Consolidated Financial Statement

Consolidated Five-Year Summary

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

Fiscal year ended March 31

	Millions of yen					Thousands of U.S. dollars
	2009	2010	2011	2012	**2013**	**2013**
Net sales	¥398,486	¥324,782	¥302,256	¥328,005	**¥349,839**	**$3,719,713**
Construction	384,824	312,613	289,661	316,239	**341,067**	**3,626,443**
Development business	1,209	1,007	1,553	2,460	**1,143**	**12,153**
Other	12,453	11,162	11,042	9,306	**7,629**	**81,117**
Total assets	339,587	294,246	286,225	311,917	**296,726**	**3,154,981**
Net assets excluding minority interests	52,188	54,437	60,454	62,382	**65,080**	**691,972**
Ordinary income	7,073	7,734	7,431	7,448	**6,560**	**69,750**
Income before income taxes and minority interests	330	852	5,516	6,308	**5,018**	**53,355**
Net income (loss)	(3,337)	1,747	2,163	1,622	**2,030**	**21,584**
Cash dividends	—	491	572	572	**572**	**6,082**

Per share of common stock:	Yen					U.S. dollars
Net assets excluding minority interests	¥212.43	¥221.59	¥211.44	¥218.19	**¥227.63**	**$2.42**
Net income (loss)	(13.58)	7.11	8.50	5.67	**7.10**	**0.08**
Cash dividends	—	2.00	2.00	2.00	**2.00**	**0.02**
Number of employees	3,335	3,280	2,954	2,924	**2,911**	

Notes: 1. Figures in U.S. dollars are converted for convenience only, at the rate of ¥94.05 per U.S.$1, prevailing on March 31, 2013.

Business Performance

The net sales for the Group amounted to ¥349,839 million (U.S.$3,719.7 million) during the consolidated fiscal year ended in March 2013, a year-on-year increase of ¥21,834 million (U.S.$232.2 million), or 6.7%. Operating income came to ¥6,464 million (U.S.$68.7 million), a year-on-year decrease of ¥2,519 million (U.S.$26.8 million), or 28.0%. Although non-operating income improved, ordinary income amounted to ¥6,560 million (U.S.$69.8 million), a decrease of ¥888 million (U.S.$9.4 million), or 11.9%. Moreover, net income totaled ¥2,030 million (U.S.$21.6 million), an increase of ¥408 million (U.S.$4.3 million), or 25.1%, due to a decrease in corporate tax.

Segment Information

Our domestic Civil Engineering Business recorded a strong performance because of the regularization and the implementation of a supplementary budget for restoration and reconstruction projects related to the Great East Japan Earthquake in regards to public investment. In this environment, the segment recorded net sales of ¥125,022 million (U.S.$1,329.3 million), an increase of ¥6,483 million (U.S.$68.9 million), or 5.5%, compared with the previous consolidated fiscal year. However, operating income in this segment totaled ¥6,566 million (U.S.$69.8 million) a year-on-year decrease of ¥763 million (U.S.$8.1 million), or 10.4%.

Our domestic Architectural Construction Business witnessed an upswing in housing investment, but the level remained low on the whole and there was also a slump in private sector capital investment due to a cautious view of the future. In this environment, the segment recorded net sales of ¥111,586 million (U.S.$1,186.5 million), a decrease of ¥3,602 million (U.S.$38.3 million), or 2.9%, compared with the previous consolidated fiscal year. This segment posted an operating loss of ¥1,877 million (U.S.$20.0 million) compared with an operating loss of ¥1,284 million (U.S.$13.7 million) in the previous fiscal year.

Our overseas Construction Business saw an upswing in continuing construction investment centering on social infrastructure development in our main overseas markets in Southeast Asia, including Singapore and Hong Kong. In this environment, net sales amounted to ¥105,628million (U.S.$1,123.1 million), an increase of ¥21,912million (U.S.$233.0 million), or 26.2%, compared with the previous consolidated fiscal year. Operating income in this segment totaled ¥2,788 million (U.S.$29.6 million), a year-on-year decrease of ¥712 million (U.S.$7.6 million), or 20.3%.

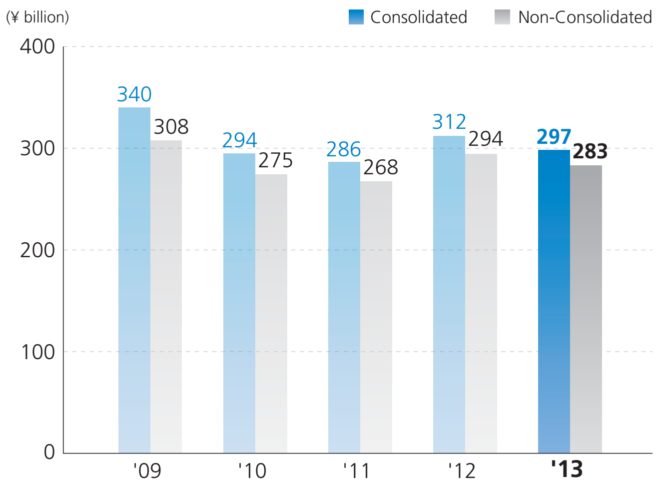
Net sales in our domestic Development Business amounted to ¥1,288 million (U.S.$13.7 million), a decrease of ¥1,333 million (U.S.$14.2 million), or 50.9%, compared with the previous consolidated fiscal year. The segment posted an operating loss of ¥864 million (U.S.$9.2 million), as compared to a loss of ¥448 million (U.S.$4.8 million) for the previous consolidated fiscal year.

Net sales in our Other Business segment, which centers on shipbuilding, equipment leasing and sales of finished goods, came to ¥8,913 million (U.S.$94.8 million), a decrease of ¥3,153 million (U.S.$33.5 million), or 26.1%, compared with the previous consolidated fiscal year. Due to the deterioration on the revenue-expenditure balance in our shipbuilding business, operating losses came to ¥211 million (U.S.$2.2 million), as compared with operating income of ¥18 million (U.S.$0.2 million) for the previous consolidated fiscal year.

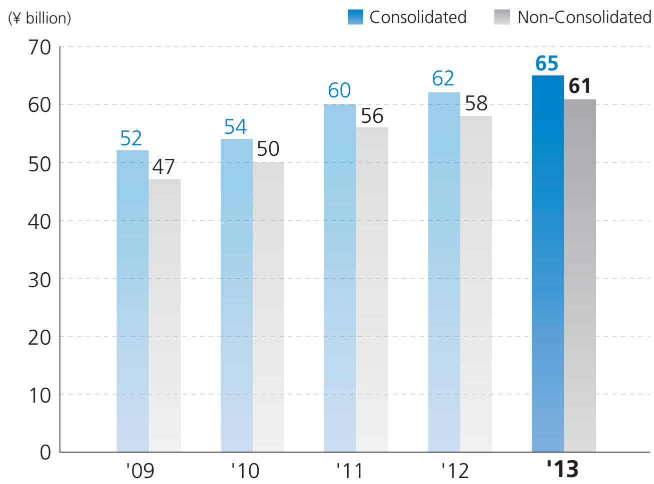
Orders received and contract backlog

Non-consolidated architectural construction orders received for domestic civil engineering works increased by 5.1% to ¥114,046 million (U.S.$1,212.6 million) because although there was a decrease in orders received from the private sector, there was an increase in orders from government agencies. Orders received for domestic architectural construction increased by 7.3% to ¥108,945 million (U.S.$1,158.4 million) on an increase in orders from both the private

Total Assets



Total Net Assets



sector and government agencies. We received orders for large-scale architectural construction projects in Singapore, yet orders for overseas construction projects decreased overall by 33.7% to ¥57,314 million (U.S.$609.4 million). In total, architectural construction orders received during the period under review decreased by 5.5% to ¥280,306 million (U.S.$2,980.4 million).

Financial Position

Total assets for the Group decreased by ¥15,191 million (U.S.$161.5 million) compared with the previous consolidated fiscal year to ¥296,726 million (U.S.$3,155.0 million) on factors including a decrease in cash and deposits. Total liabilities contracted by ¥17,915 million (U.S.$190.5 million) compared with the previous consolidated fiscal year to ¥231,616 million (U.S.$2,462.7 million) as the Group recorded decreases in debt and accepted money for uncompleted works. Net assets increased by ¥2,724 million (U.S.$29.0 million) compared with the previous consolidated fiscal year to ¥65,110 million (U.S.$692.3 million) as the Group recorded an increase in net income and net unrealized gains on marketable securities.

Cash Flows

Cash flows from operating activities decreased by ¥18,406 million (U.S.$195.7 million) compared with the previous consolidated fiscal year for a net inflow of ¥8,334 million (U.S.$88.6 million) during the period under review (as compared to a net inflow of ¥26,740 million (U.S.$284.3 million) in the previous consolidated fiscal year). This was because although there was an increase in funds due to a decrease in receivables, there was a significant decrease in payables.

With respect to cash flows from investing activities, although the Group recorded a ¥1,120 million (U.S.$11.9 million) year-on-year decrease in outlays due to the acquisition of tangible fixed assets, there was a net outflow of ¥10,466 million (U.S.$111.3 million), as compared with a net outflow of ¥11,586 million (U.S.$123.2 million) in the previous consolidated fiscal year.

In regards to free cash flows combining the cash flows of both operating activities and investing activities, the Group recorded an excess over expenditure of ¥2,132 million (U.S.$22.7 million), as compared with an excess over expenditure of ¥15,154 million (U.S.$161.1 million) in the previous consolidated fiscal year.

Cash flows from financing activities underwent a ¥12,797 million increase (U.S.$136.1 million) compared with the previous consolidated fiscal year due to the repayment of borrowings. This resulted in an excess over expenditure of ¥11,059 million (U.S.$117.6 million), as compared to an excess over income of ¥1,738 million (U.S.$18.5 million) in the previous consolidated fiscal year.

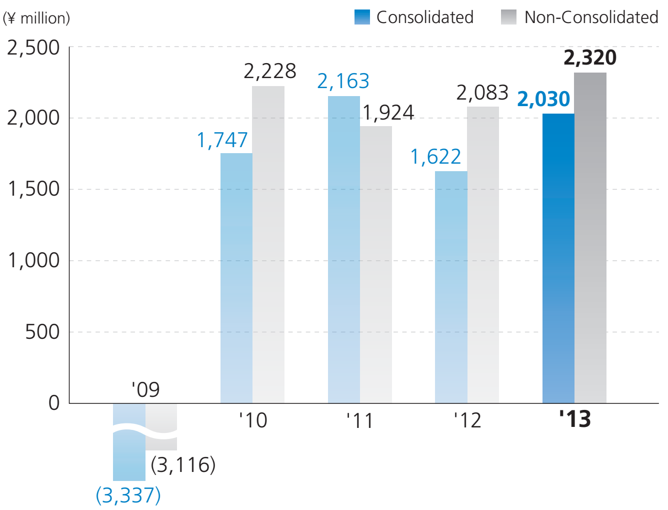
As a result of the foregoing, consolidated cash and cash equivalents amounted to ¥49,927 million (U.S.$530.9 million) as of the end of the consolidated fiscal year under review, a year-on-year decrease of ¥12,785 million (U.S.$135.9 million), or 20.4%. A balance at the end of the year in regards to interest-bearing liabilities of ¥70,940 million (U.S.$754.3 million) was recorded at a non-consolidated amount of ¥68,758 million (U.S.$731.1 million).

Dividends

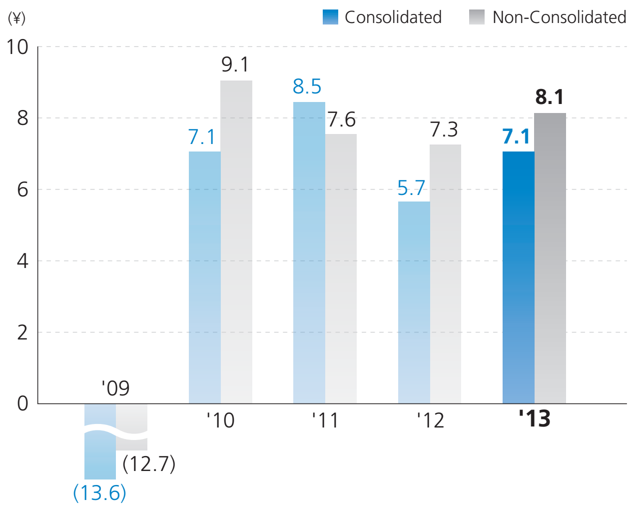
The Company's basic policy with respect to dividends is to offer long-term, stable payouts to shareholders as circumstances allow, while building a stronger management foundation for the future, and taking into account the business environment, our earnings performance and other factors. Furthermore, 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 2013, the progress made of strengthening our fiscal health, and the future development of our business, the Company distributed a shareholder dividend of ¥2 (U.S.$0.02) per share.

Net Income



Net Income per Share



Consolidated Balance Sheet

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

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Current assets:			
Cash and deposits (Note 22)	¥ 63,371	**¥ 50,596**	**$ 537,969**
Trade receivables: (Note 22)			
Notes	10,993	**2,782**	**29,580**
Accounts	118,225	**122,937**	**1,307,145**
Inventories: (Note 3 (5))			
Costs on uncompleted construction contracts	11,128	**8,630**	**91,760**
Real estate for sale and development projects in progress	11,041	**9,728**	**103,434**
Other	1,864	**1,229**	**13,067**
Deferred tax assets (Note 19)	3,801	**3,147**	**33,461**
Other	2,331	**2,448**	**26,029**
Allowance for doubtful accounts (Note 3 (9))	(1,227)	**(854)**	**(9,080)**
Total current assets	221,527	**200,643**	**2,133,365**
Property, plant and equipment: (Notes 3 (6) and 3 (8))			
Land	43,613	**42,539**	**452,302**
Buildings and structures	31,768	**32,030**	**340,563**
Machinery, equipment and vehicles	17,322	**17,902**	**190,346**
Dredgers and vessels	51,185	**55,513**	**590,250**
Construction in progress	5,475	**6,131**	**65,189**
Total property, plant and equipment	149,363	**154,115**	**1,638,650**
Less: accumulated depreciation	(80,856)	**(81,511)**	**(866,678)**
Property, plant and equipment – net	68,507	**72,604**	**771,972**
Intangible assets (Note 3 (7))	637	**1,127**	**11,983**
Investments and other assets:			
Investment securities (Notes 3 (3), 6, 7 and 22)	10,823	**13,204**	**140,394**
Long-term loans receivables	286	**1,218**	**12,951**
Deferred tax assets (Note 19)	6,807	**4,910**	**52,206**
Other (Notes 3 (13) and 21)	9,568	**9,380**	**99,734**
Allowance for doubtful accounts (Note 3 (9))	(6,238)	**(6,360)**	**(67,624)**
Total investments and other assets	21,246	**22,352**	**237,661**
Total assets	¥311,917	**¥296,726**	**$3,154,981**

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Current liabilities:			
Short-term loans payable (Notes 8 and 22)	¥ 24,933	**¥ 22,055**	**$ 234,503**
Current portion of long-term loans payable (Notes 8 and 22)	20,754	**17,901**	**190,335**
Trade payable: (Note 22)			
Notes	32,164	**29,225**	**310,739**
Accounts	83,481	**86,386**	**918,511**
Advance received on uncompleted construction contracts	25,330	**17,284**	**183,775**
Deposits received	11,014	**11,260**	**119,724**
Income taxes payable	1,179	**1,131**	**12,025**
Provision for loss on construction contracts (Note 3 (12))	2,939	**2,819**	**29,973**
Provision for warranties for completed construction (Note 3 (10))	642	**722**	**7,677**
Provision for bonuses (Note 3 (11))	1,225	**1,185**	**12,600**
Other	2,337	**2,788**	**29,644**
Total current liabilities	205,998	**192,756**	**2,049,506**
Non-current liabilities:			
Bonds payable (Notes 8 and 22)	10,000	**10,000**	**106,327**
Long-term loans payable (Notes 8 and 22)	25,483	**20,984**	**223,115**
Provision for retirement benefits (Notes 3 (13) and 21)	324	**352**	**3,743**
Provision for directors' retirement benefits (Note 3 (14))	137	**119**	**1,265**
Deferred tax liabilities for land revaluation (Note 20 (2))	6,251	**6,195**	**65,869**
Provision for loss on litigation (Note 3 (15))	350	**400**	**4,253**
Other	988	**810**	**8,612**
Total non-current liabilities	43,533	**38,860**	**413,184**
Total liabilities	249,531	**231,616**	**2,462,690**
Commitments and contingent liabilities (Note 18)			
Net assets:			
Shareholders' equity:			
Common stock	30,450	**30,450**	**323,764**
Authorized – 599,135,000 shares			
Issued shares – 286,013,910 shares in 2012 and 2013			
Capital surplus (Note 20 (1))	18,387	**18,387**	**195,502**
Retained earnings (Note 20 (1))	7,453	**8,635**	**91,813**
Less: Treasury Stock	(23)	**(24)**	**(255)**
Total shareholders' equity	56,267	**57,448**	**610,824**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Notes 3 (3) and 20 (3))	(107)	**1,182**	**12,568**
Deferred losses on hedges	(10)	**(2)**	**(22)**
Revaluation reserve for land (Note 20 (2))	6,195	**6,471**	**68,804**
Foreign currency translation adjustments (Note 3 (2))	37	**(19)**	**(202)**
Total accumulated other comprehensive income	6,115	**7,632**	**81,148**
Minority interests	4	**30**	**319**
Total net assets	62,386	**65,110**	**692,291**
Total liabilities and net assets	¥311,917	**¥296,726**	**$3,154,981**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Income

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

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Construction business: (Note 3 (16))			
Net sales	¥316,239	**¥341,067**	**$3,626,443**
Cost of sales	292,109	**319,356**	**3,395,598**
Gross profit	24,130	**21,711**	**230,845**
Development business and other:			
Net sales	11,766	**8,772**	**93,270**
Cost of sales	11,712	**9,368**	**99,607**
Gross profit (loss)	54	**(596)**	**(6,337)**
Total:			
Total net sales	328,005	**349,839**	**3,719,713**
Total cost of sales	303,821	**328,724**	**3,495,205**
Total gross profit	24,184	**21,115**	**224,508**
Selling, general and administrative expenses	15,201	**14,651**	**155,779**
Operating income	8,983	**6,464**	**68,729**
Non-operating income:			
Interest and dividends income	278	**268**	**2,850**
Foreign exchange gains	—	**701**	**7,453**
Reversal of allowance for doubtful accounts	50	**602**	**6,401**
Other (Note 9)	452	**368**	**3,913**
	780	**1,939**	**20,617**
Non-operating expenses:			
Interest expenses	1,812	**1,513**	**16,087**
Other (Note 10)	503	**330**	**3,509**
	2,315	**1,843**	**19,596**
Ordinary income	7,448	**6,560**	**69,750**
Extraordinary gain (Note 11)	437	**201**	**2,138**
Extraordinary loss (Note 12)	1,577	**1,743**	**18,533**
Income before income taxes and minority interests	6,308	**5,018**	**53,355**
Income taxes: (Notes 3 (21)and 19)			
Current	1,593	**1,030**	**10,952**
Deferred	3,095	**1,932**	**20,542**
	4,688	**2,962**	**31,494**
Income before minoity interests	1,620	**2,056**	**21,861**
Minority interests in income (loss)	(2)	**26**	**277**
Net income	¥ 1,622	**¥ 2,030**	**$ 21,584**

Net income per share of common stock (Notes 3 (20)and 24)	Yen		U.S. dollars
Basic	¥5.67	**¥7.10**	**$0.08**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

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

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Income before minority interests	¥1,620	**¥2,056**	**$21,861**
Valuation difference on available-for-sale securities	19	**1,289**	**13,706**
Deferred losses on hedges	(2)	**9**	**96**
Revaluation reserve for land	885	**—**	**—**
Foreign currency translation adjustments	(25)	**(54)**	**(575)**
Share of other comprehensive income of associates accounted for by the equity method	—	**(2)**	**(21)**
Total other comprehensive income (Note 14)	877	**1,242**	**13,206**
Comprehensive income	¥2,497	**¥3,298**	**$35,067**
(Breakdown)			
Comprehensive income attributable to shareholders	¥2,500	**¥3,271**	**$34,780**
Comprehensive income attributable to minority interests	(3)	**27**	**287**

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, 2012

	Millions of yen				
	Shareholders' equity				
	Common 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

For the year ended March 31, 2013

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained Earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2012	¥30,450	¥18,387	¥7,453	¥(23)	¥56,267
Changes of items during the year					
Dividends from surplus			(572)		(572)
Net income			2,030		2,030
Reversal of revaluation reserve for land			(276)		(276)
Purchase of treasury stock				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	—	1,182	(1)	1,181
Balance at March 31, 2013	¥30,450	¥18,387	¥8,635	¥(24)	¥57,448

	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, 2012	¥ (107)	¥(10)	¥6,195	¥ 37	¥6,115	¥ 4	¥62,386
Changes of items during the year							
Dividends from surplus							(572)
Net income							2,030
Reversal of revaluation reserve for land							(276)
Purchase of treasury stock							(1)
Net changes of items other than shareholders' equity	1,289	8	276	(56)	1,517	26	1,543
Total changes of items during the year	1,289	8	276	(56)	1,517	26	2,724
Balance at March 31, 2013	¥1,182	¥ (2)	¥6,471	¥(19)	¥7,632	¥30	¥65,110

For the year ended March 31, 2013

	Thousands of U.S. dollars				
	Shareholders' equity				
	Common stock	Capital surplus	Retained Earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2012	$323,764	$195,502	$79,246	$(245)	$598,267
Changes of items during the year					
Dividends from surplus			(6,082)		(6,082)
Net income			21,584		21,584
Reversal of revaluation reserve for land			(2,935)		(2,935)
Purchase of treasury stock				(10)	(10)
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	—	12,567	(10)	12,557
Balance at March 31, 2013	$323,764	$195,502	$91,813	$(255)	$610,824

	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, 2012	$ (1,138)	$(106)	$65,869	$ 393	$65,018	$ 43	$663,328
Changes of items during the year							
Dividends from surplus							(6,082)
Net income							21,584
Reversal of revaluation reserve for land							(2,935)
Purchase of treasury stock							(10)
Net changes of items other than shareholders' equity	13,706	84	2,935	(595)	16,130	276	16,406
Total changes of items during the year	13,706	84	2,935	(595)	16,130	276	28,963
Balance at March 31, 2013	$12,568	$ (22)	$68,804	$(202)	$81,148	$319	$692,291

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

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

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥6,308	**¥5,018**	**$53,355**
Adjustment to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	3,702	**4,306**	**45,784**
Impairment loss	69	**544**	**5,784**
Increase (Decrease) in allowance for doubtful accounts	(1,869)	**(251)**	**(2,669)**
Increase (Decrease) in provision for retirement benefits	(9)	**28**	**298**
Interest and dividends income	(278)	**(268)**	**(2,850)**
Interest expenses	1,813	**1,513**	**16,087**
Foreign exchange losses (gains)	(170)	**(1,134)**	**(12,057)**
Equity in (earnings) losses of affiliates	(74)	**(3)**	**(32)**
Loss (Gain) on sales of property, plant and equipment	(73)	**(38)**	**(404)**
Loss (Gain) on sales of investment securities	(0)	**—**	**—**
Loss on valuation of securities and investment securities	357	**240**	**2,552**
Change in assets and liabilities:			
Decrease (Increase) in notes and accounts receivable-trade	(11,588)	**4,473**	**47,560**
Decrease (Increase) in costs on uncompleted construction contracts	17	**2,507**	**26,656**
Decrease (Increase) in real estate for sale and development projects in progress and other inventories	2,922	**2,484**	**26,411**
Increase (Decrease) in notes and accounts payable – trade	25,538	**(1,951)**	**(20,744)**
Increase (Decrease) in advances received on uncompleted construction contracts	(512)	**(8,235)**	**(87,560)**
Increase (Decrease) in other provision	1,265	**(108)**	**(1,148)**
Other, net	2,317	**1,519**	**16,151**
Subtotal	29,735	**10,644**	**113,174**
Interest and dividends income received	413	**253**	**2,690**
Interest expenses paid	(1,688)	**(1,528)**	**(16,247)**
Income taxes paid	(1,720)	**(1,035)**	**(11,005)**
Net cash provided by operating activitie	26,740	**8,334**	**88,612**
Cash flows from investing activities:			
Purchase of short-term investment securities	(1)	**—**	**—**
Proceeds from sales of short-term investment securities	2	**—**	**—**
Purchase of investment securities	(502)	**(789)**	**(8,389)**
Proceeds from sales and redemption of short-term and long-term investment securities	28	**14**	**149**
Purchase of property, plant and equipment	(11,169)	**(9,646)**	**(102,562)**
Proceeds from sales of property, plant and equipment	220	**201**	**2,137**
Payments of loans receivable	(6)	**(4)**	**(43)**
Collection of loans receivable	114	**63**	**670**
Other, net	(272)	**(305)**	**(3,243)**
Net cash used in investing activities	(11,586)	**(10,466)**	**(111,281)**

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(2,490)	**(2,933)**	**(31,186)**
Proceeds from long-term loans payable	20,571	**13,382**	**142,286**
Repayment of long-term loans payable	(25,582)	**(20,759)**	**(220,723)**
Proceeds from issuance bonds payable	10,000	**—**	**—**
Cash dividends paid	(565)	**(567)**	**(6,028)**
Other, net	(196)	**(182)**	**(1,935)**
Net cash provided by (used in) financing activities	1,738	**(11,059)**	**(117,586)**
Effect of exchange rate change on cash and cash equivalents	157	**406**	**4,317**
Net increase (decrease) in cash and cash equivalents	17,049	**(12,785)**	**(135,938)**
Cash and cash equivalents at the beginning of the period	45,663	**62,712**	**666,794**
Cash and cash equivalents at the end of the period	¥62,712	**¥49,927**	**$530,856**
(Notes) (1) Cash and cash equivalents are comprised as follows:			
Cash and deposits	¥63,371	**¥50,596**	**$537,969**
Less – Time deposits with maturity over three months	(659)	**(669)**	**(7,113)**
Cash and cash equivalents (Note 3 (19))	¥62,712	**¥49,927**	**$530,856**

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=¥94.05, the exchange rate prevailing on March 31, 2013. 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 26 subsidiaries and 3 affiliated companies as at March 31, 2013.

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 9 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 their closing dates and the consolidated closing date.

3. Summary of significant accounting policies

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

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

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

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

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

(3) Investment securities

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

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

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

(4) Derivative financial transactions

Derivative financial instruments are stated at fair value.

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

(5) Inventories

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

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

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

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

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

(7) Research and development costs and computer software

Research and development costs are charged to income as incurred.

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

(8) Leased assets

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

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

(9) Allowance for doubtful accounts

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

(10) Provision for warranties for completed construction

The Company allocates 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

The Company allocates provision for the payment of bonuses for employees, at an estimated amount to be paid based on bonus payment term.

(12) Provision for loss on construction contracts

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

(13) Provision for retirement benefits

Provision for retirement benefits is provided 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 year following the year in which the gain or less is recognized.

(14) 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.

(15) Provision for loss on litigation

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

(16) 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 project, 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.

(17) 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 and forward exchange contracts.

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

3) Hedging policy

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

4) Evaluation of the effectiveness of hedge accounting

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

(18) Goodwill

Goodwill is amortized over 5 years by the straight-line method.

(19) Cash and cash equivalents

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

(20) 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, 2013.

(21) Income taxes

The Company and its 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 its consolidated domestic subsidiaries comprise (a) corporation tax of 25.5 percent on taxable income, (b) enterprise tax of 7.6 percent on taxable income after certain adjustments, (c) prefectural and municipal taxes averaging 20.4 percent of corporation tax, and (d) special reconstruction corporate tax of 10 percent on corporation tax (from April 1, 2013 to March 31, 2015). 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.

(22) Consumption tax

Consumption tax is eliminated from sales and purchases stated in the statement 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.

(23) Adoption of consolidated taxation system

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

(24) Reclassifications

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

4. Change in accounting policy

(Change in depreciation method)

In accordance with the amendment to the Corporation Tax Law effective April 1, 2012, the Company and its domestic consolidated subsidiaries have changed their depreciation method for property, plant and equipment acquired on or after April 1, 2012, other than certain buildings, to reflect the methods prescribed in the amended Corporation Tax Law. As a result of this change, the operating income, ordinary income and income before income taxes and minority interests increased by ¥190 million (U.S.$2,020 thousand) for the year ended March 31, 2013, respectively.

5. Accounting standards issued but not yet effective

- "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan Statement No. 26, issued May 17, 2012)

- "Guidance on Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan Guidance No. 25, issued May 17, 2012)

The major changes are as follows;

1) Treatment in the balance sheet – Actuarial gains and losses and prior service cost that have yet to be recognized in profit or loss shall be recognized within net assets (accumulated other comprehensive income), after adjusting tax effects, and the deficit or surplus shall be recognized as a liability (for retirement benefits) or assets (for retirement benefits).

2) Treatment in the statement of income and the statement of comprehensive income – Actuarial gains and losses and prior service cost that arose in the current period and have yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and prior service cost that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This standard and related guidance are effective as of the end of fiscal years beginning on or after April 1, 2013. The Company is currently evaluating the effect these modifications will have on its consolidated results of operations and financial position.

6. Investment securities

(1) Held-to maturity debt securities

As of March 31, 2012	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	¥183	¥189	¥ 6
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥183	¥189	¥ 6
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
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, 2013	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	¥211	¥222	¥11
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥211	¥222	¥11
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
National and local government bonds	¥ —	¥ —	¥—
Corporate bonds	10	10	—
Other	—	—	—
Subtotal	¥ 10	¥ 10	¥—
Total	¥221	¥232	¥11

As of March 31, 2013	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
Securities whose fair value exceeds their book value on consolidated B/S:			
National and local government bonds	$2,244	$2,361	$117
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	$2,244	$2,361	$117
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
National and local government bonds	$ —	$ —	$ —
Corporate bonds	106	106	—
Other	—	—	—
Subtotal	$ 106	$ 106	$ —
Total	$2,350	$2,467	$117

(2) Other securities

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)

(Note) Since unlisted stocks (balance on consolidated balance sheet ¥3,124 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, 2013	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	¥6,433	¥4,147	¥2,286
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	127	93	34
Subtotal	¥6,560	¥4,240	¥2,320
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	¥3,211	¥3,790	¥ (579)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	100	100	—
Other	—	—	—
Other	90	94	(4)
Subtotal	¥3,401	¥3,984	¥ (583)
Total	¥9,961	¥8,224	¥1,737

As of March 31, 2013	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	$68,400	$44,094	$24,306
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	1,350	988	362
Subtotal	$69,750	$45,082	$24,668
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	$ 34,141	$40,298	$ (6,156)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	1,063	1,063	—
Other	—	—	—
Other	957	1,000	(43)
Subtotal	$ 36,162	$42,361	$ (6,199)
Total	$105,912	$87,443	$18,469

(Notes) Since unlisted stocks (balance on consolidated balance sheet ¥2,916 Million (U.S. $31,005 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, 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, 2013

None

(4) Impairment of investment securities

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Other securities			
Stock	¥357	**¥240**	**$2,552**

7. Pledged assets

The following assets are pledged for fulfillment of construction contracts at March 31, 2012 and 2013.

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Investment securities	¥272	**¥292**	**$3,105**

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

Short-term and long-term loans and bonds payable as of March 31, 2012 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Short-term loans from banks and insurance companies	¥24,933	¥22,055	$234,503
(The weighted average interest rate is 0.99%.)			
Long-term loans from banks and insurance companies due through 2026	46,237	38,885	413,450
(The weighted average interest rate is 2.08%.)			
1.25% unsecured bonds payable due 2014	10,000	10,000	106,327
Less: current portion	(45,687)	(39,956)	(424,838)
Net	¥35,483	¥30,984	$329,442

The aggregate annual maturity of short-term and long-term loans and bonds payable after March 31, 2013 is as follows:
Year ending March 31,

2014	¥39,956	$424,838
2015	21,500	228,602
2016	5,981	63,594
2017	2,628	27,943
2018	759	8,070
2019 and thereafter	116	1,233
Total	¥70,940	$754,280

9. Non-operating income

The composition of Non-operating income-other for the fiscal years ended March 31, 2012 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Real estate rent	¥ 70	¥ 69	$ 734
Other	382	299	3,179
Total	¥452	¥368	$3,913

10. Non-operating expenses

The composition of Non-operating expenses-other for the fiscal years ended March 31, 2012 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Foreign exchange losses	¥183	¥ —	$ —
Other	320	330	3,509
Total	¥503	¥330	$3,509

11. Extraordinary gain

The composition of Extraordinary gain for the fiscal years ended March 31, 2012 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Gain on sales of non-current assets	¥ 88	¥ 53	$ 564
Reversal of loss on disaster	303	—	—
Gain on insurance adjustment	19	129	1,372
Other	27	19	202
Total	¥437	¥201	$2,138

12. Extraordinary loss

The composition of Extraordinary loss for the fiscal years ended March 31, 2012 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Impairment loss*1	¥ 69	¥ 544	$ 5,784
Provision for allowance for doubtful accounts	28	277	2,945
Loss on valuation of investment securities	357	240	2,552
Provision for loss on litigation	350	400	4,253
Amortization of prior service cost	290	—	—
Other	483	282	2,999
Total	¥1,577	¥1,743	$18,533

*1 The Company recognized impairment loss for the following group of assets in the current fiscal years ended March 31,2012 and 2013.

For the year ended March 31, 2012

Classification	Type of Assets	Location	Impairment loss
Business assets	Land	Aichi and the other	¥43 million
Idle assets	Land and the other	Fukushima	¥25 million

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

Book values of above assets were written down to recoverable amounts due to following reasons. Management decision on conversion into leased assets or disposal has been made and no alternative investment has been planned. The impairment loss (¥69 million) was accounted for as extraordinary loss.

The recoverable amounts related to the assets converted into leased assets were measured by value in use calculated by discounting future cash flow, those related to the business assets were measured by net realizable amounts based on contract price and those related to the idle assets were measured as memorandum value.

For the year ended March 31, 2013

Classification	Type of Assets	Location	Impairment loss
Business assets	Land and the other	Chiba and the other	¥514 million $5,465 thousand
Leased assets	Land	Tokyo	¥30 million $319 thousand

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

Book values of above assets were written down to recoverable amounts due to following reasons. Management decision on disposal has been made and no alternative investment has been planned. The impairment loss (¥544 million, U.S.$5,784 thousand) was accounted for as extraordinary loss.

The recoverable amounts were measured by net realizable amounts based on contract price or sales comparison price and so on for business assets, and on the land value assessed for inheritance tax for leased assets.

13. Research and development costs

Research and development costs charged to income are ¥1,496 million for the fiscal year 2012 and ¥1,520 million (U.S.$16,162 thousand) for the fiscal year 2013, respectively.

14. 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, 2012 and 2013:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Valuation difference on available-for-sale securities			
Amount arising during the year	¥(328)	**¥1,807**	**$19,213**
Reclassification adjustment for gains and losses realized in net income	347	**37**	**394**
Amount before tax effect	19	**1,844**	**19,607**
Tax effect	0	**(555)**	**(5,901)**
Valuation difference on available-for-sale securities	19	**1,289**	**13,706**
Deferred losses on hedges			
Amount arising during the year	747	**(399)**	**(4,242)**
Reclassification adjustment for gains and losses realized in net income	(749)	**414**	**4,402**
Amount before tax effect	(2)	**15**	**160**
Tax effect	0	**(6)**	**(64)**
Deferred losses on hedges	(2)	**9**	**96**
Revaluation reserve for land			
Tax effect	885	**—**	**—**
Foreign currency translation adjustments			
Amount arising during the year	(26)	**(54)**	**(575)**
Reclassification adjustment for gains and losses realized in net income	1	**—**	**—**
Amount before tax effect	(25)	**(54)**	**(575)**
Tax effect	—	**—**	**—**
Foreign currency translation adjustments	(25)	**(54)**	**(575)**
Share of other comprehensive income of associates accounted for using equity method			
Amount arising during the year	—	**(2)**	**(21)**
Reclassification adjustment for gains and losses realized in net income	—	**—**	**—**
Share of other comprehensive income of associates accounted for using equity method	—	**(2)**	**(21)**
Total of other comprehensive income	¥ 877	**¥1,242**	**$13,206**

15. 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 ownership 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
	2012	**2013**	**2013**
Estimated acquisition costs			
Equipment	¥60	**¥6**	**$64**
Vehicles	7	**—**	**—**
Total: estimated acquisition costs	67	**6**	**64**
Less: accumulated depreciation	(64)	**(6)**	**(64)**
Estimated value	¥ 3	**¥0**	**$ 0**

(2) Future lease payments on leased assets as of March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Within one year	¥3	**¥0**	**$0**
Over one year	0	**—**	**—**
Total	¥3	**¥0**	**$0**

(3) Lease payments, depreciation equivalents and interest expenses equivalents for the years ended March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Lease payments	¥21	**¥3**	**$32**
Depreciation equivalents	20	**3**	**32**
Interest expense equivalents	¥ 0	**¥0**	**$ 0**

16. Summary of operating lease transactions

Future lease payments, about non-cancelable operating lease assets as of March 31, 2013 are as follows:

<Borrower>

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Within one year	¥ 453	**¥ 453**	**$ 4,817**
Over one year	2,002	**1,549**	**16,470**
Total	¥2,455	**¥2,002**	**$21,287**

<Lender>

	Millions of yen		Thousands of U.S. dollars
	2012	**2013**	**2013**
Within one year	¥132	**¥151**	**$1,605**
Over one year	528	**453**	**4,817**
Total	¥660	**¥604**	**$6,422**

17. 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 years ended March 31, 2012 and 2013 and accordingly fair value information is waived.

18. Commitments and contingent liabilities

As of March 31, 2013, the Company has liabilities for guarantee to bank loans made by customers amounting to ¥1,018 million (U.S.$10,824 thousand).

The Company also has the guarantee amounting to ¥125 million (U.S.$1,329 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.$318,979 thousand) for the purpose of flexible financing. There is no amount of loans using the line as of March 31, 2013.

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
	2012	**2013**	**2013**
Deferred tax assets			
Net operating loss carried forward	¥ 6,212	**¥4,053**	**$43,094**
Employees' retirement benefits trust	2,320	**2,227**	**23,679**
Impairment loss	1,417	**1,695**	**18,022**
Loss on valuation of real estate for sale	1,264	**1,399**	**14,875**
Provision for loss on construction contracts	1,117	**1,077**	**11,451**
Allowance for doubtful accounts	430	**713**	**7,581**
Provision for bonuses	466	**451**	**4,795**
Other	1,855	**1,487**	**15,812**
Total: deferred tax assets	15,081	**13,102**	**139,309**
Less : valuation allowance	(4,003)	**(4,137)**	**(43,987)**
Deferred tax assets	¥11,078	**¥8,965**	**$95,322**
Deferred tax liabilities			
Prepaid pension cost	¥ (275)	**¥ (131)**	**$ (1,393)**
Valuation difference on available-for-sale securities	(0)	**(555)**	**(5,901)**
Depreciation	(112)	**(146)**	**(1,552)**
Other	(83)	**(76)**	**(809)**
Total: deferred tax liabilities	(470)	**(908)**	**(9,655)**
Net: deferred tax assets	¥10,608	**¥8,057**	**$85,667**

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:

	2012	**2013**
The statutory effective tax rate	40.69%	**38.01%**
(Adjustments)		
Permanent differences (expense)	8.01	**11.52**
Permanent differences (income)	(11.38)	**(1.09)**
Per capita levy on inhabitant tax	3.26	**4.53**
Consolidated adjustments	2.32	**(0.58)**
Increase(Decrease) in valuation allowance	(0.34)	**1.38**
Foreign corporation tax	19.90	**5.24**
Downward adjustment of deferred tax assets at the year end due to the change in corporate tax rates	12.69	**0.00**
Other	(0.83)	**0.02**
Actual burden tax rates after the application of tax effect accounting	74.32	**59.03**

20. 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
	2012	**2013**	**2013**
The difference between the appraisal value of land at the end of the current fiscal year and the book value	¥12,954	**¥12,735**	**$135,407**

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 availabe-for-sale securities

Valuation difference on availabe-for-sale securities is based on the difference between fair market value and book value at consolidated closing date. This amounted to ¥1,182 million (U.S.$12,568 thousand) gain as of March 31, 2013.

21. Retirement benefits

Ⅰ. Retirement benefits obligations

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
a. Retirement benefit obligations	¥(25,558)	**¥(25,572)**	**$(271,898)**
b. Pension fund assets	16,024	**19,260**	**204,785**
c. Unfunded retirement benefit obligations	(9,534)	**(6,312)**	**(67,113)**
d. Amortization term of effects of the application of the new accounting standards for retirement benefits	3,905	**2,603**	**27,677**
e. Unrecognized actuarial gain or loss	6,176	**3,946**	**41,956**
f. Net retirement benefit obligations	547	**237**	**2,520**
g. Prepaid pension cost	871	**589**	**6,263**
h. Provision for retirement benefits	¥ (324)	**¥ (352)**	**$ (3,743)**

Ⅱ. Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
a. Service costs	¥ 963	**¥1,010**	**$10,739**
b. Interest costs	537	**454**	**4,827**
c. Expected return on pension fund assets	(548)	**(292)**	**(3,105)**
d. Amortization term of effects of the application of the new accounting standards for retirement benefits	1,302	**1,302**	**13,844**
e. Amortization of actuarial gain or loss	948	**851**	**9,049**
f. Amortization of prior service cost	290	**—**	**—**
g. Retirement benefit costs	¥3,492	**¥3,325**	**$35,354**

Ⅲ. Calculation basis of retirement benefit obligations

a. Recognition method of the projected retirements benefit obligations ········ Straight-line method

b. Discount rate ········ 1.60%

c. Expected return rate on pension fund assets ········ 1.50~2.00%

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 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 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 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, 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) Accounts receivable – other	10,608	10,608	—
(4) Investment securities	7,593	7,599	6
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)	¥ —

(*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, (3) 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.

(4) 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.t

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 transaction

It is forward exchange contracts, and the 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) have no market value, have no estimated future cash flows and are quite difficult to recognize the fair value, they are not included in "(4) 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	¥—

Book value on consolidated balance sheet, fair value and the difference as of March 31, 2013 are as follows:

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 50,596	¥ 50,596	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	113,700	113,693	(7)
(3) Accounts receivable – other	12,019	12,019	—
(4) Investment securities	10,182	10,193	11
Total Assets	¥186,497	¥186,501	¥ 4
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	¥111,574	¥111,574	¥ —
(2) Short-term loans payable	22,055	22,055	—
(3) Bonds payable	10,000	10,082	82
(4) Long-term loans payable (*1)	38,885	38,946	61
Total Liabilities	¥182,514	¥182,657	¥143
Derivative transaction (*2)	¥ (0)	¥ (0)	¥ —

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	$ 537,969	$ 537,969	$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	1,208,931	1,208,857	(74)
(3) Accounts receivable-other	127,794	127,794	—
(4) Investment securities	108,262	108,379	117
Total Assets	$1,982,956	$1,982,999	$ 43
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	$1,186,326	$1,186,326	$ —
(2) Short-term loans payable	234,503	234,503	—
(3) Bonds payable	106,327	107,198	871
(4) Long-term loans payable (*1)	413,450	414,099	649
Total Liabilities	$1,940,606	$1,942,126	$1,520
Derivative transaction (*2)	$ (0)	$ (0)	$ —

(*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, (3) 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.

(4) 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 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 ¥3,022 million (U.S.$32,132 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 "(4) Investment securities."

(Note 3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2013

	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	¥ 50,570	¥ —	¥ —	¥—
Notes receivable, accounts receivable from completed construction contracts and other	104,867	8,833	—	—
Investment securities				
Held-to-maturity bonds				
National and local government bonds	—	62	149	—
Corporate bonds	—	10	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	100	—
Other	—	—	—	—
Accounts receivable – other	12,019	—	—	—
Total	¥167,456	¥8,905	¥249	¥—

	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	$ 537,693	$ —	$ —	$—
Notes receivable, accounts receivable from completed construction contracts and other	1,115,013	93,918	—	—
Investment securities				
Held-to-maturity bonds				
National and local government bonds	—	659	1,585	—
Corporate bonds	—	106	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	1,063	—
Other	—	—	—	—
Accounts receivable – other	127,794	—	—	—
Total	$1,780,500	$94,683	$2,648	$—

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

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

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

The accounting policies of the segments are substantially the same as those described in the summary of significant accounting policies in Note 3.
Segment performance is evaluated based on operating income or loss.
Intersegment sales and transfers are based on prevailing market price.
The Company do not allocate assets to business segments.

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

	Millions of yen								
	Reportable segment								
Year ended March 31, 2012	Domestic civil engineering segment	Domestic architectural construction segment	Overseas segment	Domestic real estate development segment	Total	Other (Note1)	Total	Ajustments (Note2)	Recorded amount on consolidated statement of income (Note3)
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

	Millions of yen								
	Reportable segment								
Year ended March 31, 2013	Domestic civil engineering segment	Domestic architectural construction segment	Overseas segment	Domestic real estate development segment	Total	Other (Note1)	Total	Ajustments (Note2)	Recorded amount on consolidated statement of income (Note3)
Net sales:									
Sales to third parties	¥124,771	¥111,547	¥105,628	¥1,118	¥343,064	¥6,775	¥349,839	¥ —	¥349,839
Intersegment sales and transfers	251	39	—	170	460	2,138	2,598	(2,598)	—
Total	125,022	111,586	105,628	1,288	343,524	8,913	352,437	(2,598)	349,839
Segment profit (loss)	6,566	(1,877)	2,788	(864)	6,613	(211)	6,402	62	6,464
Other item:									
Depreciation	1,496	282	1,933	70	3,781	541	4,322	(16)	4,306

	Thousands of U.S. dollars								
	Reportable segment								
Year ended March 31, 2013	Domestic civil engineering segment	Domestic architectural construction segment	Overseas segment	Domestic real estate development segment	Total	Other (Note1)	Total	Ajustments (Note2)	Recorded amount on consolidated statement of income (Note3)
Net sales:									
Sales to third parties	$1,326,645	$1,186,039	$1,123,105	$11,888	$3,647,677	$72,036	$3,719,713	$ —	$3,719,713
Intersegment sales and transfers	2,669	415	—	1,807	4,891	22,733	27,624	(27,624)	—
Total	1,329,314	1,186,454	1,123,105	13,695	3,652,568	94,769	3,747,337	(27,624)	3,719,713
Segment profit (loss)	69,814	(19,957)	29,644	(9,187)	70,314	(2,243)	68,071	658	68,729
Other item:									
Depreciation	15,906	2,998	20,553	745	40,202	5,752	45,954	(170)	45,784

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, 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	¥82,142 million	¥1,590 million	¥328,005 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
¥59,165 million	¥9,339 million	¥4 million	¥68,507 million

3. Each main customer

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

For the year ended March 31, 2013
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
¥244,071 million $2,595,120 thousand	¥105,216 million $1,118,724 thousand	¥552 million $5,869 thousand	¥349,839 million $3,719,713 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
¥59,880 million $636,682 thousand	¥12,723 million $135,279 thousand	¥1 million $11 thousand	¥72,604 million $771,972 thousand

3. Each main customer

Name of customer	Net sales	Related segment
Ministry of Land, Infrastructure, Transport and Tourism	¥39,723 million $422,360 thousand	Domestic civil engineering segment and Domestic architectural construction segment

(Information related to Impairment loss on fixed assets by reportable segment)
For the year ended March 31, 2012
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 loss.

For the year ended March 31, 2013
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 loss.

(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, 2012
None

For the year ended March 31, 2013
None

24. Amounts per share

1. Per share information is summarized as follows:

	Yen		U.S. dollars
	2012	**2013**	**2013**
Net assets per share	¥218.19	**¥227.63**	**$2.42**
Net income per share	5.67	**7.10**	**0.08**

2. For the year ended March 31, 2012 and 2013, diluted net income per share is not disclosed, because the dilutive potential of shares of common stock is none.

25. Significant subsequent events

1. The issue of unsecured straight bonds
The Board of Directors has resolved the issuance of unsecured straight bonds under the following terms and conditions at June 27, 2013.

(1) Issue amount	Maximum of ¥10,000 million However, multiple issuances of bonds are allowed within this amount.
(2) Issue price	¥100 for face value of ¥100
(3) Interest rate	The swap rates maturing the same year as the bonds plus 1% or less
(4) Issue date	From July 1, 2013 to March 31, 2014 However, if bonds are offered during the said period, the payment date is deemed to be within the issue period even if it is after the said period.
(5) Redemption period	3 to 5 years
(6) Redemption method	Lump-sum redemption upon maturity
(7) Purpose of the funds	Repayment of borrowings
(8) Details of pledge and guaranty	No guarantee, no pledge and no guaranty
(9) Determination of the issue terms	The Board of Directors resolved that the Director & Chief of General Administration Divisions Group of the Company be authorized to determine the total issue amount, issue dates, interest rates and other matters in accordance with the above terms and conditions.After the decisions are made, they shall be reported to the first meeting of the Board of Directors co nvened thereafter.

2. Dividends
For the year ended March 31, 2013

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, 2013, was approved at the general shareholders' meeting held on June 27, 2013 and became effective June 28, 2013:	Millions of yen	Thousands of U.S. dollars
	2013	**2013**
Cash dividends (¥2 (U.S.$0.02) per share)	**¥572**	**$6,082**

Report of Independent Auditors

ERNST & YOUNG

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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, 2013, 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, 2013, 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, 2013

A member firm of Ernst & Young Global Limited