
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
	2016	2017	2018	2019	2020	2020
Net sales	¥491,564	¥500,336	¥526,902	¥541,949	¥573,843	\$5,272,834
Construction	477,164	487,133	517,526	531,851	564,136	5,183,640
Other	14,400	13,204	9,376	10,098	9,707	89,194
Total assets	378,766	372,307	418,423	383,840	428,875	3,940,781
Net assets excluding non-controlling interests	80,588	96,377	111,971	126,517	141,175	1,297,204
Ordinary income	19,409	23,709	25,683	26,569	32,546	299,052
Income before income taxes	14,242	23,028	25,290	26,560	32,455	298,220
Net income attributable to owners of parent	7,806	15,272	17,826	18,899	23,353	214,580
Cash dividends	1,715	3,431	4,003	5,430	6,859	63,028
Per share of common stock:						
	Yen					U.S. dollars
Net assets excluding non-controlling interests	¥281.87	¥337.10	¥392.27	¥443.36	¥494.70	\$4.55
Net income attributable to owners of parent	27.30	53.42	62.41	66.22	81.83	0.75
Cash dividends	6.00	12.00	14.00	19.00	24.00	0.22
Number of employees	3,025	3,074	3,175	3,319	3,416	

Note: 1. Figures in U.S. dollars are converted for convenience only, at the rate of ¥108.83 per U.S.\$1, prevailing on March 31, 2020.

2. Cash dividends for shares held by BBT amounted to ¥10 million (\$95 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 and thereafter, 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 ¥573,843 million (US\$5,272.8 million), an increase of ¥31,893 million (US\$293.1 million) (5.9%) compared to the previous consolidated fiscal year, and operating income totaled ¥33,161 million (US\$304.7 million), an increase of ¥3,929 million (US\$36.1 million) (13.4%) compared to the previous consolidated fiscal year. Ordinary income totaled ¥32,546 million (US\$299.1 million), an increase of ¥5,977 million (US\$54.9 million) (22.5%) compared to the previous consolidated fiscal year. And, net income totaled ¥23,353 million (US\$214.6 million), an increase of ¥4,453 million (US\$40.9 million) (23.6%) compared to the previous consolidated fiscal year.

As net sales grew in Japan and the income and expenditure for domestic 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 ¥210,740 million (US\$1,936.4 million), an increase of ¥24,363 million (US\$223.9 million) (13.1%) compared to the previous consolidated fiscal year due to the smooth progress of the many projects on hand and segment income totaled ¥20,682 million (US\$190.0 million), an increase of ¥6,682 million (US\$61.4 million) (47.7%) compared to the previous consolidated fiscal year.

In our Domestic Building Construction Business, sales amounted to ¥197,014 million (US\$1,810.3 million), an increase of ¥14,133 million (US\$129.9 million) (7.7%) compared to the previous consolidated fiscal year due to the completion of the large-scale construction project and segment income totaled ¥6,321 million (US\$58.1 million), a decrease of ¥1,375 million (US\$12.6 million) (-17.9%) compared to the previous consolidated fiscal year.

In our Overseas Construction Business, sales amounted to ¥157,624 million (US\$1,448.4 million), a decrease of ¥6,438 million (US\$59.2 million) (-3.9%) compared to the previous consolidated fiscal year due to a decrease in construction projects and segment income totaled ¥6,312 million (US\$58.0 million), a decrease of ¥476 million (US\$4.4 million) (-7.0%) compared to the previous consolidated fiscal year.

In our Other Businesses, sales amounted to ¥8,464 million (US\$77.8 million), a decrease of ¥165 million (US\$1.5 million) (-1.9%) compared to the previous consolidated fiscal year and segment loss totaled ¥157 million (US\$1.4 million), a decrease of ¥903 million (US\$8.3 million) compared to the previous consolidated fiscal year.

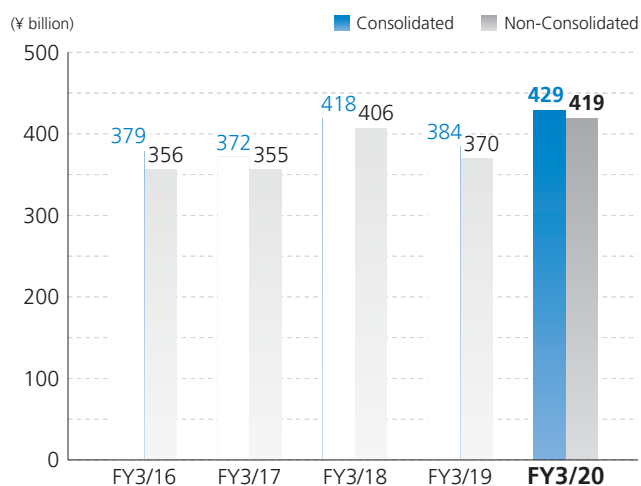
Orders Received and Contract Backlog

As for our non-consolidated construction orders received, the amount of orders in Domestic Civil Engineering Business increased by 18.7% to ¥192,788 million (US\$1,771.5 million) due to strong sales of both public and private construction projects. As for Domestic Building Construction Business, the amount of orders in private construction projects decreased 5.0% to ¥165,103 million (US\$1,517.1 million) despite the increase of public construction projects. The amount of orders in Overseas Construction Business decreased by 50.3% to ¥81,520 million (US\$749.1 million) compared with the previous term due to the delay in a large-scale construction project, even though we received an order for a large-scale port construction in Africa; in total, there was a decrease of 12.2% to ¥439,412 million (US\$4,037.6 million).

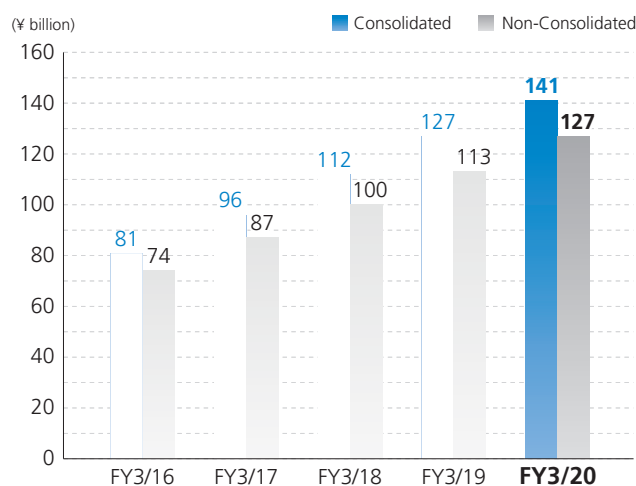
Financial Position

The total assets of our group increased by ¥45,035 million (US\$413.8 million) to ¥428,875 million (US\$3,940.8 million) from the end of the previous consolidated fiscal year mainly due to the increase in notes receivables and receivables from

Total Assets



Total Net Assets



completed construction projects. Liabilities increased by ¥30,309 million (US\$278.5 million) to ¥287,575 million (US\$2,642.4 million) from the end of the previous consolidated fiscal year mainly due to the issuance of commercial papers, etc. Net assets increased by ¥14,726 million (US\$135.3 million) to ¥141,300 million (US\$1,298.4 million) from the end of the previous consolidated fiscal year mainly due to the increase of retained earnings through the posting of net income attributable to owners of parent.

Cash Flows

With regard to cash flow from operations, it resulted in an excess of ¥4,444 million (US\$40.8 million) in revenue due to the increase of revenue by ¥11,002 million (US\$101.1 million) compared to the previous consolidated fiscal year because net income before income taxes was ¥32,455 million (US\$298.2 million) (an excess of ¥6,558 million (US\$60.3 million) in expenditures in the previous consolidated fiscal year).

With regard to cash flow from investments, expenditures decreased by ¥2,145 million (US\$19.7 million) compared to the previous consolidated fiscal year, but it resulted in an excess of ¥9,082 million (US\$83.5 million) in expenditures mainly due to expenditure for construction of vessels (an excess of ¥11,227 million (US\$103.2 million) in expenditures in the previous consolidated fiscal year).

Free cash flow, which is the total of cash flow from operations and investments, resulted in an excess of ¥4,638 million (US\$42.6 million) in expenditures (an excess of ¥17,785 million (US\$163.4 million) in expenditures in the previous consolidated fiscal year).

With regard to cash flow from financial activities, revenue increased by ¥25,957 million (US\$238.5 million) compared to the previous consolidated fiscal year, and it resulted in an excess of ¥13,501 million (US\$124.1 million) in revenue mainly due to the expenditure for issuing commercial papers (an excess of

¥12,456 million (US\$114.5 million) in expenditures in the previous consolidated fiscal year).

From these results, "cash and cash equivalents" as of the end of this consolidated fiscal year increased by ¥7,418 million (US\$68.2 million) (20.8%) compared to the end of the previous consolidated fiscal year to ¥43,028 million (US\$395.4 million).

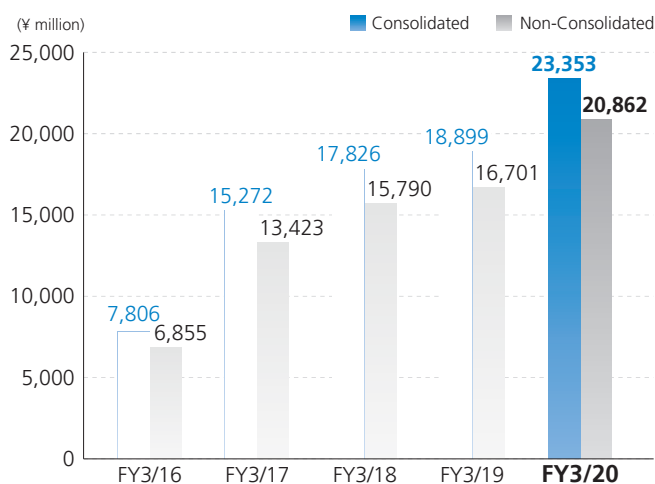
Dividends

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 ¥24 per common share. The total amount of dividends was ¥6,859 million (US\$63.0 million).

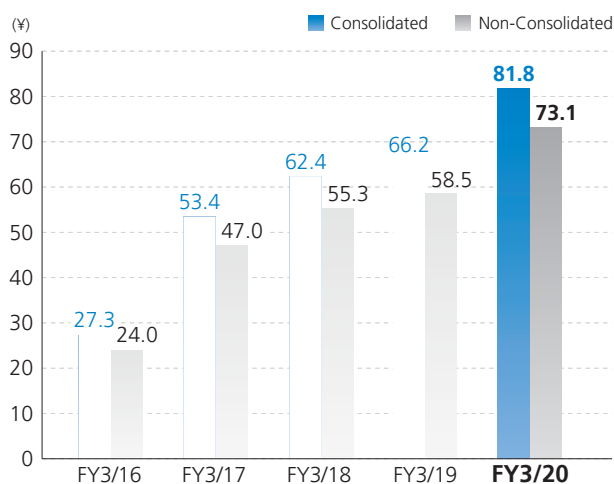
It is also our basic policy to pay a year-end dividend annually, determined by the general shareholders' meetings.

* Exchange rate at the term end: US\$1 = ¥108.83

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
	2019	2020	2020
Current assets:			
Cash and deposits (Note 18)	¥ 36,204	¥ 43,621	\$ 400,822
Securities (Note 3(3), 6, 7 and 18)	58	74	682
Trade receivables: (Note 18)			
Notes	2,862	2,780	25,542
Accounts	215,152	256,830	2,359,920
Inventories: (Note 3(5))			
Costs on uncompleted construction contracts	10,773	10,227	93,968
Real estate for sale and development projects in progress	3,074	1,903	17,486
Other	2,950	2,715	24,950
Other	3,409	2,816	25,872
Allowance for doubtful accounts (Note 3(9))	(717)	(702)	(6,451)
Total current assets	273,765	320,264	2,942,791
Non-current assets:			
Property, plant and equipment: (Notes 3(6) and 3(8))			
Land	33,710	33,581	308,563
Buildings and structures	37,582	37,288	342,625
Machinery, equipment and vehicles	23,956	21,112	193,995
Dredgers and vessels	82,466	83,920	771,109
Construction in progress	1,176	3,873	35,590
Total property, plant and equipment	178,890	179,774	1,651,882
Less: accumulated depreciation	(97,825)	(99,846)	(917,449)
Property, plant and equipment - net	81,065	79,928	734,433
Intangible assets (Note 3(7))	1,345	1,455	13,364
Investments and other assets:			
Investment securities (Notes 3(3), 6, 7 and 18)	20,024	17,153	157,609
Long-term loans receivables	108	102	935
Deferred tax assets (Note 16)	2,918	6,159	56,592
Net defined benefit asset (Note 17)	1,911	1,260	11,577
Other (Note 7)	6,006	5,614	51,599
Allowance for doubtful accounts (Note 3(9))	(3,305)	(3,060)	(28,119)
Total investments and other assets	27,662	27,228	250,193
Total non-current assets	110,072	108,611	997,990
Deferred assets (Note 3(19))	3	—	—
Total assets	¥383,840	¥428,875	\$3,940,781

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Current liabilities:			
Short-term loans payable (Notes 8 and 18)	¥ 19,686	¥ 18,924	\$ 173,883
Commercial papers (Notes 8 and 18)	—	17,999	165,389
Current portion of long-term loans payable and bonds payable (Notes 8 and 18)	8,842	15,750	144,721
Trade payable: (Note 18)			
Accounts	119,507	126,180	1,159,424
Advance received on uncompleted construction contracts	22,611	20,932	192,337
Deposits received	36,345	40,063	368,123
Income taxes payable	4,895	7,357	67,602
Provision for loss on construction contracts (Note 3(12))	1,625	1,936	17,789
Provision for warranties for completed construction (Note 3(10))	1,335	2,022	18,580
Provision for bonuses (Note 3(11))	2,805	2,929	26,916
Other	3,623	2,911	26,747
Total current liabilities	221,274	257,003	2,361,511
Non-current liabilities:			
Bonds payable (Note 8 and 18)	20,000	10,000	91,886
Long-term loans payable (Note 8 and 18)	10,962	14,858	136,525
Provision for board benefit trust (Note 3(13))	167	215	1,975
Net defined benefit liability (Note 3(14) and 17)	538	1,253	11,512
Deferred tax liabilities for land revaluation (Note 9(2))	3,680	3,680	33,810
Other	646	566	5,209
Total non-current liabilities	35,993	30,572	280,917
Total liabilities	257,267	287,575	2,642,428
Commitments and contingent liabilities (Note 15)			
Net assets:			
Shareholders' equity:			
Capital stock	30,450	30,450	279,794
Authorized — 599,135,000 shares			
Issued shares - 286,013,910 shares 2019 and 2020			
Capital surplus (Note 9(1))	18,387	18,387	168,949
Retained earnings (Note 9(1))	69,143	87,066	800,022
Less: Treasury shares	(383)	(374)	(3,436)
Total shareholders' equity	117,597	135,529	1,245,329
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities (Notes 3(3) and 9(3))	4,596	2,673	24,565
Deferred gains or losses on hedges	(18)	45	404
Revaluation reserve for land (Note 9(2))	3,910	3,910	35,931
Foreign currency translation adjustment (Note 3(2))	(127)	(167)	(1,534)
Remeasurements of defined benefit plans (Notes 3(14) and 17)	559	(815)	(7,491)
Total accumulated other comprehensive income	8,920	5,646	51,875
Non-controlling interests	56	125	1,149
Total net assets	126,573	141,300	1,298,353
Total liabilities and net assets	¥383,840	¥428,875	\$3,940,781

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
	2019	2020	2020
Construction business: (Note 3(15))			
Net sales	¥531,851	¥564,136	\$5,183,640
Cost of sales	487,678	513,945	4,722,457
Gross profit	44,173	50,191	461,183
Other:			
Net sales	10,098	9,707	89,194
Cost of sales	7,523	7,999	73,491
Gross profit	2,575	1,708	15,703
Total:			
Total net sales	541,949	573,843	5,272,834
Total cost of sales	495,201	521,944	4,795,948
Total gross profit	46,748	51,899	476,886
Selling, general and administrative expenses	17,515	18,738	172,179
Operating income	29,233	33,161	304,707
Non-operating income:			
Interest and dividends income	662	542	4,983
Reversal of allowance for doubtful accounts	145	252	2,319
Real estate rent	139	144	1,324
Other	191	217	1,986
	1,137	1,155	10,612
Non-operating expenses:			
Interest expenses	846	925	8,497
Foreign exchange losses	696	738	6,780
Other	2,259	107	990
	3,801	1,770	16,267
Ordinary income	26,569	32,546	299,052
Extraordinary income (Note 10)	92	284	2,613
Extraordinary losses (Note 11)	101	375	3,445
Income before income taxes	26,560	32,455	298,220
Income taxes : (Notes 3(18) and 16)			
Current	8,115	10,918	100,320
Deferred	(451)	(1,818)	(16,698)
	7,664	9,100	83,622
Net income attributable to:	18,896	23,355	214,598
Non-controlling interests	(3)	2	18
Owners of parent	¥ 18,899	¥ 23,353	\$ 214,580
		Yen	U.S. dollars
Net income attributable to owners of parent per share of common stock (Note 20)			
Basic	¥66.22	¥81.83	\$0.75

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
	2019	2020	2020
Net income	¥18,896	¥23,355	\$214,598
Valuation difference on available-for-sale securities	161	(1,922)	(17,664)
Deferred gains or losses on hedges	(45)	62	572
Foreign currency translation adjustments	34	(44)	(401)
Remeasurements of defined benefit plans	(444)	(1,374)	(12,624)
Total other comprehensive income (Note 13)	(294)	(3,278)	(30,117)
Comprehensive income	¥18,602	¥20,077	\$184,481
(Breakdown)			
Comprehensive income attributable to owners of parent	¥18,605	¥20,078	\$184,494
Comprehensive income attributable to non-controlling interests	(3)	(1)	(13)

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, 2019

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	¥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)
Disposal of treasury shares					—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	14,896	(57)	14,839
Balance at the end of current period	¥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 adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	¥4,435	¥ 26	¥3,910	¥(161)	¥1,003	¥9,213	¥60		
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)	
Disposal of treasury shares								—	
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	
Balance at the end of current period	¥4,596	¥(18)	¥3,910	¥(127)	¥ 559	¥8,920	¥56	¥126,573	

For the year ended March 31, 2020

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	¥30,450	¥18,387	¥69,143	¥(383)	¥117,597
Changes of items during period					
Dividends of surplus			(5,430)		(5,430)
Net income attributable to owners of parent			23,353		23,353
Reversal of revaluation reserve for land					—
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares				10	10
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	17,923	9	17,932
Balance at the end of current period	¥30,450	¥18,387	¥87,066	¥(374)	¥135,529

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		
Balance at the beginning of current period	¥4,596	¥(18)	¥3,910	¥(127)	¥ 559	¥8,920	¥ 56	¥126,573
Changes of items during period								
Dividends of surplus								(5,430)
Net income attributable to owners of parent								23,353
Reversal of revaluation reserve for land								—
Purchase of treasury shares								(1)
Disposal of treasury shares								10
Net changes of items other than shareholders' equity	(1,923)	63	—	(40)	(1,374)	(3,274)	69	(3,205)
Total changes of items during period	(1,923)	63	—	(40)	(1,374)	(3,274)	69	14,727
Balance at the end of current period	¥2,673	¥ 45	¥3,910	¥(167)	¥(815)	¥5,646	¥125	¥141,300

For the year ended March 31, 2020

Thousands of U.S. dollars					
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	\$279,794	\$168,949	\$635,339	\$(3,523)	\$1,080,559
Changes of items during period					
Dividends of surplus			(49,897)		(49,897)
Net income attributable to owners of parent			214,580		214,580
Reversal of revaluation reserve for land					—
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares				89	89
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	164,683	87	164,770
Balance at the end of current period	\$279,794	\$168,949	\$800,022	\$(3,436)	\$1,245,329

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 adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	\$42,228	\$(167)	\$35,931	\$(1,164)	\$ 5,133	\$81,961	\$ 519	\$1,163,039
Changes of items during period								
Dividends of surplus								(49,897)
Net income attributable to owners of parent								214,580
Reversal of revaluation reserve for land								—
Purchase of treasury shares								(2)
Disposal of treasury shares								89
Net changes of items other than shareholders' equity	(17,663)	571	—	(370)	(12,624)	(30,086)	630	(29,456)
Total changes of items during period	(17,663)	571	—	(370)	(12,624)	(30,086)	630	135,314
Balance at the end of current period	\$24,565	\$ 404	\$35,931	\$(1,534)	\$(7,491)	\$51,875	\$1,149	\$1,298,353

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
	2019	2020	2020
Cash flows from operating activities:			
Income before income taxes	¥26,560	¥32,455	\$298,220
Adjustment to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	7,738	9,085	83,481
Increase (decrease) in allowance for doubtful accounts	1,991	(260)	(2,390)
Increase (decrease) in net defined benefit liability	32	(191)	(1,755)
Decrease (increase) in net defined benefit asset	(352)	(156)	(1,434)
Interest and dividends income	(662)	(542)	(4,983)
Interest expenses	846	925	8,497
Foreign exchange losses (gains)	(622)	1,368	12,572
Equity in (earnings) losses of affiliates	(9)	(2)	(15)
Loss (gain) on sales of property, plant and equipment	(76)	(199)	(1,830)
Loss (gain) on sales of investment securities	2	(1)	(9)
Loss on valuation of securities and investment securities	1	—	—
Change in assets and liabilities:			
Decrease (increase) in notes and accounts receivable-trade	481	(47,399)	(435,530)
Decrease (increase) in costs on uncompleted construction contracts	3,611	522	4,797
Decrease (increase) in real estate for sale and development projects in progress and other inventories	381	1,320	12,132
Increase (decrease) in notes and accounts payable-trade	(24,980)	3,831	35,198
Increase (decrease) in advances received on uncompleted construction contracts	(21,917)	(1,610)	(14,796)
Increase (decrease) in other provision	549	1,170	10,748
Other, net	8,751	13,120	120,560
Subtotal	2,325	13,436	123,463
Interest and dividends income received	582	553	5,082
Interest expenses paid	(771)	(911)	(8,378)
Income taxes paid	(8,694)	(8,634)	(79,333)
Net cash provided by (used in) operating activities	(6,558)	4,444	40,834
Cash flows from investing activities:			
Purchase of investment securities	(1,748)	(146)	(1,341)
Proceeds from sales and redemption of short-term and long-term investment securities	18	2	16
Purchase of property, plant and equipment	(9,316)	(9,737)	(89,466)
Proceeds from sales of property, plant and equipment	146	1,351	12,412
Collection of loans receivable	33	6	53
Other, net	(360)	(558)	(5,125)
Net cash used in investing activities	¥(11,227)	¥(9,082)	\$(83,451)

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	¥ 1,899	¥ 118	\$ 1,088
Net increase (decrease) in commercial papers	—	17,999	165,389
Proceeds from long-term loans payable	8,312	9,646	88,634
Repayment of long-term loans payable	(8,472)	(8,842)	(81,248)
Redemption of bonds	(10,000)	—	—
Cash dividends paid	(3,993)	(5,422)	(49,817)
Other, net	(202)	2	8
Net cash provided by (used in) financing activities	(12,456)	13,501	124,054
Effect of exchange rate change on cash and cash equivalents	739	(1,445)	(13,284)
Net increase (decrease) in cash and cash equivalents	(29,502)	7,418	68,153
Cash and cash equivalents at the beginning of the period	65,112	35,610	327,212
Cash and cash equivalents at the end of the period	¥35,610	¥43,028	\$395,365
(Note) (1) Cash and cash equivalents are comprised as follows:			
Cash and deposits	¥36,204	¥43,621	\$400,822
Less-Time deposits with maturity over three months	(594)	(593)	(5,457)
Cash and cash equivalents (Note 3(17))	¥35,610	¥43,028	\$395,365

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=¥108.83, the exchange rate prevailing on March 31, 2020. 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 28 subsidiaries and 6 affiliated companies as at March 31, 2020.

PKY Marine Co., Ltd. was established and has been included in the scope of consolidation.

The Company consolidated 27 subsidiaries and applied the equity method to 1 affiliated company.

1 subsidiary was not included in the scope of consolidation because it has a small impact on the consolidated financial statements.

1 unconsolidated subsidiary and 5 affiliated companies were not included in the scope of equity method, because they have a small impact

on the consolidated financial statements and insignificant on the whole.

(2) Consolidated closing date

Consolidated closing date is March 31.

Closing date for the Company, 11 domestic subsidiaries and 15 overseas subsidiaries including Andromeda Five Pte, Ltd. is March 31. Closing date for 1 overseas subsidiary 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 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.

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

(21) Adoption of consolidated taxation system

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

(22) Tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

Implementation Guidance on Tax Effect Accounting (Accounting Standards Board of Japan Guidance No. 28, issued February 16, 2018), was not yet effective for the company in terms of Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (Accounting Standards Board of Japan PITF No.39, issued March 31, 2020).

(23) 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.

Trust (excluding ancillary expenses). The book values of the treasury shares were ¥ 293 million and ¥ 283 million (\$ 2,599 thousand) and the numbers of the stocks were 445,300 shares and 430,500 shares as of March 31, 2019 and 2020, respectively.

(Accounting estimates relative to COVID-19)

The global economy has declined sharply due to spread of COVID-19 and uncertain circumstance would be expected in the future.

The Company and the consolidated subsidiaries (The "Group") have interrupted some constructions due to curfews and so forth in some countries, including Singapore, in South east Asia and in Africa.

It is difficult to predict an impact of COVID-19 as there is no consensus about spread of COVID-19 in the future and a time when it ends. The Group makes accounting estimates for constructions to which the percentage-of-completion method is applied and others in consideration of the fact that our domestic constructions have basically progressed and our overseas constructions have been temporarily interrupted on the basis of the prediction that there could be favorable construction demand both domestically and internationally in the medium- and long-term, although there could be impacts of COVID-19 in the short-term.

Impacts to economic activities due to spread of COVID-19 are uncertain, so it is possible that it affects to some extent our financial position and operating results if the above assumption changes.

5. Accounting standards issued but not yet effective

- “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan Statement No.29, issued March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan Guidance No.30, issued March 31, 2020)

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.

- “Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan Statement No. 30, issued July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan Guidance No. 31, issued July 4, 2019)
- “Accounting Standard for Measurement of Inventories” (Accounting Standards Board of Japan Statement No. 9, issued July 4, 2019)
- “Accounting Standard for Accounting Standard for Financial Instruments” (Accounting Standards Board of Japan Statement No. 10, issued July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (Accounting Standards Board of Japan Guidance No. 19, issued March 31, 2020)

1) Outline

“Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” have been developed and guidance for measurement of fair value and so forth is prescribed on them.

They are adopted for fair values of below items.

- Financial instruments on “Accounting Standard for Accounting Standard for Financial Instruments”
- Inventories held for trading purposes on “Accounting Standard for Measurement of Inventories”

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” has been also revised and disclosure requirements for details of fair value of financial instrument according to the levels.

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 adopting the accounting standard and implementation guidance

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

- “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (Accounting Standards Board of Japan Statement No. 24, issued March 31, 2020)

1) Outline

The accounting standard intend to disclose outline of adopted accounting principles and procedures in case of no regulation on related accounting standard.

2) Scheduled date of adoption

The Company expects to adopt the accounting standard from the end of the fiscal year ending March 31, 2021.

- “Accounting Standard for Disclosure of Accounting Estimates” (Accounting Standards Board of Japan Statement No. 31, issued March 31, 2020)

1) Outline

The accounting standard intend to disclose information contributing to financial statements user’s understanding about accounting estimates which base on amounts on financial statements on this fiscal year and which have a risk affecting significantly to financial statements on next fiscal year.

2) Scheduled date of adoption

The Company expects to adopt the accounting standard from the end of the fiscal year ending March 31, 2021.

6. Securities and investment securities

(1) Held-to-maturity debt securities

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

As of March 31, 2020	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	¥154	¥156	¥ 2
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥154	¥156	¥ 2
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
National and local government bonds	¥ —	¥ —	¥—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥ —	¥ —	¥—
Total	¥154	¥156	¥ 2

	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	\$1,417	\$1,435	\$18
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	\$1,417	\$1,435	\$18
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
National and local government bonds	\$ —	\$ —	\$—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	\$ —	\$ —	\$—
Total	\$1,417	\$1,435	\$18

(2) Other securities

As of March 31, 2019	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	¥16,143	¥ 9,429	¥6,714
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥16,143	¥9,429	¥6,714
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
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

(Notes) Since unlisted stocks (balance on consolidated balance sheet ¥2,713 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, 2020	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	¥11,687	¥ 7,008	¥4,679
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥11,687	¥ 7,008	¥4,679
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	¥ 1,946	¥ 2,851	¥ (905)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥ 1,946	¥ 2,851	¥ (905)
Total	¥13,633	¥ 9,859	¥3,774

Notes to the Consolidated Financial Statements

	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	\$ 107,387	\$ 64,397	\$ 42,990
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	\$ 107,387	\$ 64,397	\$ 42,990
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
Stock	\$ 17,878	\$ 26,192	\$ (8,314)
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	\$ 17,878	\$ 26,192	\$ (8,314)
Total	\$ 125,265	\$ 90,589	\$ 34,676

(Notes) Since unlisted stocks (balance on consolidated balance sheet ¥2,819 million (U.S. \$25,910 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, 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)

As of March 31, 2020	Millions of yen		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	¥2	¥1	¥ —
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	¥2	¥1	¥ —

	Thousands of U.S. dollars		
	Sales value	Total of gain on sale	Total of loss on sale
Stock	\$ 16	\$ 9	\$ —
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Total	\$ 16	\$ 9	\$ —

(4) Impairment of investment securities

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Other securities			
Stock	¥1	¥—	\$—

7. Pledged assets

The following assets are pledged for fulfillment of construction contracts at March 31, 2019 and 2020.

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Securities	¥ 58	¥ 74	\$ 682
Investment securities	283	212	1,947
Other (Investment and other assets)	161	223	2,045
Total	¥ 502	¥ 509	\$ 4,674

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

Short-term and long-term loans, commercial papers and bonds payable as of March 31, 2019 and 2020 are summarized as follows

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Short-term loans from banks and insurance companies (The weighted average interest rate is 0.70%.)	¥19,686	¥18,924	\$173,883
Commercial papers (The weighted average interest rate is 0.05%.)	—	17,999	165,389
Long-term loans from banks and insurance companies due through 2024 (The weighted average interest rate is 0.50%.)	19,804	20,608	189,360
0.14% unsecured bonds payable due 2020	10,000	10,000	91,886
0.68% unsecured bonds payable due 2021	10,000	10,000	91,886
Total	¥59,490	¥77,531	\$712,404

The aggregate annual maturity of short-term and long-term loans and bonds payable after March 31, 2020 is as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2021	¥52,673	\$483,994
2022	14,654	134,650
2023	4,328	39,768
2024	4,022	36,959
2025 and after	1,854	17,033
Total	¥77,531	\$712,404

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
	2019	2020	2020
The difference between the appraisal value of land at the end of the current fiscal year and the book value	¥6,629	¥6,177	\$56,760

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 ¥ 2,673 million (U.S. \$ 24,565 thousand) gain as of March 31, 2020.

10. Extraordinary income

The composition of Extraordinary income for the fiscal years ended March 31, 2019 and 2020 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Gain on sales of non-current assets	¥87	¥279	\$2,564
Other	5	5	49
Total	¥92	¥284	\$2,613

11. Extraordinary losses

The composition of Extraordinary losses for the fiscal years ended March 31, 2019 and 2020 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Loss on sales of non-current assets	¥ 12	¥ 80	\$ 733
Loss on retirement of non-current assets	71	249	2,288
Loss on contribution of securities to retirement benefit trust	—	46	423
Other	18	0	1
Total	¥101	¥375	\$3,445

12. Research and development costs

Research and development costs charged to income are ¥ 2,327 million for the fiscal year 2019 and ¥ 2,435 million (U.S. \$ 22,375 thousand) for the fiscal year 2020, 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, 2019 and 2020:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Valuation difference on available-for-sale securities			
Amount arising during the year	¥ 247	¥(2,813)	\$(25,844)
Reclassification adjustment for gains and losses realized in net income	0	45	414
Amount before tax effect	247	(2,768)	(25,430)
Tax effect	(86)	846	7,766
Valuation difference on available-for-sale securities	161	(1,922)	(17,664)
Deferred gains or losses on hedges			
Amount arising during the year	(1,160)	684	6,289
Reclassification adjustment for gains and losses realized in net income	1,094	(594)	(5,466)
Amount before tax effect	(66)	90	823
Tax effect	21	(28)	(251)
Deferred gains or losses on hedges	(45)	62	572
Foreign currency translation adjustments			
Amount arising during the year	34	(44)	(401)
Reclassification adjustment for gains and losses realized in net income	—	—	—
Amount before tax effect	34	(44)	(401)
Tax effect	—	—	—
Foreign currency translation adjustments	34	(44)	(401)
Remeasurements of defined benefit plans			
Amount arising during the year	(869)	(1,848)	(16,977)
Reclassification adjustment for gains and losses realized in net income	229	(132)	(1,218)
Amount before tax effect	(640)	(1,980)	(18,195)
Tax effect	196	606	5,571
Remeasurements of defined benefit plans	(444)	(1,374)	(12,624)
Total of other comprehensive income	¥(294)	¥(3,278)	\$(30,117)

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, 2020, the Company has liabilities for guarantee to bank loans made by customers amounting to ¥ 116 million (U.S. \$ 1,061 thousand).

The Company has agreements on commitment line with 8 banks totaling ¥ 20,000 million (U.S. \$ 183,773 thousand) for the purpose of flexible financing. Unused commitment line as of March 31, 2019 and 2020 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Commitment line			
Total of commitment line	¥20,000	¥20,000	\$183,773
Use of commitment	—	—	—
Total of unused commitment line	¥20,000	¥20,000	\$183,773

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
	2019	2020	2020
Deferred tax assets			
Employees' retirement benefits trust	¥ 2,047	¥ 2,060	\$ 18,931
Loss on valuation of real estate for sale	1,542	1,775	16,309
Allowance for doubtful accounts	1,253	1,165	10,705
Impairment loss	883	870	7,995
Provision for bonuses	863	901	8,278
Provision for loss on construction contracts	498	593	5,447
Net operating loss carryforwards	271	261	2,399
Net defined benefit liability	174	393	3,614
Other	1,225	1,896	17,419
Total: deferred tax assets	8,756	9,914	91,097
Less: valuation allowance(*)	(3,041)	(1,995)	(18,335)
Deferred tax assets	¥ 5,715	¥ 7,919	\$ 72,762
Deferred tax liabilities			
Valuation difference on available-for-sale securities	¥(1,946)	¥(1,100)	\$(10,111)
Prepaid pension cost	(585)	(386)	(3,545)
Unrealized intercompany income	(105)	(105)	(966)
Other	(161)	(168)	(1,548)
Total: deferred tax liabilities	(2,797)	(1,759)	(16,170)
Net: deferred tax assets	¥ 2,918	¥ 6,160	\$ 56,592

(*) The valuation allowance, which is deduction from deferred tax assets, has significantly varied. The variation was mainly due to decrease of valuation allowance of ¥ 995 million (U.S. \$ 9,138 thousand) upon the decision on sale of land in real estate for sale in this fiscal year.

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	2020
The statutory effective tax rate	30.62%	30.62%
(Adjustments)		
Permanent differences (expense)	1.68	1.37
Permanent differences (income)	(0.14)	(0.10)
Per capita levy on inhabitant tax	0.70	0.56
Consolidated adjustments	(0.01)	(0.00)
Increase (Decrease) in valuation allowance	(0.53)	(3.12)
Other	(3.46)	(1.30)
Actual burden tax rate after the application of tax effect accounting	28.86%	28.04%

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, 2019 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Retirement benefit obligation at the beginning of year	¥26,211	¥26,308	\$241,733
Service cost	1,308	1,395	12,819
Interest cost	26	—	—
Actuarial gain and loss	443	(280)	(2,575)
Retirement benefits paid	(1,680)	(1,804)	(16,570)
Retirement benefit obligation at the end of year	¥26,308	¥25,619	\$235,407

(2) The changes in the plan assets during the years ended March 31, 2019 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Plan assets at the beginning of year	¥28,133	¥27,681	\$254,351
Expected return on plan assets	472	474	4,354
Actuarial gain	(426)	(2,128)	(19,553)
Contributions by the Company	836	848	7,791
Contribution of securities to retirement benefit trust	—	134	1,235
Retirement benefits paid	(1,334)	(1,383)	(12,707)
Plan assets at the end of year	¥27,681	¥25,626	\$235,471

(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, 2019 and 2020 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Funded retirement benefit obligation	¥25,770	¥25,042	\$230,102
Plan assets at fair value	(27,681)	(25,626)	(235,471)
	¥ (1,911)	¥ (584)	\$ (5,369)
Unfunded retirement benefit obligation	538	577	5,305
Net liability for retirement benefits in the balance sheet	¥ (1,373)	¥ (7)	\$ (64)
Net defined benefit liability	¥ 538	¥ 1,253	\$ 11,512
Net defined benefit asset	(1,911)	(1,260)	(11,577)
Net liability for retirement benefits in the balance sheet	¥ (1,373)	¥ (7)	\$ (65)

(4) The components of retirement benefit expense for the years ended March 31, 2019 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Service cost	¥1,308	¥1,395	\$12,819
Interest cost	26	—	—
Expected return on plan assets	(472)	(474)	(4,354)
Amortization of actuarial gain and loss	228	(132)	(1,218)
Retirement benefit expense	¥1,090	¥ 789	\$ 7,247

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, 2019 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Actuarial gain and loss	¥(640)	¥(1,980)	\$(18,195)
Total	¥(640)	¥(1,980)	\$(18,195)

(6) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2019 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Unrecognized actuarial gain and loss	¥(805)	¥1,175	\$10,797
Total	¥(805)	¥1,175	\$10,797

(7) The fair value of plan assets, major category, as a percentage of total plan assets as of March 31, 2019 and 2020 are as follows:

	2019	2020
Bonds	43%	45%
Stocks	47	44
General accounts	5	5
Cash and deposits	2	3
Others	3	3
Total	100%	100%

Note: Total plan assets include retirement benefit trusts of 11% and 11% that are set up for a corporate pension plan as of March 31, 2019 and 2020, 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:

	2019	2020
Discount rates	0.0%	0.1%
Expected rates of long-term return on plan assets	1.1 - 2.0%	1.2 - 2.0%
Expected rates of increase in salary	3.1 - 4.8%	3.3 - 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, 2019 are as follows:

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(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	—
Total Assets	¥270,990	¥270,994	¥ 4
Liabilities			
(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 ^{(*)1}	19,804	19,816	12
Total Liabilities	¥174,799	¥174,920	¥121
Derivative transaction ^{(*)2}	¥ (26)	¥ (26)	¥ —

(*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 and (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 and (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 and (4) Long-term loans payable

The fair values 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) 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	—	—	—
Total	¥233,856	¥20,457	¥41	¥—

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

Book value on consolidated balance sheet, fair value and the difference as of March 31, 2020 are as follows:

	Millions of yen		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	¥ 43,621	¥ 43,621	¥ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	239,344	239,344	—
(3) Securities and investment securities	13,787	13,789	2
(4) Accounts receivable-other	20,266	20,266	—
Total Assets	¥317,018	¥317,020	¥ 2
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	¥118,817	¥118,817	¥ —
(2) Short-term loans payable	18,924	18,924	—
(3) Commercial papers	17,999	17,999	—
(4) Bonds payable ^{(*)1}	20,000	20,075	75
(5) Long-term loans payable ^{(*)2}	20,608	20,629	21
Total Liabilities	¥196,348	¥196,444	¥ 96
Derivative transaction ^{(*)3}	¥ 63	¥ 63	¥ —

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(1) Cash and deposits	\$ 400,822	\$ 400,822	\$ —
(2) Notes receivable, accounts receivable from completed construction contracts and other	2,199,248	2,199,248	—
(3) Securities and investment securities	126,682	126,700	18
(4) Accounts receivable-other	186,215	186,215	—
Total Assets	\$2,912,967	\$2,912,985	\$ 18
Liabilities			
(1) Notes payable, accounts payable for construction contracts and other	\$1,091,764	\$1,091,764	\$ —
(2) Short-term loans payable	173,883	173,883	—
(3) Commercial papers	165,389	165,389	—
(4) Bonds payable ^{(*)1}	183,773	184,462	689
(5) Long-term loans payable ^{(*)2}	189,359	189,551	192
Total Liabilities	\$1,804,168	\$1,805,049	\$ 881
Derivative transaction ^{(*)3}	\$ 582	\$ 582	\$ —

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

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

(*3) 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 and (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 and (3) Commercial papers
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 and (5) Long-term loans payable

The fair values 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 ¥3,440 million (U.S. \$ 31,608 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 to the Consolidated Financial Statements

(Notes 3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2020

	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	¥ 43,596	¥ —	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other	226,598	12,746	—	—
Securities and investment securities				
Held-to-maturity bonds				
National and local government bonds	74	80	—	—
Corporate bonds	—	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	—	—
Other	—	—	—	—
Accounts receivable-other	20,266	—	—	—
Total	¥ 290,534	¥ 12,826	¥—	¥—

	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	\$ 400,589	\$ —	\$—	\$—
Notes receivable, accounts receivable from completed construction contracts and other	2,082,129	117,118	—	—
Securities and investment securities				
Held-to-maturity bonds				
National and local government bonds	682	735	—	—
Corporate bonds	—	—	—	—
Other marketable securities with maturities				
Corporate bonds	—	—	—	—
Other	—	—	—	—
Accounts receivable-other	186,215	—	—	—
Total	\$2,669,615	\$117,854	\$—	\$—

(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

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							
	Reportable segment				Other (Note1)	Total	Adjustments (Note 2)	Recorded amount on consolidated statement of income (Note 3)
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Total				
Year ended March 31, 2019								
Net sales:								
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
Other item:								
Depreciation	2,644	576	4,074	7,294	447	7,741	(3)	7,738

	Millions of yen							
	Reportable segment				Other (Note1)	Total	Adjustments (Note 2)	Recorded amount on consolidated statement of income (Note 3)
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Total				
Year ended March 31, 2020								
Net sales:								
Sales to third parties	¥210,740	¥197,014	¥157,624	¥565,378	¥8,464	¥573,843	¥ —	¥ 573,843
Intersegment sales and transfers	250	1	—	251	2,177	2,427	(2,427)	—
Total	210,990	197,015	157,624	565,629	10,641	576,270	(2,427)	573,843
Segment income	20,682	6,321	6,312	33,315	(157)	33,158	3	33,161
Other item:								
Depreciation	3,757	583	4,305	8,645	443	9,088	(3)	9,085

	Thousands of U.S. dollars							
	Reportable segment				Other (Note1)	Total	Adjustments (Note 2)	Recorded amount on consolidated statement of income (Note 3)
	Domestic civil engineering segment	Domestic building construction segment	Overseas segment	Total				
Year ended March 31, 2020								
Net sales:								
Sales to third parties	\$1,936,415	\$1,810,288	\$1,448,355	\$5,195,058	\$77,777	\$5,272,834	\$ —	\$ 5,272,834
Intersegment sales and transfers	2,296	6	—	2,302	20,003	22,305	(22,305)	—
Total	1,938,711	1,810,294	1,448,355	5,197,360	97,780	5,295,139	(22,305)	5,272,834
Segment income	190,041	58,082	58,002	306,125	(1,443)	304,681	26	304,707
Other item:								
Depreciation	34,524	5,358	39,556	79,438	4,069	83,507	(26)	83,481

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, 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	¥119,516 million	¥44,546 million	¥541,949 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
¥62,842 million	¥15,028 million	¥3,195 million	¥81,065 million

3. Each main customer

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

For the year ended March 31, 2020

1. Information of each products and service

Please refer to above.

2. Geographical information

(1) Net sales

Japan	Southeast Asia	Other	Total
¥416,218 million \$3,824,480 thousand	¥101,762 million \$935,055 thousand	¥55,862 million \$513,299 thousand	¥573,843 million \$5,272,834 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
¥63,739 million \$585,676 thousand	¥14,131 million \$129,845 thousand	¥2,058 million \$18,912 thousand	¥79,928 million \$734,433 thousand

3. Each main customer

Name of Customer	Net sales	Related segment
Ministry of Land, Infrastructure, Transport and Tourism	¥76,791 million \$705,602 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, 2019

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

For the year ended March 31, 2020

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, 2019

None

For the year ended March 31, 2020

None

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

For the year ended March 31, 2019

None

For the year ended March 31, 2020

None

20. Amounts per share

1. Per share information is summarized as follows:

	Yen		U.S. dollars
	2019	2020	2020
Net assets per share	¥443.36	¥494.70	\$4.55
Net income attributable to owners of parent per share	66.22	81.83	0.75

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, 2019 and 2020 were 620 thousand and 645 thousand, including 449 thousand and 435 thousand of shares and held by BBT, respectively.

2. For the year ended March 31, 2019 and 2020, 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, 2020

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, 2020, was approved at the annual general shareholders' meeting held on June 25, 2020 and became effective June 26, 2020:

	Millions of yen	Thousands of U.S. dollars
	2020	2020
Cash dividends (¥24 (U.S. \$ 0.22) per share)	¥6,859	\$63,028

Dividends for shares held by BBT amounted to ¥10 million (\$ 95 thousand) are included in dividends in accordance with the resolution at the annual general shareholders' meeting on June 25, 2020.

Independent Auditor's Report



Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
ey.com

Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of PENTA-OCEAN CONSTRUCTION CO., LTD. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statement of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan
June 25, 2020

向井 誠 
Makoto Mukai
Designated Engagement Partner
Certified Public Accountant

澤部直彦 
Naohiko Sawabe
Designated Engagement Partner
Certified Public Accountant