

GOING FURTHER

その先の向こうへ



Penta-Ocean Construction Annual Report 2013

Year Ended March 31, 2013



Corporate Message

GOING FURTHER

その先の向こうへ

Since its establishment in 1896 in Kure city, Hiroshima prefecture, Penta-Ocean Construction Co., Ltd. has grown with society by contributing an enterprising, up-and-coming spirit and leading-edge construction technologies. Today, more than 100 years after our founding, a mentality of continually seeking challenges in new fields remains part of our corporate DNA. A spirit of accepting challenges that never varies, even as times change, and the power of flexible self-innovation to respond to the needs of each new era. At Penta-Ocean, we are never satisfied with things as they are, and we continue to move steadily forward, step by step.

Corporate Policy



Contents

- 1 Corporate History
- 2 Consolidated Financial Highlights
- 3 Message from the President
- 4 Questions and Answers with President Murashige
- 6 Overseas Projects
- 8 Domestic Projects
- 10 Corporate Governance / CSR Activities
- 11 Consolidated Financial Statements
- 41 Non-Consolidated Financial Statements
- 45 Company Data

Corporate History

In our aim to be a trusted and continually-developing company, Penta-Ocean Construction Co., Ltd. is serving customers, business partners, stockholders and communities since our founding in 1896 through civil engineering, building, and environmental construction mainly around coastal areas. We intend to continue making a further contribution in the future and work as a group towards the creation of sustainable value.

1896

Founded as Mizuno-gumi (former name of Penta-Ocean Construction) in Kure city, Hiroshima prefecture by Jinjiro Mizuno. Engaged in port and harbor engineering works, mainly at naval bases throughout Japan.

From foundation to early Showa era

With involvement in many naval base works at places such as Kure, Yokosuka, and Sasebo, the Company gained a growing reputation as "Mizuno-gumi Marine Civil Engineers."



Iconic uniform of the former Mizuno-gumi

Foundation period

1896



The dredger, "Kure Maru No. 2"

1957

Participated in investigatory work at India and the Port of Goa as its first step into the overseas market.

1961~

Built a cutter suction dredger, the "SUEZ," and successfully won the international tender for the Suez Canal improvement work.

1967

Company name established as "Goyo Kensetsu Kabushiki-kaisha" in Japanese, and "Penta-Ocean Construction Co., Ltd." in English.

1970s

Won a succession of large-scale contracts in Egypt, Singapore, Iraq, and Qatar. Worked on 7 out of 13 sections of the first phase of the Suez Canal deepening and widening work between 1974 and 1980. This project made Penta-Ocean Construction known throughout the world.

1977

Expanded and strengthened its construction department, triggering the start of its construction business up to the current day.



Extremely difficult Suez Canal repair work in progress

1961

International expansion period



Our company logo representing the five oceans

1967

1984

Won the Singapore, Tuaspring landfill works contract. As one of the world's largest reclamation projects, it was a key to us making great strides in Singapore.

1994

Completion of the Institute of Technology in Nasushiobara city, Tochigi prefecture.

1996

Celebrated 100th anniversary of the company's founding.

1999

Commissioned in Singapore to build the self-propelling trailing suction hopper dredger, the "ANDROMEDA V (formerly named: Queen of Penta-Ocean)."



Completed Institute of Technology



ANDROMEDA V

1994

Growth period

1999

2005

Won the contract to construct the Tokyo International Airport Runway D.

2006

Yoshio Murashige named company president. Won the contract to construct the ION Orchard and the Orchard Residences in Singapore.

2009

Won the contract to construct the Kai Tak Cruise Terminal in Hong Kong.

2010

Completion of Cement deep mixing vessel, "POCM-No.12."

2012

Completion of the self-propelled multi-purpose working vessel, "CP-5001."



Construction work at the ION Orchard and the Orchard Residences in Singapore



Major Japanese project - Tokyo International Airport Runway D

2005

2006

Progress period

2009



Construction work at the Kai Tak Cruise Terminal in Hong Kong

2012



CP-5001

Targeting Further Growth as the "No. 1 Contractor in Coastal and Waterfront Areas"

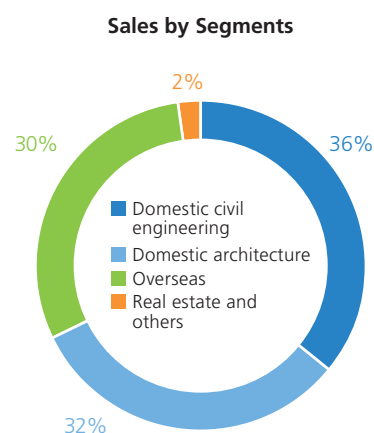
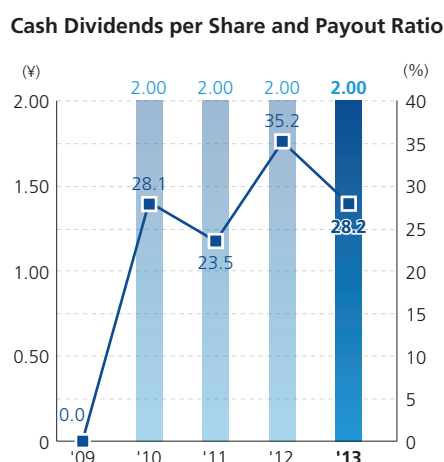
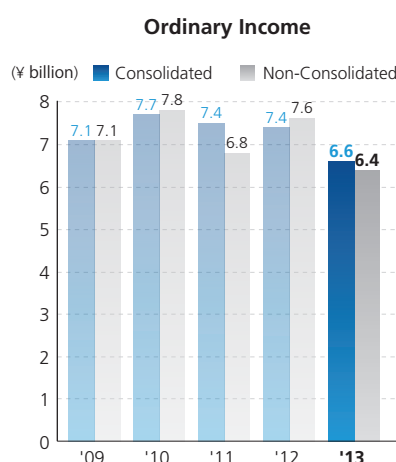
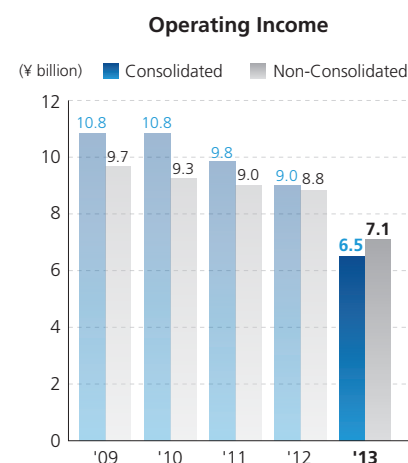
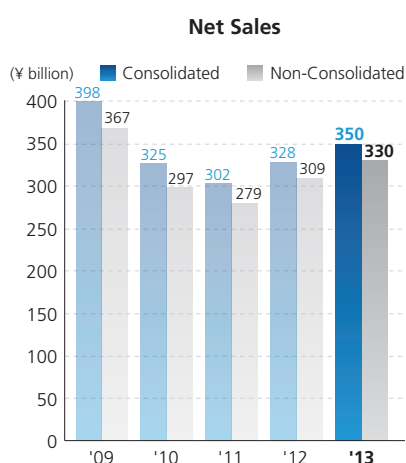
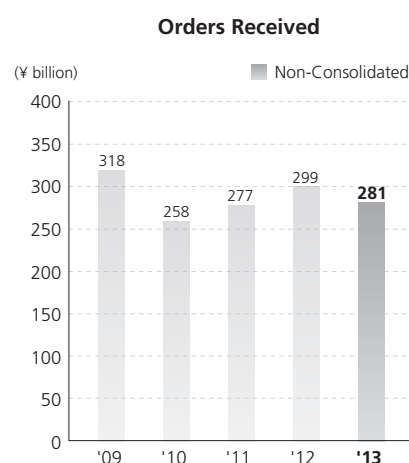
Consolidated Financial Highlights

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
Net Sales	¥328,005	¥349,839	\$3,719,713
Total Assets	311,917	296,726	3,154,981
Net Assets Excluding Minority Interests	62,382	65,080	691,972
Ordinary Income	7,448	6,560	69,750
Income before Income Taxes and Minority Interests	6,308	5,018	53,355
Net Income	1,622	2,030	21,584
Cash Dividends	572	572	6,082

Per share of common stock:	Yen		U.S. dollars
	2012	2013	2013
Net Assets Excluding Minority Interests	¥218.19	¥227.63	\$2.42
Net Income	5.67	7.10	0.08
Cash Dividends	2.00	2.00	0.02

Note: 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.



Disclaimer

The information contained in this annual report concerning Penta-Ocean Construction Co., Ltd.'s forward-looking statements and management plans are based on information available to the company at the time that it was created. Please note that actual results may differ from the forecasts indicated here due to a variety of future factors.

Opening a Path toward an Assured Future as the No. 1 Contractor in Coastal and Waterfront Areas



The Penta-Ocean Construction Co., Ltd. Group (Penta-Ocean Construction Group) is setting its vision on further growth as the No. 1 contractor in coastal and waterfront areas. Underpinned by its basic management policy of supporting business volume, building competitive strength, advancing into new fields, investing in productive capital and strengthening the Group's management base, the Penta-Ocean Construction Group is pressing forward to achieve the goals of the Medium-Term Management Plan (2012 – 2014).

The Japanese economy has undergone a number of changes in direction in the fiscal year ended March 31, 2013. Despite some signs of a rebound, prompted by demand related to recovery from the Great East Japan Earthquake, uncertainty continued to linger as the global economy slowed. With the inauguration of a new government, however, new economic measures and fiscal policies received a favorable reception. As the Japanese yen weakened and Japanese equities markets

surged, hopes of an economic recovery grew.

Conditions in the construction industry offered room for cautious optimism. Results in public-sector operations in Japan were solid, as recovery-related operations reached full speed and an auxiliary budget was disbursed. Residential investment found a recovery footing but activity was sluggish overall, while private-sector capital investment faltered amid caution over future prospects. Overseas, demand for construction was firm in Southeast Asia, the Group's principal market, paced by infrastructure projects.

Amid the economic environment described above, the Penta-Ocean Construction Group worked to achieve the targets of the Medium-Term Management Plan (2012 – 2014), aiming for further growth as the No. 1 contractor in coastal and waterfront areas.

Net sales increased 6.7% against the previous fiscal year to ¥349.8 billion (U.S.\$3,719.7 million) amid a steady trend in overseas projects in hand. In earnings, operating income declined 28.0% against the previous fiscal year to ¥6.5 billion (U.S.\$68.7 million) due to a decline in the gross margin on sales, although selling, general and administrative expenses were reduced. In spite of an improvement in non-operating profit and loss, ordinary income shrank 11.9% against the previous fiscal year to ¥6.6 billion (U.S.\$69.8 million). Thanks to a decline in income taxes, however, net income rose 25.1% over the previous fiscal year to ¥2 billion (U.S.\$21.6 million).

The Group's corporate message, "Going further," encapsulates the vision of the future we strive for and our determination to make that future a reality. Our aim is to be a compelling and attractive group of companies, building an assured future as a front-runner and the No. 1 contractor in coastal and waterfront areas, enhancing enterprise value and growing and developing sustainably in step with the communities in which we do business.

A handwritten signature in black ink that reads "Y. Murashige".

Yoshio Murashige

President, Chief Executive Officer and Representative Director

Questions and Answers with President Murashige

Q

What is your forecast for the business environment?

A

In Japan, we forecast a modest recovery in construction investment. Overseas, growth should continue to be strong in Southeast Asia, driven by infrastructure building.

In Japan, we expect to derive growth from both the public and private sectors. With respect to the public sector, we forecast robust implementation of major projects, where the Penta-Ocean Group can capitalize on its strengths. These include recovery projects in the wake of the Great East Japan Earthquake and the construction of a strategic international container port. Turning to private-sector operations, we anticipate that capital investment in Japan will turn to a recovery keynote against a background of improving business revenues. Overseas, construction of infrastructure as well as medical and educational facilities will continue to be brisk in Southeast Asia, notably in Singapore and Hong Kong.

Amid this business environment, the Penta-Ocean Group will move forward with a selective, targeted approach, shifting from a general-contractor model to an integrated core-operations model. As a result, we still aim to attain further growth as the No. 1 contractor in coastal and waterfront areas, as we work to achieve the targets of the current medium-term management plan (2012 – 2014).

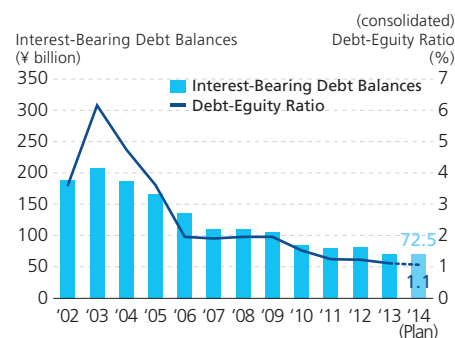
Q

The Penta-Ocean Group is reducing its balance of outstanding interest-bearing debt in a bid to reinforce its financial position. What specific targets do you have?

A

Our goal for the fiscal year ending in March 31, 2014 is to reduce our balance of outstanding interest-bearing debt to ¥72.5 billion on a consolidated basis, achieving a Debt-Equity Ratio of 1.1%

Maritime public-works projects require investment in special equipment such as work vessels. Because such capital investment is typically conducted using funds borrowed from financial institutions, the Group's ratio of interest-bearing debt to total assets is at its highest level ever. We must urgently improve our financial position by unwinding interest-bearing debt and expanding owned capital. To achieve a solid financial position, the Penta-Ocean Group is working hard to reduce that balance of interest-bearing debt. Our specific targets are a balance of outstanding interest-bearing debt of ¥72.5 billion (U.S.\$770.9 million) on a consolidated basis and a Debt-Equity Ratio of 1.1% at the end of the fiscal year ending in March 31, 2014.



Q

Please explain your policy on capital investment.

A

We are continuing to carry out the capital investment we need to bolster our operational capability.

The Group's core operations consist of maritime public-works projects in Japan and overseas. To strengthen our operational capability, we require capital investment to construct and improve the function of special ships, such as large dredgers and soil-stabilization vessels.

In 2010 the Group commissioned a cement deep mixing vessel, the POCM-No.12, and a self-propelled multi-purpose working vessel, the CP-5001 in 2012. Currently we are building a large-scale self-propelling dredger in Singapore, scheduled for commissioning in 2014. As a result of these projects, the Penta-Ocean Group's capital-investment bill has been exceptionally high in recent years: Capital investment in the fiscal year ending March 31, 2014 is expected to reach ¥14.5 billion (U.S.\$154.2 million).

The Group will continue to conduct capital investment as necessary to fortify its operational capabilities and enhance its technological competitiveness.



The self-propelled multi-purpose working vessel, "CP-5001"

Medium-Term Management Plan Basic Policies

Target Firm Image

"No. 1 Contractor in Coastal and Waterfront Areas"

Transition from general contractor model to core business-integrated model

Basic Management Policies

1. Maintain business volume
2. Build competitiveness
3. Further improve quality of operations
4. Enter new fields, undertake capital investment
5. Strengthen the operating base

Earnings Targets under Our Management Plan

Medium-Term Management Plan (2012 – 2014)							(¥ billion)
	2012 Actual		2013 Actual		2014 Plan		
	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	
Earnings Targets							
Construction Orders Received	—	¥ 286.5	—	¥ 280.3	—	¥ 320.0	
Net Sales	¥ 328.0	308.6	¥ 349.8	329.5	¥ 357.0	332.0	
Gross Profit	24.2	22.6	21.1	20.4	24.3	22.5	
SG&A	15.2	13.8	14.7	13.3	15.3	14.0	
Operating Income	9.0	8.8	6.5	7.1	9.0	8.5	
Ordinary Income	7.4	7.6	6.6	6.4	7.5	7.0	
Net Income	1.6	2.1	2.0	2.3	2.6	2.5	
Earnings Per Share (¥)	5.67	—	7.10	—	9.00	—	
Consolidated Financial Targets							
Interest-Bearing Debt (¥ billion)	¥ 81.2		¥ 70.9		¥ 72.5		
Debt-Equity Ratio (%)	1.3%		1.1%		1.1%		
Equity Ratio (%)	20.0%		21.9%		21.3%		

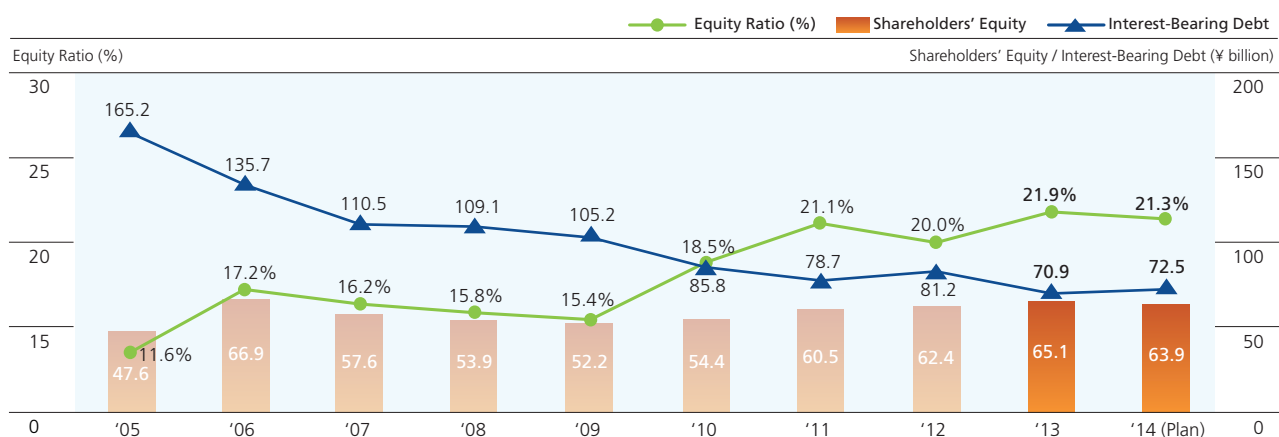
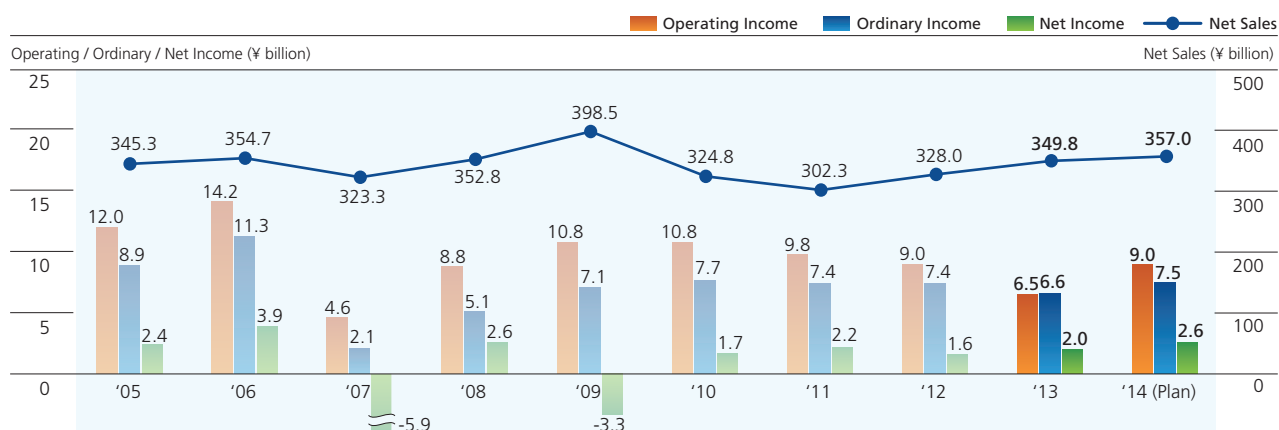
Shareholder Dividend

- Stable shareholder dividend
- Planned 2014 dividend: ¥2 per share

Major Targets (Consolidated)

- 2014: Ordinary Income: ¥7.5 billion
- Debt-Equity Ratio: 1.1%

Major Operating Trends/Projection (Consolidated)



Overseas Projects



Mount Elizabeth Novena Hospital (Singapore)

Mount Elizabeth Novena Hospital, a new hospital of Parkway Holdings at Novena in Singapore where the premier location five minutes away from Orchard Road, Singapore's premier shopping belt, are easily accessible. The Novena MRT station at its doorstep brings the city centre and suburbs all within easy reach. Mount Elizabeth Novena Hospital broke new ground in luxury healthcare with world-class medical facilities and stately patient suites that are fully single-bedded. Other user-friendly facilities and features include aerial gardens, over 200 premier physician suites, outpatient specialty centres, and integrated photovoltaic green technology. It has received, in-principle, the Platinum Green Mark award from the Building & Construction Authority for its environmentally friendly features. In addition, in Construction Quality Assessment System (CONQUAS) which is criterion of the construction quality control, Penta-Ocean received the highest score of 96.9 points in all its building construction in Singapore so far. Mount Elizabeth Novena Hospital was opened in 1st July 2012 and set new benchmarks for quality healthcare to reinforce Singapore's reputation for delivering world-class medical services to both its citizens and foreign patients. Adopting global best-practice standards for quality patient care as well as clinical outcomes, the new hospital meet the continuing demand for high quality yet affordable healthcare in Singapore and around the world.





Thi Vai Cargo Terminal Construction Project (Vietnam)

The Thi Vai cargo terminal construction project was a major four-year project consisted of a deep general cargo terminal (-14m). It is one of the core projects of Cai Mep - Thi Vai International Port development financed by the Japanese government under its international yen loan.

This port development is expected to ease the volume of cargo handled by the existing Saigon port and highly optimize the distribution of goods in southern Vietnam. Also, as the terminal will be able to receive large vessels, it is expected to contribute to economic development in southern Vietnam while functioning as an international hub and harbor for the Southeast Asian region in the future.



HKEx Next Generation Data Center (Hong Kong)

This project involved the construction of a next generation data center, world-class in terms of high-reliability and environmental standard. To avoid various security risks, this building meets the "Tier V" rank, which is the highest quantitative assessment determined by the U.S. private data center rating agency, the Uptime Institute (TUI). It serves an important role in the global as well as in Hong Kong's economy by providing an infrastructure supporting the world market-leading HKEx Group.



Two Integrated Buildings, CUHK (Hong Kong)

The Chinese University of Hong Kong (CUHK) is Hong Kong's public university established in 1963. Composed of eight faculties and graduate courses, the university campus covers an extensive area of approximately 137 hectares, and is the academic home to about 14,000 undergraduates and graduate students. This project entailed building an auditorium fit for approximately 600 people and a new school building that houses over 80 lecture halls of various sizes. Lectures started in this brand-new building following the safe completion of the building in August 2012. Students learning in such an excellent campus will no doubt play an active role across the globe as well as Hong Kong.



Domestic Projects

Civil Engineering



Kashima Tank Terminal (Ibaraki Prefecture)

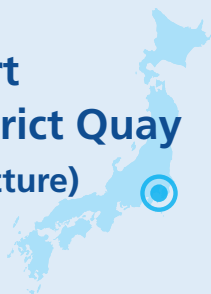


In September 2012 work was completed on the construction of a tank terminal base at the Kashima complex under design and build contract.

As the first chemical tank terminal aimed at ordinary companies in the Kashima coastal industrial zone, it can be used by companies from a diversity of industries such as surfactant manufacturers.

The breasting dolphin allows coastal tankers and 15,000DWT-class ocean tankers to berth alongside the pier, allowing to deposit and store large quantities of liquid cargo.

Yokohama Port Honmoku District Quay (Kanagawa Prefecture)



Development of deepwater (-16 m) earthquake-proof container terminal is ongoing to cope with increasing demand of container cargo and improving size of latest container vessel. Applying the steel plate cell method for the quay structure, four gigantic cells made up of 24m diameter and 28.5m high steel plates formed in a cylindrical shape were lifted and installed with floating cranes.



Architecture

Kamigumi Co., Ltd. Port Island Multi Distribution Center (Hyogo Prefecture)

This large-scale agricultural product distribution and processing center was strategically built in the central section of the Kobe Port, an international container port. As Japan's one of the largest of its kind, this vegetables and fruits processing buildings constructed by us have fumigation and temperature-controlled storage facilities equipped with air conditioning system for storing vegetables and fruits, such as bananas, in the most suitable environment and have functional distribution and processing facilities.



Matsuoka Co., Ltd. Tokyo Bay Distribution Center (Kanagawa Prefecture)

Completed in February 2013 at the neighbor of Kawasaki Port container terminal, this center was constructed in a site of over 30,000 m² with a cutting-edge distribution functions meeting the diversified food distribution needs. Among its facilities, it features a refrigerated warehouse, as one of the nation's largest warehouse with a capacity of 80,000 tons. This warehouse makes use of 70-ton truck berthing facility enabling the food to store and distribute efficiently. Its location is convenient for both freeway and speedy deliveries to the entire Tokyo metropolitan area.

Corporate Governance / CSR Activities

Corporate Governance

Our Basic Stance on Corporate Governance

The Company positions effective Corporate Governance as a priority management issue for its enduring growth and development. And, with overall goal, Group-wide optimization, we are working to strengthen our Corporate Governance to enable the thorough implementation of management strategies, not only from the perspective of internal controls but also from a technological viewpoint. Specifically, we are implementing enhanced enterprise management-related audit and oversight functions, the promotion of risk management, and enhanced disclosure as policies of paramount importance.

Structure and Enhancement

Basic internal control policies
and implementation
of a practical internal
control system

Adoption of executive
officer system and
performance evaluation
system

Effective corporate auditor
audits, internal audits and
financial statement audits

* For more information on the status of the Company's Corporate Governance efforts, please visit our website:
<http://www.penta-ocean.co.jp/english/company/management/index.html>

CSR Activities

CSR Policy

Penta-Ocean Construction Group views that its greatest contribution to society is the construction of superior infrastructure. We aim to be a respectable and highly attractive group of companies not only to our shareholders, customers, business partners and employees, but also to local communities by providing solid, quality workmanship backed by advanced technologies developed with high regard for safety and ecological considerations.

Dignified Business
Conduct

Coexistence with
the Environment
and Nature

Human Propriety

Information
Transparency

CSR Activities in 2012

Won awards at the "BCA Construction Excellence Awards 2012" at Singapore (May 24, 2012)

At the "Construction Excellence Awards 2012," "ION Orchard and the Orchard Residences" received awards from the Singapore government's Building and Construction Authority (BCA) in the Commercial Facility and Housing categories. This was the first time a single facility won awards in multiple categories in the same financial year.

Our excellent technical strength and on-site management capability was praised.



Awarded a letter for rendering distinguished services concerning the Great East Japan Earthquake (July 27, 2012)

A ceremony was held to award a letter of appreciation from the Minister of Land, Infrastructure and Transport for rendering distinguished services concerning the Great East Japan Earthquake. This is awarded to companies recognized for overcoming various difficulties to conduct disaster recovery work at areas affected by the Great East Japan Earthquake and achieving remarkable results in helping to stabilize the everyday lives of local residents and the social infrastructure. The Company will continue to unite in working towards the recovery of disaster-affected areas.



Training local compliance staff (Mid-August 2012 to mid-February 2013)

Lawyers specializing in the field of compliance at offices in Hong Kong, Indonesia, Singapore, Vietnam and Malaysia were invited to conduct courses on bribery prevention to local staff (management class). Management-class staff often have contact with bodies outside the company so conducting these courses on a regular basis in the future will ensure a more thorough position on compliance.



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 ¥105,628 million (U.S.\$1,123.1 million), an increase of ¥21,912 million (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%.

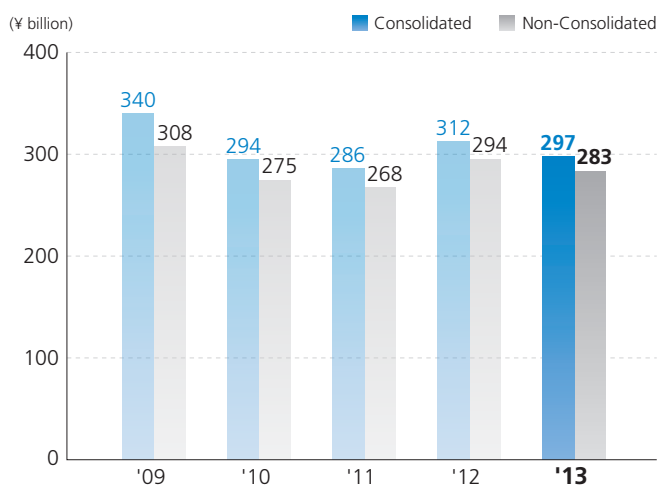
Net sales in our domestic Development Business amounted to ¥1,288 million (U.S.\$13.7 million), a decrease of ¥1,333 million (U.S.\$14.2 million), or 50.9%, compared with the previous consolidated fiscal year. The segment posted an operating loss of ¥864 million (U.S.\$9.2 million), as compared to a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

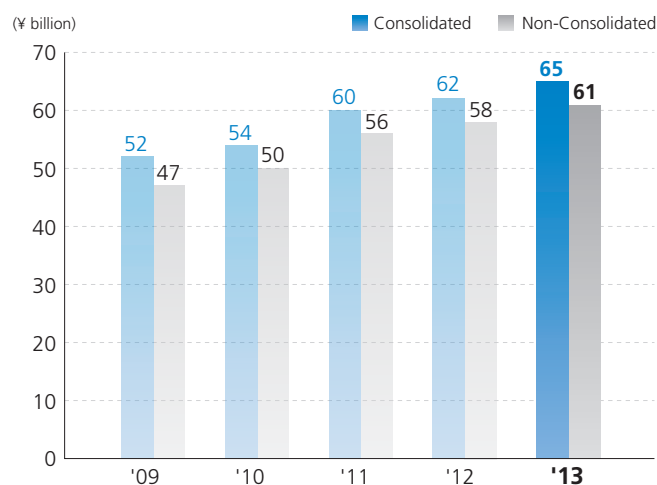
Orders received and contract backlog

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.

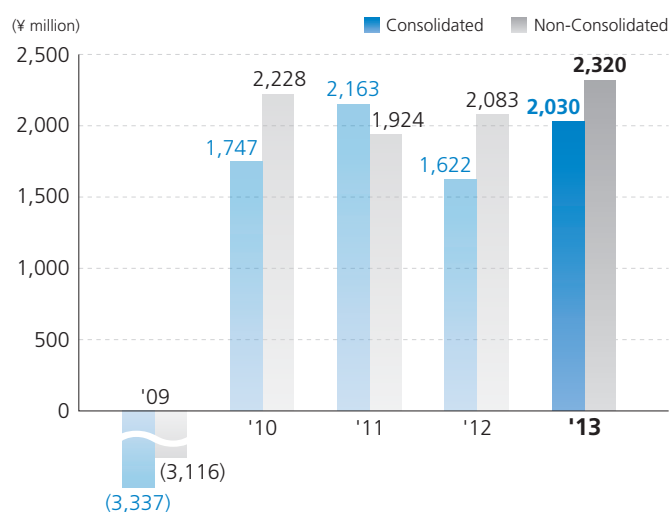
As a result of the foregoing, consolidated cash and cash equivalents amounted to ¥49,927 million (U.S.\$530.9 million) as of the end of the consolidated fiscal year under review, a year-on-year decrease of ¥12,785 million (U.S.\$135.9 million), or 20.4%. A balance at the end of the year in regards to 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

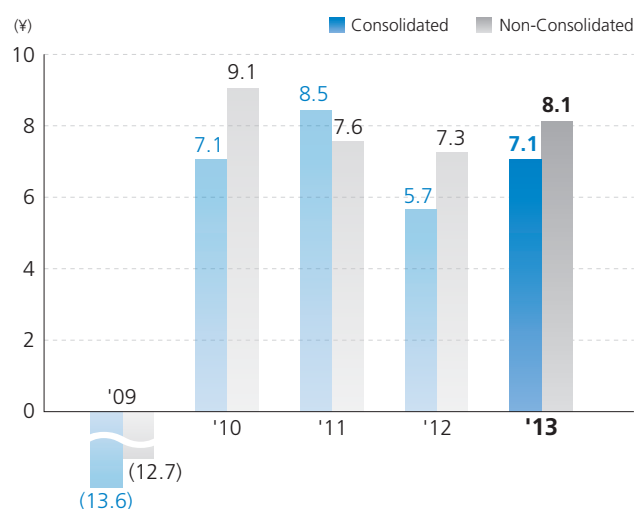
The Company's basic policy with respect to dividends is to offer long-term, stable payouts to shareholders as circumstances allow, while building a stronger management foundation for the future, and taking into account the business environment, our earnings performance and other factors. Furthermore, 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 minority 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					Minority interests	Total Net Assets
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total accumulated other comprehensive income		
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					Minority interests	Total Net Assets
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total accumulated other comprehensive income		
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				Total shareholders' equity
	Common stock	Capital surplus	Retained Earnings	Treasury stock	
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					Minority interests	Total Net Assets
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total accumulated other comprehensive income		
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 activities	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.

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 build-

(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

ing 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 loss 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 (The weighted average interest rate is 0.99%.)	¥24,933	¥22,055	\$234,503
Long-term loans from banks and insurance companies due through 2026 (The weighted average interest rate is 2.08%.)	46,237	38,885	413,450
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,

	2012	2013	2013
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 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 ¥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.

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					Other (Note1)	Total	Adjustments (Note2)	Recorded amount on consolidated statement of income (Note3)
	Domestic civil engineering segment	Domestic architectural construction segment	Overseas segment	Domestic real estate development segment	Total				
Year ended March 31, 2012									
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					Other (Note1)	Total	Adjustments (Note2)	Recorded amount on consolidated statement of income (Note3)
	Domestic civil engineering segment	Domestic architectural construction segment	Overseas segment	Domestic real estate development segment	Total				
Year ended March 31, 2013									
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					Other (Note1)	Total	Adjustments (Note2)	Recorded amount on consolidated statement of income (Note3)
	Domestic civil engineering segment	Domestic architectural construction segment	Overseas segment	Domestic real estate development segment	Total				
Year ended March 31, 2013									
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 convened 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 ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho
Chiyodaku, Tokyo, Japan 100-0011
Tel : +81 3 3503 1100
Fax : +81 3 3503 1197

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

Non-Consolidated Financial Statement

Non-Consolidated Five-Year Summary

Penta-Ocean Construction Co., Ltd.

Fiscal year ended March 31

	Millions of yen					Thousands of U.S. dollars
	2009	2010	2011	2012	2013	2013
Orders received	¥317,829	¥257,950	¥276,936	¥299,133	¥281,428	\$2,992,324
Civil engineering	194,839	167,275	127,903	156,294	131,883	1,402,265
Architectural construction	121,212	89,780	147,479	140,219	148,423	1,578,129
Development business and other	1,778	895	1,554	2,620	1,122	11,930
Net sales	366,553	297,438	279,374	308,576	329,510	3,503,562
Civil engineering	201,705	185,758	164,706	158,503	179,012	1,903,371
Architectural construction	163,653	110,497	113,026	147,452	149,210	1,586,496
Development business and other	1,195	1,183	1,642	2,621	1,288	13,695
Contract backlog	406,042	366,094	360,558	349,956	315,084	3,350,176
Civil engineering	262,343	243,919	204,470	201,590	163,471	1,738,129
Architectural construction	143,116	121,881	155,881	148,160	151,574	1,611,632
Development business and other	583	294	207	206	39	415
Total assets	308,078	274,733	268,403	293,775	282,616	3,004,955
Net assets	47,339	50,043	55,860	58,271	61,317	651,962
Ordinary income	7,081	7,849	6,778	7,599	6,385	67,889
Income before income taxes	66	2,518	4,649	6,499	5,100	54,226
Net income (loss)	(3,116)	2,228	1,924	2,083	2,320	24,668
Cash dividends	—	491	572	572	572	6,082
Per share of common stock:	Yen					U.S. dollars
Net assets	¥192.69	¥203.70	¥195.37	¥203.81	¥214.46	\$2.28
Net income (loss)	(12.68)	9.07	7.56	7.29	8.12	0.09
Cash dividends	—	2.00	2.00	2.00	2.00	0.02
Number of employees	2,731	2,674	2,390	2,391	2,386	

Note: 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.

Non-Consolidated Balance Sheet

Penta-Ocean Construction Co., Ltd.

As of March 31

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Current assets:			
Cash and deposits	¥ 57,112	¥ 43,420	\$ 461,669
Trade receivables:			
Notes	9,774	2,042	21,712
Accounts	111,415	115,211	1,224,997
Subsidiaries and affiliates	3,793	8,005	85,114
Inventories:			
Costs on uncompleted construction contracts	10,518	8,163	86,794
Real estate for sale and development projects in progress	10,435	9,079	96,534
Raw materials and supplies	1,043	725	7,709
Deferred tax assets	3,682	2,995	31,845
Other	1,651	2,103	22,360
Allowance for doubtful accounts	(1,203)	(848)	(9,016)
Total current assets	208,220	190,895	2,029,718
Property, plant and equipment:			
Land	42,012	41,167	437,714
Buildings and structures	29,410	29,718	315,981
Machinery, equipment and vehicles	13,134	13,639	145,019
Dredgers and vessels	23,946	25,681	273,057
Construction in progress	5,079	6,013	63,934
Other	150	249	2,647
Total property, plant and equipment	113,731	116,467	1,238,352
Less: Accumulated depreciation	(55,150)	(54,011)	(574,280)
Property, plant and equipment - net	58,581	62,456	664,072
Intangible assets:	581	1,076	11,441
Investments and other assets:			
Stock of and long-term loans receivable from subsidiaries and affiliates	5,999	7,591	80,713
Investment securities	10,607	12,987	138,087
Long-term loans receivable	125	113	1,201
Deferred tax assets	6,614	4,776	50,781
Other	8,927	8,882	94,439
Allowance for doubtful accounts	(5,879)	(6,160)	(65,497)
Total investments and other assets	26,393	28,189	299,724
Total assets	¥293,775	¥282,616	\$3,004,955

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Current liabilities:			
Short-term loans payable			
Bank	¥ 22,940	¥ 20,058	\$ 213,270
Current portion of long-term loans payable	20,742	17,887	190,186
Trade payable:			
Notes	21,928	20,427	217,193
Accounts	76,922	80,319	854,003
Subsidiaries and affiliates	8,091	10,384	110,409
Advance received on uncompleted construction contracts	24,733	16,703	177,597
Deposits received	10,192	10,258	109,070
Income taxes payable	988	996	10,590
Provision for loss on construction contracts	2,787	2,701	28,719
Provision for warranties for completed construction	640	701	7,453
Other provision	1,077	1,050	11,164
Other	2,098	1,909	20,298
Total current liabilities	193,138	183,393	1,949,952
Non-current liabilities:			
Bonds payable	10,000	10,000	106,327
Long-term loans payable	25,318	20,813	221,297
Provision for loss on litigation	350	400	4,253
Deferred tax liabilities for land revaluation	6,251	6,195	65,869
Other	447	498	5,295
Total non-current liabilities	42,366	37,906	403,041
Total liabilities	235,504	221,299	2,352,993
Net assets:			
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			
Legal capital surplus	12,380	12,380	131,632
Other capital surplus	6,007	6,007	63,870
Total capital surplus	18,387	18,387	195,502
Retained earnings			
Retained earnings brought forward	3,379	4,852	51,590
Total retained earnings	3,379	4,852	51,590
Less: Treasury stock	(23)	(24)	(255)
Valuation difference on available-for-sale securities	(107)	1,181	12,557
Deferred losses on hedges	(10)	(0)	(0)
Revaluation reserve for land	6,195	6,471	68,804
Total net assets	58,271	61,317	651,962
Total liabilities and net assets	¥293,775	¥282,616	\$3,004,955

Non-Consolidated Statement of Income

Penta-Ocean Construction Co., Ltd.

For the year ended March 31

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Construction business:			
Net sales	¥305,955	¥328,222	\$3,489,867
Cost of sales	283,100	307,115	3,265,444
Gross profit	22,855	21,107	224,423
Development business and other:			
Net sales	2,621	1,288	13,695
Cost of sales	2,882	2,041	21,701
Gross loss	(261)	(753)	(8,006)
Total:			
Total net sales	308,576	329,510	3,503,562
Total cost of sales	285,982	309,156	3,287,145
Total gross profit	22,594	20,354	216,417
Selling, general and administrative expenses	13,838	13,266	141,053
Operating income	8,756	7,088	75,364
Non-operating income:			
Interest and dividends income	268	237	2,520
Interest and dividends income from subsidiaries and affiliates	500	111	1,180
Reversal of allowance for doubtful accounts	24	430	4,572
Other	286	338	3,594
	1,078	1,116	11,866
Non-operating expenses:			
Interest expenses	1,821	1,490	15,843
Other	414	329	3,498
	2,235	1,819	19,341
Ordinary income	7,599	6,385	67,889
Extraordinary gain	368	178	1,893
Extraordinary loss	1,468	1,463	15,556
Income before income taxes	6,499	5,100	54,226
Income taxes:			
Current	1,234	871	9,261
Deferred	3,182	1,909	20,297
	4,416	2,780	29,558
Net income	¥ 2,083	¥ 2,320	\$ 24,668
Net income per share of common stock			
	Yen		U.S. dollars
Basic	¥7.29	¥8.12	\$0.09

Company Data

Company Outline

(As of March 31, 2013)

Company Name	Penta-Ocean Construction Co., Ltd.
Established	April 1896
Head Office	2-8, Koraku 2-chome, Bunkyo-ku, Tokyo 112-8576, Japan Tel: 81-3-3817-7181 Fax: 81-3-3817-7642
Paid-in Capital	¥30,450 million (US\$323.8 million)
Employees	2,386
Website	http://www.penta-ocean.co.jp

Board of Directors and Auditors

(As of June 27, 2013)

President, Chief Executive Officer and Representative Director
Yoshio Murashige

Representative Director
Hayuru Tsuda

Directors

Kiyoshi Ida	Kosuke Kondo	Sumio Yamashita
Kunihiko Sasaki	Yasuji Kakimoto	Takuzo Shimizu
Yuji Nakamitsu	Hisanori Ohara*	

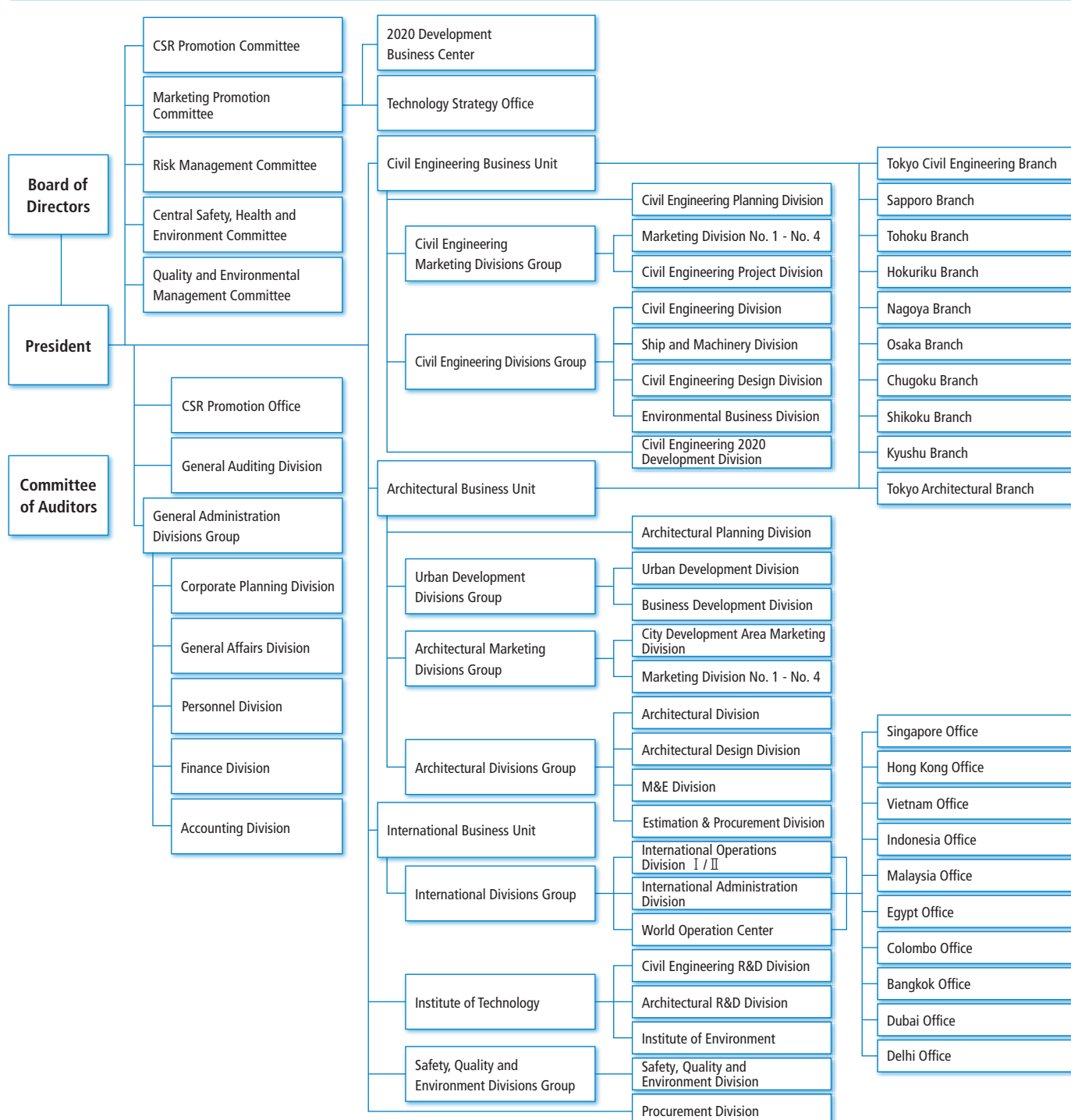
Corporate Auditors

Terumi Tawara	Tatsushi Higuchi*
Hironaga Fukuda*	Kazunori Kameyama*

* Indicates an external director or external corporate auditor.

Organization Chart

(As of April 1, 2013)





1 HEAD OFFICE

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

2 SINGAPORE OFFICE

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

3 HONG KONG OFFICE

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

4 VIETNAM OFFICE

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

5 INDONESIA OFFICE

Mid Plaza II, 24th Floor, JL. Jenderal Sudirman Kav. 10-11, Jakarta 10220, Indonesia
Tel: 62-21-570-5484 Fax: 62-21-570-5485

6 MALAYSIA OFFICE

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

7 EGYPT OFFICE

27 El Falah Street, off Shehab Street, Flat No. 5, 2nd Floor, Mohandeseen, Giza, Egypt
Tel: 20-2-3345-3207 Fax: 20-2-3345-3206

8 COLOMBO OFFICE

P.O. Box 383, No. 3-2, CBM House No. 2A, Lake Drive, Colombo 8, Sri Lanka
Tel: 94-11-2690316 Fax: 94-11-2671944

9 BANGKOK OFFICE

11th Floor, Room 1106, Vanit II Building, 1126/2, New Petchburi Road, Makkasan Rajthevee, Bangkok 10400, Thailand
Tel: 66-2-655-2183 Fax: 66-2-655-2185

10 DUBAI OFFICE

P.O. Box 118791, #102, Al Yamama Bldg., Al Karama, Dubai, U.A.E.
Tel: 971-4-342-6930 Fax: 971-4-342-6903

11 DELHI OFFICE

No. 402, 4th Floor, Time Tower, Mehrauli Gurgaon Road, Gurgaon-122002, Haryana, India
Tel: 91-124-436-8355 Fax: 91-124-436-8356

Consolidated Subsidiaries

Penta-Ocean Dredging Co., Ltd.	Tokyo, Japan
Yoshin Construction Co., Ltd.	Hiroshima, Japan
Penta Builders Corporation	Tokyo, Japan
Obama Marine Co., Ltd.	Nagasaki, Japan
Kegoya Dock Co., Ltd.	Hiroshima, Japan
Penta Techno Service Co., Ltd.	Tochigi, Japan
Sand Techno Co., Ltd.	Chiba, Japan
Domi Environmental Solutions	Tokyo, Japan
Penta Insurance Services Co., Ltd.	Tokyo, Japan
Jaiwat Co., Ltd.	Miyagi, Japan
Penta-Ocean (Malaysia) SDN. BHD.	Malaysia
Siam Goyo Co., Ltd.	Thailand
Thai Penta-Ocean Co., Ltd.	Thailand
Penta-Ocean Construction (India) Ltd.	India
Penta-Ocean Construction (Hong Kong) Ltd.	Hong Kong
Brichwood Co., Ltd.	Hong Kong
Angkutlout Ltd.	Malaysia

Penta-Ocean Marine Holdings Pte. Ltd.	Singapore
Andromeda Five Pte. Ltd.	Singapore
Mercury Five Pte. Ltd.	Singapore
Mars Five Pte. Ltd.	Singapore
Jupiter Five Pte. Ltd.	Singapore
Neptune Five Pte. Ltd.	Singapore
Cherry Five Pte. Ltd.	Singapore
KD Shipping Inc.	Panama
Penta-Ocean Technology Information Advisory (Shenzhen) Ltd.	China

Equity Affiliates

Haneda Airport International Airline Apron PFI	Tokyo, Japan
Miyajima Aqua Partners Co., Ltd.	Hiroshima, Japan

Non-Equity Affiliate

Matsuyama Environmental Technology Co., Ltd.	Ehime, Japan
--	--------------

Investor Information

(As of March 31, 2013)

Fiscal Year	April 1 - March 31
Common Stock	Authorized: 599,135,000 Issued: 286,013,910
Stock Listing	First Section of the Tokyo and Nagoya Stock Exchanges
Shareholders	45,067
Transfer Agency	Mizuho Trust & Banking Co., Ltd. 2-8-4, Izumi, Suginami-ku, Tokyo 168-8507, Japan

Major Shareholders

Shareholders	Shares held (thousands)	Voting right ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	24,318	8.5
The Master Trust Bank of Japan, Ltd. (Trust Account)	17,628	6.2
Mizuho Corporate Bank, Ltd.	7,059	2.5
Juniper	7,039	2.5
Meiji Yasuda Life Insurance Co.	6,656	2.3
Sompo Japan Insurance Inc.	4,280	1.5
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,934	1.4
Penta-Ocean Employee Stock Ownership Plan	3,475	1.2
Mizuho Trust & Banking Co., Ltd.	3,470	1.2
Japan Trustee Services Bank, Ltd. (Trust Account 1)	2,598	0.9



www.penta-ocean.co.jp