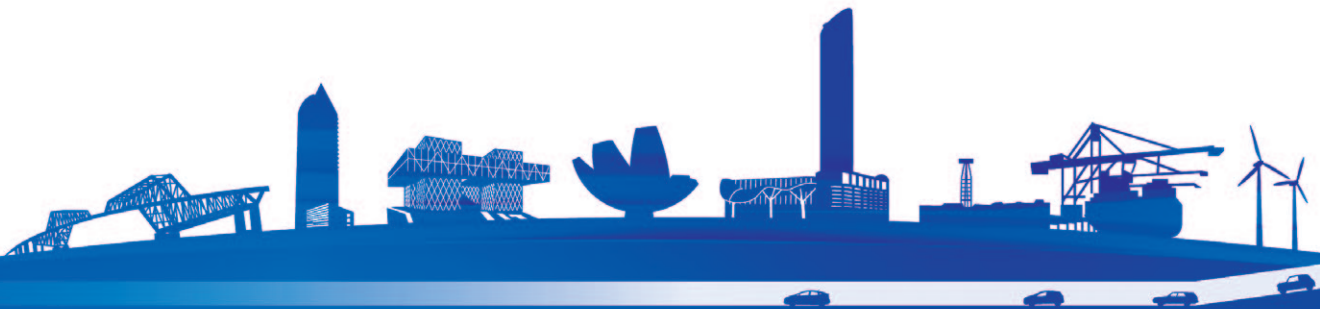


GOING FURTHER

その先の向こうへ



Penta-Ocean Construction Annual Report 2014

Year Ended March 31, 2014



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



Corporate Visions

“Creative” company for land and sea

As a leading contractor in coastal and waterfront areas, we seek to create attractive environments and pursue customer satisfaction and social contribution as an engineering-oriented company.

“Committed” company guaranteeing solid quality

We build trustful relationships with our customers and society through providing high quality workmanship and safe products backed by solid technologies.

“Future-oriented” company creating rich environments for the future generations

We establish quality and nurture rich environments throughout the course of our corporate activities and pass on our dreams, hopes and possibilities to the next generations.

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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.



Iconic uniform of the former Mizuno-gumi

Foundation period

1896



The dredger, "Kure Maru No. 2"

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."

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.



Extremely difficult Suez Canal repair work in progress

1961

International expansion period

1967

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



Our company logo representing the five oceans

1967

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.

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.



Completed Institute of Technology

1994

Growth period

1996

Celebrated 100th anniversary of the Company's founding.

1999

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



ANDROMEDA V

1999

2005

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



Major Japanese project - Tokyo International Airport Runway D

2005

2006

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



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

2006

Progress period

2010

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

2012

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



CP-5001

2012

2014

Takuzo Shimizu named company president. Completion of the self-propelled cutter suction dredger, "CASSIOPEIA V."



CASSIOPEIA V

2014

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

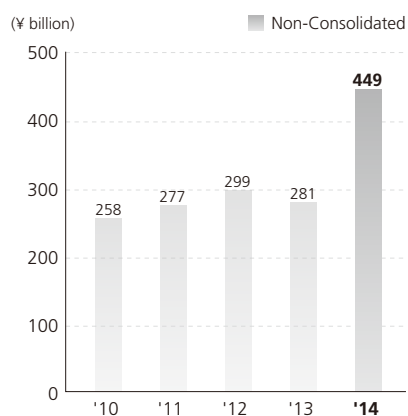
Consolidated Financial Highlights

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

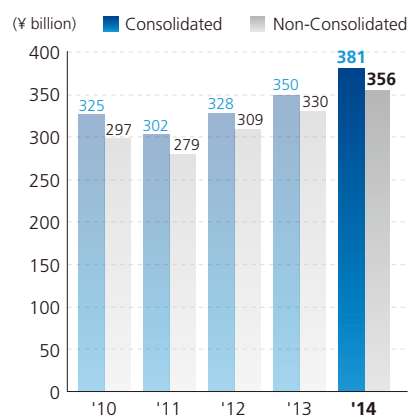
	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Net Sales	¥349,839	¥381,182	\$3,703,673
Total Assets	296,726	301,627	2,930,694
Net Assets Excluding Minority Interests	65,080	67,339	654,285
Ordinary Income	6,560	9,160	89,001
Income before Income Taxes and Minority Interests	5,018	8,740	84,920
Net Income	2,030	3,763	36,562
Cash Dividends	572	572	5,558
Per share of common stock:			
	Yen		U.S. dollars
Net Assets Excluding Minority Interests	¥227.63	¥235.53	\$2.29
Net Income	7.10	13.16	0.13
Cash Dividends	2.00	2.00	0.02

Note: Figures in U.S. dollars are converted for convenience only, at the rate of ¥102.92 per U.S.\$1, prevailing on March 31, 2014.

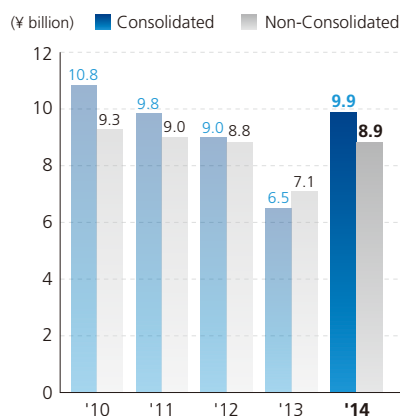
Orders Received



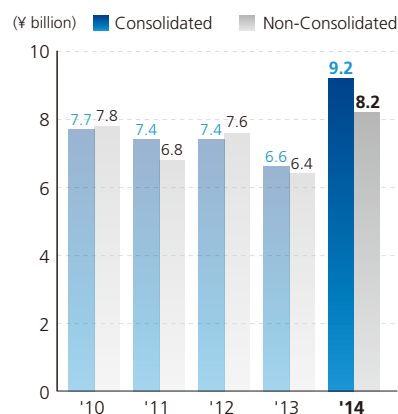
Net Sales



Operating Income



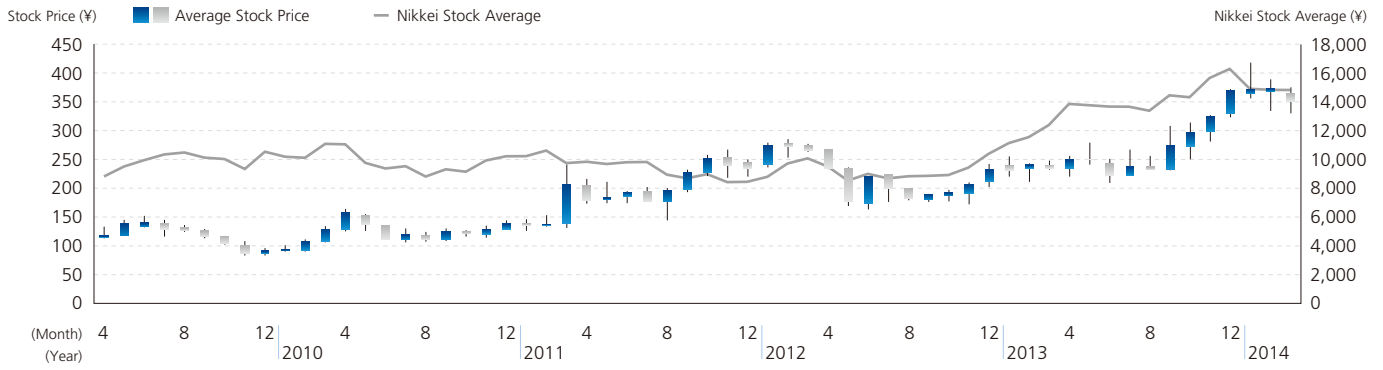
Ordinary Income



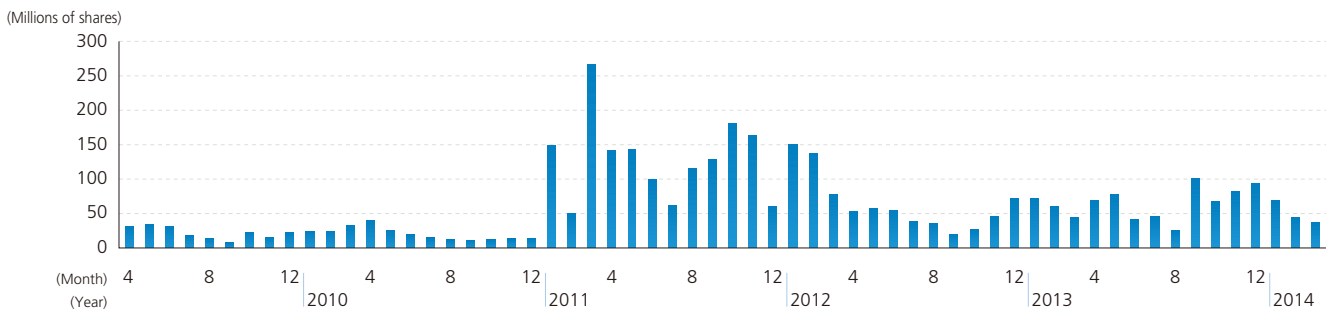
Disclaimer

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

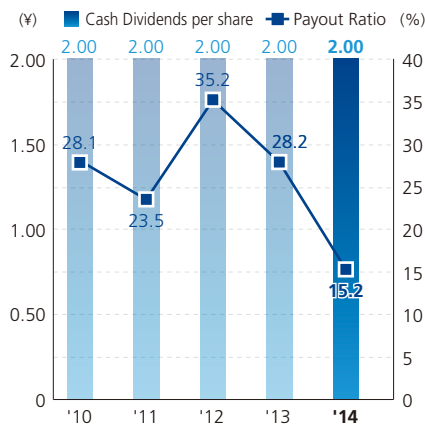
Stock Price Range



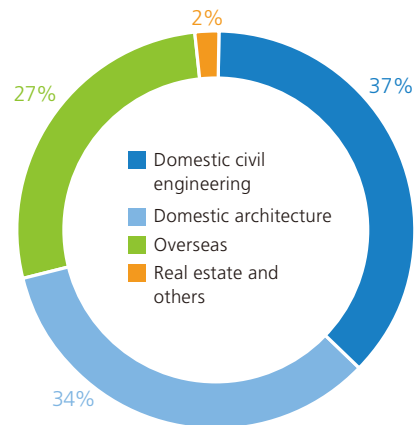
Trading Volume



Cash Dividends per Share and Payout Ratio



Sales by Segments

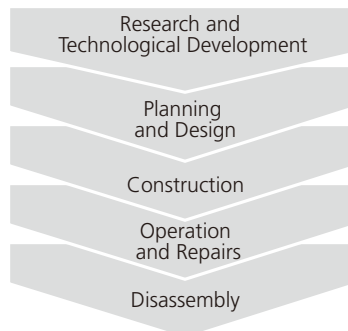


Business Activities and Environmental Burden

INPUT

Power (kWh)*	12,945,000
Light oil (kl)	22,550,000
Heavy oil (kl)	20,197,000
Kerosene (kl)*	282
Concrete (t)	1,221,000
Asphalt concrete (t)	94,000
Rubble (m ³)	1,052,000
Earth and sand (m ³)	642,000

* Site + office combined number



OUTPUT

Amount of CO ₂ emissions (t-CO ₂)	118,000
Amount of construction waste (t)	425,000
Final disposal rate (%)	0.6
Recycling rate (%)	99.4
Amount of soil generated from construction (m ³)	981,000

Environmental conservation/
restoration and communication

Creation of abundant environments

Handing over to the
next generation

Message from the President

"I am President, Chief Executive Officer and Representative Director of the Company since June 27, 2014.

I will sincerely do my best in my mission towards the further development of the Company.

We look forward to your continuous support for Penta-Ocean in the years ahead."



T. Shimizu

Takuzo Shimizu
President, Chief Executive Officer and Representative Director

We, officers and employees, have returned to our roots to enhance our on-site/technological capabilities, meet the trust placed in us by our customers with reliable safety and quality, and to be a company with sustainable contribution to society.

Fortunately, the business environment in the construction industry is changing for the better due to the effect of the fiscal policies and growth strategies under the government of Prime Minister Abe. Along with this, we expect continued strong investment in infrastructure in Southeast Asia. In addition, a decision was made to hold the 2020 Tokyo Olympics and Paralympics centered on coastal and waterfront areas, which is one of the strengths of our Company, so there is an environment in which we will be able to make efforts with an eye toward the long-term. Moreover, our Group is making progress in improving our financial health, so

there are conditions in which we are able to devote ourselves to strengthening our core business.

The Medium-Term Management Plan that started from this fiscal year aims to make us the leading contractor in coastal and waterfront areas in both name and substance by working on business expansion and strengthening our management foundations serving as a good opportunity. The foundations of this are technology and people. We would like to be a company that can extend the powers of individuals and demonstrate comprehensive capabilities beyond the boundaries of the organization by these combinations.



Please tell us about your consolidated results in 2014 and achievement of the previous Medium-Term Management Plan.



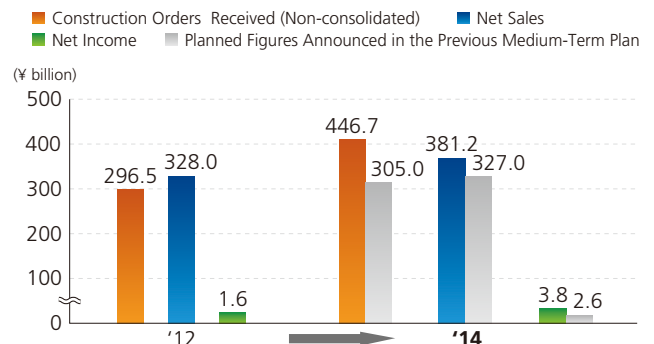
The construction industry in 2014 saw an increase in public investment due to the smooth implementation of the reconstruction budget for the Great East Japan Earthquake and the supplementary budget. Furthermore, private sector investment was also robust due to the increase in housing investment as a result of the last-minute demand prior to the consumption tax hike and the recovery in private sector capital investment against a background of improved corporate earnings.

In this favorable environment, net sales increased 9.0% against the previous fiscal year to ¥381.2 billion (U.S.\$3,703.7 million) due to an increase in orders resulting from the effect of economic measures under the government of Prime Minister Abe in addition to reconstruction from the earthquake. In addition to the increase in net sales, the gross margin on sales rose due to the improvement of the gross profit margin, so operating income increased year-on-year by ¥3.4 billion (U.S.\$33.3 million) to ¥9.9 billion (U.S.\$96.2 million), ordinary income increased year-on-year by ¥2.6 billion (U.S.\$25.3 million) to ¥9.2 billion (U.S.\$89.0 million) and current net income increased year-on-year by ¥1.7 billion (U.S.\$16.8 million) to ¥3.8 billion (U.S.\$36.6 million).

With regards to the consolidated results in the previous

Medium-Term Management Plan (2012 - 2014), there was an increase in yields for three consecutive years, so we achieved our final fiscal year targets for orders, completions and current net income. Individual orders were ¥449.1 billion (U.S.\$4,364.0 million) to exceed ¥400.0 billion (U.S.\$3,886.5 million) for the first time in 13 years. Moreover, we have been making progress in improving our financial health by increasing our net worth and significantly improving our financing income/expenditure, and we have been able to diversify our fundraising by improving our investment grade, enhancing our corporate valuation through new additional acquisitions and issuing corporate bonds twice.

Results of Medium-Term Management Plan (2012 – 2014)



Please tell us about the new Medium-Term Management Plan.



In the new Medium-Term Management Plan (2015 - 2017), we will work on business expansion and strengthening our management foundations by reliably seizing the business environment which is changing for the better both in Japan and overseas.

In specific terms, we have listed "promotion of being a technology-orientated company," "establishment of the Penta-Ocean brand," "strengthening of our management and organizational strengths" and "construction of solid financial foundations" as our basic strategy. We would like to continue pursuing customer trust and social contribution through high quality and safe manufacturing while building a foothold toward making great strides in the future by taking advantage of our strong competitiveness and profitability in coastal and waterfront areas.

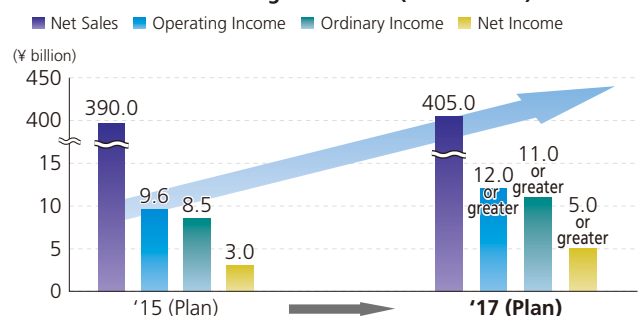
We have set various numerical targets for our consolidated results. In 2015, which is the first year of the plan, we are aiming for net sales of ¥390.0 billion (U.S.\$3,789.4 million), operating income of ¥9.6 billion (U.S.\$93.3 million), ordinary income of ¥8.5 billion (U.S.\$82.6 million) and current net income of ¥3.0 billion (U.S.\$29.1 million). Furthermore, in 2017, which is the final year of the plan, we are aiming for net sales of ¥405.0 billion (U.S.\$3,935.1

million), operating income of ¥12.0 billion (U.S.\$116.6 million), ordinary income of ¥11.0 billion (U.S.\$106.9 million) and current net income of ¥5.0 billion (U.S.\$48.6 million).

In addition, taking into account the overall progress in improving our financial health and future results, we plan to pay a dividend of ¥3 per share in 2015, which is an increase of ¥1 compared to the previous period.

All officers and employees will continue to work together toward demonstrating the true value of the No. 1 contractor in coastal and waterfront areas and toward improving our corporate value and achieving our Medium-Term Management Plan. I would like to ask all our shareholders for your continued support.

Medium-Term Management Plan (2015 – 2017)



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

Policy

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

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

**No.1 contractor
in coastal and
waterfront areas**

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

Strategy

1

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

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

2

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

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

3

Strengthen management and organizational capabilities : Disseminate our management strategy

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

4

Build strong management foundations : Establish a foothold toward future growth

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

Strengthen our management foundations

- Strengthen our financial foundations
- Secure and develop excellent human resources
- Redevelop IT foundations for operational efficiency

- Enhance corporate governance
- Implement thorough safety and quality management
- Strengthen our Group management

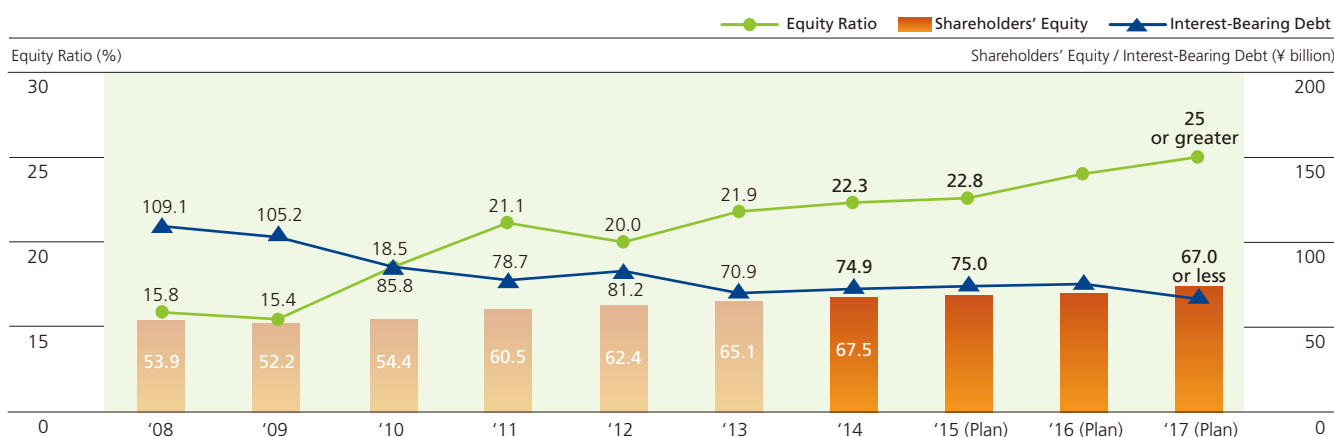
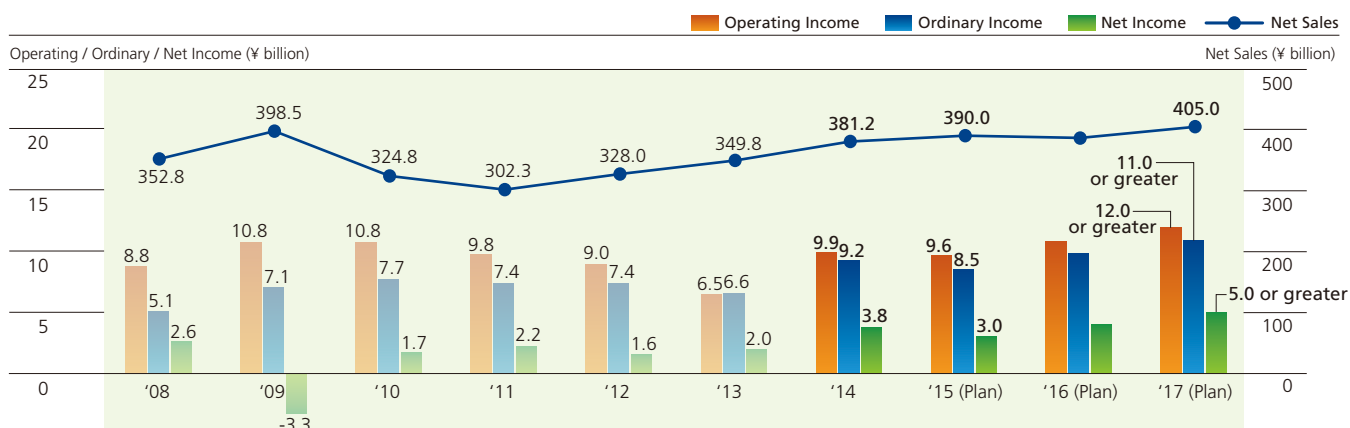
Earnings Targets under Management Plan

	(Previous Management Plan)		(New Management Plan)	
	2014 Actual		2017 Plan	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
(¥ billion)				
Earnings Targets				
Construction Orders Received	—	¥446.7	—	¥365.0
Net Sales	¥381.2	355.9	¥405.0	374.0
Gross Profit	24.7	22.2	28.0	25.5
Operating Income	9.9	8.9	12.0	11.0
Ordinary Income	9.2	8.2	11.0	10.0
Net Income	3.8	3.3	5.0	4.5
Earnings Per Share (¥)	13.2	11.5	17.5	15.7
Consolidated Financial Targets				
Equity Ratio (%)	22.3%		25.0%	
Interest-Bearing Debt (¥ billion)	¥74.9		¥67.0	
Net D/E Ratio (%)	0.6%		0.5%	

Major Targets for 2017 (Consolidated)

- Operating Income : ¥12.0 billion or greater
- Ordinary Income : ¥11.0 billion or greater
- Net Income : ¥5.0 billion or greater
- Equity Ratio : 25.0% or greater
- Net D/E Ratio : 0.5% or less

Major Operating Trends/Projection (Consolidated)





CSR Together with the Development of Singapore

In 1964, Penta-Ocean Construction received an order for the construction of one pier in Singapore. It has now been about 50 years since our activities in Singapore started. During this time, we have been involved in many projects, including large public works projects and high-rise building construction projects.

In this special report, we introduce the history of the Company in Singapore over the past half a century and some of our projects that are advancing toward further development in the future.

50 Years of Building Singapore and Contributing to Economic Development

Infrastructure Development Promoted by the Government

Singapore, which is located in Southeast Asia, is a new nation that gained its independence from the Federation of Malaysia in 1965. In Singapore, which lacks natural resources and major industries, active introduction of foreign capital and social infrastructure have been promoted in order to give the country a financial independence. The country has achieved remarkable development by establishing ports and airports and building industrial and residential districts aiming to become the "Hub of Asia."

Penta-Ocean Construction and Singapore: Half a Century of History

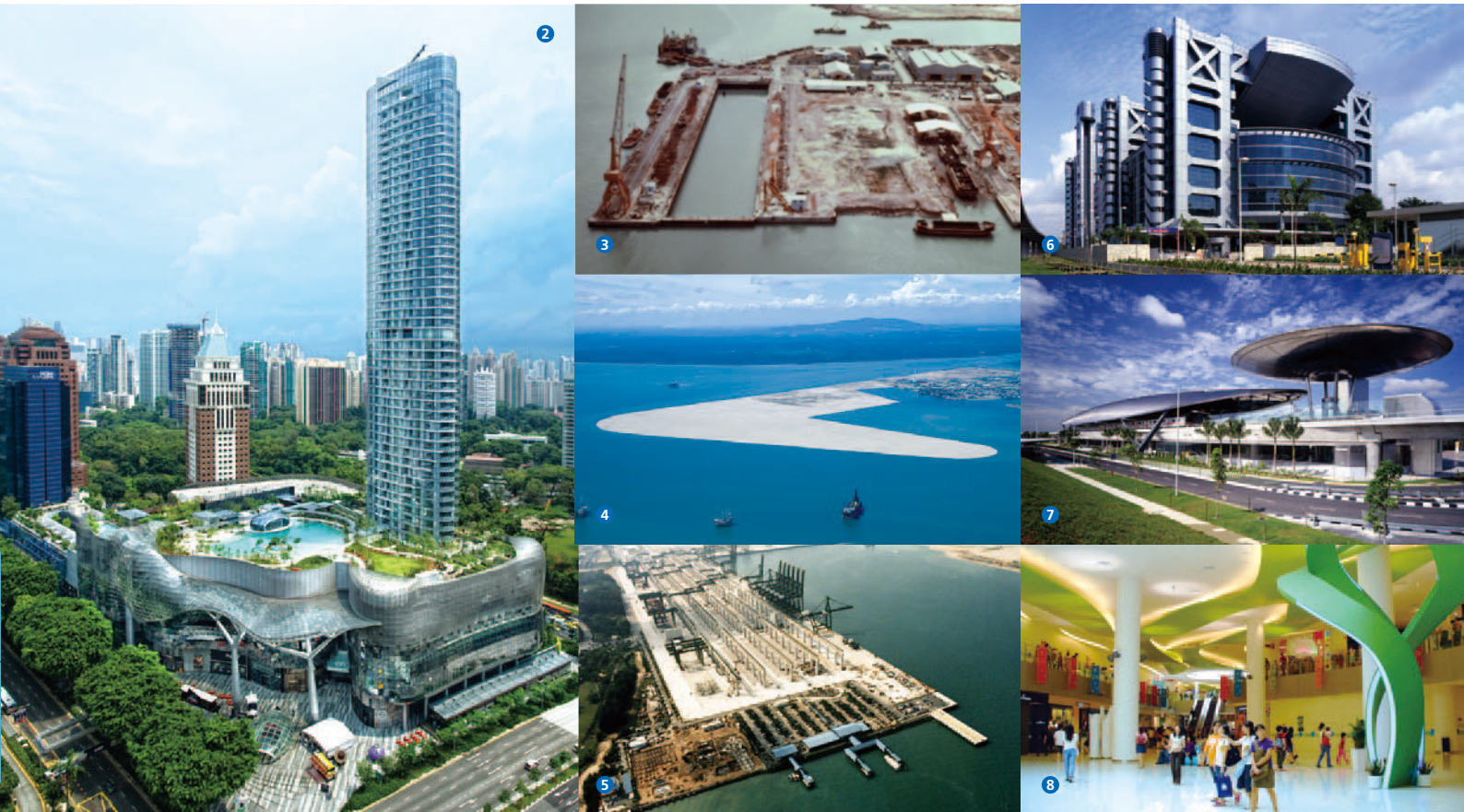
The Company took the first step of advancing into Singapore with the "Jurong Dock Redevelopment" in 1964 before the nation gained its independence. After this, we received orders for large-scale reclamation projects, such as "Changi International Airport Reclamation Project" and "Reclamation of Jurong Island Project." At present, the area of Singapore is 716km² (slightly larger than Tokyo), but prior to landfill this was 554km². An area of 162km² – equivalent to approximately 23% of the area of the nation – is reclaimed land. Of this, the Company was responsible for 66km² – approximately 10% of the nation and approximately 40% of the reclaimed land.

In other civil engineering fields, we have been deeply involved in the establishment of infrastructure that supported the development of this country, including the "Pasir Panjang Container Terminal Project," which plays a part in the logistics of the port, and the public works project of the "Deep Tunnel Sewerage System."

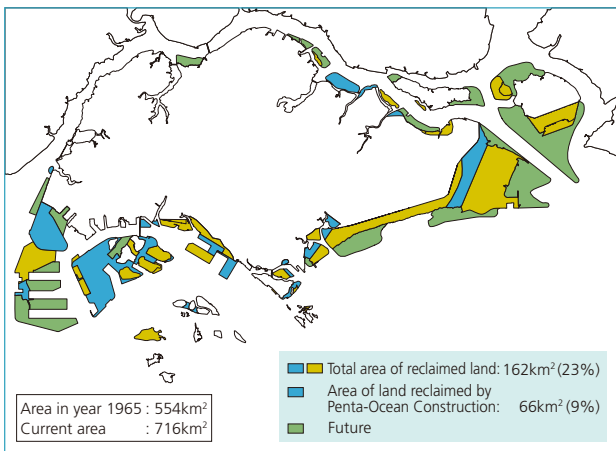
In the construction field, we have worked on a number of projects. These include "Wheelock Place" designed by the late Kisho Kurokawa, "Singapore Post Centre," "Esplanade-Theatres on the Bay" and "ArtScience Museum" that have become landmarks of the Marina Area, "VivoCity" that is a commercial facility designed by the architect Toyo Ito and the high-rise complex "ION Orchard and the Orchard Residences."

Toward Being the No. 1 Contractor in Singapore Based on the Trust We Have Built Up

Singapore is now ranked number eight in the world for GDP per capita and has achieved development that is called the "Asian miracle." The Company has built up a good relationship of trust by having been involved in infrastructure development and frequently overcoming challenging construction projects. In the future, we will continue to further contribute to the prosperity of Singapore by taking advantage of the valuable experience and technical capabilities we have built up over the years.



1 ArtScience Museum 2 ION Orchard and the Orchard Residences 3 Jurong Dock Redevelopment 4 Tuas Reclamation Project 5 Pasir Panjang Container Terminal Phase I
 6 Singapore Post Centre 7 MRT East West Line: Expo Station 8 VivoCity

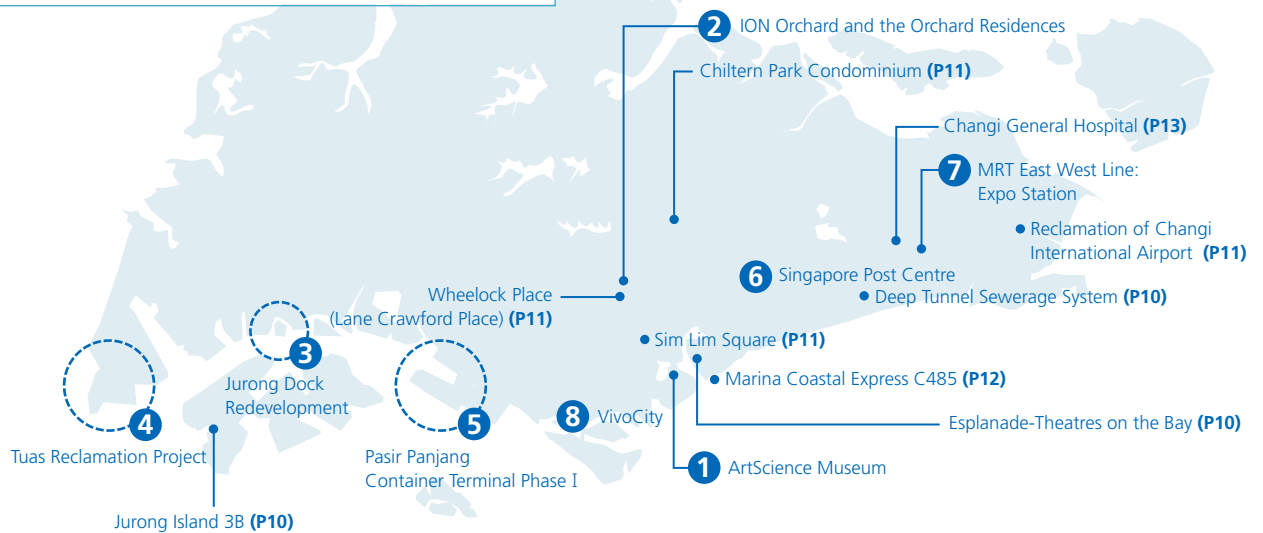


Our Track Record in Reclamation Projects

*This map was created when aggregating our track record in landfill projects.

*The January 2013 presentation materials of the Singapore Ministry of National Development have been referred to for the landfill projects.

SINGAPORE



Good Partner to Singapore

This year, we are celebrating 50 years since we first expanded into Singapore. This is the result of the cooperation of our customers, government agencies, various institutions and everyone in the region, as well as the hard work of all our predecessors in this Company. Thank you all very much.

I was first assigned to a position in Singapore in 1989. At that time, there were few high-rise buildings and I remember that the old town was still there. Later, after working in Japan, I was again assigned to a work in the country in 1996, but I was surprised by the complete change in the scenery when I looked at the office district lined up with skyscrapers and hotels in the tourist district.

Looking back on the past 18 years, there were various events in the process of establishing the current position

of Penta-Ocean Construction in Singapore, such as the orders we received for numerous large public works projects and construction projects that have now become landmarks.

The process in which we have now come aiming to be No.1 contractor in Singapore started from maritime public works projects which are the specialty of our Company and encompasses a historical growth in which we have to undertake public works projects and construction projects on land.

Singapore in recent times has continued to grow further and develop at remarkable speed. We will also continue to improve and grow so that we can be a partner to Singapore with the nickname of "Penta-Ocean" in the next five, ten and fifty years.



General Manager
Singapore Office

Kazushi Yamashita

Chronology of Orders from Singapore

(The numbers show the fiscal year when the order was received)

1960

- 1963 - Jurong Dock Redevelopment
- 1967 - HDB Housing Foundation Works

1970

- 1974 - HDB Reclamation Works at East Coast
- 1975 - Reclamation of Changi International Airport
- 1976 - Singapore Petrochemical Plant Site Reclamation

1980

- 1980 - Berth Project for Esso Singapore
- 1983 - Sim Lim Square
- Jurong Tuas Reclamation
- 1985 - HDB Reclamation at Punggol
- 1989 - Chinatown Point Building

Completed in 2001

Reclamation of Jurong Island Phase 3B



This is a part of the project to develop a major chemical island connecting seven islands located in the southwestern part of Singapore into one. In this project, we constructed a landfill with an area of approximately 980ha (equivalent to approximately 645.5km² of the nation at that time). The Company received orders in each period of construction and is still continuing to work on this project.

Completed in 2002

Esplanade-Theatres on the Bay



This is the world-famous National Art Center with an appearance like that of a durian fruit. Although facing a road with heavy traffic and Singapore River, the Concert Hall has realized an ultra-quiet space that shuts out all noise. This is an important facility that promotes the cultural level not only of Singapore but the world.

Completed in 2005

Deep Tunnel Sewerage System



These are large tunnels with an inside diameter of 6m and a length of 7.7km at a depth underground of 35-45m, a sewer tunnel development project. The drilling distance in one encapsulated shield (soil pressure shield) and was the world's longest at that time. Although having a rough spot with both soft and hard ground, we maintained high-speed construction of an average 15m per day over a two year period.

1990

- 1991 - Wheelock Place (Lane Crawford Place)
- Reclamation Works at Marina Bay and Tanjong Rhu
- 1992 - Chiltern Park Condominium
- 1993 - Pasir Panjang Container Terminal Phase I
- 1996 - Singapore Post Centre
- 1998 - MRT East West Line: Expo Station
- Esplanade-Theatres on the Bay
- Reclamation of Jurong Island Phase 3B
- 1999 - Deep Tunnel Sewerage System

2000

- 2003 - VivoCity
- 2006 - ION Orchard and the Orchard Residences
- 2007 - Reclamation for Pasir Panjang Terminal Phase 3&4
- ArtScience Museum
- 2008 - Marina Coastal Expressway C485
- 2009 - International Cruise Terminal

2010

- 2010 - Mount Elizabeth Novena Hospital
National University Hospital
- 2011 - MRT Downtown Line:
Jalan Besar Station
- 2012 - Changi General Hospital
- 2013 - MRT Thomson Line:
Woodlands North Station
- 2014 - MRT Thomson Line:
Bright Hill Station



Reclamation of Changi International Airport



Sim Lim Square



Wheelock Place (Lane Crawford Place)



Chiltern Park Condominium

Contributing to the Future of Singapore

In Singapore, where global economy continues to grow, infrastructure development is still continuing.

The Company is also working on construction projects by demonstrating our spirit of meeting the challenge in order to further expand the potential of this country. In this section, we will introduce the "Marina Coastal Expressway C485 Project" and "Changi General Hospital Project" as recent examples.

Project 1

Marina Coastal Expressway C485 Project

In December 2013, Marina Coastal Expressway (MCE) was opened with the aim of making large-scale improvements to the land transportation network on the south side of the Marina Bay Area, where development is progressing. This highway has a total length of 5.3km. Of this, 3.6km is underground tunnel. C485, which the Company was responsible for, is a tunnel with a total length of 700m that includes the first undersea tunnel in Singapore. We built this huge ten-lane tunnel that joins together the uplink and downlink at a depth of about 20m from the surface of the sea under design and build contract.

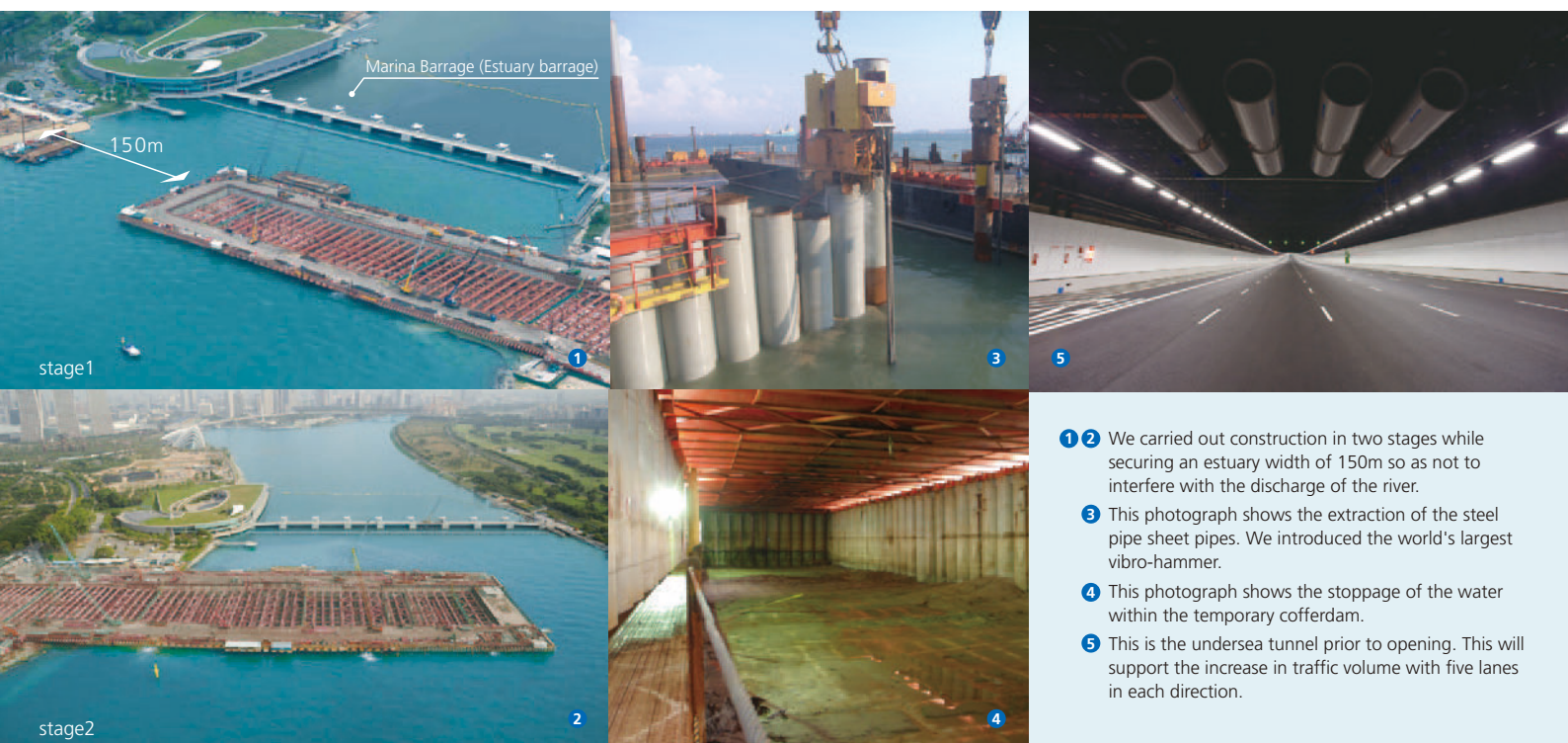
Tackling Difficult Construction Cutting Off a River

There is an estuary barrage called "Marina Barrage" in the vicinity of the project, so it was necessary to pay careful attention so as not to affect the functions of this facility during construction. Furthermore, the floodgates installed in the barrage opened and the water inside is discharged during heavy rains, so we were required to ensure a discharge width of at least 150m during construction so as not to interfere with this operation. Therefore, we carried out construction in two stages: Stage 1 and Stage 2. The construction

of the tunnel was performed by constructing a cofferdam with steel pipe sheet piles. This meant it was a difficult construction project with virtually no precedent worldwide in which we poured concrete into the huge steel pipe sheet piles at a diameter of 1.4m deep underground at the bottom of the sea and then extracted these steel pipe sheet pipes after the completion of construction. We were able to complete the project on-time by using extra-large machines (e.g. the world's largest vibro-hammer) and making full use of a variety of construction methods.

Reliability of Technology + α

At the opening ceremony of the MCE, we received a congratulatory address from the Minister of State who said, "the undersea tunnel in this project was the greatest challenge in this tunnel construction project and magnificently overcoming this difficulty has allowed us to open this highway today." Moreover, we also received high praise in terms of both our technology and health & safety environment program. We were selected three years in a row for the "Workplace Health & Safety Awards" intended for all industries in Singapore by the Ministry of Manpower and the Health & Safety Council. In addition, we were selected two years in a row for the "Safety Excellence Construction Awards" by the Land Transport Authority who placed the order for this project.



- 1 2 We carried out construction in two stages while securing an estuary width of 150m so as not to interfere with the discharge of the river.
- 3 This photograph shows the extraction of the steel pipe sheet piles. We introduced the world's largest vibro-hammer.
- 4 This photograph shows the stoppage of the water within the temporary cofferdam.
- 5 This is the undersea tunnel prior to opening. This will support the increase in traffic volume with five lanes in each direction.



- 1 This is a rendering of "Changi General Hospital"
- 2 This is the panoramic view at the end of April 2014. We are currently constructing the framework of the rooftop from the eighth floor.
- 3 "Mount Elizabeth Novena Hospital" was our first step in hospital construction in Singapore.
- 4 "National University Hospital" has great features in its structure.
- 5 We conduct non-conformance checks that have a high degree of accuracy by utilizing BIM.

Project 2

Changi General Hospital Project

In Singapore, there has been continuous construction of hospitals equipped with state-of-the-art medical equipment to meet the medical needs of growing population and aging population. Changi General Hospital has been positioned as a medical facility at the core of medical care in the eastern region in the "Healthcare 2020" policy that is being promoted by the government. The construction of this hospital has given rise to the first medical facility in the country that is capable of meeting a wide range of patients - from emergency patients to patients requiring long-term care (including those undergoing rehabilitation) – by cooperating with adjacent hospitals. Furthermore, this is environment-friendly building introducing natural ventilation, a solar system and green walls, so it has been awarded the "Platinum Green Mark" by the Building and Construction Agency.

Trust Built on Proven Results

Hospital construction is one of the fields the Company is currently focusing in Singapore. "Mount Elizabeth Novena Hospital," a project we won as a foothold in hospital construction in 2010, is the construction of a large hospital with over 300 beds on 14 floors

in a 2 ha site. Although this hospital has a total floor space of 74,000m², we completed this in about two years. After this, following "Jurong General Hospital Underground Project," we completed in 2013, the project for the "National University Hospital" that we were awarded in 2010. This project became a topic of interest due to the construction method in which we built a framework of a mega-truss in the upper reaches of the underground station building.

Efforts with an Eye on the Future

The government-led introduction of BIM* in Singapore is progressing and submissions through BIM will be required in stages with construction verification applications by 2015. In this construction project, we worked on platform building and human resources development so that horizontal deployment to other projects will be possible in the future while brushing up on the practice of BIM after fully introducing BIM from the start of construction.

*BIM = Building Information Modeling

This is a tool that makes it possible to share information up to the design, construction and maintenance management of buildings by using three-dimensional models. In particular, it is possible to exercise control over entire projects in large properties that include a diverse range of construction work.

Completed Projects for Regional Development

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



Domestic Civil Engineering

Miyagi Prefecture

Kesenuma Fishing Harbor 6M Pier Disaster Reconstruction Construction Project

We demolished a pier that was greatly damaged by the Great East Japan Earthquake and then installed a new one in Kesenuma Fishing Harbor in Miyagi Prefecture. There were various challenges due to the impact of the earthquake (e.g. the hiring of workers and procurement of equipment / materials), but this is a fishing harbor that boasts the leading fish production in Japan, so early reconstruction was required. We safely created construction that became a symbol of the reconstruction of the fisheries industry.



Domestic Civil Engineering

Wakayama Prefecture

National Highway No. 42 Arita Bridge Seismic Construction Project

Arita Bridge, which is located at the estuary of Arita River in Wakayama Prefecture, was constructed approximately 30 years ago and so improvement was necessary due to the fact of its position as an emergency transport road. In this construction project, we carried out seismic strengthening of the bridge pier and repaired the deteriorated parts. Nearby, is Minoshima Fishing Harbor, so construction was carried out considering the impact to the environment. For example, we took water pollution measures under strictest standards.



Domestic Architecture

Fukuoka Prefecture

TERASO No. 2 Building

This new building, which became the second "TERASO," was opened near JR Hakata Station. The large showroom of Saibu Gas Co., Ltd. (owner), restaurants and offices of a 10-story complex commercial building.

The No. 1 Building that stands in adjacent land was also completed by our Company in 2011 and this has created an image business booming in the area.

Overseas

Indonesia

Honda Warehouse

This store warehouse of automobile parts of Honda Motor Co., Ltd. was completed under the design and construction by the Company in an industrial park approximately 60km east of Jakarta in Indonesia. We performed thorough process control considering the short construction period and rainy season with our Japanese and local staff working on the construction side by side, so it was possible to complete this project without any incidents or accidents.



Overseas

Hong Kong

Kai Tak Cruise Terminal

This is a cruise terminal that was built on the site of the former Kai Tak Airport and accommodates two world-class luxury cruise ships to berth at the same time. This was built as one of the ten large infrastructure projects aimed at making Hong Kong a "hub for cruise tourism." We built up a new pier with a length of 850m from the ground on one side of the airport site that projected out into the sea and also carried out anchorage dredging to allow for cruise ships to berth.



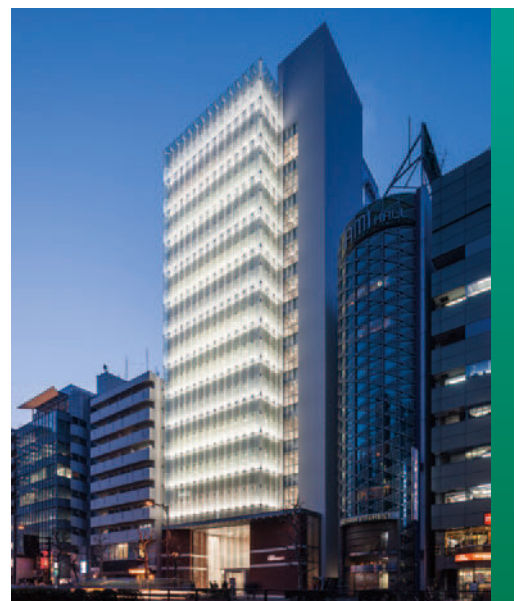
Domestic Architecture

Tokyo

AiiA Co., Ltd. Head Office Building

We completed the head office building of AiiA Co., Ltd., which is expanding its apparel business, along Aoyama Street in Shibuya. This building represents a line of light rising in the sky through the installation of a double-skin curtain wall over 60m in height under the concept of "creating a new power spot at the epicenter of trends."

The beautiful scenery in Aoyama Street has now been further enhanced.



Corporate Governance/Compliance



Corporate Governance

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

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

Corporate Governance Structure

1 Management and Business Execution

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

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

important meetings in the Company (e.g. Executive Board Meetings) and have set up a system to thoroughly monitor the work performance of company directors. (The number of external directors and external auditors is current as of June 27, 2014.)

2 Internal Control and Risk Management

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

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



Compliance

The Group has established Compliance Committees in each company of the Group based on our "Basic Compliance Policy." The employees and executives of the entire Group are working in order to allow to respect social norms / corporate ethics and to be able to act in good faith at all times.

Basic Compliance Policy

All employees and executives of Penta-Ocean Construction Group not only comply with laws in business activities and respect social norms / ethics, but also act in good faith at all times. In particular, when bidding for construction projects, we practice free competition by complying with the Antitrust Act and all other relevant laws and regulations.

Compliance Promotion Efforts

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

1 Sharing Policy and Planning Training Across the Group

At the beginning of each fiscal year, we formulate a Risk Response Policy and Annual Training Plan in each department of Penta-Ocean Construction Head Office, each branch office and each company in the Group.

Furthermore, we are striving to share an awareness of compliance in the entire Group by keeping close contact through holding Affiliate Compliance Committee Secretary General Meetings every year and sharing information on disputes in each company of the Group and on the establishment / abolition of company rules.

2 Efforts to Ensure Appropriate Bidding

We have stated that it will "not carry out, force others or overlook" illegal acts or acts that may lead to suspicious activities and has proclaimed our "Bid-rigging Eradication Declaration and Compliance Declaration" as an expression of our determination both inside and outside the Company in order to ensure that violations of laws, starting with the Antitrust Act, never occur. Moreover, in order to reliably execute the content of these, we are carrying out efforts to teach all our employees and executives the appropriate knowledge relating public works projects bidding and conducting appropriate audits on bidding procedures by the CSR Committee in each branch office.

Occupational Safety and Health

Occupational Safety and Health

Health & Safety, Quality and Environmental Policy

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

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

Health & Safety Activities Guidelines

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

Ongoing Health & Safety Management Efforts

The Company acquired COHSMS certification at an early stage compared to the rest of the construction industry and is implementing ongoing health & safety management efforts through the Penta-Ocean Construction Occupational Health & Safety Management System (PENTA-COHSMS).

Moreover, we have also placed emphasis on the tradition of safe technology for employees and implementing health & safety management education based on an organized educational plan. Furthermore, we are continually striving to prevent and reduce worker and public accidents by making efforts to horizontally disseminate prevention measures for re-occurrence of past accidents and by carrying out risk assessments with our partner companies.

*COHSMS: Construction Occupational Health and Safety Management System

Safety Themes	Achieve zero serious / fatal accidents and reduce worker / public accidents
Safety Slogan	"Let's strictly enforce and check the basic rules" toward safety first!
Health Theme	Achieve zero occupational diseases and reduce personal illnesses
Health Slogan	"Let's strengthen health management activities in the workplace" toward maintaining and promoting health!
Key Efforts	Reduce the specific accidents of "fall / crash accidents" and "heavy equipment / crane accidents"

Examples of Accident Prevention Activities

1 Efforts to Prevent Fall Accidents

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

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

2 Efforts to Prevent Crane Accidents

We are implementing hands-on sling education that incorporates the "3-3-3 Exercise" by actually allowing all workers to use cranes with the aim of achieving "zero crane accidents."

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

3 Enhancing On-site Communication

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

Other Activities

Patrols

- Implementation of patrols by the President
- Implementation of health & safety patrols through the Central Health & Safety Environment Committee
- Implementation of health & safety patrols for key support sites
- Implementation of Labor Safety Association joint patrols

Education

- Implementation of health & safety education with layered training
- Implementation of (re-)education for General Health & Safety Supervisors
- Implementation of education for Foremen and Health & Safety Supervisors
- Implementation of manager seminars

CSR Activities

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 2013

Social Contribution through Construction of High Quality Social Infrastructure

The Company believes that "construction of high quality social infrastructure is our greatest social contribution" and we have taken proactive efforts toward technological development and capital investment as a corporate group that guarantees reliable operations in 2013. Moreover, we have been awarded numerous quality-related awards based on our thorough construction management.

We will continue to contribute to high quality social capital investment in the future in light of our corporate background.



Launching of new built self-propelled cutter suction dredger "CASSIOPEIA V" in Singapore.



Awarding of the 54th BCS Prize for "Makabe Folklore and History Museum."



Received the Award for Excellence at the Infrastructure Technology Development Awards.

Human Rights, Occupational Health & Safety and Environment

The basic stance of the Company is to respect the dignity of all peoples.

Aiming to create a workplace environment where the abilities of each and every employee and partner can be fully demonstrated and where it is easy to work with safety being the number one priority, we are working on the introduction and reviews of the systems together with the implementation of various education and training programs.

In addition, we have positioned operation that is friendly to the global environment as a major issue and also working on construction with no impact on the environment.



Holding the "Human Rights Awareness Top Management Workshop."



Awarding of the Honorable Mention by the Minister of Health, Labour and Welfare. for "Brillia WELLITH Condominium Project."



Awarding of the Pollution Control and Construction Waste Management Excellent Workplace Prize for "Shiroyama Tunnel Project" by the Japan Federation of Construction Contractors.

Communication with Stakeholders

The Company is expanding its social contribution activities that value exchanges and dialogue with all stakeholders. These activities cover a wide range, such as cooperation with regional events, volunteer activities and on-site / technology research institute tours. We are aiming to become a corporate group that continues to be trusted and supported by all our stakeholders through these various activities.



Volunteers dispatched for typhoon disaster relief to Izu-Oshima.



"Kegoya Dock" – a company's subsidiary–invited local elementary school students to a launching ceremony.



Holding an "Investors and Analysts Tour" in Tokyo Bay.



Holding a family opening day at our head office.

Consolidated Five-Year Summary

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

	Millions of yen					Thousands of U.S. dollars
	2010	2011	2012	2013	2014	2014
Net sales	¥324,782	¥302,256	¥328,005	¥349,839	¥381,182	\$3,703,673
Construction	312,613	289,661	316,239	341,067	372,367	3,618,024
Development business	1,007	1,553	2,460	1,143	2,447	23,776
Other	11,162	11,042	9,306	7,629	6,368	61,873
Total assets	294,246	286,225	311,917	296,726	301,627	2,930,694
Net assets excluding minority interests	54,437	60,454	62,382	65,080	67,339	654,285
Ordinary income	7,734	7,431	7,448	6,560	9,160	89,001
Income before income taxes and minority interests	852	5,516	6,308	5,018	8,740	84,920
Net income	1,747	2,163	1,622	2,030	3,763	36,562
Cash dividends	491	572	572	572	572	5,558
Per share of common stock:						
	Yen					U.S. dollars
Net assets excluding minority interests	¥221.59	¥211.44	¥218.19	¥227.63	¥235.53	\$2.29
Net income	7.11	8.50	5.67	7.10	13.16	0.13
Cash dividends	2.00	2.00	2.00	2.00	2.00	0.02
Number of employees	3,280	2,954	2,924	2,911	2,905	

Note: Figures in U.S. dollars are converted for convenience only, at the rate of ¥102.92 per U.S.\$1, prevailing on March 31, 2014.

Business Performance

The net sales for the Group amounted to ¥381,182 million (U.S.\$3,703.7 million) during the consolidated fiscal year ended in March 2014, a year-on-year increase of ¥31,343 million (U.S.\$304.5 million), or 9.0%. The operating income came to ¥9,896 million (U.S.\$96.2 million), a year-on-year increase of ¥3,432 million (U.S.\$33.3 million), or 53.1%. Due to the fact that non-operating income improved, ordinary income amounted to ¥9,160 million (U.S.\$89.0 million), an increase of ¥2,600 million (U.S.\$25.3 million), or 39.6%. Moreover, net income totaled ¥3,763 million (U.S.\$36.6 million), an increase of ¥1,733 million (U.S.\$16.8 million), or 85.4%.

Segment Information

In our domestic Civil Engineering Business, there continued to be an increase in public investment due to the implementation of the reconstruction budget for the Great East Japan Earthquake and the supplementary budget accompanying the economic measures of the government. In this environment, the segment recorded net sales of ¥141,069 million (U.S.\$1,370.7 million), an increase of ¥16,047 million (U.S.\$155.9 million), or 12.8%, compared with the previous consolidated fiscal year. Furthermore, operating income in this segment totaled ¥7,387 million (U.S.\$71.8 million), a year-on-year increase of ¥821 million (U.S.\$8.0 million), or 12.5%.

Our domestic Architectural Construction Business witnessed an increase in housing investment due to reconstruction demand and last-minute demand prior to the consumption tax rate hike. Furthermore, private investment was also strong due to the recovery in private sector capital investment against a background of improved corporate earnings. In this environment, the segment recorded net sales of ¥127,794 million (U.S.\$1,241.7 million), an increase of ¥16,208 million (U.S.\$157.5 million), or 14.5%, compared with the previous consolidated fiscal year. This segment posted an operating income of ¥545 million (U.S.\$5.3 million) compared with an operating loss of ¥1,877 million (U.S.\$18.2

million) in the previous fiscal year.

Our overseas Construction Business saw an upswing in 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 ¥104,598 million (U.S.\$1,016.3 million), a decrease of ¥1,030 million (U.S.\$10.0 million), or 1.0%, compared with the previous consolidated fiscal year. Operating income in this segment totaled ¥2,633 million (U.S.\$25.6 million), a year-on-year decrease of ¥155 million (U.S.\$1.5 million), or 5.6%.

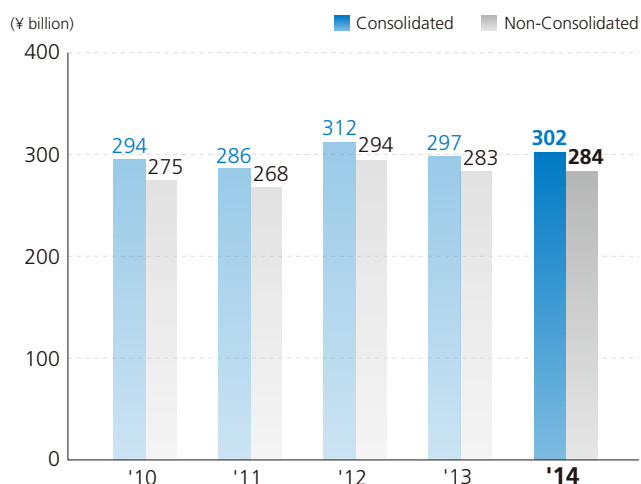
Net sales in our domestic Development Business amounted to ¥2,607 million (U.S.\$25.3 million), an increase of ¥1,319 million (U.S.\$12.8 million), or 102.4%, compared with the previous consolidated fiscal year. This segment posted an operating loss of ¥988 million (U.S.\$9.6 million), as compared to a loss of ¥864 million (U.S.\$8.4 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 ¥7,059 million (U.S.\$68.6 million), a decrease of ¥1,854 million (U.S.\$18.0 million), or 20.8%, compared with the previous consolidated fiscal year. Due to the deterioration in the revenue-expenditure balance in our shipbuilding business, operating income came to ¥305 million (U.S.\$3.0 million), as compared with operating losses of ¥211 million yen (U.S.\$2.1 million) for the previous consolidated fiscal year.

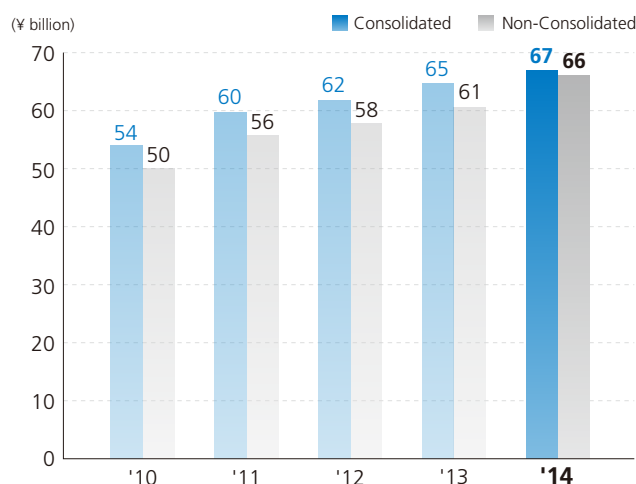
Orders received

Non-consolidated construction orders received for domestic civil engineering works increased by 28.6% to ¥146,697 million (U.S.\$1,425.3 million) because there was an increase in orders received from government agencies and the private sector. Orders received for domestic architectural construction increased by 33.2% to ¥145,079 million (U.S.\$1,409.8 million) on an increase in orders from both government agencies and the private sector. We received multiple orders for large-scale architectural construc-

Total Assets



Total Net Assets



tion projects in Singapore and so overseas construction projects increased overall by 170.2% to ¥154,870 million (U.S.\$1,504.8 million). In total, architectural construction orders received during the period under review increased by 59.3% to ¥446,664 million (U.S.\$4,339.9 million).

Financial Position

Total assets for the Group increased by ¥4,901 million (U.S.\$47.6 million) compared with the previous consolidated fiscal year to ¥301,627 million (U.S.\$2,930.7 million) on factors including an increase in investments in securities due to a year-end market value rise. Total liabilities increased by ¥2,517 million (U.S.\$24.5 million) compared with the previous consolidated fiscal year to ¥234,133 million (U.S.\$2,274.9 million) as the Group issued corporate bonds. Net assets increased by ¥2,384 million (U.S.\$23.2 million) compared with the previous consolidated fiscal year to ¥67,494 million (U.S.\$655.8 million) as the Group recorded an increase in retained income.

Cash flows

Cash flows from operating activities decreased by ¥22,597 million (U.S.\$219.6 million) compared with the previous consolidated fiscal year for an excess over expenditure of ¥14,263 million (U.S.\$138.6 million) during the period under review (as compared to a net inflow of ¥8,334 million (U.S.\$81.0 million) in the previous consolidated fiscal year). This was because there was an increase in receivables and a decrease in payables.

With respect to cash flows from investing activities, although the Group recorded a ¥3,156 million (U.S.\$30.7 million) year-on-year increase in outlays due to the acquisition of tangible fixed assets, there was an excess over expenditure of ¥7,310 million (U.S.\$71.0 million), as compared with an excess over expenditure of ¥10,466 million (U.S.\$101.7 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 ¥21,573 million (U.S.\$209.6 million), as compared with an excess over expenditure of ¥2,132 million (U.S.\$20.7 million) in the previous consolidated fiscal year.

Cash flows from financing activities underwent a ¥14,224 million (U.S.\$138.2 million) increase compared with the previous consolidated fiscal year because while short-term borrowings and long-term borrowings were repaid, there was revenue from the issuance of corporate bonds. This resulted in a net inflow of ¥3,165 million (U.S.\$30.8 million) compared with an excess over expenditure of ¥11,059 million yen (U.S.\$107.5 million) in the previous consolidated fiscal year.

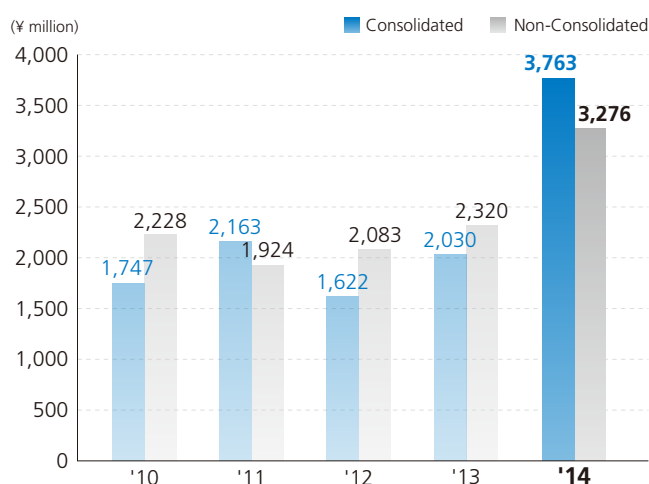
As a result of the foregoing, consolidated cash and cash equivalents amounted to ¥31,941 million (U.S.\$310.3 million) as of the end of the consolidated fiscal year under review, a year-on-year decrease of ¥17,986 million (U.S.\$174.8 million), or 36.0%. A balance at the end of the year in regards to interest-bearing liabilities of ¥74,938 million (U.S.\$728.1 million) was recorded at a non-consolidated amount of ¥72,900 million (U.S.\$708.3 million).

Dividends

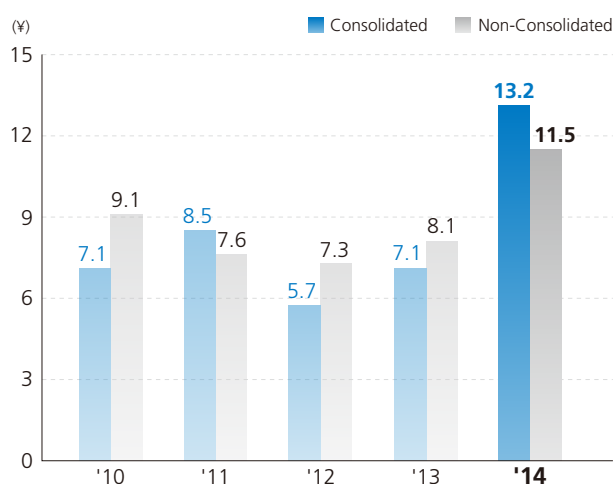
The Company's basic policy with respect to dividends is to offer long-term, stable payouts to shareholders as circumstances allow, while building a stronger management foundation for the future, and taking into account the business environment, our earnings performance and other factors. Furthermore, 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 2014, the progress made in 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
	2013	2014	2014
Current assets:			
Cash and deposits (Note 22)	¥ 50,596	¥ 32,602	\$ 316,770
Trade receivables: (Note 22)			
Notes	2,782	4,811	46,745
Accounts	122,937	138,306	1,343,820
Inventories: (Note 3 (5))			
Costs on uncompleted construction contracts	8,630	9,264	90,012
Real estate for sale and development projects in progress	9,728	8,389	81,510
Other	1,229	2,098	20,385
Deferred tax assets (Note 19)	3,147	3,162	30,723
Other	2,448	4,639	45,074
Allowance for doubtful accounts (Note 3 (9))	(854)	(783)	(7,608)
Total current assets	200,643	202,488	1,967,431
Property, plant and equipment: (Notes 3 (6) and 3 (8))			
Land	42,539	41,902	407,132
Buildings and structures	32,030	33,665	327,099
Machinery, equipment and vehicles	17,902	14,892	144,695
Dredgers and vessels	55,513	55,878	542,927
Construction in progress	6,131	10,630	103,283
Total property, plant and equipment	154,115	156,967	1,525,136
Less: accumulated depreciation	(81,511)	(80,974)	(786,766)
Property, plant and equipment – net	72,604	75,993	738,370
Intangible assets (Note 3 (7))	1,127	1,090	10,591
Investments and other assets:			
Investment securities (Notes 3 (3), 6, 7 and 22)	13,204	15,403	149,660
Long-term loans receivables	1,218	1,137	11,047
Deferred tax assets (Note 19)	4,910	2,958	28,741
Other (Notes 3 (14) and 21)	9,380	6,664	64,749
Allowance for doubtful accounts (Note 3 (9))	(6,360)	(4,164)	(40,459)
Total investments and other assets	22,352	21,998	213,738
Deferred assets (Note 3 (21))	—	58	564
Total assets	¥296,726	¥301,627	\$2,930,694

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Current liabilities:			
Short-term loans payable (Notes 8 and 22)	¥ 22,055	¥ 24,060	\$ 233,774
Current portion of long-term loans payable and bonds payable (Notes 8 and 22)	17,901	23,357	226,943
Trade payable: (Note 22)			
Notes	29,225	28,134	273,358
Accounts	86,386	78,596	763,661
Electronically recorded monetary payable	—	5,772	56,082
Advance received on uncompleted construction contracts	17,284	16,229	157,686
Deposits received	11,260	10,227	99,368
Income taxes payable	1,131	2,072	20,132
Provision for loss on construction contracts (Note 3 (12))	2,819	2,707	26,302
Provision for warranties for completed construction (Note 3 (10))	722	877	8,521
Provision for bonuses (Note 3 (11))	1,185	1,353	13,146
Other	2,788	2,612	25,380
Total current liabilities	192,756	195,996	1,904,353
Non-current liabilities:			
Bonds payable (Notes 8 and 22)	10,000	10,000	97,163
Long-term loans payable (Notes 8 and 22)	20,984	17,521	170,239
Provision for directors' retirement benefits (Note 3 (13))	119	114	1,108
Liability for retirement benefits (Notes 3 (14) and 21)	352	—	—
Net defined benefit liability (Notes 3 (14) and 21)	—	3,396	32,997
Deferred tax liabilities for land revaluation (Note 20 (2))	6,195	6,187	60,115
Provision for loss on litigation	400	—	—
Other	810	919	8,928
Total non-current liabilities	38,860	38,137	370,550
Total liabilities	231,616	234,133	2,274,903
Commitments and contingent liabilities (Note 18)			
Net assets:			
Shareholders' equity:			
Common stock	30,450	30,450	295,861
Authorized - 599,135,000 shares			
Issued shares - 286,013,910 shares 2013 and 2014			
Capital surplus (Note 20 (1))	18,387	18,387	178,653
Retained earnings (Note 20 (1))	8,635	11,729	113,962
Less: Treasury Stock	(24)	(25)	(243)
Total shareholders' equity	57,448	60,541	588,233
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Notes 3 (3) and 20 (3))	1,182	2,750	26,720
Deferred losses on hedges	(2)	(11)	(107)
Revaluation reserve for land (Note 20 (2))	6,471	6,568	63,817
Foreign currency translation adjustments (Note 3 (2))	(19)	(1)	(10)
Remeasurements of defined benefit plans (Notes 3 (14) and 21)	—	(2,508)	(24,368)
Total accumulated other comprehensive income	7,632	6,798	66,052
Minority interests	30	155	1,506
Total net assets	65,110	67,494	655,791
Total liabilities and net assets	¥296,726	¥301,627	\$2,930,694

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
	2013	2014	2014
Construction business: (Note 3 (15))			
Net sales	¥341,067	¥372,367	\$3,618,024
Cost of sales	319,356	347,514	3,376,545
Gross profit	21,711	24,853	241,479
Development business and other:			
Net sales	8,772	8,815	85,649
Cost of sales	9,368	9,003	87,476
Gross loss	(596)	(188)	(1,827)
Total:			
Total net sales	349,839	381,182	3,703,673
Total cost of sales	328,724	356,517	3,464,021
Total gross profit	21,115	24,665	239,652
Selling, general and administrative expenses	14,651	14,769	143,500
Operating income	6,464	9,896	96,152
Non-operating income:			
Interest and dividends income	268	292	2,837
Foreign exchange gains	701	—	—
Reversal of allowance for doubtful accounts	602	248	2,410
Other (Note 9)	368	376	3,653
	1,939	916	8,900
Non-operating expenses:			
Interest expenses	1,513	1,173	11,397
Foreign exchange losses	—	157	1,525
Other (Note 10)	330	322	3,129
	1,843	1,652	16,051
Ordinary income	6,560	9,160	89,001
Extraordinary gain (Note 11)	201	370	3,595
Extraordinary loss (Note 12)	1,743	790	7,676
Income before income taxes and minority interests	5,018	8,740	84,920
Income taxes: (Notes 3 (20) and 19)			
Current	1,030	2,338	22,717
Deferred	1,932	2,519	24,475
	2,962	4,857	47,192
Income before minority interests	2,056	3,883	37,728
Minority interests in income	26	120	1,166
Net income	¥ 2,030	¥ 3,763	\$ 36,562
		Yen	U.S. dollars
Net income per share of common stock (Notes 3 (19) and 24)			
Basic	¥7.10	¥13.16	\$0.13

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
	2013	2014	2014
Income before minority interests	¥2,056	¥3,883	\$37,728
Valuation difference on available-for-sale securities	1,289	1,567	15,225
Deferred gains (losses) on hedges	9	(9)	(87)
Foreign currency translation adjustments	(54)	21	204
Share of other comprehensive income of associates accounted for by the equity method	(2)	1	10
Total other comprehensive income (Note 14)	1,242	1,580	15,352
Comprehensive income	¥3,298	¥5,463	\$53,080
(Breakdown)			
Comprehensive income attributable to shareholders	¥3,271	¥5,339	\$51,875
Comprehensive income attributable to minority interests	27	124	1,205

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, 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, 2014

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained Earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2013	¥30,450	¥18,387	¥8,635	¥(24)	¥57,448
Changes of items during the year					
Dividends from surplus			(572)		(572)
Net income			3,763		3,763
Reversal of revaluation reserve for land			(97)		(97)
Purchase of treasury stock				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	—	3,094	(1)	3,093
Balance at March 31, 2014	¥30,450	¥18,387	¥11,729	¥(25)	¥60,541

	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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2013	¥1,182	¥ (2)	¥6,471	¥(19)	¥ —	¥7,632	¥ 30	¥65,110
Changes of items during the year								
Dividends from surplus								(572)
Net income								3,763
Reversal of revaluation reserve for land								(97)
Purchase of treasury stock								(1)
Net changes of items other than shareholders' equity	1,568	(9)	97	18	(2,508)	(834)	125	(709)
Total changes of items during the year	1,568	(9)	97	18	(2,508)	(834)	125	2,384
Balance at March 31, 2014	¥2,750	¥(11)	¥6,568	¥ (1)	¥(2,508)	¥6,798	¥155	¥67,494

For the year ended March 31, 2014

	Thousands of U.S. dollars				
	Shareholders' equity				
	Common stock	Capital surplus	Retained Earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2013	\$295,861	\$178,653	\$ 83,900	\$(233)	\$558,181
Changes of items during the year					
Dividends from surplus			(5,558)		(5,558)
Net income			36,562		36,562
Reversal of revaluation reserve for land			(942)		(942)
Purchase of treasury stock				(10)	(10)
Net changes of items other than shareholders' equity			30,062	(10)	30,052
Total changes of items during the year	—	—	30,062	(10)	30,052
Balance at March 31, 2014	\$295,861	\$178,653	\$113,962	\$(243)	\$588,233

	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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at April 1, 2013	\$11,485	\$ (19)	\$62,874	\$(185)	\$ —	\$74,155	\$ 291	\$632,627
Changes of items during the year								
Dividends from surplus								(5,558)
Net income								36,562
Reversal of revaluation reserve for land								(942)
Purchase of treasury stock								(10)
Net changes of items other than shareholders' equity	15,235	(88)	943	175	(24,368)	(8,103)	1,215	(6,888)
Total changes of items during the year	15,235	(88)	943	175	(24,368)	(8,103)	1,215	23,164
Balance at March 31, 2014	\$26,720	\$(107)	\$63,817	\$ (10)	\$(24,368)	\$66,052	\$1,506	\$655,791

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
	2013	2014	2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥5,018	¥8,740	\$84,920
Adjustment to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	4,306	4,663	45,307
Impairment loss	544	201	1,953
Increase (decrease) in allowance for doubtful accounts	(251)	(2,267)	(22,027)
Increase (decrease) in provision for retirement benefits	28	(352)	(3,420)
Increase in net defined benefit liability	—	3,396	32,997
Interest and dividends income	(268)	(292)	(2,837)
Interest expenses	1,513	1,173	11,397
Foreign exchange losses (gains)	(1,134)	(992)	(9,639)
Equity in (earnings) losses of affiliates	(3)	2	19
Loss (gain) on sales of property, plant and equipment	(38)	(218)	(2,118)
Loss (gain) on sales of investment securities	—	7	68
Loss on valuation of securities and investment securities	240	0	0
Change in assets and liabilities:			
Decrease (increase) in notes and accounts receivable-trade	4,473	(17,753)	(172,493)
Decrease (increase) in costs on uncompleted construction contracts	2,507	(633)	(6,150)
Decrease (Increase) in real estate for sale and development projects in progress and other inventories	2,484	595	5,781
Increase (decrease) in notes and accounts payable-trade	(1,951)	(3,998)	(38,846)
Increase (decrease) in advances received on uncompleted construction contracts	(8,235)	(1,070)	(10,396)
Increase (decrease) in other provision	(108)	(344)	(3,342)
Other, net	1,519	(2,850)	(27,691)
Subtotal	10,644	(11,992)	(116,517)
Interest and dividends income received	253	277	2,691
Interest expenses paid	(1,528)	(1,139)	(11,067)
Income taxes paid	(1,035)	(1,409)	(13,690)
Net cash provided by operating activities	8,334	(14,263)	(138,583)
Cash flows from investing activities:			
Purchase of investment securities	(789)	(54)	(525)
Proceeds from sales and redemption of short-term and long-term investment securities	14	237	2,303
Purchase of property, plant and equipment	(9,646)	(8,207)	(79,742)
Proceeds from sales of property, plant and equipment	201	873	8,482
Payments of loans receivable	(4)	(70)	(680)
Collection of loans receivable	63	111	1,079
Other, net	(305)	(200)	(1,943)
Net cash used in investing activities	(10,466)	(7,310)	(71,026)

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(2,933)	1,960	19,044
Proceeds from long-term loans payable	13,382	9,857	95,773
Repayment of long-term loans payable	(20,759)	(17,908)	(173,999)
Proceeds from issuance bonds payable	—	9,944	96,619
Cash dividends paid	(567)	(569)	(5,529)
Other, net	(182)	(119)	(1,156)
Net cash provided by (used in) financing activities	(11,059)	3,165	30,752
Effect of exchange rate change on cash and cash equivalents	406	422	4,100
Net increase (decrease) in cash and cash equivalents	(12,785)	(17,986)	(174,757)
Cash and cash equivalents at the beginning of the period	62,712	49,927	485,105
Cash and cash equivalents at the end of the period	¥49,927	¥31,941	\$310,348
(Note) Cash and cash equivalents are comprised as follows:			
Cash and deposits	¥50,596	¥32,602	\$316,770
Less-Time deposits with maturity over three months	(669)	(661)	(6,422)
Cash and cash equivalents (Note 3 (19))	¥49,927	¥31,941	\$310,348

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=¥102.92, the exchange rate prevailing on March 31, 2014. This is solely for the convenience of readers outside Japan and does not mean that assets and liabilities originating in yen can be converted into or settled in dollars at the above rate.

2. Consolidation

(1) Scope of consolidation and application of equity method

The Company has 27 subsidiaries and 3 affiliated companies as at March 31, 2014.

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

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

3. Summary of significant accounting policies

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

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

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

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

Exchange differences arising from conversion of balance sheet

accounts are stated as foreign currency translation adjustments in Net assets.

(3) Investment securities

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

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

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

(4) Derivative financial transactions

Derivative financial instruments are stated at fair value.

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

(5) Inventories

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

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

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

Property, plant and equipment are stated at cost and for the Company and its domestic subsidiaries. Depreciation is calculated using

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

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

(7) Research and development costs and computer software

Research and development costs are charged to income as incurred.

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

(8) Leased assets

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

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

(9) Allowance for doubtful accounts

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

(10) Provision for warranties for completed construction

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

(11) Provision for bonuses

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

(12) Provision for loss on construction contracts

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

(13) Provision for directors' retirement benefits

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

(14) Net defined benefit liability

Net defined benefit liability is provided based on the projected benefit obligations and pension fund assets at end of the fiscal year.

Regarding determination of retirement benefit obligations, the straight-line basis is adopted as the method of attributing expected benefit to the periods until this fiscal year end.

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).

Transition effects of the application of the new accounting standards for retirement benefits are amortized by the straight-line method over 15 years.

Prior service costs are recognized as an expense when incurred.

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

(15) Recognition of sales and cost of sales

The Company recognizes revenue by applying the percentage-of-completion method for the construction projects with condition that the outcome of the construction activity is deemed certain at the end of the reporting year. To estimate the progress of such construction 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.

(16) Hedge accounting

1) Hedge accounting method

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

2) Hedging instruments and hedged items

Hedging instruments are interest rate swap agreements 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.

(17) Goodwill

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

(18) 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.

(19) 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.

(20) 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, 2014). 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.

(21) Deferred assets

Expenses for issuance of bond is charged to the statement of income when payment is made. Expenses for opening business is evenly amortized for five years.

(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 Accounting Standard for Retirement Benefits)

The Group has adopted Accounting Standards Board of Japan (hereinafter, "ASBJ") Statement No. 26 "Accounting Standard for Retirement Benefits" (hereinafter, "Accounting Standard for Retirement Benefits") and ASBJ Guidance No. 25 "Guidance on Accounting Standard for Retirement Benefits" (hereinafter, "Guidance on Retirement Benefits"), which were issued on May 17, 2012, since the end of this fiscal year (except for the provisions of the main clause of Article 35 of Accounting Standard for Retirement Benefits and the main clause of Article 67 of Guidance on Retirement Benefits).

The amount of retirement benefit obligations after deducting pension fund assets is recognized as net defined benefit liability, and unrecognized net retirement benefit obligation at transition

and unrecognized actuarial gains and losses are recognized as net defined benefit liability.

The transitional treatment stated in Article 37 of Accounting Standard for Retirement Benefits was applied to the adoption of the accounting standard and guidance. The effects of the change were recognized as remeasurements of defined benefit plans of accumulated other comprehensive income at the end of this fiscal year.

As a result of this change, a liability for retirement benefits was recognized in the amount of ¥3,396 million (U.S.\$32,997 thousand) and accumulated other comprehensive income decreased by ¥2,508 million (U.S.\$24,368 thousand) as of March 31, 2014. In addition, net assets per share decreased by ¥8.77 (U.S.\$0.09).

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) Overview

The standard provides guidance for the accounting for unrecognized actuarial differences and unrecognized prior service costs, the calculation methods for retirement benefit obligation and service costs, and enhancement of disclosures taking into consideration improvements to financial reporting and international trends.

2) Scheduled date of adoption

The revised accounting standard and guidance were adopted as of the end of the fiscal year ended March 31, 2014. However, revisions to the calculation methods for the retirement benefit obligation and service costs are scheduled to be adopted from the beginning of the fiscal year ending March 31, 2015.

3) Impact of adopting revised accounting standards and guidance

The Company is currently evaluating the effect of adopting these revised accounting standards and guidance on its consolidated financial statements.

6. Investment securities

(1) Held-to maturity debt securities

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, 2014	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	¥214	¥222	¥ 8
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥214	¥222	¥ 8
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
National and local government bonds	¥ 11	¥ 11	¥(0)
Corporate bonds	10	10	—
Other	—	—	—
Subtotal	¥ 21	¥ 21	¥(0)
Total	¥235	¥243	¥ 8

As of March 31, 2014	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	\$2,079	\$2,157	\$78
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	\$2,079	\$2,157	\$78
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
National and local government bonds	107	107	0
Corporate bonds	97	97	—
Other	—	—	—
Subtotal	\$ 204	\$ 204	\$—
Total	\$2,283	\$2,361	\$78

(2) Other securities

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	¥ (578)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	100	100	—
Other	—	—	—
Other	90	94	(4)
Subtotal	¥3,401	¥3,985	¥ (583)
Total	¥9,961	¥8,224	¥1,737

(Note) Since unlisted stocks (balance on consolidated balance sheet ¥2,916 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, 2014	Millions of yen		
	Book value on consolidated B/S	acquisition cost	Difference
Securities whose book value on consolidated B/S exceeds their acquisition cost:			
Stock	¥ 8,646	¥4,209	¥4,437
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	142	96	46
Subtotal	¥ 8,788	¥4,305	¥4,483
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	¥ 3,409	¥3,771	¥ (362)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	100	100	—
Other	—	—	—
Other	—	—	—
Subtotal	¥ 3,509	¥3,871	¥ (362)
Total	¥12,297	¥8,176	¥4,121

As of March 31, 2014	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	\$ 84,007	\$40,896	\$43,111
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	1,380	933	447
Subtotal	\$ 85,387	\$41,829	\$43,558
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	\$ 33,123	\$36,640	\$ (3,517)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	971	971	—
Other	—	—	—
Other	—	—	—
Subtotal	\$ 34,094	\$37,611	\$ (3,517)
Total	\$119,481	\$79,440	\$40,041

(Note) Since unlisted stocks (balance on consolidated balance sheet ¥2,766 million (U.S.\$26,875 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, 2013

None

As of March 31, 2014	Millions of yen		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	¥ —	¥ —	¥ —
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	87	—	7
Total	¥ 87	¥ —	¥ 7

As of March 31, 2014	Thousands of U.S. dollars		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	\$ —	\$ —	\$ —
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	\$845	\$ —	\$ 68
Total	\$845	\$ —	\$ 68

(4) Impairment of investment securities

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Other securities			
Stock	¥240	¥ —	\$ —

7. Pledged assets

The following assets are pledged for fulfillment of construction contracts at March 31, 2013 and 2014.

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Real estate for sale	¥ —	¥563	\$5,470
Investment securities	292	308	2,993
Other (Investment and other assets)	—	5	48
Total	¥292	¥876	\$8,511

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

Short-term and long-term loans and bonds payable as of March 31, 2013 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Short-term loans from banks and insurance companies (The weighted average interest rate is 0.85%.)	¥22,055	¥24,060	\$233,774
Long-term loans from banks and insurance companies due through 2026 (The weighted average interest rate is 1.64%.)	¥38,885	¥30,878	\$300,019
Unsecured bonds payable	¥10,000	¥20,000	\$194,326
Less: current portion	(39,956)	(47,417)	(460,717)
Net	¥30,984	¥27,521	\$267,402

The aggregate annual maturity of short-term and long-term loans and bonds payable after March 31, 2014 is as follows:

Year ending March 31,

	Millions of yen	Thousands of U.S. dollars
2015	¥47,417	\$460,717
2016	8,926	86,728
2017	5,575	54,168
2018	1,939	18,840
2019	10,957	106,461
2020 and thereafter	124	1,205
Total	¥74,938	\$728,119

9. Non-operating income

The composition of Non-operating income - other for the fiscal years ended March 31, 2013 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Real estate rent	¥ 69	¥ 83	\$ 806
Other	299	293	2,847
Total	¥368	¥376	\$3,653

10. Non-operating expenses

The composition of Non-operating expenses - other for the fiscal years ended March 31, 2013 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Equity in losses of affiliates	¥ —	¥ 2	\$ 19
Other	330	320	3,110
Total	¥330	¥322	\$3,129

11. Extraordinary gain

The composition of Extraordinary gain for the fiscal years ended March 31, 2013 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Gain on sales of non-current assets	¥ 53	¥256	\$2,487
Gain on forgiveness of debts	—	50	486
Other	149	64	622
Total	¥201	¥370	\$3,595

Gain on forgiveness of debts to minority shareholders was recognized when a liquidation procedure of the Company's consolidated subsidiary, Obama Marine Co., Ltd. had been completed.

12. Extraordinary loss

The composition of Extraordinary loss for the fiscal years ended March 31, 2013 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Loss on retirement of non-current assets	¥ 89	¥230	\$2,235
Impairment loss *1	544	201	1,953
Loss on valuation of investment securities	240	—	—
Provision for loss on litigation	400	—	—
Settlement package	—	195	1,895
Other	470	164	1,593
Total	¥1,743	¥790	\$7,676

*1 The Company recognized impairment loss for the following group of assets in the current fiscal years ended March 31, 2013 and 2014.

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
Leased assets	Land	Tokyo	¥30 million

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

Book values of above assets were written down to recoverable amounts due to following reasons. Management decision on disposal has been made and no alternative investment has been planned. The impairment loss (¥544 million) 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.

For the year ended March 31, 2014

Classification	Type of Assets	Location	Impairment loss
Business assets	Land	Chiba	¥201 million U.S.\$1,953 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 (¥201 million, U.S.\$1,953 thousand) was accounted for as extraordinary loss.

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

13. Research and development costs

Research and development costs charged to income are ¥1,520 million for the fiscal year 2013 and ¥1,647 million (U.S.\$16,003 thousand) for the fiscal year 2014, 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, 2013 and 2014:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Valuation difference on available-for-sale securities			
Amount arising during the year	¥1,807	¥2,377	\$23,096
Reclassification adjustment for gains and losses realized in net income	37	5	50
Amount before tax effect	1,844	2,381	23,134
Tax effect	(555)	(813)	(7,899)
Valuation difference on available-for-sale securities	1,289	1,567	15,225
Deferred gains (losses) on hedges			
Amount arising during the year	(399)	(1,094)	(10,630)
Reclassification adjustment for gains and losses realized in net income	414	695	6,753
Amount before tax effect	15	(399)	(3,876)
Tax effect	(6)	390	3,789
Deferred gains (losses) on hedges	9	(9)	(87)
Foreign currency translation adjustments			
Amount arising during the year	(54)	21	204
Reclassification adjustment for gains and losses realized in net income	—	—	—
Amount before tax effect	(54)	21	204
Tax effect	—	—	—
Foreign currency translation adjustments	(54)	21	204
Share of other comprehensive income of associates accounted for using equity method			
Amount arising during the year	(2)	1	10
Reclassification adjustment for gains and losses realized in net income	—	—	—
Share of other comprehensive income of associates accounted for using equity method	(2)	1	10
Total of other comprehensive income	¥1,242	¥1,580	\$15,352

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
	2013	2014	2014
Estimated acquisition costs			
Equipment	¥6	¥—	\$—
Less: accumulated depreciation	(6)	—	—
Estimated value	¥0	¥—	\$—

(2) Future lease payments on leased assets as of March 31, 2013 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Within one year	¥0	¥—	\$—
Over one year	—	—	—
Total	¥0	¥—	\$—

(3) Lease payments, depreciation equivalents and interest expenses equivalents for the years ended March 31, 2013 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Lease payments	¥3	¥0	\$0
Depreciation equivalents	3	0	0
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 and 2014 are as follows:

<Borrower>	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Within one year	¥ 453	¥ 453	\$ 4,401
Over one year	1,549	1,096	10,650
Total	¥2,002	¥1,549	\$15,051

<Lender>	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Within one year	¥151	¥165	\$1,603
Over one year	453	331	3,216
Total	¥604	¥496	\$4,819

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 year ended March 31, 2013 and 2014 and accordingly fair value information is waived.

18. Commitments and contingent liabilities

As of March 31, 2014, the Company has liabilities for guarantee to bank loans made by customers amounting to ¥872 million (U.S.\$8,473 thousand).

The Company also has the guarantee amounting to ¥48 million (U.S.\$466 thousand) to purchasers concerning deposits for purchase of the condominium apartments.

On March 30, 2014, an accident occurred during construction on Okinotori Island in which a pier overturned.

An investigation for the causes of the accidents and consideration

on the measures to prevent a recurrence will be made.

At this point, it is difficult to make a reasonable estimate of the financial impact on the current year's consolidated financial statements.

The Company has agreements on commitment line with 23 banks totaling ¥30,000 million (U.S.\$291,489 thousand) for the purpose of flexible financing. Unused commitment line as of March 31, 2013 and 2014 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Commitment line			
Total of commitment line	¥30,000	¥30,000	\$291,489
Use of commitment	¥ —	¥ 6,600	\$ 64,128
Total of unused commitment line	¥30,000	¥23,400	\$227,361

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
	2013	2014	2014
Deferred tax assets			
Net operating loss carried forward	¥4,053	¥1,417	\$13,768
Employees' retirement benefits trust	2,227	2,257	21,930
Net defined benefit liability	—	1,213	11,786
Impairment loss	1,695	743	7,219
Loss on valuation of real estate for sale	1,399	1,839	17,868
Provision for loss on construction contracts	1,077	965	9,376
Allowance for doubtful accounts	713	1,000	9,716
Provision for bonuses	451	483	4,693
Other	1,487	1,365	13,263
Total: deferred tax assets	13,102	11,282	109,619
Less : valuation allowance	(4,137)	(3,709)	(36,038)
Deferred tax assets	¥8,965	¥7,573	\$73,581
Deferred tax liabilities			
Prepaid pension cost	¥ (131)	¥ —	\$ —
Valuation difference on available-for-sale securities	(555)	(1,371)	(13,321)
Depreciation	(146)	(14)	(136)
Other	(76)	(82)	(796)
Total: deferred tax liabilities	(908)	(1,467)	(14,253)
Net: deferred tax assets	¥8,057	¥6,106	\$59,328

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:

	2013	2014
The statutory effective tax rate	38.01%	38.01%
(Adjustments)		
Permanent differences (expense)	11.52	6.39
Permanent differences (income)	(1.09)	(2.31)
Per capita levy on inhabitant tax	4.53	2.56
Consolidated adjustments	(0.58)	0.79
Increase (Decrease) in valuation allowance	1.38	(7.63)
Foreign corporation tax	5.24	13.79
Downward adjustment of deferred tax assets at the year end due to the change in corporate tax rates	—	2.92
Other	0.02	1.06
Actual burden tax rates after the application of tax effect accounting	59.03	55.58

3. Change in effective statutory tax rate

Following the promulgation on March 31, 2014 of the "Act on Partial Revision of the Income Tax Act, etc." (Act No.10 of 2014), the Special Reconstruction Corporation Tax will not be imposed from fiscal years beginning on or after April 1, 2014.

In line with these changes, the effective statutory tax rate used to measure deferred tax assets and liabilities was changed from 38.01% to 35.64% for temporary differences expected to be reversed in the fiscal year beginning April 1, 2014.

As a result of this change, deferred tax assets decreased by ¥254 million, and income taxes - deferred increased by ¥254 million.

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
	2013	2014	2014
The difference between the appraisal value of land at the end of the current fiscal year and the book value	¥12,735	¥12,379	\$120,278

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

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

Valuation difference on available-for-sale securities is based on the difference between fair market value and book value at March 31. This amounted to ¥2,750 million (U.S.\$26,720 thousand) loss as of March 31, 2014.

21. Retirement benefits

For the year ended March 31, 2013

The Company has defined benefit corporate pension plan and lump-sum payment plans and its domestic consolidated subsidiaries have lump-sum payment plan. Additional severance payments may be also paid in case of employees' retirement and so on. The Company's overseas subsidiaries have no defined benefit plan and the Company has established retirement benefit trusts. As of March 31, 2013, the Company and 7 consolidated subsidiaries have lump-sum payment plans and the Company has defined benefit corporate pension plan.

I. Retirement benefits obligations

	Millions of yen
	2013
a. Retirement benefit obligations	¥(25,572)
b. Pension fund assets	19,260
c. Unfunded retirement benefit obligations	(6,312)
d. Amortization term of effects of the application of the new accounting standards for retirement benefits	2,603
e. Unrecognized actuarial gain or loss	3,946
f. Net retirement benefit obligations	237
g. Prepaid pension cost	589
h. Provision for retirement benefits	¥ (352)

II. Retirement benefit costs

	Millions of yen
	2013
a. Service costs	¥1,010
b. Interest costs	454
c. Expected return on pension fund assets	(292)
d. Amortization term of effects of the application of the new accounting standards for retirement benefits	1,302
e. Amortization of actuarial gain or loss	851
f. Amortization of prior service cost	—
g. Retirement benefit costs	¥3,325

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

For the year ended March 31, 2014

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

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

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

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

I. Retirement benefits obligations

Reconciliation between retirement benefit obligations and pension fund assets as of year end and net defined benefit liability

	Millions of yen	Thousands of U.S. dollars
	2014	2014
a. Funded retirement benefit obligations	¥(24,469)	\$(237,748)
b. Pension fund assets	21,438	208,298
	(3,031)	(29,450)
c. Unfunded retirement benefit obligations	(365)	(3,547)
d. Net defined benefit liability	¥ (3,396)	\$ (32,997)
e. Liability relating to retirement benefit obligation	(3,396)	(32,997)
f. Asset relating to retirement benefit obligation	—	—
g. Net defined benefit liability	¥ (3,396)	\$ (32,997)

II. Retirement benefit costs

	Millions of yen	Thousands of U.S. dollars
	2014	2014
a. Service costs	¥1,037	\$10,076
b. Interest costs	404	3,925
c. Expected return on pension fund assets	(344)	(3,342)
d. Amortization of net retirement benefit obligation at transition	1,302	12,651
e. Amortization of actuarial gain or loss	313	3,041
f. Amortization of prior service cost	—	—
g. Retirement benefit costs	¥2,712	\$26,351

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 long-term return rate on pension fund assets 1.40~2.00%
- 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

The changes in the retirement benefit obligation and the plan assets during the year ended March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Change in retirement benefit obligation (for employees):		
Benefit obligation at beginning of year	¥25,572	\$248,465
Service cost	1,037	10,076
Interest cost	404	3,925
Actuarial gain/loss	(51)	(496)
Retirement benefits paid	(2,128)	(20,676)
Retirement benefits obligation at end of year	¥24,834	\$241,294
Change in plan assets:		
Plan assets at beginning of year	¥19,260	\$187,136
Expected return on plan assets	344	3,342
Actuarial gain	986	9,580
Contributions by the Company	2,561	24,884
Retirement benefits paid	(1,713)	(16,644)
Plan assets at end of year	¥21,438	\$208,298

Unrecognized actuarial loss and others included in accumulated other comprehensive income(before tax effect) as of March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
Unrecognized actuarial gain / loss	¥2,595	\$25,214
Unrecognized net retirement benefit obligation at transition	1,302	12,650
Total	¥3,897	\$37,864

The fair value of plan assets, major category, as a percentage of total plan assets as of March 31, 2014 are as follows:

Fair value of plan assets	
Bonds	37%
Stocks	47
General accounts	5
Cash and deposits	0
Others	11
Total	100%

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

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, 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)	¥ —

(*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

(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	¥ —

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 ¥3,022 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."

Book value on consolidated balance sheet, fair value and the difference as of March 31, 2014 are as follows:

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 32,602	¥ 32,602	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	131,640	131,622	(18)
(3) Accounts receivable – other	11,478	11,478	—
(4) Investment securities	12,532	12,541	9
Total Assets	¥188,252	¥188,243	¥ (9)
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	¥101,975	¥101,975	¥ —
(2) Electronically recorded monetary payable	5,772	5,772	—
(3) Short-term loans payable	24,060	24,060	—
(4) Bonds payable (*1)	20,000	20,286	286
(5) Long-term loans payable (*1)	¥ 30,878	31,020	142
Total Liabilities	¥182,685	¥183,113	¥428
Derivative transaction (*2)	¥ (15)	¥ (15)	¥ —

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	\$ 316,770	\$ 316,770	\$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	1,279,052	1,278,877	(175)
(3) Accounts receivable-other	111,524	111,524	—
(4) Investment securities	121,764	121,852	88
Total Assets	\$1,829,110	\$1,829,023	\$ (87)
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	\$ 990,818	\$ 990,818	\$ —
(2) Electronically recorded monetary payable	56,082	56,082	—
(3) Short-term loans payable	233,774	233,774	—
(4) Bonds payable (*1)	194,326	197,105	2,779
(5) Long-term loans payable (*1)	300,019	301,399	1,380
Total Liabilities	\$1,775,019	\$1,779,178	\$4,159
Derivative transaction (*2)	\$ (146)	\$ (146)	\$ —

(*1) Bonds payable includes the current portion of bonds payable being redeemed.

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) Electronically recorded monetary payable, (3) Short-term loans payable

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

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

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

Derivative transaction

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

(Note 2) Since unlisted stocks (balance on consolidated balance sheet ¥2,871 million (U.S.\$27,895 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, 2014

	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	¥ 32,539	¥ —	¥ —	¥ —
Notes receivable, accounts receivable from completed construction contracts and other	123,320	8,320	—	—
Investment securities				
Held-to-maturity bonds				
National and local government bonds	—	63	162	—
Corporate bonds	—	10	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	100	—
Other	—	—	—	—
Accounts receivable – other	11,478	—	—	—
Total	¥167,337	¥8,393	¥262	¥—

	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	\$ 316,158	\$ —	\$ —	\$ —
Notes receivable, accounts receivable from completed construction contracts and other	1,198,212	80,839	—	—
Investment securities				
Held-to-maturity bonds				
National and local government bonds	—	612	1,574	—
Corporate bonds	—	98	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	972	—
Other	—	—	—	—
Accounts receivable – other	111,524	—	—	—
Total	\$1,625,894	\$81,549	\$2,546	\$—

(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								Recorded amount on consolidated statement of income (Note 3)
	Reportable segment				Total	Other (Note 1)	Total	Adjustments (Note 2)	
Year ended March 31, 2013	Domestic civil engineering segment	Domestic architectural construction segment	Overseas segment	Domestic real estate development segment					
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

	Millions of yen								Recorded amount on consolidated statement of income (Note 3)
	Reportable segment				Total	Other (Note 1)	Total	Adjustments (Note 2)	
Year ended March 31, 2014	Domestic civil engineering segment	Domestic architectural construction segment	Overseas segment	Domestic real estate development segment					
Net sales:									
Sales to third parties	¥140,887	¥127,792	¥104,598	¥2,430	¥375,707	¥5,475	¥381,182	¥ —	¥381,182
Intersegment sales and transfers	182	2	—	177	361	1,584	1,945	(1,945)	—
Total	141,069	127,794	104,598	2,607	376,068	7,059	383,127	(1,945)	381,182
Segment profit (loss)	7,387	545	2,633	(988)	9,577	305	9,882	14	9,896
Other item:									
Depreciation	1,558	338	2,227	59	4,182	525	4,706	(43)	4,663

	Thousands of U.S. dollars								Recorded amount on consolidated statement of income (Note 3)
	Reportable segment				Total	Other (Note 1)	Total	Adjustments (Note 2)	
Year ended March 31, 2014	Domestic civil engineering segment	Domestic architectural construction segment	Overseas segment	Domestic real estate development segment					
Net sales:									
Sales to third parties	\$1,368,898	\$1,241,663	\$1,016,304	\$23,611	\$3,650,476	\$53,197	\$3,703,673	\$ —	\$3,703,673
Intersegment sales and transfers	1,768	19	—	1,720	3,507	15,391	18,898	(18,898)	—
Total	1,370,667	1,241,683	1,016,304	25,330	3,653,984	68,587	3,722,571	(18,898)	3,703,673
Segment profit (loss)	71,774	5,295	25,583	(9,600)	93,052	2,963	96,015	137	96,152
Other item:									
Depreciation	15,138	3,284	21,638	574	40,634	5,101	45,725	(418)	45,307

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, 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	¥105,216 million	¥552 million	¥349,839 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
¥59,880 million	¥12,723 million	¥1 million	¥72,604 million

3. Each main customer

Name of Customer	Net sales	Related segment
Ministry of Land, Infrastructure, Transport and Tourism	¥39,723 million	Domestic civil engineering segment and Domestic architectural construction segment

For the year ended March 31, 2014

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
¥276,426 million U.S.\$2,685,834 thousand	¥103,831 million U.S.\$1,008,852 thousand	¥925 million U.S.\$8,987 thousand	¥381,182 million U.S.\$3,703,673 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
¥60,592 million U.S.\$588,729 thousand	¥15,401 million U.S.\$149,641 thousand	¥0 million U.S.\$0 thousand	¥75,993 million U.S.\$738,370 thousand

3. Each main customer

Name of Customer	Net sales	Related segment
Ministry of Land, Infrastructure, Transport and Tourism	¥47,193 million U.S.\$458,541 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, 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.

For the year ended March 31, 2014

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, 2013

None

For the year ended March 31, 2014

None

24. Amounts per share

1. Per share information is summarized as follows:

	Yen		U.S. dollars
	2013	2014	2014
Net assets per share	¥227.63	¥235.53	\$2.29
Net income per share	7.10	13.16	0.13

2. For the year ended March 31, 2013 and 2014, 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 9, 2014.

(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 June 10, 2014 to March 31, 2015 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	5 to 7 years
(6) Redemption method	Lump-sum redemption upon maturity
(7) Purpose of the funds	Repayment of borrowings and redemption of bonds
(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, 2014

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, 2014, was approved at the general shareholders' meeting held on June 27, 2014 and became effective June 30, 2014:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Cash dividends (¥2 (U.S.\$0.02) per share)	¥572	\$5,558

Independent Auditor's Report



Ernst & Young ShinNihon LLC
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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of PENTA-OCEAN CONSTRUCTION CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, 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, 2014, 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, 2014

Non-Consolidated Five-Year Summary

Penta-Ocean Construction Co., Ltd.

Fiscal year ended March 31

	Millions of yen					Thousands of U.S. dollars
	2010	2011	2012	2013	2014	2014
Orders received	¥257,950	¥276,936	¥299,133	¥281,428	¥449,146	\$4,364,030
Civil engineering	167,275	127,903	156,294	131,883	274,182	2,664,030
Architectural engineering	89,780	147,479	140,219	148,423	172,482	1,675,884
Development business and other	895	1,554	2,620	1,122	2,482	24,116
Net sales	297,438	279,374	308,576	329,510	355,927	3,458,288
Civil engineering	185,758	164,706	158,503	179,012	191,384	1,859,541
Architectural engineering	110,497	113,026	147,452	149,210	162,101	1,575,019
Development business and other	1,183	1,642	2,621	1,288	2,442	23,728
Contract backlog	366,094	360,558	349,956	315,084	416,885	4,050,573
Civil engineering	243,919	204,470	201,590	163,471	251,106	2,439,817
Architectural engineering	121,881	155,881	148,160	151,574	165,701	1,609,998
Development business and other	294	207	206	39	78	758
Total assets	274,733	268,403	293,775	282,616	283,701	2,756,520
Net assets	50,043	55,860	58,271	61,317	65,578	637,175
Ordinary income	7,849	6,778	7,599	6,385	8,152	79,207
Income before income taxes	2,518	4,649	6,499	5,100	7,526	73,125
Net income	2,228	1,924	2,083	2,320	3,276	31,831
Cash dividends	491	572	572	572	572	5,558
Per share of common stock:						
	Yen					U.S. dollars
	¥203.70	¥195.37	¥203.81	¥214.46	¥229.37	\$2.23
	9.07	7.56	7.29	8.12	11.46	0.11
	2.00	2.00	2.00	2.00	2.00	0.02
Number of employees	2,674	2,390	2,391	2,386	2,390	

Note: Figures in U.S. dollars are converted for convenience only, at the rate of ¥102.92 per U.S.\$1, prevailing on March 31, 2014.

Non-Consolidated Balance Sheet

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

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Current assets:			
Cash and deposits	¥ 43,420	¥ 24,197	\$ 235,105
Trade receivables:			
Notes	2,042	3,390	32,938
Accounts	115,211	130,618	1,269,122
Subsidiaries and affiliates	8,005	6,458	62,748
Inventories:			
Costs on uncompleted construction contracts	8,163	8,161	79,295
Real estate for sale and development projects in progress	9,079	7,817	75,952
Raw materials and supplies	725	1,046	10,163
Deferred tax assets	2,995	2,990	29,052
Other	2,103	4,067	39,515
Allowance for doubtful accounts	(848)	(743)	(7,219)
Total current assets	190,895	188,001	1,826,671
Property, plant and equipment:			
Land	41,167	40,976	398,134
Buildings and structures	29,718	30,894	300,175
Machinery, equipment and vehicles	13,639	10,521	102,225
Dredgers and vessels	25,681	26,373	256,248
Construction in progress	6,013	982	9,541
Other	249	222	2,157
Total property, plant and equipment	116,467	109,968	1,068,480
Less: Accumulated depreciation	(54,011)	(51,985)	(505,101)
Property, plant and equipment - net	62,456	57,983	563,379
Intangible assets:	1,076	1,036	10,067
Investments and other assets:			
Stock of and long-term loans receivable from subsidiaries and affiliates	7,591	16,835	163,574
Investment securities	12,987	15,286	148,523
Long-term loans receivable	113	101	981
Deferred tax assets	4,776	1,428	13,875
Other	8,882	7,117	69,151
Allowance for doubtful accounts	(6,160)	(4,086)	(39,701)
Total investments and other assets	28,189	36,681	356,403
Total assets	¥282,616	¥283,701	\$2,756,520

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Current liabilities:			
Short-term loans payable			
Bank	¥ 20,058	¥ 22,230	\$ 215,993
Current portion of long-term loans payable and bonds payable	17,887	23,340	226,778
Trade payable:			
Notes	20,427	21,200	205,985
Accounts	80,319	72,140	700,933
Electronically recorded monetary payable	—	5,457	53,022
Subsidiaries and affiliates	10,384	6,683	64,934
Advance received on uncompleted construction contracts	16,703	15,439	150,010
Deposits received	10,258	9,465	91,965
Income taxes payable	996	1,776	17,256
Provision for loss on construction contracts	2,701	2,470	23,999
Provision for warranties for completed construction	701	857	8,327
Other provision	1,050	1,215	11,805
Other	1,909	1,936	18,810
Total current liabilities	183,393	184,208	1,789,817
Non-current liabilities:			
Bonds payable	10,000	10,000	97,163
Long-term loans payable	20,813	17,330	168,383
Provision for loss on litigation	400	—	—
Deferred tax liabilities for land revaluation	6,195	6,187	60,115
Other	498	398	3,867
Total non-current liabilities	37,906	33,915	329,528
Total liabilities	221,299	218,123	2,119,345
Net assets:			
Common stock	30,450	30,450	295,861
Authorized – 599,135,000 shares			
Issued shares – 286,013,910 shares in 2013 and 2014			
Capital surplus			
Legal capital surplus	12,380	12,380	120,288
Other capital surplus	6,007	6,007	58,365
Total capital surplus	18,387	18,387	178,653
Retained earnings			
Retained earnings brought forward	4,852	7,459	72,474
Total retained earnings	4,852	7,459	72,474
Less: Treasury stock	(24)	(25)	(243)
Valuation difference on available-for-sale securities	1,181	2,749	26,710
Deferred losses on hedges	(0)	(10)	(97)
Revaluation reserve for land	6,471	6,568	63,817
Total net assets	61,317	65,578	637,175
Total liabilities and net assets	¥282,616	¥283,701	\$2,756,520

Non-Consolidated Statements of Income

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

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Construction business:			
Net sales	¥328,222	¥353,485	\$3,434,561
Cost of sales	307,115	330,508	3,211,310
Gross profit	21,107	22,977	223,251
Development business and other:			
Net sales	1,288	2,442	23,727
Cost of sales	2,041	3,213	31,218
Gross loss	(753)	(771)	(7,491)
Total:			
Total net sales	329,510	355,927	3,458,288
Total cost of sales	309,156	333,721	3,242,528
Total gross profit	20,354	22,206	215,760
Selling, general and administrative expenses	13,266	13,319	129,411
Operating income	7,088	8,887	86,349
Non-operating income:			
Interest and dividends income	237	233	2,264
Interest and dividends income from subsidiaries and affiliates	111	213	2,070
Reversal of allowance for doubtful accounts	430	127	1,234
Other	338	285	2,769
	1,116	858	8,337
Non-operating expenses:			
Interest expenses	1,490	1,161	11,281
Other	329	432	4,198
	1,819	1,593	15,479
Ordinary income	6,385	8,152	79,207
Extraordinary gain	178	152	1,477
Extraordinary loss	1,463	778	7,559
Income before income taxes	5,100	7,526	73,125
Income taxes:			
Current	871	1,715	16,663
Deferred	1,909	2,535	24,631
	2,780	4,250	41,294
Net income	¥ 2,320	¥ 3,276	\$ 31,831
Net income per share of common stock			
	Yen		U.S. dollars
Basic	¥8.12	¥11.46	\$0.11

Company Data

Company Outline

(As of March 31, 2014)

Company Name	Penta-Ocean Construction Co., Ltd.
Established	April 1896
Head Office	2-8, Koraku 2-chome, Bunkyo-ku, Tokyo 112-8576, Japan Tel: 81-3-3817-7181 Fax: 81-3-3817-7642
Paid-in Capital	¥30,450 million (U.S.\$295.9 million)
Employees	2,390 (2,905 consolidated)
Website	http://www.penta-ocean.co.jp

Directors and Corporate Auditors

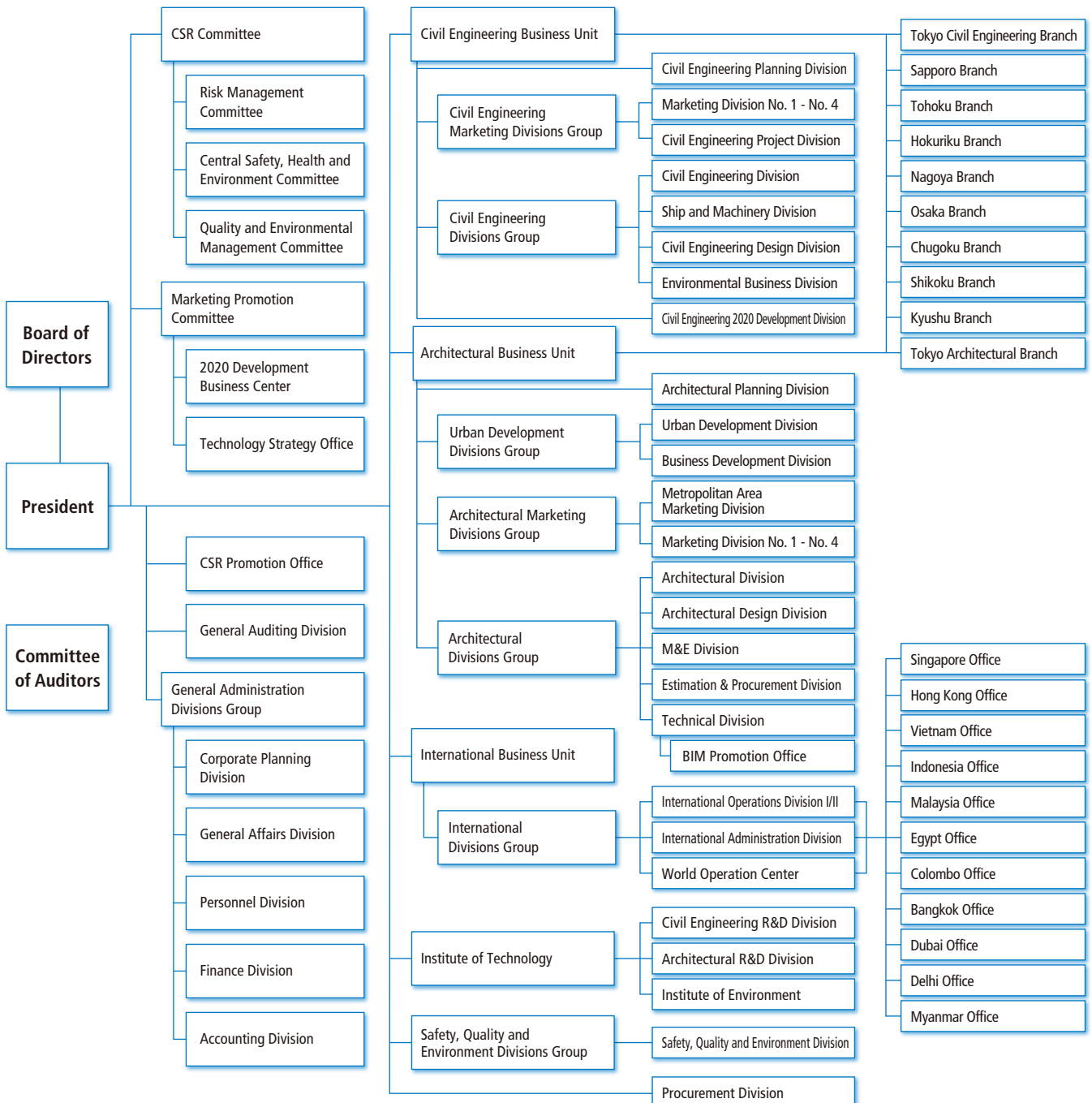
(As of June 27, 2014)

Chairman and Representative Director	Yoshio Murashige			
President, Chief Executive Officer and Representative Director	Takuzo Shimizu			
Representative Director	Kunihiko Sasaki			
Directors	Yasuji Kakimoto	Kazuya Ueda	Yuji Nakamitsu	Tetsushi Noguchi
	Shinichi Igarashi	Michio Inatomi	Hisanori Ohara*	
Corporate Auditors	Takeshi Miyazono Tatsushi Higuchi*			
	Hironaga Fukuda* Tatsuya Toyoshima*			

* Indicates an external director or external corporate auditor.

Organization Chart

(As of April 1, 2014)





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, 237994 Singapore
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

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

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

12 MYANMAR OFFICE

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

Consolidated Subsidiaries

Penta-Ocean Dredging Co., Ltd.	Tokyo, Japan
Yoshin Construction Co., Ltd.	Hiroshima, Japan
Penta Builders Corporation	Tokyo, Japan
Kegoya Dock Co., Ltd.	Hiroshima, Japan
Penta Techno Service Co., Ltd.	Tochigi, Japan
Sand Techno Co., Ltd.	Chiba, Japan
Domi Environmental Solutions Co., Ltd.	Tokyo, Japan
Penta Insurance Services Co., Ltd.	Tokyo, Japan
Jaiwat Co., Ltd.	Miyagi, Japan
Miki Biotech Co., Ltd.	Hyogo, Japan
Penta-Ocean (Malaysia) SDN. BHD.	Malaysia
Angkutlaut Ltd.	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

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

Equity Affiliates

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

Non-Equity Affiliate

Matsuyama Environment Technology Co., Ltd.	Ehime, Japan
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Investor Information

(As of March 31, 2014)

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	36,784
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 (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	31,235	10.9
Japan Trustee Services Bank, Ltd. (Trust Account)	30,405	10.6
Mizuho Bank, Ltd.	7,059	2.5
Juniper	7,039	2.5
Meiji Yasuda Life Insurance Co.	6,656	2.3
RBC ISB A/C DUB NON RESIDENT-TREATY RATE	5,900	2.1
Sompo Japan Insurance Inc.	4,280	1.5
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,934	1.4
Northern Trust Co. (Avfc) Sub A/C British Clients	3,545	1.2
Mizuho Trust & Banking Co., Ltd.	3,470	1.2



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