Consolidated Financial Statements

Consolidated Five-Year Summary

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

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

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

Notes:
1. The amounts of orders received related to development business and other business are not stated on the above summary, because those amounts are small and do not have a material effect to respective total amounts.
2. Figures in U.S. dollars are converted for convenience only, at the rate of ¥82.19 per U.S.$1, prevailing on March 31, 2012.

Financial Review

Business Performance

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

Segment Information

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

Our domestic Building Construction Business recorded net sales of ¥115,188 million (US$1,401.5 million), an increase of ¥25,765 million (US$313.5 million) or 28.8%, compared to the prior fiscal year. The segment posted an operating loss of ¥1,284 million (US$15.6 million), compared to a loss of ¥2,078 million (US$25.3 million) in the prior fiscal year. Housing investment slumped immediately after the earthquake, but there were signs of a recovery later on, mainly in urban centers. Meanwhile, the restoration of Japan's industrial supply chain fueled private-sector demand for capital investment. However, investment levels were low, reflecting uncertainty about the economy.

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

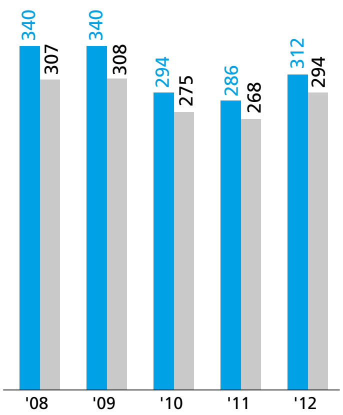
Net sales in our domestic Development Business amounted to ¥2,621 million (US$31.9 million), an increase of ¥940 million (US$11.4 million), or 55.9%, compared to the prior fiscal year. The segment posted an operating loss of ¥448 million (US$5.5 million), as compared to a loss of ¥1,606 million (US$19.5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

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

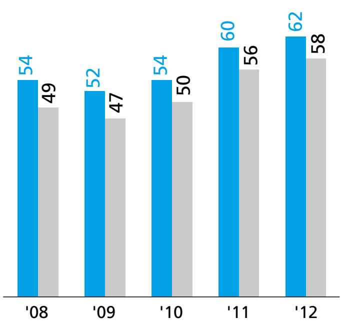
Orders Received and Contract Backlog

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

Total Assets
¥ billion



Total Net Assets
¥ billion



Consolidated
Non-Consolidated

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

Financial Position

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

Cash Flows

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

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

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

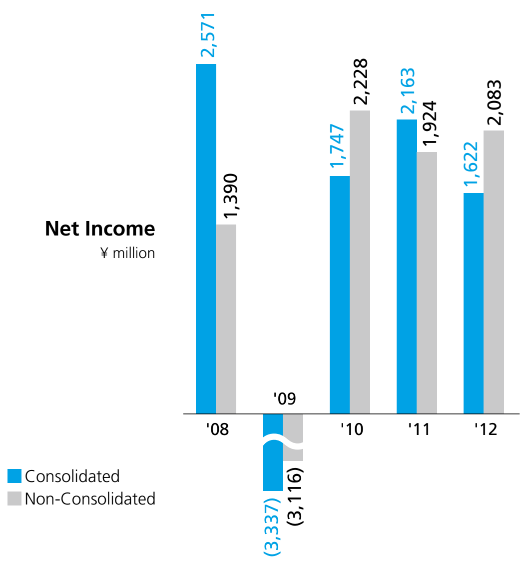
As a result of the foregoing, consolidated cash and cash equivalents amounted to ¥62,712 million (US$763.0 million) as of the end of the consolidated fiscal year under review, a year-on-year increase of ¥17,049 million (US$207.4 million), or 37.3%.

Dividends

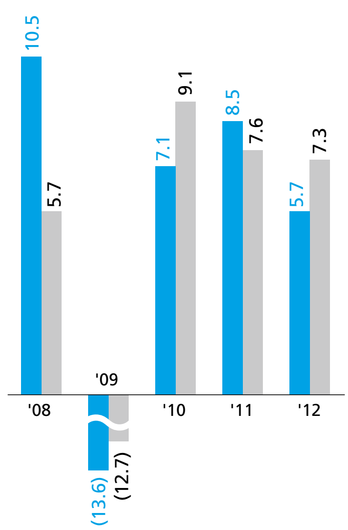
The Company's basic policy with respect to dividends is to offer long-term, stable payouts to shareholders as circumstances allow, while building a stronger management foundation for the future, and taking into account the business environment, our earnings performance and other factors. Furthermore,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

Having given full consideration to our earnings performance in the fiscal year ended 2012, the progress made on strengthening our fiscal health, and the future development of our business, the Company distributed a shareholder dividend of ¥2 (US$0.02) per share.

Net Income
¥ million



Net Income per Share
Yen



Consolidated Balance Sheets

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

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

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

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

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

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

Net income per share of common stock (Notes 3 (18) and 24)	Yen		U.S. dollars
Primary	¥8.50	**¥5.67**	**$0.07**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

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

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

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

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

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

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

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

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

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

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

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

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

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

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

(Note) Cash and cash equivalents are comprised as follows:			
Cash and deposits	¥46,121	**¥63,371**	**$771,031**
Less-Time deposits with maturity over three months	(458)	**(659)**	**(8,018)**
Cash and cash equivalents (Note 3(17))	¥45,663	**¥62,712**	**$763,013**

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

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

1. Basis of preparation of consolidated financial statements

The accompanying consolidated financial statements of Penta-Ocean Construction Co., Ltd. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The accounting principles and practices adopted by the overseas consolidated subsidiaries conform to those adopted by the Company.

The figures in these financial statements are shown in U.S. dollars at the conversion rate of U.S.$1=¥82.19, the exchange rate prevailing on March 31, 2012. This is solely for the convenience of readers outside Japan and does not mean that assets and liabilities originating in yen can be converted into or settled in dollars at the above rate.

2. Consolidation

(1) Scope of consolidation and application of equity method

The Company has 24 subsidiaries and 3 affiliated companies as at March 31, 2012.

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

One affiliated company was not included in the scope of equity method, since it has a small impact on consolidated financial statements and insignificant on the whole.

(2) Consolidated closing date

Consolidated closing date is March 31.

Closing date for the Company, 10 domestic subsidiaries and 7 overseas subsidiaries including Andromeda Five Pte Ltd. is March 31.

Closing date for other 7 overseas subsidiaries is December 31. The Company compiled the consolidated financial statements using the financial statements of each company's closing date, and adjustments were made for any material difference incurred between the closing date and the consolidated closing date.

(3) Goodwill

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

3. Summary of significant accounting policies

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

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

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

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

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

(3) Investment securities

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

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

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

(4) Derivative financial transactions

Derivative financial instruments are stated at fair value.

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

(5) Inventories

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

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

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

Property, plant and equipment are stated at cost and for the Company and domestic subsidiaries. Depreciation is calculated using the declining balance method, except for buildings (other than building fixtures) acquired on and after April 1, 1998, which are calculated by the straight-line method. The straight-line method is applied to property, plant and equipment of overseas subsidiaries.

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

(7) Research and development costs and computer software

Research and development costs are charged to income as incurred.

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

(8) Leased assets

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

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

(9) Allowance for doubtful accounts

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

(10) Provision for warranties for completed construction

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

(11) Provision for loss on construction contracts

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

(12) Provision for retirement benefits

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

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

Effects of the application of the new accounting standards for retirement benefits are equally amortized over 15 years.

Prior service costs are recognized as an expense when incurred.

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

(Additional information)

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

(13) Provision for directors' retirement benefits

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

(14) Provision for loss on litigation

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

(15) Recognition of sales and cost of sales

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

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

(16) Hedge accounting

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

2) Hedge instruments and hedged items

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

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

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

4) Evaluation of the effectiveness of hedge accounting

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

(17) Cash and cash equivalents

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

(18) Net income per share

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

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

(19) Income taxes

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

Japanese corporation and other taxes applicable to the Company and consolidated domestic subsidiaries comprise (a) corporation tax of 30.0 percent on taxable income, (b) enterprise tax of 7.6 percent on taxable income after certain adjustments, and (c) prefectural and municipal taxes averaging 20.4 percent of corporation tax. Enterprise tax paid is deductible for income tax purposes.

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

(20) Consumption tax

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

(21) Adoption of consolidated taxation system

Effective from the current fiscal year, the Company and some of its consolidated subsidiaries have adopted consolidated taxation system.

(22) Reclassifications

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

(23) Accounting method for deferred assets

Stock issuance cost is recognized as an expense when incurred.

4. Additional information

Effective from the current fiscal year, Accounting Standards Board of Japan Statement No.24, "Accounting Standard for Accounting Changes and Error Corrections" and Accounting Standards Board of Japan Statement Guidance No.24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections" both issued on December 4, 2009 have been adopted.

5. Investment securities

(1) Held-to maturity debt securities

As of March 31, 2011

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

As of March 31, 2012

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

As of March 31, 2012

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

(2) Other securities

As of March 31, 2011

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

(Note) Since unlisted stocks and investments in silent partnership for development investment business (balance on consolidated balance sheet ¥3,131 million) have no market value, have no estimated future cash flows and are quite difficult to determine the fair value, they are not included in "Other securities" above.

As of March 31, 2012

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

As of March 31, 2012

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

(Note) Since unlisted stocks (balance on consolidated balance sheet ¥3,124 million (U.S. $38,009 thousand) have no market value, have no estimated future cash flows and are quite difficult to determine the fair value, they are not included in "Other securities" above.

(3) Other securities sold during the fiscal year

As of March 31, 2011

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

As of March 31, 2012

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

As of March 31, 2012

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

(4) Impairment of investment securities

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

6. Pledged assets

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

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

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

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

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

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

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

8. Non-operating income

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

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

9. Non-operating expenses

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

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

10. Extraordinary gain

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

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

11. Extraordinary loss

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

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

12. Research and development costs

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

13. Other comprehensive income

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

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

14. Summary of finance lease transactions

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

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

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Estimated acquisition costs			
Equipment	¥92	**¥60**	**$730**
Vehicles	12	**7**	**85**
	103	**67**	**815**
Less: accumulated depreciation	(81)	**(64)**	**(778)**
Estimated value	¥23	**¥ 3**	**$ 37**

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

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

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

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

15. Summary of operating lease transactions

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

<Borrower>

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

<Lender>

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

16. Derivative financial transactions

(1) Matters concerning derivative financial transactions

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

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

(2) Matters concerning fair value

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

17. Commitments and contingent liabilities

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

The Company also has the guarantee amounting to ¥177 million (U.S.$2,154 thousand) to purchasers concerning deposits for purchase of the condominium apartments.

The Company has agreements on commitment line with 23 banks totaling ¥30,000 million (U.S.$365,008 thousand) for the purpose of flexible financing. There is no amount of loans using the line as of March 31, 2012.

18. Tax effect accounting

(1) The significant components of deferred tax assets and liabilities are summarized as follows:

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

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

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

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

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

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

19. Net assets

(1) Legal retained earnings and legal capital surplus

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

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

(2) Revaluation reserve for land

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

	Millions of yen		Thousands of U.S. dollars
	2011	**2012**	**2012**
The difference between the appraisal value of land at the end of the current fiscal year and the book value	¥11,943	**¥12,954**	**$157,610**

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

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

Valuation difference on available-for-sale securities is based on the difference between fair market value and book value at consolidated closing date. This amounted to ¥107 million (U.S.$1,302 thousand) loss as of March 31, 2012.

(4) Restriction of dividends

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

20. Authorized shares

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

21. Retirement benefits

I. Retirement benefits obligations

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

II. Retirement benefit costs

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

III. Calculation basis of retirement benefit obligations

a. Recognition method of the projected retirements benefit obligations	Straight-line method
b. Discount rate	1.80%
c. Expected return rate on pension fund assets	3.50%
d. Amortization term of prior service cost	Fully recognized as incurred
e. Amortization term of actuarial gain or loss	Actuarial gains or losses are amortized by the straight-line method over the average remaining employees' service years from the next year of the respective accrual years (approximately 10 years)
f. Amortization term of effects of the application of the new accounting standards for retirement benefits	15 years

22. Financial instruments

(1) Policy for acquiring Financial instruments

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

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

Investment securities include mainly stocks, held-to-maturity bonds and investment trusts and are exposed to fluctuation of market value. Those fair value, financial status of the issuers and so on are checked regularly. Accounts receivable-other is mainly credit other than accounts receivable associated with operating transactions and most of the accounts are collected in short term and detail of the balance is reviewed on monthly basis.

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

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

(2) Estimated fair value of financial instruments

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

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

*1 Long-term loans payable includes the current portion of long-term loans payable.

*2 The debit and credit balances recorded by derivative transaction are offset each other.

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

Assets

(1) Cash and deposits, (4) Accounts receivable-other

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

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

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

(3) Short-term investment securities and investment securities

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

Liabilities

(1) Notes payable, accounts payable for construction contracts and other (2) Short-term loans payable

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

(3) Long-term loans payable

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

Derivative transactions

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

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

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

	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 46,085	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	102,504	4,639	—	—
Short-term investment securities and investment securities				
Held-to-maturity bonds				
National and local government bonds	1	31	149	—
Corporate bonds	—	10	—	—
Other marketable securities with maturities				
Other	1	—	112	—
Accounts receivable-other	13,445	—	—	—
Total	¥162,036	¥4,680	¥261	¥ —

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

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

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

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

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

Assets

(1) Cash and deposits, (4) Accounts receivable-other

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

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

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

(3) Investment securities

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

Liabilities

(1) Notes payable, accounts payable for construction contracts and other (2) Short-term loans payable

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

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

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

Derivative transactions

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

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

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

	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 63,344	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	113,864	4,746	—	—
Investment securities				
Held-to-maturity bonds				
National and local government bonds	—	61	130	—
Corporate bonds	—	10	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	100	—
Other	—	10	—	—
Accounts receivable-other	10,608	—	—	—
Total	¥187,816	¥4,827	¥230	¥ —

As of March 31, 2012

	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	$ 770,702	$ —	$ —	$ —
Notes receivable, accounts receivable from completed construction contracts and other	1,385,375	57,744	—	—
Investment securities				
Held-to-maturity bonds				
National and local government bonds	—	742	1,581	—
Corporate bonds	—	122	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	1,217	—
Other	—	122	—	—
Accounts receivable-other	129,067	—	—	—
Total	$2,285,144	$58,730	$2,798	$ —

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

23. Segment information

(Segment information)

1. General information about reportable segments

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

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

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

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

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

Intersegment sales and transfers are based on prevailing market price.

The Company do not allocate assets to business segments.

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

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

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

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

Notes
(1) Division of "Other" includes shipbuilding, leasing business, insurance business and consulting business.
(2) The adjustment of segment profit (loss) is intersegment elimination.
(3) Segment profit is adjusted with operating income in the consolidated statements of income.

(Related information)

For the year ended March 31, 2011

1. Information of each products and service
   Please refer to Note 23 Segment information.

2. Geographical information

(1) Net sales

Japan	Southeast Asia	Other	Total
¥219,915 million	¥79,194 million	¥3,147 million	¥302,256 million

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

(2) Property, plant and equipment

Japan	Southeast Asia	Other	Total
¥54,395 million	¥6,417 million	¥23 million	¥60,835 million

3. Each main customer

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

For the year ended March 31, 2012

1. Information of each products and service
   Please refer to Note 23 Segment information.

2. Geographical information

(1) Net sales

Japan	Southeast Asia	Other	Total
¥244,273 million $2,972,052 thousand	¥82,142 million $999,417 thousand	¥1,590 million $19,345 thousand	¥328,005 million $3,990,814 thousand

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

(2) Property, plant and equipment

Japan	Southeast Asia	Other	Total
¥59,164 million $719,844 thousand	¥9,339 million $113,627 thousand	¥4 million $49 thousand	¥68,507 million $833,520 thousand

3. Each main customer

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

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

For the year ended March 31, 2011

There is no impairment loss divided by reportable segment.

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

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

For the year ended March 31, 2012

There is no impairment loss divided by reportable segment.

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

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

This information is omitted, due to insignificant amount.

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

For the year ended March 31, 2011

This information is omitted, due to insignificant amount.

For the year ended March 31, 2012

None

24. Amounts per share

1. Per share information is summarized as follows:

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

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

25. Significant subsequent event

For the year ended March 31, 2012

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2012, was approved at the general shareholders' meeting held on June 28, 2012 and became effective June 29, 2012:

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

Report of Independent Auditors

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

We have audited the accompanying consolidated financial statements of PENTA-OCEAN CONSTRUCTION CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PENTA-OCEAN CONSTRUCTION CO., LTD. and consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

June 28, 2012

Ernst & Young ShinNihon LLC

Ernst & Young ShinNihon LLC