

# Consolidated Financial Statements

## Consolidated Five-Year Summary

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

	Millions of yen					Thousands of U.S. dollars
	2015	2016	2017	2018	2019	2019
Net sales	¥426,238	¥491,564	¥500,336	¥526,902	<b>¥541,949</b>	<b>\$4,882,866</b>
Construction	414,892	477,164	487,133	517,526	<b>531,851</b>	<b>4,791,885</b>
Other	11,345	14,400	13,204	9,376	<b>10,098</b>	<b>90,981</b>
Total assets	366,170	378,766	372,307	418,423	<b>383,840</b>	<b>3,458,328</b>
Net assets excluding non-controlling interests	77,033	80,588	96,377	111,971	<b>126,517</b>	<b>1,139,896</b>
Ordinary income	11,393	19,409	23,709	25,683	<b>26,569</b>	<b>239,383</b>
Income before income taxes	10,176	14,242	23,028	25,290	<b>26,560</b>	<b>239,303</b>
Net income attributable to owners of parent	6,183	7,806	15,272	17,826	<b>18,899</b>	<b>170,279</b>
Cash dividends	1,144	1,715	3,431	4,003	<b>5,430</b>	<b>48,926</b>
Per share of common stock:						U.S. dollars
Net assets excluding non-controlling interests	¥269.44	¥281.87	¥337.10	¥392.27	<b>¥443.36</b>	<b>\$3.99</b>
Net income attributable to owners of parent	21.63	27.30	53.42	62.41	<b>66.22</b>	<b>0.60</b>
Cash dividends	4.00	6.00	12.00	14.00	<b>19.00</b>	<b>0.17</b>
Number of employees	2,949	3,025	3,074	3,175	<b>3,319</b>	

Note: 1. Figures in U.S. dollars are converted for convenience only, at the rate of ¥110.99 per U.S.\$1, prevailing on March 31, 2019.

2. Cash dividends for shares held by BBT amounted to ¥8 million (\$76 thousand) are included in cash dividends above.

3. "Development business" presented as a item in net sales is included in "Other" in the year ended March 31, 2019, since its materiality has decreased.

The above amounts in the previous years have been reclassified from "Development business" to "Other" in order to reflect the change in presentation.

## Business Performance

The net sales for the group amounted to ¥541,949 million (US\$4,882.9 million), an increase of ¥15,047 million (US\$135.6 million) (2.9%) compared to the previous consolidated fiscal year, and operating income totaled ¥29,233 million (US\$263.4 million), an increase of ¥1,615 million (US\$14.6 million) (5.8%) compared to the previous consolidated fiscal year. Ordinary income totaled ¥26,569 million (US\$239.4 million), an increase of ¥886 million (US\$8.0 million) (3.4%) compared to the previous consolidated fiscal year. And, net income totaled ¥18,899 million (US\$170.3 million), an increase of ¥1,073 million (US\$9.7 million) (6.0%) compared to the previous consolidated fiscal year.

As net sales grew and the income and expenditure for overseas construction projects improved, gross profit, operating income, ordinary income, and net income attributable to owners of parent increased.

## Segment Information

In our Domestic Civil Engineering Business, sales amounted to ¥186,688 million (US\$1,682.0 million), an increase of ¥2,778 million (US\$25.0 million) (1.5%) compared to the previous consolidated fiscal year due to the smooth progress of the many projects on hand and segment income totaled ¥14,000 million (US\$126.1 million), a decrease of ¥16 million (US\$0.1 million) (-0.1%) compared to the previous consolidated fiscal year.

In our Domestic Building Construction Business, sales amounted to ¥182,881 million (US\$1,647.7 million), an increase of ¥42,790 million (US\$385.5 million) (30.5%) compared to the previous consolidated fiscal year due to the progress of the large-scale construction project and segment income totaled ¥7,696 million (US\$69.3 million), a decrease of ¥433 million (US\$3.9 million) (-5.3%) compared to the previous consolidated fiscal year as profit rate declined due to soaring raw material prices.

In our Overseas Construction Business, sales amounted to

¥164,062 million (US\$1,478.2 million), a decrease of ¥31,058 million (US\$279.8 million) (-15.9%) compared to the previous consolidated fiscal year but segment income totaled ¥6,788 million (US\$61.2 million), an increase of ¥1,997 million (US\$18.0 million) (41.7%) compared to the previous consolidated fiscal year mainly due to the smooth progress of the large-scale marine construction project.

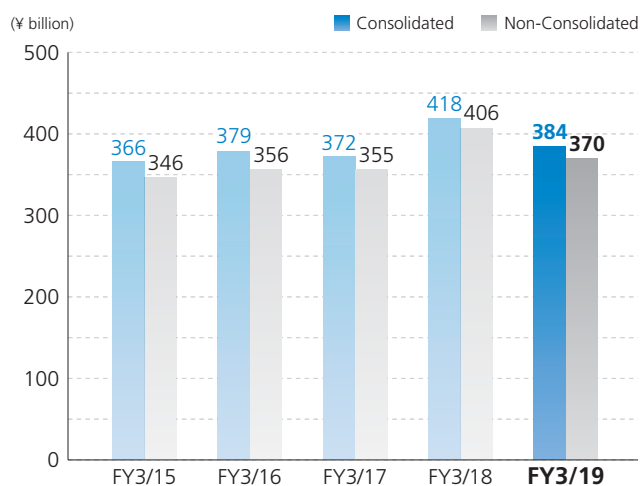
In our Other Businesses, sales amounted to ¥11,241 million (US\$101.3 million), an increase of ¥766 million (US\$6.9 million) (7.3%) compared to the previous consolidated fiscal year and segment income totaled ¥746 million (US\$6.7 million), an increase of ¥67 million (US\$0.6 million) compared to the previous consolidated fiscal year.

Since the importance of Domestic Real Estate Development Business declined, we changed business segments to be reported to the three segments of Domestic Civil Engineering Business, Domestic Building Construction Business, and Overseas Construction Business from the current consolidated fiscal year. Domestic Real Estate Development Business was included in Other Businesses combined with the Shipbuilding Business, etc. For the comparison with the results in the previous term, we used the values calculated for the new segments.

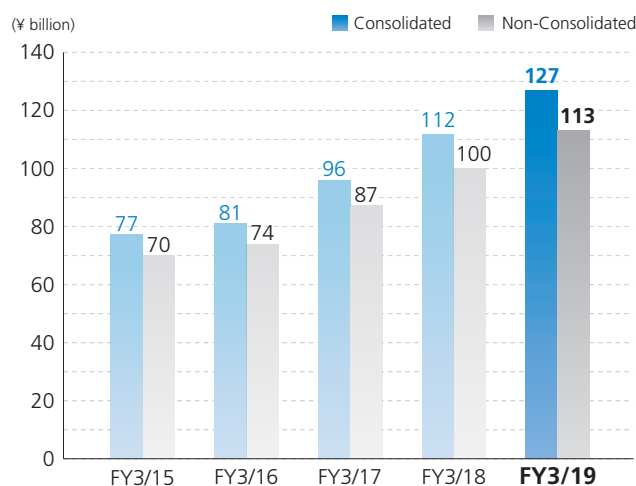
## Orders Received and Contract Backlog

As for our non-consolidated construction orders received: Domestic Civil Engineering Business decreased by 2.7% to ¥162,359 million (US\$1,462.8 million) mainly due to the decrease of private construction projects, despite the increase of public construction projects; Domestic Building Construction Business decreased by 13.3% to ¥173,870 million (US\$1,566.5 million) mainly due to the receipt of orders for large-scale projects in the previous term; Overseas Construction Business decreased by 45.4% to ¥164,132 million (US\$1,478.8 million) compared with the previous term, in which we received the largest civil-engineering project in our corporate history; in total, there was a decrease of 25.1% to ¥500,362 million (US\$4,508.2

### Total Assets



### Total Net Assets



million).

### Financial Position

The total assets of our group decreased by ¥34,583 million (US\$311.6 million) to ¥383,840 million (US\$3,458.3 million) compared to the end of the previous consolidated fiscal year mainly due to the decrease in cash. Liabilities decreased by ¥49,125 million (US\$442.6 million) to ¥257,266 million (US\$2,317.9 million) compared to the end of the previous consolidated fiscal year mainly due to the decrease of notes payable and electronically recorded obligations through the shift from payment in notes to payment in cash. Net assets increased by ¥14,542 million (US\$131.0 million) to ¥126,573 million (US\$1,140.4 million) compared to the end of the previous consolidated fiscal year mainly due to the increase of retained earnings through the posting of net income.

### Cash Flows

With regard to cash flow from operations, it resulted in an excess of ¥6,558 million (US\$59.1 million) in expenditures due to the decrease of revenue by ¥10,003 million (US\$90.1 million) compared to the previous consolidated fiscal year although net income before income taxes was ¥26,560 million (US\$239.3 million) (an excess of ¥3,445 million (US\$31.0 million) in revenue in the previous consolidated fiscal year).

With regard to cash flow from investments, expenditures decreased by ¥1,902 million (US\$17.1 million) compared to the previous consolidated fiscal year, but it resulted in an excess of ¥11,227 million (US\$101.2 million) in expenditures mainly due to expenditure for construction of Multipurpose SEP (an excess of ¥13,129 million (US\$118.3 million) in expenditures in the previous consolidated fiscal year).

Free cash flow, the total of cash flow from operations and investments, resulted in an excess of ¥17,785 million (US\$160.2 million) in expenditures (an excess of ¥9,684 million (US\$87.3 million) in expenditures in the previous consolidated fiscal year).

With regard to cash flow from financial activities, expenditures

increased by ¥16,581 million (US\$149.4 million) compared to the previous consolidated fiscal year, and it resulted in an excess of ¥12,456 million (US\$112.2 million) in expenditures mainly due to expenditure for retiring corporate bonds (an excess of ¥4,125 million (US\$37.2 million) in revenue in the previous consolidated fiscal year).

From these results, "cash and cash equivalents" as of the end of this consolidated fiscal year decreased by ¥29,502 million (US\$265.8 million) (45.3%) compared to the end of the previous consolidated fiscal year to ¥35,610 million (US\$320.8 million).

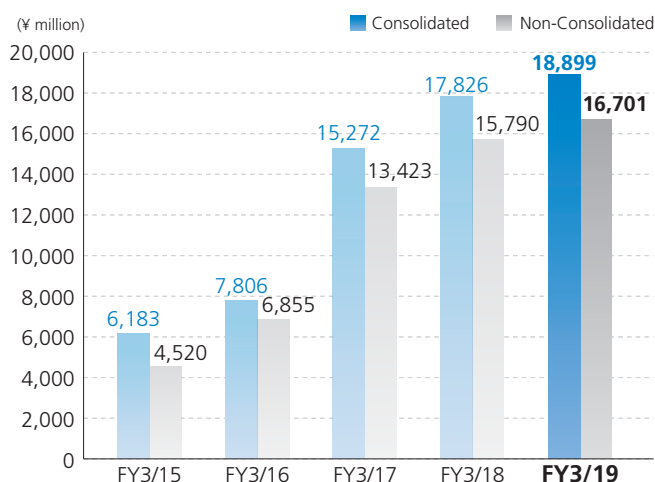
### Dividends

Our basic policies are to improve profitability and increase corporate value by forward-looking reinforcement of business infrastructure and implementation of technology development and capital investment, as well as to distribute continuous and stable dividends to shareholders. Under these policies, we aim to achieve a consolidated dividend payout ratio of 25% to 30%. In addition, we plan to make use of internal reserves to the investment for engineering development or equipment investment to improve our corporate value. Regarding the performance of the current fiscal year, there was comprehensive consideration of progress in improving financial soundness and business deployment in the future, and dividends from surplus of the current fiscal year were determined at ¥19 per common share. The total amount of dividends was ¥5,430 million (US\$48.9 million).

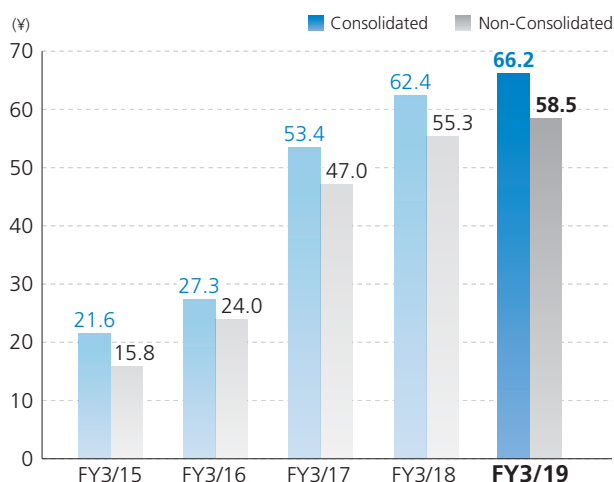
It is also our basic policy to pay a year-end dividend annually, determined by the general shareholders' meetings.

\* Exchange rate at the term end: US\$1 = ¥110.99

Net Income



Net Income per Share



# Consolidated Balance Sheets

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
<b>Current assets:</b>			
Cash and deposits (Note 18)	¥ 65,706	¥ 36,204	\$ 326,195
Securities (Notes 3(3), 6, 7 and 18)	—	58	524
Trade receivables: (Note 18)			
Notes	10,112	2,862	25,787
Accounts	213,975	215,152	1,938,484
Inventories: (Note 3(5))			
Costs on uncompleted construction contracts	14,383	10,773	97,064
Real estate for sale and development projects in progress	3,873	3,074	27,697
Other	2,497	2,950	26,576
Other	3,241	3,409	30,708
Allowance for doubtful accounts (Note 3(9))	(832)	(717)	(6,464)
<b>Total current assets</b>	<b>312,955</b>	<b>273,765</b>	<b>2,466,571</b>
<b>Non-current assets:</b>			
<b>Property, plant and equipment: (Notes 3(6) and 3(8))</b>			
Land	33,721	33,710	303,725
Buildings and structures	37,115	37,582	338,608
Machinery, equipment and vehicles	23,446	23,956	215,838
Dredgers and vessels	68,141	82,466	743,006
Construction in progress	8,126	1,176	10,591
Total property, plant and equipment	170,549	178,890	1,611,768
Less: accumulated depreciation	(92,158)	(97,825)	(881,387)
Property, plant and equipment - net	78,391	81,065	730,381
<b>Intangible assets (Note 3(7))</b>	<b>1,400</b>	<b>1,345</b>	<b>12,123</b>
<b>Investments and other assets:</b>			
Investment securities (Notes 3(3), 6, 7 and 18)	18,098	20,024	180,417
Long-term loans receivables	114	108	977
Deferred tax assets (Note 16)	2,336	2,918	26,287
Net defined benefit asset (Note 17)	2,414	1,911	17,222
Other (Note 7)	3,893	6,006	54,100
Allowance for doubtful accounts (Note 3(9))	(1,200)	(3,305)	(29,777)
Total investments and other assets	25,655	27,662	249,226
<b>Total non-current assets</b>	<b>105,446</b>	<b>110,072</b>	<b>991,730</b>
<b>Deferred assets (Note 3(19))</b>	<b>22</b>	<b>3</b>	<b>27</b>
<b>Total assets</b>	<b>¥418,423</b>	<b>¥383,840</b>	<b>\$3,458,328</b>

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
<b>Current liabilities:</b>			
Short-term loans payable (Notes 8 and 18)	¥ 17,528	¥ 19,686	\$ 177,368
Current portion of long-term loans payable and bonds payable (Notes 8 and 18)	17,610	8,842	79,667
Trade payable: (Note 18)			
Notes	19,364	—	—
Accounts	113,066	119,507	1,076,733
Electronically recorded obligations - operating	12,883	—	—
Advance received on uncompleted construction contracts	44,528	22,611	203,718
Deposits received	30,496	36,345	327,458
Income taxes payable	5,552	4,895	44,100
Provision for loss on construction contracts (Note 3(12))	1,332	1,625	14,643
Provision for warranties for completed construction (Note 3(10))	1,476	1,335	12,031
Provision for bonuses (Note 3(11))	2,489	2,805	25,275
Other	2,663	3,623	32,649
<b>Total current liabilities</b>	<b>268,987</b>	<b>221,274</b>	<b>1,993,642</b>
<b>Non-current liabilities:</b>			
Bonds payable (Notes 8 and 18)	20,000	20,000	180,196
Long-term loans payable (Notes 8 and 18)	12,354	10,962	98,766
Provision for board benefit trust (Note 3(13))	87	167	1,503
Net defined benefit liability (Notes 3(14) and 17)	492	538	4,850
Deferred tax liabilities for land revaluation (Note 9(2))	3,680	3,680	33,152
Other	792	646	5,815
<b>Total non-current liabilities</b>	<b>37,405</b>	<b>35,993</b>	<b>324,282</b>
<b>Total liabilities</b>	<b>306,392</b>	<b>257,267</b>	<b>2,317,924</b>
<b>Commitments and contingent liabilities (Note 15)</b>			
<b>Net assets:</b>			
Shareholders' equity:			
Capital stock	30,450	30,450	274,349
Authorized — 599,135,000 shares			
Issued shares — 286,013,910 shares 2018 and 2019			
Capital surplus (Note 9(1))	18,387	18,387	165,661
Retained earnings (Note 9(1))	54,247	69,143	622,974
Less: Treasury shares	(326)	(383)	(3,454)
<b>Total shareholders' equity</b>	<b>102,758</b>	<b>117,597</b>	<b>1,059,530</b>
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Notes 3(3) and 9(3))	4,435	4,596	41,406
Deferred gains or losses on hedges	26	(18)	(163)
Revaluation reserve for land (Note 9(2))	3,910	3,910	35,231
Foreign currency translation adjustment (Note 3(2))	(161)	(127)	(1,142)
Remeasurements of defined benefit plans (Notes 3(14) and 17)	1,003	559	5,033
<b>Total accumulated other comprehensive income</b>	<b>9,213</b>	<b>8,920</b>	<b>80,365</b>
Non-controlling interests	60	56	509
<b>Total net assets</b>	<b>112,031</b>	<b>126,573</b>	<b>1,140,404</b>
<b>Total liabilities and net assets</b>	<b>¥418,423</b>	<b>¥383,840</b>	<b>\$3,458,328</b>

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statements of Income

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
<b>Construction business: (Note 3(15))</b>			
Net sales	¥517,526	¥531,851	\$4,791,885
Cost of sales	474,851	487,678	4,393,891
Gross profit	42,675	44,173	397,994
<b>Other:</b>			
Net sales	9,376	10,098	90,981
Cost of sales	7,105	7,523	67,783
Gross profit	2,271	2,575	23,198
<b>Total:</b>			
Total net sales	526,902	541,949	4,882,866
Total cost of sales	481,956	495,201	4,461,674
<b>Total gross profit</b>	44,946	46,748	421,192
<b>Selling, general and administrative expenses</b>	17,328	17,515	157,812
<b>Operating income</b>	27,618	29,233	263,380
<b>Non-operating income:</b>			
Interest and dividends income	492	662	5,968
Reversal of allowance for doubtful accounts	20	145	1,305
Real estate rent	122	139	1,249
Other	269	191	1,724
	903	1,137	10,246
<b>Non-operating expenses:</b>			
Interest expenses	715	846	7,618
Provision of allowance for doubtful accounts	952	2,077	18,710
Foreign exchange losses	913	696	6,268
Other	258	182	1,647
	2,838	3,801	34,243
<b>Ordinary income</b>	25,683	26,569	239,383
<b>Extraordinary income (Note 10)</b>	153	92	831
<b>Extraordinary losses (Note 11)</b>	546	101	911
<b>Income before income taxes</b>	25,290	26,560	239,303
<b>Income taxes : (Notes 3(18) and 16)</b>			
Current	7,614	8,115	73,113
Deferred	(144)	(451)	(4,058)
	7,470	7,664	69,055
<b>Net income attributable to:</b>	17,820	18,896	170,248
Non-controlling interests	(6)	(3)	(31)
Owners of parent	¥ 17,826	¥ 18,899	\$ 170,279
	Yen		U.S. dollars
<b>Net income attributable to owners of parent per share of common stock (Note 20)</b>			
Basic	¥62.41	¥66.22	\$0.60

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statements 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
	2018	2019	2019
<b>Net income</b>	¥17,820	¥18,896	\$170,248
Valuation difference on available-for-sale securities	1,192	161	1,450
Deferred gains or losses on hedges	(42)	(45)	(405)
Foreign currency translation adjustments	(86)	34	307
Remeasurements of defined benefit plans	433	(444)	(4,000)
<b>Total other comprehensive income (Note 13)</b>	1,497	(294)	(2,648)
<b>Comprehensive income</b>	¥19,317	¥18,602	\$167,600
<b>(Breakdown)</b>			
Comprehensive income attributable to owners of parent	¥19,326	¥18,605	\$167,630
Comprehensive income attributable to non-controlling interests	(9)	(3)	(30)

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statements of Changes in Net Assets

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

For the year ended March 31, 2018

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
<b>Balance at the beginning of current period</b>	¥30,450	¥18,387	¥39,842	¥ (26)	¥ 88,653
Changes of items during period					
Dividends of surplus			(3,431)		(3,431)
Net income attributable to owners of parent			17,826		17,826
Reversal of revaluation reserve for land			10		10
Purchase of treasury shares				(300)	(300)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	14,405	(300)	14,105
<b>Balance at the end of current period</b>	¥30,450	¥18,387	¥54,247	¥(326)	¥102,758

	Millions of yen								
	Accumulated other comprehensive income							Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
<b>Balance at the beginning of current period</b>	¥3,242	¥69	¥3,921	¥ (78)	¥ 570	¥7,724	¥68	¥ 96,445	
Changes of items during period									
Dividends of surplus								(3,431)	
Net income attributable to owners of parent								17,826	
Reversal of revaluation reserve for land								10	
Purchase of treasury shares								(300)	
Net changes of items other than shareholders' equity	1,193	(43)	(11)	(83)	433	1,489	(8)	1,481	
Total changes of items during period	1,193	(43)	(11)	(83)	433	1,489	(8)	15,586	
<b>Balance at the end of current period</b>	¥4,435	¥26	¥3,910	¥(161)	¥1,003	¥9,213	¥60	¥112,031	

For the year ended March 31, 2019

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
<b>Balance at the beginning of current period</b>	¥30,450	¥18,387	¥54,247	¥(326)	¥102,758
Changes of items during period					
Dividends of surplus			(4,003)		(4,003)
Net income attributable to owners of parent			18,899		18,899
Reversal of revaluation reserve for land			(0)		(0)
Purchase of treasury shares				(57)	(57)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	14,896	(57)	14,839
<b>Balance at the end of current period</b>	¥30,450	¥18,387	¥69,143	¥(383)	¥117,597



Millions of yen								
	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
<b>Balance at the beginning of current period</b>	¥4,435	¥ 26	¥3,910	¥(161)	¥1,003	¥9,213	¥60	¥112,031
Changes of items during period								
Dividends of surplus								(4,003)
Net income attributable to owners of parent								18,899
Reversal of revaluation reserve for land								(0)
Purchase of treasury shares								(57)
Net changes of items other than shareholders' equity	161	(44)	0	34	(444)	(293)	(4)	(297)
Total changes of items during period	161	(44)	0	34	(444)	(293)	(4)	14,542
<b>Balance at the end of current period</b>	<b>¥4,596</b>	<b>¥(18)</b>	<b>¥3,910</b>	<b>¥(127)</b>	<b>¥ 559</b>	<b>¥8,920</b>	<b>¥56</b>	<b>¥126,573</b>

For the year ended March 31, 2019

Thousands of U.S dollars					
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
<b>Balance at the beginning of current period</b>	\$274,349	\$165,661	\$488,758	\$(2,939)	\$ 925,829
Changes of items during period					
Dividends of surplus			(36,063)		(36,063)
Net income attributable to owners of parent			170,279		170,279
Reversal of revaluation reserve for land			(0)		(0)
Purchase of treasury shares				(515)	(515)
Net changes of items other than shareholders' equity			134,216	(515)	133,701
Total changes of items during period	—	—	134,216	(515)	133,701
<b>Balance at the end of current period</b>	<b>\$274,349</b>	<b>\$165,661</b>	<b>\$622,974</b>	<b>\$(3,454)</b>	<b>\$1,059,530</b>

Thousands of U.S. dollars								
	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
<b>Balance at the beginning of current period</b>	\$39,956	\$ 242	\$35,231	\$(1,447)	\$9,033	\$83,015	\$538	\$1,009,382
Changes of items during period								
Dividends of surplus								(36,063)
Net income attributable to owners of parent								170,279
Reversal of revaluation reserve for land								(0)
Purchase of treasury shares								(515)
Net changes of items other than shareholders' equity	1,450	(405)	0	305	(4,000)	(2,650)	(29)	(2,679)
Total changes of items during period	1,450	(405)	0	305	(4,000)	(2,650)	(29)	131,022
<b>Balance at the end of current period</b>	<b>\$41,406</b>	<b>\$(163)</b>	<b>\$35,231</b>	<b>\$(1,142)</b>	<b>\$5,033</b>	<b>\$80,365</b>	<b>\$509</b>	<b>\$1,140,404</b>

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statements 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
	2018	2019	2019
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥25,290	<b>¥26,560</b>	<b>\$239,303</b>
Adjustment to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	6,847	<b>7,738</b>	<b>69,722</b>
Impairment loss	39	—	—
Increase (decrease) in allowance for doubtful accounts	923	<b>1,991</b>	<b>17,938</b>
Increase (decrease) in net defined benefit liability	65	<b>32</b>	<b>289</b>
Decrease (increase) in net defined benefit asset	(494)	<b>(352)</b>	<b>(3,175)</b>
Interest and dividends income	(492)	<b>(662)</b>	<b>(5,968)</b>
Interest expenses	715	<b>846</b>	<b>7,618</b>
Foreign exchange losses (gains)	702	<b>(622)</b>	<b>(5,601)</b>
Equity in (earnings) losses of affiliates	(8)	<b>(9)</b>	<b>(79)</b>
Loss (gain) on sales of property, plant and equipment	(60)	<b>(76)</b>	<b>(684)</b>
Loss (gain) on sales of investment securities	(34)	<b>2</b>	<b>14</b>
Loss on valuation of securities and investment securities	4	<b>1</b>	<b>6</b>
Change in assets and liabilities:			
Decrease (increase) in notes and accounts receivable-trade	(27,915)	<b>481</b>	<b>4,338</b>
Decrease (increase) in costs on uncompleted construction contracts	(3,874)	<b>3,611</b>	<b>32,531</b>
Decrease (increase) in real estate for sale and development projects in progress and other inventories	186	<b>381</b>	<b>3,435</b>
Increase (decrease) in notes and accounts payable-trade	2,098	<b>(24,980)</b>	<b>(225,070)</b>
Increase (decrease) in advances received on uncompleted construction contracts	14,819	<b>(21,917)</b>	<b>(197,472)</b>
Increase (decrease) in other provision	(292)	<b>690</b>	<b>6,217</b>
Other, net	(7,446)	<b>8,610</b>	<b>77,584</b>
Subtotal	11,073	<b>2,325</b>	<b>20,946</b>
Interest and dividends income received	487	<b>582</b>	<b>5,245</b>
Interest expenses paid	(733)	<b>(771)</b>	<b>(6,945)</b>
Income taxes paid	(7,382)	<b>(8,694)</b>	<b>(78,330)</b>
Net cash provided by operating activities	3,445	<b>(6,558)</b>	<b>(59,084)</b>
<b>Cash flows from investing activities:</b>			
Payments into time deposits	—	<b>(2,924)</b>	<b>(26,342)</b>
Proceeds from withdrawal of time deposits	—	<b>2,924</b>	<b>26,341</b>
Purchase of investment securities	(429)	<b>(1,748)</b>	<b>(15,752)</b>
Proceeds from sales and redemption of short-term and long-term investment securities	125	<b>18</b>	<b>166</b>
Purchase of property, plant and equipment	(12,917)	<b>(9,316)</b>	<b>(83,939)</b>
Proceeds from sales of property, plant and equipment	429	<b>146</b>	<b>1,314</b>
Collection of loans receivable	33	<b>33</b>	<b>296</b>
Other, net	(370)	<b>(360)</b>	<b>(3,239)</b>
Net cash used in investing activities	¥(13,129)	<b>¥(11,227)</b>	<b>\$(101,155)</b>

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans payable	¥ 1,475	¥ 1,899	\$ 17,112
Proceeds from long-term loans payable	4,374	8,312	74,890
Repayment of long-term loans payable	(7,853)	(8,472)	(76,333)
Proceeds from issuance of bonds payable	9,951	—	—
Redemption of bonds	—	(10,000)	(90,098)
Cash dividends paid	(3,421)	(3,993)	(35,976)
Other, net	(401)	(202)	(1,821)
Net cash provided by (used in) financing activities	4,125	(12,456)	(112,226)
<b>Effect of exchange rate change on cash and cash equivalents</b>	(1,099)	739	6,659
<b>Net increase (decrease) in cash and cash equivalents</b>	(6,658)	(29,502)	(265,806)
<b>Cash and cash equivalents at the beginning of the period</b>	71,770	65,112	586,650
<b>Cash and cash equivalents at the end of the period</b>	¥65,112	¥35,610	\$320,844
<b>(Note) (1) Cash and cash equivalents are comprised as follows:</b>			
Cash and deposits	¥65,706	¥36,204	\$326,195
Less-Time deposits with maturity over three months	(594)	(594)	(5,351)
Cash and cash equivalents (Note 3(17))	¥65,112	¥35,610	\$320,844

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=¥110.99, the exchange rate prevailing on March 31, 2019. This is solely for the convenience of readers outside Japan and does not mean that assets and liabilities originating in yen can be converted into or settled in dollars at the above rate.

## 2. Consolidation

### (1) Scope of consolidation and application of equity method

The Company has 26 subsidiaries and 6 affiliated company as at March 31, 2019.

Penta-Ocean Construction (Lao) Sole Co., Ltd. was established and has been included in the scope of consolidation.

The Company consolidated all subsidiaries and applied the equity method to 1 affiliated company.

5 affiliated companies were not included in the scope of equity method, due to small impact on consolidated financial statements and insignificant on the whole.

### (2) Consolidated closing date

Consolidated closing date is March 31.

Closing date for the Company, 10 domestic subsidiaries and 14 overseas subsidiaries including Andromeda Five Pte, Ltd. is March 31.

Closing date for 2 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) Securities and investment securities

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

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

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

### (4) Derivative financial transactions

Derivative financial instruments are stated at fair value.

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

### (5) Inventories

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

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

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

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

using the declining-balance method, except for buildings (other than building fixtures) acquired on or after April 1, 1998 and building fixtures and structures acquired on or after April 1, 2016, which are calculated by the straight-line method. The straight-line method is applied to property, plant and equipment of overseas subsidiaries.

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

#### **(7) Research and development costs and computer software**

Research and development costs are charged to income as incurred.

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

#### **(8) Leased assets**

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

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

#### **(9) Allowance for doubtful accounts**

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

#### **(10) Provision for warranties for completed construction**

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

#### **(11) Provision for bonuses**

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

#### **(12) Provision for loss on construction contracts**

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

#### **(13) Provision for board benefit trust**

The provision for board benefit trust is recorded for providing stock for directors and executive officers in the future at the estimated amount calculated based on predetermined stock benefit regulation for directors at the fiscal year end.

#### **(14) Net defined benefit liability**

Net defined benefit liability is provided based on the projected benefit obligation and plan assets at end of the fiscal year.

Regarding determination of retirement benefit obligation, the benefit formula basis is adopted as the method of attributing expected benefit to the periods until this fiscal year end.

Prior service costs are recognized as an expense when incurred.

Actuarial gain and loss are equally amortized by the straight-line

method over the average remaining employees' service years, which should be over 10 years and the amortization starts in the next fiscal year of the respective accrual years.

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

#### **(15) Recognition of sales and cost of sales**

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

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

#### **(16) Hedge accounting**

##### 1) Hedge accounting method

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

##### 2) Hedging instruments and hedged items

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

Hedged items are long-term loans and monetary receivables and payables denominated in foreign currencies.

##### 3) Hedging policy

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

##### 4) Evaluation of the effectiveness of hedge accounting

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

#### **(17) Cash and cash equivalents**

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

#### **(18) Income taxes**

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

Japanese corporation and other taxes applicable to the Company and its consolidated domestic subsidiaries comprise (a) corporation tax of 23.2 percent on taxable income, (b) enterprise tax of 3.6 percent on taxable income after certain adjustments, (c) prefectural and municipal taxes averaging 16.3 percent of corporation tax, and (d) local corporation tax of 4.4 percent on taxable income.

Enterprise tax paid is deductible for income tax purposes.

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

### (19) Deferred assets

Business commencement expenses are amortized using the straight-line method over 5 years and the amortization starts in the fiscal year that business commenced.

### (20) Consumption tax

Transactions subject to consumption taxes are recorded exclusive of consumption taxes.

### (21) Adoption of consolidated taxation system

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

### (22) Reclassifications

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

## 4. Additional information

(Performance-linked stock compensation plan for directors and executive officers)

### (1) Transaction summary

The Company has introduced the Board Benefit Trust (the "BBT"), a performance-linked stock compensation plan for its directors and executive officers (the "Directors") since the fiscal year 2017. The BBT plan clarifies how the company's performance and its stock value influence the Directors' compensation, which enables the Directors to share not only the benefits of the stock price rise, but also the risks of the stock price decline with its shareholders. Thereby, the BBT plan leads the Directors to aim for more contributions to the improvement of the Company's performance and corporate value over the medium to long-term period.

The Shares are acquired through the trust funded by the company

and established based on the BBT (the "Trust"). The BBT plan enables the Directors to be granted the Company's shares and the amount of cash equivalent to the market price of the Company's shares (the "Shares") through the Trust in accordance with the Directors' Stock Compensation Rules stipulated by the Company.

In principle, the Directors are to receive the shares compensation upon their retirement from the position.

### (2) The Company's own stock in the Trust

The Company's outstanding shares of the Trust are included in the treasury shares of the net assets based on the book value of the Trust (excluding ancillary expenses). The book values of the treasury shares were ¥299 million and ¥293 million (\$2,636 thousand) and the numbers of the stocks were 456,100 shares and 445,300 shares as of March 31, 2018 and 2019, respectively.

## 5. Accounting standards issued but not yet effective

- "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Statement No.29, issued March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Guidance No.30, issued March 31, 2018)

### 1) Overview

This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five step model that will apply to revenue from customers:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract

3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

### 2) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

### 3) Impact of the adoption of implementation guidance

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

## 6. Securities and investment securities

### (1) Held-to-maturity debt securities

As of March 31, 2018	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
<b>Securities whose fair value exceeds their book value on consolidated B/S:</b>			
National and local government bonds	¥210	¥215	¥ 5
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥210	¥215	¥ 5
<b>Securities whose fair value doesn't exceed their book value on consolidated B/S:</b>			
National and local government bonds	¥ —	¥ —	¥—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥ —	¥ —	¥—
Total	¥210	¥215	¥ 5

As of March 31, 2019	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
<b>Securities whose fair value exceeds their book value on consolidated B/S:</b>			
National and local government bonds	¥211	¥216	¥ 5
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥211	¥216	¥ 5
<b>Securities whose fair value doesn't exceed their book value on consolidated B/S:</b>			
National and local government bonds	¥ —	¥ —	¥—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥ —	¥ —	¥—
Total	¥211	¥216	¥ 5

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
<b>Securities whose fair value exceeds their book value on consolidated B/S:</b>			
National and local government bonds	\$1,904	\$1,943	\$39
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	\$1,904	\$1,943	\$39
<b>Securities whose fair value doesn't exceed their book value on consolidated B/S:</b>			
National and local government bonds	\$ —	\$ —	\$—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	\$ —	\$ —	\$—
Total	\$1,904	\$1,943	\$39

**(2) Other securities**

As of March 31, 2018	Millions of yen		
	Book value on consolidated B/S	Acquisition cost	Difference
<b>Securities whose book value on consolidated B/S exceeds their acquisition cost:</b>			
Stock	¥14,515	¥8,191	¥6,324
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥14,515	¥8,191	¥6,324
<b>Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:</b>			
Stock	¥ 492	¥ 521	¥ (29)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥ 492	¥ 521	¥ (29)
Total	¥15,007	¥8,712	¥6,295

(Notes) Since unlisted stocks (balance on consolidated balance sheet ¥2,715 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, 2019	Millions of yen		
	Book value on consolidated B/S	Acquisition cost	Difference
<b>Securities whose book value on consolidated B/S exceeds their acquisition cost:</b>			
Stock	¥16,143	¥ 9,429	¥6,714
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥16,143	¥ 9,429	¥6,714
<b>Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:</b>			
Stock	¥ 417	¥ 590	¥ (173)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥ 417	¥ 590	¥ (173)
Total	¥16,560	¥10,019	¥6,541



	Thousands of U.S. dollars		
	Book value on consolidated B/S	Acquisition cost	Difference
<b>Securities whose book value on consolidated B/S exceeds their acquisition cost:</b>			
Stock	\$145,442	\$84,950	\$60,492
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	\$145,442	\$84,950	\$60,492
<b>Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:</b>			
Stock	\$ 3,757	\$ 5,314	\$(1,557)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	\$ 3,757	\$ 5,314	\$(1,557)
Total	\$149,199	\$90,264	\$58,935

(Notes) Since unlisted stocks (balance on consolidated balance sheet ¥2,713 million (U.S. \$24,439 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, 2018	Millions of yen		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	¥125	¥34	¥—
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	¥125	¥34	¥—

As of March 31, 2019	Millions of yen		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	¥18	¥0	¥(2)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	¥18	¥0	¥(2)

	Thousands of U.S. dollars		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	\$166	\$1	\$(15)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	\$166	\$1	\$(15)

## (4) Impairment of investment securities

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Other securities			
Stock	¥4	¥1	\$6

## 7. Pledged assets

The following assets are pledged for fulfillment of construction contracts at March 31, 2018 and 2019.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Securities	¥ —	¥ 58	\$ 524
Investment securities	322	283	2,554
Other (Investment and other assets)	160	161	1,452
Total	¥ 482	¥ 502	\$ 4,530

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

Short-term and long-term loans and bonds payable as of March 31, 2018 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Short-term loans from banks and insurance companies (The weighted average interest rate is 1.20%.)	¥17,528	¥19,686	\$177,368
Long-term loans from banks and insurance companies due through 2024 (The weighted average interest rate is 0.64%.)	19,964	19,804	178,433
0.87% unsecured bonds payable due 2019	10,000	—	—
0.68% unsecured bonds payable due 2021	10,000	10,000	90,098
0.14% unsecured bonds payable due 2022	10,000	10,000	90,098
Less: current portion	(35,138)	(28,528)	(257,035)
Total	¥32,354	¥30,962	\$278,962

The aggregate annual maturity of short-term and long-term loans and bonds payable after March 31, 2019 is as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2020	¥28,528	\$257,035
2021	14,066	126,732
2022	12,650	113,974
2023	2,964	26,705
2024 and after	1,282	11,551
Total	¥59,490	\$535,997

## 9. Net assets

### (1) Legal retained earnings and legal capital surplus

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

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

### (2) Revaluation reserve for land

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
The difference between the appraisal value of land at the end of the current fiscal year and the book value	¥7,128	¥6,629	\$59,730

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 ¥4,596 million (U.S. \$41,406 thousand) gain as of March 31, 2019.

## 10. Extraordinary income

The composition of Extraordinary income for the fiscal years ended March 31, 2018 and 2019 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Gain on sales of non-current assets	¥ 86	¥87	\$787
Gain on sales of investment securities	34	0	1
Gain on liquidation of subsidiaries	28	—	—
Other	5	5	43
Total	¥153	¥92	\$831

## 11. Extraordinary losses

The composition of Extraordinary losses for the fiscal years ended March 31, 2018 and 2019 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Loss on sales of non-current assets	¥ 26	¥ 12	\$ 104
Loss on retirement of non-current assets	476	71	638
Impairment loss <sup>(*)</sup>	39	—	—
Loss on sales of investment securities	—	2	15
Provision of allowance for doubtful accounts	—	4	36
Other	5	12	118
Total	¥546	¥101	\$ 911

(\*) The details of the assets on which impairment loss was recorded in prior year are omitted since they are immaterial.

## 12. Research and development costs

Research and development costs charged to income are ¥2,123 million for the fiscal year 2018 and ¥2,327 million (U.S. \$20,966 thousand) for the fiscal year 2019, respectively.

### 13. 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, 2018 and 2019:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Valuation difference on available-for-sale securities			
Amount arising during the year	¥1,743	¥ 247	\$ 2,226
Reclassification adjustment for gains and losses realized in net income	(34)	0	(1)
Amount before tax effect	1,709	247	2,225
Tax effect	(517)	(86)	(775)
Valuation difference on available-for-sale securities	1,192	161	1,450
Deferred gains or losses on hedges			
Amount arising during the year	(471)	(1,160)	(10,449)
Reclassification adjustment for gains and losses realized in net income	411	1,094	9,852
Amount before tax effect	(60)	(66)	(597)
Tax effect	18	21	192
Deferred gains or losses on hedges	(42)	(45)	(405)
Foreign currency translation adjustments			
Amount arising during the year	(58)	34	307
Reclassification adjustment for gains and losses realized in net income	(28)	—	—
Amount before tax effect	(86)	34	307
Tax effect	—	—	—
Foreign currency translation adjustments	(86)	34	307
Remeasurements of defined benefit plans			
Amount arising during the year	80	(869)	(7,830)
Reclassification adjustment for gains and losses realized in net income	544	229	2,064
Amount before tax effect	624	(640)	(5,766)
Tax effect	(191)	196	1,766
Remeasurements of defined benefit plans	433	(444)	(4,000)
Total of other comprehensive income	¥1,497	¥ (294)	\$ (2,648)

### 14. 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

The current value for derivative transactions is calculated based on the prices provided by relevant financial institutions. And hedge accounting has been adopted for derivative financial instruments which conform to requirements for hedge accounting. However the transactions that apply to special treatment of interest rate swap are accounted for as if they were integral part of the hedged long-term loans payable, its fair value is included in the fair value of long-term loans payable.

## 15. Commitments and contingent liabilities

As of March 31, 2019, the Company has liabilities for guarantee to bank loans made by customers amounting to ¥200 million (U.S. \$1,799 thousand).

The Company also has the guarantee amounting to ¥2million (U.S. \$22 thousand) to purchasers concerning deposits for purchase of the condominium apartments.

The Company has agreements on commitment line with 8 banks totaling ¥20,000 million (U.S. \$180,196 thousand) for the purpose of flexible financing. Unused commitment line as of March 31, 2018 and 2019 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
<b>Commitment line</b>			
Total of commitment line	¥20,000	¥20,000	\$180,196
Use of commitment	—	—	—
Total of unused commitment line	¥20,000	¥20,000	\$180,196

## 16. 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
	2018	2019	2019
<b>Deferred tax assets</b>			
Employees' retirement benefits trust	¥ 2,023	¥ 2,047	\$ 18,444
Loss on valuation of real estate for sale	1,473	1,542	13,889
Allowance for doubtful accounts	643	1,253	11,293
Impairment loss	901	883	7,954
Provision for bonuses	765	863	7,774
Provision for loss on construction contracts	408	498	4,484
Net operating loss carryforwards	268	271	2,442
Net defined benefit liability	116	174	1,568
Other	1,759	1,225	11,044
Total: deferred tax assets	8,356	8,756	78,892
Less: valuation allowance	(3,128)	(3,041)	(27,403)
Deferred tax assets	¥ 5,228	¥ 5,715	\$ 51,489
<b>Deferred tax liabilities</b>			
Valuation difference on available-for-sale securities	¥(1,860)	¥(1,946)	\$(17,529)
Prepaid pension cost	(739)	(585)	(5,273)
Unrealized intercompany income	(105)	(105)	(948)
Other	(188)	(161)	(1,452)
Total: deferred tax liabilities	(2,892)	(2,797)	(25,202)
Net: deferred tax assets	¥ 2,336	¥ 2,918	\$ 26,287

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:

	2019
The statutory effective tax rate	30.62%
(Adjustments)	
Permanent differences (expense)	1.68
Permanent differences (income)	(0.14)
Per capita levy on inhabitant tax	0.70
Consolidated adjustments	(0.01)
Increase (Decrease) in valuation allowance	(0.53)
Other	(3.46)
Actual burden tax rate after the application of tax effect accounting	28.86%

For the year ended March 31, 2018, a reconciliation is omitted because the difference between the statutory effective tax rate and actual burden tax rates after tax effect accounting is less than 5%.

## 17. Retirement benefits

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

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

Retirement benefit trust has established for the defined benefit corporate pension plan.

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

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

### (1) The changes in the retirement benefit obligation during the years ended March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Retirement benefit obligation at the beginning of year	¥26,638	¥26,211	\$236,154
Service cost	1,266	1,308	11,783
Interest cost	26	26	230
Actuarial gain and loss	189	443	3,987
Retirement benefits paid	(1,908)	(1,680)	(15,125)
Retirement benefit obligation at the end of year	¥26,211	¥26,308	\$237,029

### (2) The changes in the plan assets during the years ended March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Plan assets at the beginning of year	¥28,052	¥28,133	\$253,470
Expected return on plan assets	471	472	4,254
Actuarial gain	269	(426)	(3,842)
Contributions by the Company	820	836	7,536
Retirement benefits paid	(1,479)	(1,334)	(12,017)
Plan assets at the end of year	¥28,133	¥27,681	\$249,401

### (3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2018 and 2019 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Funded retirement benefit obligation	¥25,719	¥25,770	\$232,179
Plan assets at fair value	(28,133)	(27,681)	(249,401)
	¥ (2,414)	¥ (1,911)	\$ (17,222)
Unfunded retirement benefit obligation	492	538	4,850
Net liability for retirement benefits in the balance sheet	¥ (1,922)	¥ (1,373)	\$ (12,372)
Net defined benefit liability	¥ 492	¥ 538	\$ 4,850
Net defined benefit asset	(2,414)	(1,911)	(17,222)
Net liability for retirement benefits in the balance sheet	¥ (1,922)	¥ (1,373)	\$ (12,372)

**(4) The components of retirement benefit expense for the years ended March 31, 2018 and 2019 are as follows:**

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Service cost	¥1,266	¥1,308	\$11,783
Interest cost	26	26	230
Expected return on plan assets	(471)	(472)	(4,254)
Amortization of actuarial gain and loss	544	228	2,064
Retirement benefit expense	¥1,365	¥1,090	\$ 9,823

Note: Retirement benefit expense of consolidated subsidiaries which adopt the simplified method are included in "Service cost."

**(5) The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended 31, 2018 and 2019 are as follows:**

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Actuarial gain and loss	¥624	¥(640)	\$(5,766)
Total	¥624	¥(640)	\$(5,766)

**(6) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2018 and 2019 are as follows:**

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unrecognized actuarial gain and loss	¥(1,445)	¥(805)	\$(7,255)
Total	¥(1,445)	¥(805)	\$(7,255)

**(7) The fair value of plan assets, major category, as a percentage of total plan assets as of March 31, 2018 and 2019 are as follows:**

	2018	2019
Bonds	43%	43%
Stocks	47	47
General accounts	5	5
Cash and deposits	1	2
Others	4	3
Total	100%	100%

Note: Total plan assets include retirement benefit trusts of 12% and 11% that are set up for a corporate pension plan as of March 31, 2018 and 2019, respectively.

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

**(8) The assumptions used in accounting for the above plans are as follows:**

	2018	2019
Discount rates	0.1%	0.0%
Expected rates of long-term return on plan assets	1.1 - 2.0%	1.1 - 2.0%
Expected rates of increase in salary	3.2 - 4.9%	3.1 - 4.8%

## 18. Financial instruments

### (1) Policy for financial instruments

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

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

Securities and investment securities include mainly stocks and held-to-maturity bonds are exposed to fluctuation of market value. Those fair values, financial status of the issuers and so on are

checked regularly. Accounts receivable-other is mainly credit other than accounts receivable associated with operating transactions and most of the accounts are collected in short term and detail of the balance is reviewed on monthly basis.

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

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

### (2) Estimated fair value of financial instruments

Book value on consolidated balance sheet, fair value and the difference as of March 31, 2018 are as follows:

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
<b>Assets</b>			
(1) Cash and deposits	¥ 65,706	¥ 65,706	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	192,720	192,720	—
(3) Accounts receivable-other	31,367	31,367	—
(4) Investment securities	15,216	15,222	6
Total Assets	¥305,009	¥305,015	¥ 6
<b>Liabilities</b>			
(1) Notes payable, accounts payable for construction contracts and other	¥127,446	¥127,446	¥ —
(2) Electronically recorded obligations-operating	12,883	12,883	—
(3) Short-term loans payable	17,528	17,528	—
(4) Bonds payable <sup>(*)</sup>	30,000	30,176	176
(5) Long-term loans payable <sup>(*)</sup>	19,964	20,028	64
Total Liabilities	¥207,821	¥208,061	¥240
Derivative transaction <sup>(*)</sup>	¥ 102	¥ 102	¥ —

(\*) Bonds payable includes the current portion of bonds payable, and long-term loans payable includes the current portion of long-term loans payable.

(\*) 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.

#### Liabilities

(1) Notes payable, accounts payable for construction contracts and other, (2) Electronically recorded obligations-operating, (3) Short-term loans payable

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

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

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

#### Derivative transaction

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

(Notes 2) Since unlisted stocks (balance on consolidated balance sheet ¥2,881 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".

(Notes 3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2018

	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				
Deposits	¥ 65,654	¥ —	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other	172,667	20,053	—	—
Accounts receivable—other	31,367	—	—	—
Investment securities				
Held-to-maturity bonds				
National and local government bonds	—	157	53	—
Corporate bonds	—	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	—	—
Other	—	—	—	—
<b>Total</b>	<b>¥269,688</b>	<b>¥20,210</b>	<b>¥53</b>	<b>¥—</b>

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

## Notes to the Consolidated Financial Statements

Book value on consolidated balance sheet, fair value and the difference as of March 31, 2019 are as follows:

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
<b>Assets</b>			
(1) Cash and deposits	¥ 36,204	¥ 36,204	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	192,200	192,200	—
(3) Securities and investment securities	16,771	16,775	4
(4) Accounts receivable-other	25,815	25,815	—
<b>Total Assets</b>	<b>¥270,990</b>	<b>¥270,994</b>	<b>¥ 4</b>
<b>Liabilities</b>			
(1) Notes payable, accounts payable for construction contracts and other	¥115,309	¥115,309	¥ —
(2) Short-term loans payable	19,686	19,686	—
(3) Bonds payable	20,000	20,109	109
(4) Long-term loans payable <sup>(*)</sup>	19,804	19,816	12
<b>Total Liabilities</b>	<b>¥174,799</b>	<b>¥174,920</b>	<b>¥121</b>
Derivative transaction <sup>(*)</sup>	¥ (26)	¥ (26)	¥ —

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
<b>Assets</b>			
(1) Cash and deposits	\$ 326,195	\$ 326,195	\$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	1,731,684	1,731,684	—
(3) Securities and investment securities	151,103	151,141	38
(4) Accounts receivable-other	232,587	232,587	—
<b>Total Assets</b>	<b>\$2,441,569</b>	<b>\$2,441,607</b>	<b>\$ 38</b>
<b>Liabilities</b>			
(1) Notes payable, accounts payable for construction contracts and other	\$1,038,917	\$1,038,917	\$ —
(2) Short-term loans payable	177,368	177,368	—
(3) Bonds payable	180,196	181,178	982
(4) Long-term loans payable <sup>(*)</sup>	178,433	178,536	103
<b>Total Liabilities</b>	<b>\$1,574,914</b>	<b>\$1,575,999</b>	<b>\$1,085</b>
Derivative transaction <sup>(*)</sup>	\$ (235)	\$ (235)	\$ —

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

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

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

### Assets

(1) Cash and deposits, (4) Accounts receivable-other  
Since these items are settled within the short term, the fair values are nearly equivalent to the book values therefore the book value is used.

(2) Notes receivable, accounts receivable from completed construction contracts and other  
These items' fair values are the present value, discounted by using interest rate determined based on the term until maturity and credit risk with respect to the receivables categorized by a certain period.

(3) Securities and investment securities  
The fair value of stocks and bonds present the market values.

### Liabilities

(1) Notes payable, accounts payable for construction contracts and other, (2) Short-term loans payable  
Since these items are settled within short term, the fair values are nearly equivalent to book values, therefore the current book value is used.

(3) Bonds payable, (4) Long-term loans payable  
The fair value of these items are calculated by discounting the total of principal and interest using interest rate calculated assuming the loan is newly made or the bond is newly issued. Long-term loans payable with floating rate is subject to a special treatment of interest rate swap and is calculated by discounting the total of principal and interest, accounted for as if they were integral part of the interest rate swap, by interest rate that is reasonably estimated and applied in the case of similar loan.

### Derivative transaction

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

(Notes 2) Since unlisted stocks (balance on consolidated balance sheet ¥3,312 million (U.S. \$29,838 thousand)) have no market value, have no estimated future cash flows and are quite difficult to recognize the fair value, they are not included in "(3) Securities and investment securities".

(Notes 3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2019

	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				
Deposits	¥ 36,129	¥ —	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other	171,855	20,345	—	—
Securities and investment securities				
Held-to-maturity bonds				
National and local government bonds	58	112	41	—
Corporate bonds	—	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	—	—
Other	—	—	—	—
Accounts receivable-other	25,815	—	—	—
<b>Total</b>	<b>¥ 233,856</b>	<b>¥ 20,457</b>	<b>¥ 41</b>	<b>¥—</b>

	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				
Deposits	\$ 325,513	\$ —	\$ —	\$—
Notes receivable, accounts receivable from completed construction contracts and other	1,548,380	183,305	—	—
Securities and investment securities				
Held-to-maturity bonds				
National and local government bonds	524	1,007	373	—
Corporate bonds	—	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	—	—
Other	—	—	—	—
Accounts receivable-other	232,587	—	—	—
<b>Total</b>	<b>\$2,107,003</b>	<b>\$184,312</b>	<b>\$373</b>	<b>\$—</b>

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

## 19. 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 3 reported segments as follows:

- (1) Domestic civil engineering segment ..... Construction of domestic civil engineering and other
- (2) Domestic building construction segment ..... Construction of domestic building construction and other
- (3) Overseas segment ..... Construction of overseas and other

#### Change in reported segments

"Domestic real estate development segment" presented as a reportable segment in the year ended March 31, 2018 is included in "Other" in the year ended March 31, 2019, since its materiality has decreased. The segment information in the year ended March 31, 2018 has been reclassified from "Domestic real estate development segment" to "Other" in order to reflect the change in presentation.

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

	Millions of yen							Recorded amount on consolidated statement of income (Note 3)
	Reportable segment				Other (Note1)	Total	Adjustments (Note 2)	
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Total				
Year ended March 31, 2018								
<b>Net sales:</b>								
Sales to third parties	¥183,231	¥140,076	¥195,120	¥518,427	¥8,475	¥526,902	¥ —	¥ 526,902
Intersegment sales and transfers	679	15	—	694	2,001	2,695	(2,695)	—
Total	183,910	140,091	195,120	519,121	10,476	529,597	(2,695)	526,902
Segment income	14,015	8,129	4,791	26,935	679	27,614	4	27,618
<b>Other item:</b>								
Depreciation	2,030	562	3,777	6,369	482	6,851	(4)	6,847

	Millions of yen							Recorded amount on consolidated statement of income (Note 3)
	Reportable segment				Other (Note1)	Total	Adjustments (Note 2)	
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Total				
Year ended March 31, 2019								
<b>Net sales:</b>								
Sales to third parties	¥186,377	¥182,881	¥164,062	¥533,320	¥8,629	¥541,949	¥ —	¥ 541,949
Intersegment sales and transfers	311	1	—	312	2,611	2,923	(2,923)	—
Total	186,688	182,882	164,062	533,632	11,240	544,872	(2,923)	541,949
Segment income	14,000	7,696	6,788	28,484	745	29,229	4	29,233
<b>Other item:</b>								
Depreciation	2,644	576	4,074	7,294	447	7,741	(3)	7,738

	Thousands of U.S. dollars							Recorded amount on consolidated statement of income (Note 3)
	Reportable segment				Other (Note1)	Total	Adjustments (Note 2)	
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Total				
Year ended March 31, 2019								
<b>Net sales:</b>								
Sales to third parties	\$1,679,222	\$1,647,721	\$1,478,170	\$4,805,113	\$77,753	\$4,882,866	\$ —	\$ 4,882,866
Intersegment sales and transfers	2,806	7	—	2,813	23,526	26,339	(26,339)	—
Total	1,682,028	1,647,728	1,478,170	4,807,926	101,279	4,909,205	(26,339)	4,882,866
Segment income	126,133	69,339	61,159	256,631	6,720	263,351	29	263,380
<b>Other item:</b>								
Depreciation	23,825	5,192	36,708	65,725	4,025	69,750	(28)	69,722

Notes

- (1) Division of "Other" includes domestic real estate development, shipbuilding, leasing business, insurance business and environment business.  
 (2) The adjustment of segment income is intersegment elimination.  
 (3) Segment income is adjusted with operating income in the consolidated statement of income.

**(Related information)**

For the year ended March 31, 2018

1. Information of each products and service

Please refer to above.

2. Geographical information

(1) Net sales

Japan	Southeast Asia	Other	Total
¥331,782 million	¥185,228 million	¥9,892 million	¥526,902 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
¥60,099 million	¥14,423 million	¥3,869 million	¥78,391 million

3. Each main customer

Name of Customer	Net sales	Related segment
Government of Singapore	¥85,278 million	Overseas segment
Ministry of Land, Infrastructure, Transport and Tourism	¥56,628 million	Domestic civil engineering segment Domestic building construction segment

For the year ended March 31, 2019

1. Information of each products and service

Please refer to above.

2. Geographical information

(1) Net sales

Japan	Southeast Asia	Other	Total
¥377,887 million \$3,404,696 thousand	¥119,516 million \$1,076,816 thousand	¥44,546 million \$401,354 thousand	¥541,949 million \$4,882,866 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
¥62,842 million \$566,192 thousand	¥15,028 million \$135,402 thousand	¥3,195 million \$28,787 thousand	¥81,065 million \$730,381 thousand

3. Each main customer

Name of Customer	Net sales	Related segment
Ministry of Land, Infrastructure, Transport and Tourism	¥63,704 million \$573,958 thousand	Domestic civil engineering segment Domestic building construction segment

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

For the year ended March 31, 2018

There is no impairment loss divided by reportable segment.

The amount and contents of impairment loss which is not divided by reportable segment are omitted since they are immaterial.

For the year ended March 31, 2019

There is no impairment loss divided or not divided by reportable segment.

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

For the year ended March 31, 2018

None

For the year ended March 31, 2019

None

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

For the year ended March 31, 2018

None

For the year ended March 31, 2019

None

## 20. Amounts per share

1. Per share information is summarized as follows:

	Yen		U.S. dollars
	2018	2019	2019
Net assets per share	¥392.27	¥443.36	\$3.99
Net income attributable to owners of parent per share	62.41	66.22	0.60

Basic net income attributable to owners of parent per share is calculated by the weighted average number of outstanding common stocks during the year. Incidentally, shares held by BBT are included in treasury shares to be deducted from the average number of shares during of the year in calculating it. The average number of treasury shares issued and outstanding at March 31, 2018 and 2019 were 387 thousand and 620 thousand, including 276 thousand and 449 thousand of shares and held by BBT, respectively.

2. For the year ended March 31, 2018 and 2019, diluted net income attributable to owners of parent per share is not disclosed, because the dilutive potential of shares of common stock is none.

## 21. Significant subsequent events

Dividends

For the year ended March 31, 2019

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, 2019, was approved at the annual general shareholders' meeting held on June 25, 2019 and became effective June 26, 2019:

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Cash dividends (¥ 19 (U.S. \$0.17) per share )	¥5,430	\$48,926

Dividends for shares held by BBT amounted to ¥8 million (\$ 76 thousand) are included in dividends in accordance with the resolution at the annual general shareholders' meeting on June 25, 2019.

## Independent Auditor's Report



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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, 2019, 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, 2019, 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 25, 2019  
Tokyo, Japan

A member firm of Ernst & Young Global Limited