million) (17.7%) compared to the previous consolidated fiscal year. Ordinary profits totaled ¥23,709 million (US$211.3 million), an increase of ¥4,300 million (US$38.3 million) (22.2%) compared to the previous consolidated fiscal year. And, current net profits totaled ¥15,272 million (US$136.1 million), an increase of ¥7,466 million (US$66.5 million) (95.6%) compared to the previous consolidated fiscal year.

Gross operating profits increased due to the construction revenue improvement, and an increase in the operating profits, ordinary profits and current net profits attributable to owners of parent was achieved.

Segment Information

In our domestic Civil Engineering Business, under the circumstances where public works showed steady growth, sales amounted to ¥155,345 million (US$1,384.7 million), an increase of ¥4,782 million (US$42.6 million) (3.2%) compared to the previous consolidated fiscal year and segment profits totaled ¥9,696 million (US$86.4 million), an increase of ¥440 million (US$3.9 million) (4.8%) compared to the previous consolidated fiscal year.

Our domestic Building Construction Business showed steady growth through the increase of redevelopment projects and inbound related demand supported by the robust private equipment investment due to improved corporate earnings. Under these circumstances, sales amounted to ¥149,872 million (US$1,335.9 million), a decrease of ¥15,545 million (US$138.6 million) (-9.4%) compared to the previous consolidated fiscal year and segment prfits totaled ¥11,190 million (US$99.7 million), an increase of ¥647 million (US$5.8 million) (6.1%) compared to the previous consolidated fiscal year.

In our overseas Construction Business, the construction investment continued to remain solid in our main market of Southeast Asia, such as Singapore and Hong Kong. Under these circumstances, sales amounted to ¥183,560 million (US$1,636.2 million), an increase of ¥21,000 million (US$187.2 million) (12.9%) compared to the previous consolidated fiscal year and segment profits totaled ¥2,170 million (US$19.3 million), an increase of ¥484 million (US$4.3 million) (28.7%) compared to the previous consolidated fiscal year.

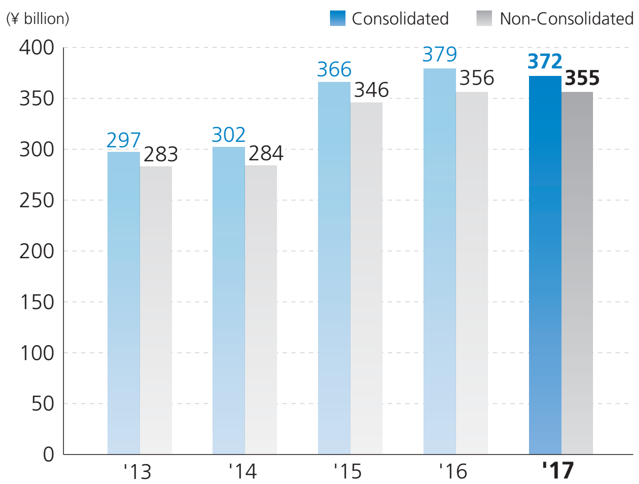
In our domestic Development Business, sales amounted to ¥4,093 million (US$36.5 million), a decrease of ¥869 million (US$7.7 million) (-17.5%) compared to the previous consolidated fiscal year and segment profits totaled ¥529 million (US$4.7 million) (segment profits in the previous consolidated fiscal year was ¥630 million (US$5.6 million)).

In our Other businesses, mainly consisting of shipbuilding, sales of construction materials, machine leasing and environmental business, sales amounted to ¥10,023 million (US$89.3 million), a decrease of ¥774 million (US$6.9 million) (-7.2%) compared to the previous consolidated fiscal year and segment profits totaled ¥683 million (US$6.1 million).(segment loss in the previous consolidated fiscal year was ¥250 million (US$2.2 million)).

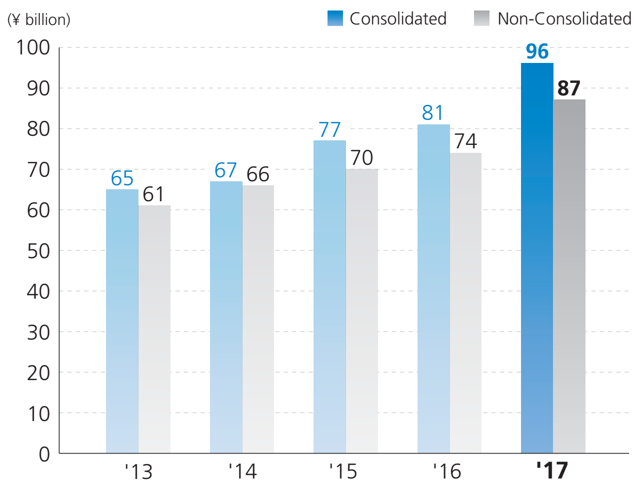
Orders received and contract backlog

As for our non-consolidate construction orders received: domestic Civil Engineering Business increased by 22.3% to ¥187,402 million (US$1,670.4 million) due to the undertaking of large-scale private construction work; domestic Building Construction Business increased by 21.4% to ¥176,188 million (US$1,570.4 million) due the undertaking of several large-scale construction works both public and private; overseas Construction Business decreased by 29.3% to ¥100,231 million (US$893.4 million) due to the recoil after the undertaking of several large-scale construction works in the previous consolidated fiscal year; in total, there was an increase of 5.1% to ¥465,939 million (US$4,153.1 million).

Total Assets



Total Net Assets



Financial Position

The total assets of our group decreased by ¥6,455 million (US$57.5 million) to ¥372,311 million (US$3,318.6 million) compared to the end of the previous consolidated fiscal year mainly due to the decrease of notes receivable and accounts receivable from completed constructs. Liabilities decreased by ¥22,244 million (US$198.3 million) to ¥275,866 million (US$2,458.9 million) compared to the end of previous consolidated fiscal year mainly due to the decrease of loans payable. Net assets increased by ¥15,788 million (US$140.7 million) to ¥96,445 million (US$859.7 million) compared to the end of the previous consolidated fiscal year mainly due to the increase of retained earnings through the posting of the current net income.

Cash flows

With regard to cash flow from operations, it resulted in an excess of ¥31,294 million (US$278.9 million) in revenue due to the decrease of revenue by ¥23,909 million (US$213.1 million) compared to the end of the previous consolidated fiscal year although net income before income taxes was ¥23,028 million (US$205.3 million) (an excess of ¥55,202 million (US$492.0 million) in expenditure in the previous consolidated fiscal year).

With regard to cash flow from investments, expenditures increased by ¥4,395 million (US$39.2 million) compared to the previous consolidated fiscal year mainly due to the expenditures for new work vessel construction, and it resulted in an excess of ¥9,090 million (US$81.0 million) in expenditure (an excess of ¥4,695 million (US$41.8 million) in expenditure in the previous consolidated fiscal year).

Free cash flow, the total of cash flow from operations and investments, resulted in an excess of ¥22,204 million (US$197.9 million) in revenue (an excess of ¥50,507 million (US$450.2 million) in revenue in the previous consolidated fiscal year).

With regard to cash flow from financial activities, although expenditures decreased by ¥5,181 million (US$46.2 million) compared to the previous consolidated fiscal year, it resulted in an excess of ¥15,533 million (US$138.4 million) in expenditure mainly due to the expenditure for repayment of loans payable (an excess of ¥20,713 million (US$184.6 million) in revenue in the previous consolidated fiscal year).

From these results, "cash and cash equivalents" as of the end of this consolidated fiscal year increased by ¥6,336 million (US$56.5 million) (9.7%) compared to the end of the previous consolidated fiscal year to ¥71,770 million (US$639.7 million), and the balance of interest-bearing debts at the end of this fiscal year resulted in ¥59,722 million (US$532.3 million).

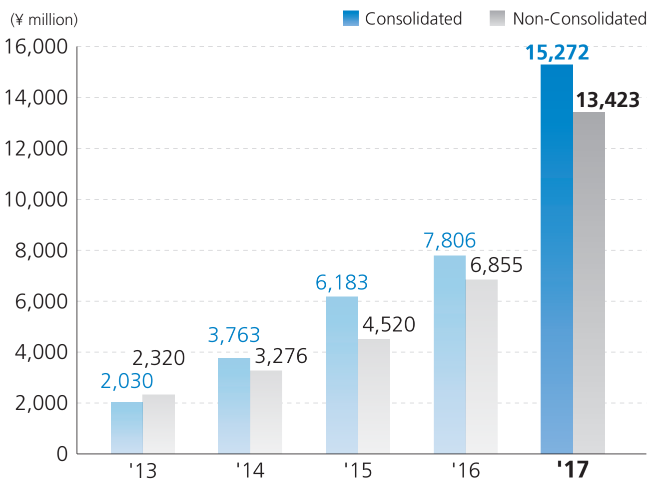
Dividends

Our basic policies are to improve profitability and increase corporate value by forward-looking reinforcement of business infrastructure and implementation of technology development and capital investment, as well as to distribute continuous and stable dividends to shareholders. Under these policies, we aim to achieve a consolidated dividend payout ratio of 20% to 25%. In addition, we plan to make use of internal reserves to the investment for engineering development or equipment investment to improve our corporate value. Regarding the performance of the current fiscal year, there was comprehensive consideration of progress in improving financial soundness and business deployment in the future, and dividends from surplus of the current fiscal year were determined at ¥12 per common share. The total amount of dividends was ¥3,431 million (US$30.6 million).

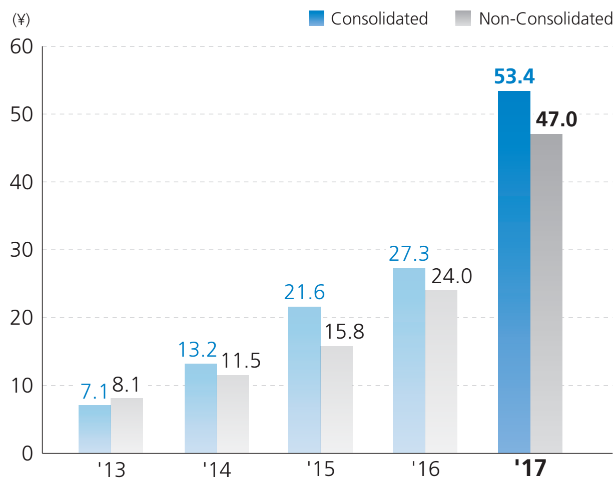
It is also our basic policy to pay a year-end dividend annually, determined by the general shareholders' meetings.

* Exchange rate at the term end US$1 = ¥112.19

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
	2016	2017	2017
Current assets:			
Cash and deposits (Note 21)	¥ 66,398	**¥ 72,464**	**$ 645,902**
Securities (Notes 3(3), 6, 7 and 21)	32	**—**	**—**
Trade receivables: (Note 21)			
Notes	13,351	**8,678**	**77,355**
Accounts	180,368	**172,780**	**1,540,066**
Inventories: (Note 3 (5))			
Costs on uncompleted construction contracts	12,340	**10,512**	**93,702**
Real estate for sale and development projects in progress (Note 7)	6,307	**4,444**	**39,612**
Other	2,331	**2,142**	**19,090**
Deferred tax assets (Note 19)	2,708	**2,561**	**22,827**
Other	4,025	**4,382**	**39,049**
Allowance for doubtful accounts (Note 3 (9))	(903)	**(757)**	**(6,745)**
Total current assets	286,957	**277,206**	**2,470,858**
Property, plant and equipment: (Notes 3 (6) and 3 (8))			
Land	32,730	**31,855**	**283,938**
Buildings and structures	36,222	**36,473**	**325,102**
Machinery, equipment and vehicles	20,122	**20,792**	**185,331**
Dredgers and vessels	66,735	**68,072**	**606,756**
Construction in progress	531	**4,223**	**37,640**
Total property, plant and equipment	156,340	**161,415**	**1,438,767**
Less: accumulated depreciation	(85,914)	**(88,713)**	**(790,742)**
Property, plant and equipment — net	70,426	**72,702**	**648,025**
Intangible assets (Note 3 (7))	1,457	**1,407**	**12,538**
Investments and other assets:			
Investment securities (Notes 3 (3), 6, 7 and 21)	14,591	**16,044**	**143,003**
Long–term loans receivables	179	**147**	**1,307**
Deferred tax assets (Note 19)	1,401	**337**	**3,000**
Net defined benefit asset (Note 20)	1,092	**1,771**	**15,788**
Other	3,567	**3,009**	**26,833**
Allowance for doubtful accounts (Note 3 (9))	(962)	**(352)**	**(3,133)**
Total investments and other assets	19,868	**20,956**	**186,798**
Deferred assets (Note 3 (19))	58	**40**	**357**
Total assets	¥378,766	**¥372,311**	**$3,318,576**

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Current liabilities:			
Short–term loans payable (Notes 8 and 21)	¥ 23,709	**¥ 16,278**	**$ 145,094**
Current portion of long–term loans payable and bonds payable (Notes 8 and 21)	10,076	**7,853**	**69,999**
Trade payable: (Note 21)			
Notes	31,969	**22,906**	**204,174**
Accounts	102,176	**94,103**	**838,780**
Electoronically recorded obligations–operating	15,824	**26,059**	**232,273**
Advance received on uncompleted construction contracts	26,557	**29,708**	**264,799**
Deposits received	26,009	**24,540**	**218,733**
Income taxes payable	6,091	**5,420**	**48,314**
Provision for loss on construction contracts (Note 3 (12))	2,415	**2,038**	**18,167**
Provision for warranties for completed construction (Note 3 (10))	1,473	**1,573**	**14,025**
Provision for bonuses (Note 3 (11))	1,877	**2,161**	**19,262**
Other	3,315	**2,712**	**24,172**
Total current liabilities	251,491	**235,351**	**2,097,792**
Non–current liabilities:			
Bonds payable (Notes 8 and 21)	20,000	**20,000**	**178,269**
Long–term loans payable (Notes 8 and 21)	20,414	**15,590**	**138,964**
Provision for directors' retirement benefits (Note 3 (13))	174	**152**	**1,352**
Net defined benefit liability (Notes 3 (14) and 20)	1,085	**357**	**3,185**
Deferred tax liabilities for land revaluation (Note 9 (2))	3,869	**3,691**	**32,904**
Other	1,076	**725**	**6,453**
Total non–current liabilities	46,618	**40,515**	**361,127**
Total liabilities	298,109	**275,866**	**2,458,919**
Commitments and contingent liabilities (Note 18)			
Net assets:			
Shareholders' equity:			
Capital stock	30,450	**30,450**	**271,414**
Authorized — 599,135,000 shares			
Issued shares — 286,013,910 shares 2016 and 2017			
Capital surplus (Note 9 (1))	18,387	**18,387**	**163,889**
Retained earnings (Note 9 (1))	25,903	**39,842**	**355,128**
Less: Treasury Shares	(26)	**(26)**	**(232)**
Total shareholders' equity	74,714	**88,653**	**790,199**
Accumulated other comprehensive income:			
Valuation difference on available–for–sale securities (Notes 3 (3) and 9 (3))	2,300	**3,242**	**28,900**
Deferred gains or losses on hedges	21	**69**	**617**
Revaluation reserve for land (Note 9 (2))	4,303	**3,921**	**34,946**
Foreign currency translation adjustment (Note 3 (2))	(81)	**(78)**	**(687)**
Remeasurements of defined benefit plans (Notes 3 (14) and 20)	(669)	**570**	**5,078**
Total accumulated other comprehensive income	5,874	**7,724**	**68,854**
Non-controlling interests	69	**68**	**604**
Total net assets	80,657	**96,445**	**859,657**
Total liabilities and net assets	¥378,766	**¥372,311**	**$3,318,576**

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
	2016	**2017**	**2017**
Construction business: (Note 3 (15))			
Net sales	¥477,164	**¥487,133**	**$4,342,032**
Cost of sales	441,859	**448,922**	**4,001,437**
Gross profit	35,305	**38,211**	**340,595**
Development business and other:			
Net sales	14,400	**13,203**	**117,690**
Cost of sales	13,694	**10,544**	**93,995**
Gross profit	706	**2,659**	**23,695**
Total:			
Total net sales	491,564	**500,336**	**4,459,722**
Total cost of sales	455,553	**459,466**	**4,095,432**
Total gross profit	36,011	**40,870**	**364,290**
Selling, general and administrative expenses	15,393	**16,595**	**147,919**
Operating income	20,618	**24,275**	**216,371**
Non–operating income:			
Interest and dividends income	329	**621**	**5,539**
Reversal of allowance for doubtful accounts	208	**158**	**1,408**
Other (Note 10)	503	**441**	**3,932**
	1,040	**1,220**	**10,879**
Non–operating expenses:			
Interest expenses	1,066	**792**	**7,058**
Foreign exchange losses	843	**818**	**7,294**
Other (Note 11)	340	**176**	**1,568**
	2,249	**1,786**	**15,920**
Ordinary income	19,409	**23,709**	**211,330**
Extraordinary income (Note 12)	267	**120**	**1,066**
Extraordinary losses (Note 13)	5,434	**801**	**7,138**
Profit before income taxes	14,242	**23,028**	**205,258**
Income taxes: (Notes 3(18) and 19)			
Current	7,018	**7,698**	**68,612**
Deferred	(581)	**(59)**	**527**
	6,437	**7,757**	**69,139**
Profit (loss) attributable to:	7,805	**15,271**	**136,119**
Non-controlling interests	(1)	**(1)**	**(5)**
Owners of parent	¥ 7,806	**¥ 15,272**	**$ 136,124**

	Yen		U.S. dollars
Profit attributable to owners of parent per share of common stock (Note 23)			
Basic	¥27.30	**¥53.42**	**$0.48**

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
	2016	**2017**	**2017**
Profit	¥7,805	**¥15,271**	**$136,119**
Valuation difference on available–for–sale securities	(1,308)	**943**	**8,401**
Deferred gains or losses on hedges	38	**48**	**431**
Revaluation reserve for land	221	—	—
Foreign currency translation adjustments	(104)	**4**	**33**
Remeasurements of defined benefit plans	(1,958)	**1,238**	**11,038**
Total other comprehensive income (Note 15)	(3,111)	**2,233**	**19,903**
Comprehensive income	¥4,694	**¥17,504**	**$156,022**
(Breakdown)			
Comprehensive income attributable to owners of parent	¥4,699	**¥17,505**	**$156,031**
Comprehensive income attributable to non-controlling interests	(5)	**(1)**	**(9)**

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, 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
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)
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							
	Valuation difference on available–for–sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥3,607	¥(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)
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, 2017

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

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

For the year ended March 31, 2017

	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	$271,414	$163,889	$230,882	$(229)	$665,956
Changes of items during period					
Dividends of surplus			(15,290)		(15,290)
Profit attributable to owners of parent			136,124		136,124
Reversal of revaluation reserve for land			3,412		3,412
Purchase of treasury shares				(3)	(3)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	124,246	(3)	124,243
Balance at the end of current period	$271,414	$163,889	$355,128	$(232)	$790,199

	Thousands of U.S. dollars							
	Accumulated other comprehensive income							
	Valuation difference on available–for–sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	$20,498	$185	$38,358	$(724)	$(5,959)	$52,358	$613	$718,927
Changes of items during period								
Dividends of surplus								(15,290)
Profit attributable to owners of parent								136,124
Reversal of revaluation reserve for land								3,412
Purchase of treasury shares								(3)
Net changes of items other than shareholders' equity	8,402	432	(3,412)	37	11,037	16,496	(9)	16,487
Total changes of items during period	8,402	432	(3,412)	37	11,037	16,496	(9)	140,730
Balance at the end of current period	$28,900	$617	$34,946	$(687)	$(5,078)	$68,854	$604	$859,657

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
	2016	**2017**	**2017**
Cash flows from operating activities:			
Profit before income taxes	¥14,242	**¥23,028**	**$205,258**
Adjustment to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	5,550	**5,614**	**50,039**
Impairment loss	4,908	**694**	**6,187**
Increase (Decrease) in allowance for doubtful accounts	(387)	**(757)**	**(6,744)**
Increase (Decrease) in net defined benefit liability	31	**66**	**585**
Decrease (Increase) in net defined benefit asset	(1,875)	**(358)**	**(3,191)**
Interest and dividends income	(329)	**(621)**	**(5,539)**
Interest expenses	1,066	**792**	**7,058**
Foreign exchange losses (Gains)	1,676	**242**	**2,156**
Equity in (Earnings) losses of affiliates	(7)	**(8)**	**(68)**
Loss (Gain) on sales of property, plant and equipment	392	**(11)**	**(99)**
Loss (Gain) on sales of investment securities	(209)	**(61)**	**(541)**
Loss on valuation of securities and investment securities	2	**2**	**20**
Change in assets and liabilities:			
Decrease (Increase) in notes and accounts receivable–trade	(2,567)	**7,235**	**64,492**
Decrease (Increase) in costs on uncompleted construction contracts	(2,459)	**1,825**	**16,270**
Decrease (Increase) in real estate for sale and development projects in progress and other inventories	4,353	**2,232**	**19,895**
Increase (Decrease) in notes and accounts payable–trade	8,833	**(6,820)**	**(60,788)**
Increase (Decrease) in advances received on uncompleted construction contracts	5,057	**3,151**	**28,082**
Increase (Decrease) in other provision	(270)	**(92)**	**(827)**
Other, net	21,584	**3,954**	**35,243**
Subtotal	59,591	**40,107**	**357,488**
Interest and dividends income received	353	**620**	**5,526**
Interest expenses paid	(1,108)	**(799)**	**(7,125)**
Income taxes paid	(3,634)	**(8,634)**	**(76,955)**
Net cash provided by operating activities	55,202	**31,294**	**278,934**
Cash flows from investing activities:			
Purchase of investment securities	(349)	**(304)**	**(2,707)**
Proceeds from sales and redemption of short-term and long-term investment securities	624	**277**	**2,471**
Purchase of property, plant and equipment	(6,227)	**(9,107)**	**(81,174)**
Proceeds from sales of property, plant and equipment	1,253	**94**	**840**
Collection of loans receivable	925	**32**	**290**
Other, net	(921)	**(82)**	**(742)**
Net cash used in investing activities	(4,695)	**(9,090)**	**(81,022)**

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Cash flows from financing activities:			
Net increase (decrease) in short–term loans payable	(2,268)	**(6,670)**	**(59,449)**
Net increase (decrease) in commercial papers	(19,996)	**—**	**—**
Proceeds from long–term loans payable	14,050	**3,030**	**27,008**
Repayment of long–term loans payable	(11,211)	**(10,075)**	**(89,800)**
Cash dividends paid	(1,137)	**(1,710)**	**(15,241)**
Other, net	(151)	**(108)**	**(967)**
Net cash provided by (used in) financing activities	(20,713)	**(15,533)**	**(138,449)**
Effect of exchange rate change on cash and cash equivalents	(2,226)	**(335)**	**(2,989)**
Net increase (decrease) in cash and cash equivalents	27,568	**6,336**	**56,474**
Cash and cash equivalents at the beginning of the period	37,866	**65,434**	**583,246**
Cash and cash equivalents at the end of the period	¥65,434	**¥71,770**	**$639,720**
(Note) (1) Cash and cash equivalents are comprised as follows:			
Cash and deposits	¥66,398	**¥72,464**	**$645,902**
Less–Time deposits with maturity over three months	(964)	**(694)**	**(6,182)**
Cash and cash equivalents (Note 3 (17))	¥65,434	**¥71,770**	**$639,720**

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=112.19, the exchange rate prevailing on March 31, 2017. 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, 2017.

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

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 16 overseas subsidiaries including Andromeda Five Pte, Ltd. is March 31.

Closing date for one overseas subsidiary is December 31. The Company compiled the consolidated financial statements using the financial statements of each company's closing date, and adjustments were made for any material difference incurred between their closing dates and the consolidated closing date.

Thai Penta-Ocean Co., Ltd. and the other 3 subsidiaries have changed their closing date from December 31 to March 31.

Therefore, the financial results of these entities were consolidated covering the period from January 1, 2016 to March 31, 2017 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 or after April 1, 1998 and building fixtures and structures acquired on or after April 1, 2016, which are calculated by the straight-line method. The straight-line method is applied to property, plant and equipment of overseas subsidiaries.

The Company and its domestic subsidiaries primarily use the useful lives and the residual value in accordance with the Corporation Tax Law.

(7) Research and development costs and computer software

Research and development costs are charged to income as incurred.

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

(8) Leased assets

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

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

(9) Allowance for doubtful accounts

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

(10) Provision for warranties for completed construction

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

(11) Provision for bonuses

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

(12) Provision for loss on construction contracts

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

(13) Provision for 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 equally amortized by the straight-line method over the average remaining employees' service years, which should be over 10 years and the amortization starts in the next fiscal year of the respective accrual years.

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

(15) Recognition of sales and cost of sales

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

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

(16) Hedge accounting

1) Hedge accounting method

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

2) Hedging instruments and hedged items

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

3) Hedging policy

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

4) Evaluation of the effectiveness of hedge accounting

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

(17) Cash and cash equivalents
Cash and cash equivalents in the statement of cash flows, consist of cash, deposits which can be drawn out freely and easily converted into cash and short-term investments which have an original maturity of 3 months or less and are not exposed to significant valuation risks.

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

Japanese corporation and other taxes applicable to the Company and its consolidated domestic subsidiaries comprise (a) corporation tax of 23.4 percent on taxable income, (b) enterprise tax of 3.6 percent on taxable income after certain adjustments, (c) prefectural and municipal taxes averaging 16.3 percent of corporation tax, and (d) local corporation tax of 4.4 percent on taxable income. Enterprise tax paid is deductible for income tax purposes.

Foreign subsidiaries declare income taxes at the rate applicable in each country. Foreign tax credit related to the amount of income taxes paid to foreign tax offices by the Company directly or indirectly, is subject to certain limitations in accordance with Japanese tax regulations.

(19) Deferred assets
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

(Application of “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016”)

Following the revision of the Corporation Tax Act, the Group has adopted the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) No.32, June 17, 2016) from the current fiscal year, and changed the depreciation method for building fixtures and structures acquired on or after April 1, 2016, from the declining -balance method to the straight-line method. The effect of this change on financial statements for the current fiscal year is insignificant.

5. Additional information

Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No.26, March 28, 2016) has been applied from the fiscal year ended March 31, 2017.

6. Investment securities

(1) Held–to maturity debt securities

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

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

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
Securities whose fair value exceeds their book value on consolidated B/S:			
National and local government bonds	$1,852	$1,922	$70
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	$1,852	$1,922	$70
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
National and local government bonds	$ —	$ —	$—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	$ —	$ —	$—
Total	$1,852	$1,922	$70

(2) Other securities

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

(Note) Since unlisted stocks (balance on consolidated balance sheet ¥2,788 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, 2017	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	¥11,867	¥7,244	¥4,623
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥11,867	¥7,244	¥4,623
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	¥ 1,049	¥1,087	¥ (38)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥ 1,049	¥1,087	¥ (38)
Total	¥12,916	¥8,331	¥4,585

	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	$105,780	$64,571	$41,209
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	$105,780	$64,571	$41,209
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	$ 9,348	$ 9,685	$ (337)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	$ 9,348	$ 9,685	$ (337)
Total	$115,128	$74,256	$40,872

(Note) Since unlisted stocks (balance on consolidated balance sheet ¥2,797 million (U.S.$24,931 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, 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	¥—

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

	Thousands of U.S. dollars Sales value	 Total of gain on sale	 Total of loss on sale
Stock	$2,475	$541	$—
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	$2,475	$541	$—

(4) Impairment of investment securities

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Other securities			
Stock	¥2	**¥ 2**	**$20**

7. Pledged assets

The following assets are pledged for fulfillment of construction contracts at March 31, 2016 and 2017.

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Securities	¥ 32	**¥ —**	**$ —**
Real estate for sale	645	**—**	**—**
Investment securities	303	**312**	**2,785**
Other (Investment and other assets)	48	**159**	**1,413**
Total	¥1,028	**¥471**	**$4,198**

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

Short–term and long–term loans bonds payable as of March 31, 2016 and 2017 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Short–term loans from banks and insurance companies (The weighted average interest rate is 0.60%.)	¥23,709	**¥16,278**	**$145,094**
Long–term loans from banks and insurance companies due through 2022 (The weighted average interest rate is 0.90%.)	30,490	**23,443**	**208,963**
0.87% unsecured bonds payable due 2019	10,000	**10,000**	**89,135**
0.68% unsecured bonds payable due 2022	10,000	**10,000**	**89,135**
Less: current portion	(33,785)	**(24,131)**	**(215,093)**
Total	¥40,414	**¥35,590**	**$317,234**

The aggregate annual maturity of short–term and long–term loans and bonds payable after March 31, 2017 is as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2018	**¥24,131**	**$215,093**
2019	**16,872**	**150,390**
2020	**6,562**	**58,492**
2021	**1,786**	**15,919**
2022 and thereafter	**10,370**	**92,443**
Total	**¥59,721**	**$532,327**

9. Net assets

(1) Legal retained earnings and legal capital surplus

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

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

(2) Revaluation reserve for land

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
The difference between the appraisal value of land at the end of the current fiscal year and the book value	¥7,824	**¥6,897**	**$61,473**

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

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 ¥3,242 million (U.S.$28,900 thousand) gain as of March 31, 2017.

10. Non–operating income

The composition of Non–operating income–other for the fiscal years ended March 31, 2016 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Real estate rent	¥144	**¥155**	**$1,384**
Other	359	**286**	**2,548**
Total	¥503	**¥441**	**$3,932**

11. Non–operating expenses

The composition of Non–operating expenses–other for the fiscal years ended March 31, 2016 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Other	¥340	¥176	$1,568
Total	¥340	¥176	$1,568

12. Extraordinary income

The composition of Extraordinary income for the fiscal years ended March 31, 2016 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Gain on sales of non–current assets	¥ 57	¥ 53	$ 476
Gain on sales of investment securities	209	61	541
Other	1	6	49
Total	¥267	¥120	$1,066

13. Extraordinary losses

The composition of Extraordinary losses for the fiscal years ended March 31, 2016 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Loss on sales of non-current assets	¥ 449	¥ 42	$ 376
Loss on retirement of non-current assets	71	59	528
Impairment loss (*1)	4,908	694	6,187
Other	6	6	47
Total	¥5,434	¥801	$7,138

(*1) The Company recognized impairment loss for the following group of assets in the current fiscal years ended March 31, 2016 and 2017.

For the year ended March 31, 2016

Classification	Type of Assets	Location	Impairment loss
Business assets (site for plant, etc.)	Land	Hokkaido	¥ 686 million
Business assets (for shipbuilding business)	Land and buildings, etc.	Hiroshima	¥2,192 million
Business assets (for materials yard)	Land	Chiba	¥2,022 million
Idle assets	Land	Hokkaido	¥ 8 million

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

Book values of above assets classified into business assets were written down to recoverable amounts due to 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) 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 idle assets and there is no plan to use it in the future. The impairment loss (¥ 8 million) 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 tha idle assets are assessed by reasonably estimated value base on inheritance tax.

For the year ended March 31, 2017

Classification	Type of Assets	Location	Impairment loss
Business assets (for materials yard)	Land	Osaka	¥694 million $6,187 thousand

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

Book values of above assets classified into business assets were written down to recoverable amounts due to a following reason.During the current fiscal year,management decided to hold the land for material yard described adove as selling-purpose. The impairment loss (¥694 million, U.S.$6,187 thousand) was accounted for as an extraordinary losses.

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

14. Research and development costs

Research and development costs charged to income are ¥1,730 million for the fiscal year 2016 and ¥1,953 million (U.S.$17,404 thousand) for the fiscal year 2017, respectively.

15. Other comprehensive income

The following table presents reclassification and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2016 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Valuation difference on available–for–sale securities			
Amount arising during the year	¥(1,782)	**¥1,413**	**$12,592**
Reclassification adjustment for gains and losses realized in net income	(209)	**(60)**	**(533)**
Amount before tax effect	(1,991)	**1,353**	**12,059**
Tax effect	683	**(410)**	**(3,658)**
Valuation difference on available–for–sale securities	(1,308)	**943**	**8,401**
Deferred gains or losses on hedges			
Amount arising during the year	(99)	**311**	**2,770**
Reclassification adjustment for gains and losses realized in net income	155	**(241)**	**(2,146)**
Amount before tax effect	56	**70**	**624**
Tax effect	(18)	**(22)**	**(193)**
Deferred gains or losses on hedges	38	**48**	**431**
Revaluation reserve for land			
Tax effect	221	**—**	**—**
Foreign currency translation adjustments			
Amount arising during the year	(104)	**4**	**33**
Reclassification adjustment for gains and losses realized in net income	—	**—**	**—**
Amount before tax effect	(104)	**4**	**33**
Tax effect	—	**—**	**—**
Foreign currency translation adjustments	(104)	**4**	**33**
Remeasurements of defined benefit plans			
Amount arising during the year	(2,981)	**1,115**	**9,937**
Reclassification adjustment for gains and losses realized in net income	112	**670**	**5,972**
Amount before tax effect	(2,869)	**1,785**	**15,909**
Tax effect	911	**(547)**	**(4,871)**
Remeasurements of defined benefit plans	(1,958)	**1,238**	**11,038**
Total of other comprehensive incom	¥(3,111)	**¥2,233**	**$19,903**

16. Summary of operating lease transactions

Future lease payments, about non–cancelable operating lease assets as of March 31, 2016 and 2017 are as follows:

<Borrower>

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Within one year	¥453	—	—
Over one year	189	—	—
Total	¥642	—	—

17. 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.

18. Commitments and contingent liabilities

As of March 31, 2017, the Company has liabilities for guarantee to bank loans made by customers amounting to ¥436 million (U.S.$3,890 thousand).

The Company also has the guarantee amounting to ¥1,675 million (U.S. $ 14,929 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.$356,538 thousand) for the purpose of flexible financing. Unused commitment line as of March 31, 2016 and 2017 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Commitment line			
Total of commitment line	¥40,000	**¥40,000**	**$356,538**
Use of commitment	¥ 4,000	—	—
Total of unused commitment line	¥36,000	**¥40,000**	**$356,538**

19. 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
	2016	**2017**	**2017**
Deferred tax assets			
Employees' retirement benefits trust	1,946	**1,976**	**17,613**
Foreign tax credit carryforwards	—	**1,579**	**14,070**
Net defined benefit liability	341	**118**	**1,053**
Impairment loss	963	**992**	**8,840**
Loss on valuation of real estate for sale	1,717	**1,396**	**12,439**
Provision for loss on construction contracts	747	**627**	**5,593**
Allowance for doubtful accounts	612	**366**	**3,266**
Provision for bonuses	582	**670**	**5,971**
Net operating loss carryforwards	243	**265**	**2,358**
Other	1,753	**1,544**	**13,773**
Total: deferred tax assets	8,904	**9,533**	**84,976**
Less: valuation allowance	(3,275)	**(4,448)**	**(39,652)**
Deferred tax assets	¥ 5,629	**¥ 5,085**	**$ 45,324**
Deferred tax liabilities			
Prepaid pension cost	¥ (332)	**¥ (540)**	**$ (4,817)**
Valuation difference on available–for–sale securities	(933)	**(1,343)**	**(11,972)**
Unrealized intercompany profit	(105)	**(105)**	**(937)**
Other	(150)	**(203)**	**(1,807)**
Total: deferred tax liabilities	(1,520)	**(2,191)**	**(19,533)**
Net: deferred tax assets	¥ 4,109	**¥ 2,894**	**$ 25,791**

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:

	2016	**2017**
The statutory effective tax rate	33.06%	**30.86%**
(Adjustments)		
Permanent differences (expense)	4.09	**1.82**
Permanent differences (income)	(2.38)	**(0.33)**
Per capita levy on inhabitant tax	1.42	**0.85**
Consolidated adjustments	2.21	**0.28**
Increase (Decrease) in valuation allowance	2.07	**(0.40)**
Foreign corporation tax	6.19	**3.19**
Downward adjustment of deferred tax assets at the year end due to the change in corporate tax rates	1.57	**—**
Other	(3.03)	**(2.59)**
Actual burden tax rates after the application of tax effect accounting	45.20%	**33.68%**

20. 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, 2016 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Retirement benefit obligation at the beginning of year	¥25,696	**¥26,679**	**$237,803**
Service cost	1,133	**1,233**	**10,989**
Interest cost	152	**—**	**—**
Actuarial gain and loss	1,442	**221**	**1,972**
Retirement benefits paid	(1,744)	**(1,495)**	**(13,330)**
Retirement benefit obligation at the end of year	¥26,679	**¥26,638**	**$237,434**

(2) The changes in the plan assets during the years ended March 31, 2016 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Plan assets at the beginning of year	¥26,840	**¥26,686**	**$237,864**
Expected return on plan assets	430	**448**	**3,992**
Actuarial gain	(1,540)	**1,336**	**11,909**
Contributions by the Company	2,370	**794**	**7,078**
Retirement benefits paid	(1,414)	**(1,212)**	**(10,806)**
Plan assets at the end of year	¥26,686	**¥28,052**	**$250,037**

(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, 2016 and 2017 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Funded retirement benefit obligation	¥26,241	**¥26,176**	**$233,317**
Plan assets at fair value	(26,686)	**(28,052)**	**(250,037)**
	¥ (445)	**¥(1,876)**	**$(16,720)**
Unfunded retirement benefit obligation	438	**462**	**4,117**
Net liability for retirement benefits in the balance sheet	¥(7)	**¥(1,414)**	**$(12,603)**
Net defined benefit liability	¥ 1,085	**¥ 357**	**$ 3,185**
Net defined benefit asset	(1,092)	**(1,771)**	**(15,788)**
Net liability for retirement benefits in the balance sheet	¥ (7)	**¥(1,414)**	**$(12,603)**

(4) The components of retirement benefit expense for the years ended March 31, 2016 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Service cost	¥ 1,133	**¥ 1,233**	**$ 10,989**
Interest cost	152	**—**	**—**
Expected return on plan assets	(430)	**(448)**	**(3,992)**
Amortization of actuarial gain and loss	112	**670**	**5,972**
Retirement benefit expense	¥ 967	**¥ 1,455**	**$ 12,969**

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, 2016 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Actuarial gain and loss	¥ (2,870)	**¥ 1,785**	**$ 15,909**
Total	¥ (2,870)	**¥ 1,785**	**$ 15,909**

(6) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2016 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Unrecognized actuarial gain and loss	¥964	**¥(821)**	**$(7,320)**
Total	¥964	**¥(821)**	**$(7,320)**

(7) The fair value of plan assets, major category, as a percentage of total plan assets as of March 31, 2016 and 2017 are as follows:

	2016	**2017**
Bonds	39%	**39%**
Stocks	44	**47**
General accounts	6	**6**
Cash and deposits	2	**1**
Others	9	**7**
Total	100%	**100%**

Note: Total plan assets include retirement benefit trusts of 10% and 12% that are set up for a corporate pension plan as of March 31, 2016 and 2017, 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:

	2016	**2017**
Discount rates	0.0%	**0.1%**
Expected rates of long–term return on plan assets	0.9-2.0%	**1.0-2.0%**
Expected rates of increase in salary	3.2-5.0%	**3.1-4.9%**

21. 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, 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)	¥ —

(*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, (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) 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	¥—

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

Book value on consolidated balance sheet, fair value and the difference as of March 31, 2017 are as follows:

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

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	$ 645,902	$ 645,902	$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	1,465,914	1,465,914	—
(3) Investment securities	116,980	117,050	70
(4) Accounts receivable – other	151,507	151,507	—
Total Assets	$2,380,303	$2,380,373	$ 70
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	$ 996,681	$ 996,681	$ —
(2) Electronically recorded obligations – operating	232,273	232,273	—
(3) Short–term loans payable	145,094	145,094	—
(4) Bonds payable	178,269	181,202	2,933
(5) Long–term loans payable (*1)	208,963	209,583	619
Total Liabilities	$1,761,280	$1,764,832	$3,552
Derivative transaction (*2)	$ 458	$ 458	$ —

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

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

Assets

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

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 ¥2,920 million (U.S.$26,023 thousand)) have no market value, have no estimated future cash flows and are quite difficult to recognize the fair value, they are not included in "(3) Investment securities."

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

	Millions of yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and deposits	¥ 72,416	¥ —	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other	159,740	4,721	—	—
Investment securities				
Held–to–maturity bonds				
National and local government bonds	—	137	71	—
Corporate bonds	—	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	—	—
Other	—	—	—	—
Accounts receivable – other	16,998	—	—	—
Total	¥249,154	¥4,858	¥71	¥—

	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	$ 645,479	$ —	$ —	$—
Notes receivable, accounts receivable from completed construction contracts and other	1,423,834	42,080	—	—
Investment securities				
Held–to–maturity bonds				
National and local government bonds	—	1,224	628	—
Corporate bonds	—	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	—	—
Other	—	—	—	—
Accounts receivable – other	151,507	—	—	—
Total	$2,220,820	$43,304	$628	$—

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

22. 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

Year ended March 31, 2016	Reportable segment: Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Domestic real estate development segment	Total	Other (Note 1)	Total	Ajustments (Note 2)	Recorded amount on consolidated statement of income (Note 3)
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

Millions of yen

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

Thousands of U.S. dollars

Year ended March 31, 2017	Reportable segment: Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Domestic real estate development segment	Total	Other (Note 1)	Total	Ajustments (Note 2)	Recorded amount on consolidated statement of income (Note 3)
Net sales:									
Sales to third parties	$1,380,606	$1,335,835	$1,636,154	$35,216	$4,387,811	$71,911	$4,459,722	$ —	$4,459,722
Intersegment sales and transfers	4,055	42	—	1,263	5,360	17,429	22,789	(22,789)	—
Total	1,384,661	1,335,877	1,636,154	36,479	4,393,171	89,340	4,482,511	(22,789)	4,459,722
Segment profit	86,424	99,746	19.337	4,714	210,221	6,093	216,314	57	216,371
Other item:									
Depreciation	17,809	5,349	22,586	504	46,248	3,847	50,095	(56)	50,039

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, 2016
1. Information of each products and service
Please refer to above.

2. Geographical information
(1) Net sales

Japan	Southeast Asia	Other	Total
¥328,887 million	¥161,924 million	¥753 million	¥491,564 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
¥ 52,816 million	¥ 17,588 million	¥22 million	¥70,426 million

3. Each main customer

Name of Customer	Net sales	Related segment
Government of Singapore	¥67,837 million	Overseas segment

For the year ended March 31, 2017
1. Information of each products and service
Please refer to above.

2. Geographical information
(1) Net sales

Japan	Southeast Asia	Other	Total
¥316,776 million U.S.$2,823,569 thousand	¥177,405 million U.S.$1,581,288 thousand	¥6,155 million U.S.$54,866 thousand	¥500,336 million U.S.$4,459,723 thousand

Note: Net sales are based on customer location, and are divided by country or region.

(2) Property, plant and equipment

Japan	Southeast Asia	Other	Total
¥ 54,183 million U.S.$ 482,954 thousand	¥17,680 million U.S.$157,592 thousand	¥839 million U.S.$7,479 thousand	¥72,702 million U.S.$648,025 thousand

3. Each main customer

Name of Customer	Net sales	Related segment
Government of Singapore	¥99,629 million U.S.$888,035 thousand	Overseas segment

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

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.

For the year ended March 31, 2017

There is no impairment loss divided by reportable segment.

The amount and contents of impairment loss which is not divided by reportable segment 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, 2016

None

For the year ended March 31, 2017

None

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

For the year ended March 31, 2016

None

For the year ended March 31, 2017

None

23. Amounts per share

1. Per share information is summarized as follows:

	Yen		U.S. dollars
	2016	**2017**	**2017**
Net assets per share	¥281.17	**¥337.10**	**$3.00**
Profit attributable to owners of parent per share	27.30	**53.42**	**0.48**

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, 2016 and 2017, diluted profit attributable to owners of parent per share is not disclosed, because the dilutive potential of shares of common stock is none.

24. Significant subsequent events

Dividends

For the year ended March 31, 2017

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, 2017, was approved at the general shareholders' meeting held on June 27, 2017 and became effective June 28, 2017:

	Millions of yen	Thousands of U.S. dollars
	2017	**2017**
Cash dividends (¥12 (u.s.$0.11) per share)	**¥3,431**	**$30,581**

Independent Auditor's Report

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Building a better working world

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of PENTA-OCEAN CONSTRUCTION CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, 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, 2017, 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 27, 2017
Tokyo, Japan