

GOING FURTHER

その先の向こうへ

Penta-Ocean Construction

Annual Report 2019

Year Ended March 31, 2019



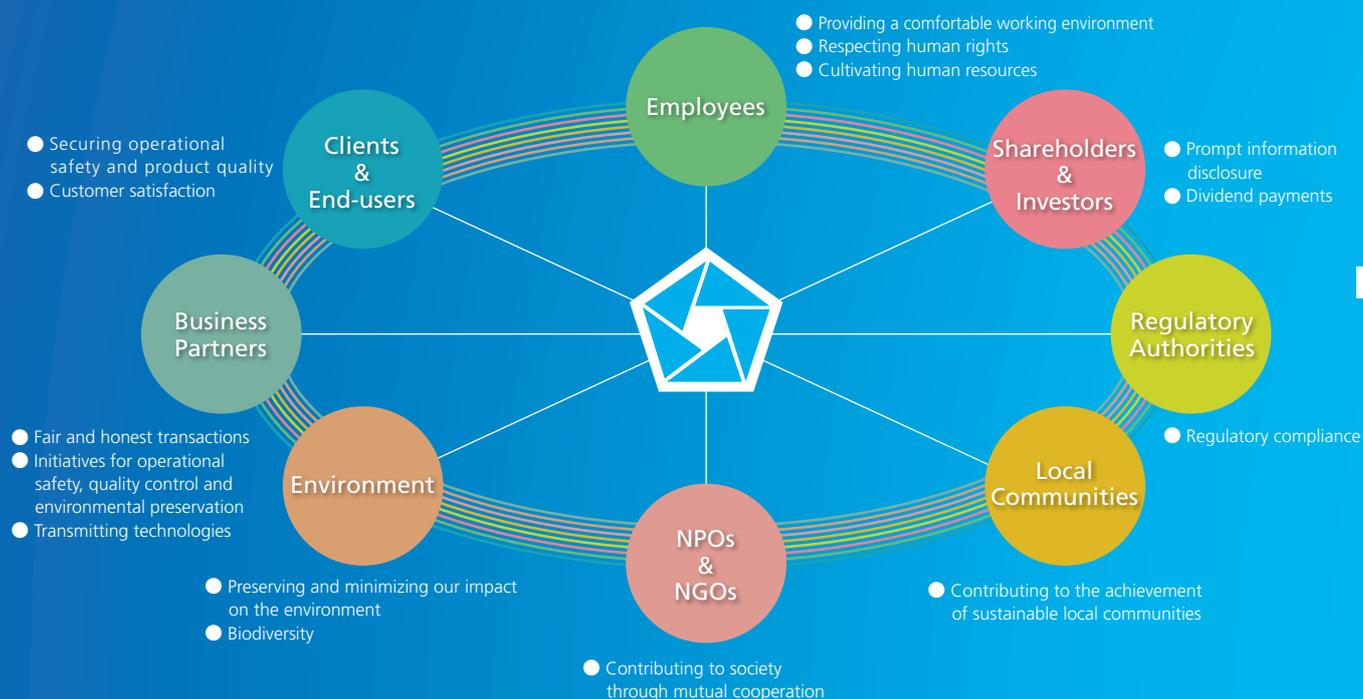
GOING FURTHER

その先の向こうへ



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

Penta-Ocean Construction Group and Our Stakeholder Engagement Model



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Corporate Policy

Affiliating with Society

The Company keeps abreast of continued growth by providing high quality construction services and building trustful relationships with all stakeholders.

Creating a Nature-Rich Environment

The Company strongly believes that the cornerstone of our social and economic activities is delivering a nature-rich environment to the future generations. We create safe and comfortable living and social environments through our earth conscientious operations.

Cherishing a Pioneering Spirit

The Company demonstrates an enterprising spirit in dealing with the changes in society that influence our business in order to conscientiously respond to the needs of our customers and communities.

Corporate Vision

“Creative” company for land and sea

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

“Committed” company guaranteeing solid quality

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

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

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

Penta-Ocean Construction Group's Corporate Value Chain



Contribution to the
sustained growth
of society

CSR Policy

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

Dignified Business
Conduct 

Coexistence with
the Environment
and Nature 

Human Propriety 

Information
Transparency 

Corporate History

– A Glimpse at the Yesteryears of Penta-Ocean Construction

Phase I

From foundation to development

Phase II

Recovery from WW2, overseas expansion and development in land civil engineering

Phase III

Evolving into a general contractor by strengthening our building construction abilities

1896



Mr. Jinjiro Mizuno founded Mizuno-Gumi (1896)

1950



Contract awarded for construction of coastal industrial zone for NKK Corporation (currently JFE Engineering) in Fukuyama City (1961)
Stock listed on the Second Section of the Tokyo Stock Exchange (1962)
Stock listed on the First Section of the Tokyo Stock Exchange (1964)

1960



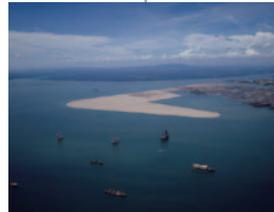
Contract awarded for construction of first large-scale quay walls and industrial facilities in the postwar era in Tsukumi Port, Oita Prefecture (1948)

1970



Contract awarded for Suez Canal expansion (1961)
Contract awarded for Suez Canal Widening and Deepening (1974)

1980



Contract awarded for Tuas Reclamation in Singapore (1984)

1990



Completion of the World Cargo Distribution Center (1993)

1996



Celebrated 100th anniversary of the Company's founding (1996)



The company renamed Goyo Kensetsu, and named Penta-Ocean Construction Co., Ltd. in English (1967)



Contract awarded for phase I of construction of artificial island for Kansai International Airport (1986)
Contract awarded for phase II of construction of artificial island for Kansai International Airport (1999)

Historical Events

1896

First modern Olympic Games (1896)

Great Kanto Earthquake (1923)
World War 2 (1939-1945)

Arab- Israeli Conflict (1948-1973)

1950

Completion of Tokyo Tower (1958)

Launch of the Tokaido Shinkansen (1964)
1964 Summer Tokyo Olympic Games (1964)

1960

1970

Full opening of Tomei Expressway (1969)

First Oil Crisis (1973)
Second Oil Crisis (1979)

1980

1990

Launch of the Tohoku Shinkansen (1982)

The Plaza Accord (and consequent drastic appreciation of the Yen) (1985)

1996

Great Hanshin Earthquake (1995)
Sarin Gas Attack on Tokyo Subway (1995)

Since our foundation as Mizuno-Gumi for marine civil engineering works, we have expanded our business horizons through various endeavors. While embarking on overseas ventures well in advance of our competitors, undertaking land civil engineering works, including the construction of tunnels and subways, and building construction works for logistics facilities and large hospitals, we have preserved a vigorous spirit for taking on new challenges in our corporate DNA. Having taken all obstacles and setbacks in our stride, we have a strong conviction that we can further enhance our contribution to society both in Japan and overseas.

Phase IV

Evolution and advancement

2000



Completion of Esplanade-Theatres on the Bay in Singapore (2002)



Self-propelling trailing suction hopper dredger, "QUEEN OF PENTA-OCEAN", (currently ANDROMEDA V) put into commission in Singapore (1999)



Completion of Kogouchi Tunnel of New Tomei Expressway (2005)

2010



Completion of MAZDA Zoom-Zoom Stadium Hiroshima (2009)



Opening of D-Runway of Tokyo International Airport (2010)



Completion of a large-scale self-propelled multi-purpose working vessel, "CP-5001" (2012)



Completion of a self-propelled cutter suction dredger, "CASSIOPEIA V" (2014)



Completion of ION Orchard, and the Orchard Residence in Singapore (2010)

2020



Completion of Kure City Hall (2015)



Completion of Sengkang Integrated Hospital in Singapore (2018)



Completion of a multipurpose self-elevating platform, "CP-8001" (2018)

2000

Adoption of the Kyoto Protocol (1997)
Nagano Olympic Winter Games (1998)
September 11 attacks, USA (2001)
Iraq War (2003)

2010

"EXPO 2005 Aichi", Japan World Exposition (2005)
Bankruptcy of Lehman Brothers (2008)
Great East Japan Earthquake (2011)

2020

Implementation of "Abenomics", Prime Minister Abe's economic stimulus package (2013)
Tokyo Olympic and Paralympic Games are scheduled to be held (2020)

2025

EXPO 2025 Osaka, Kansai is scheduled to be held (2025)

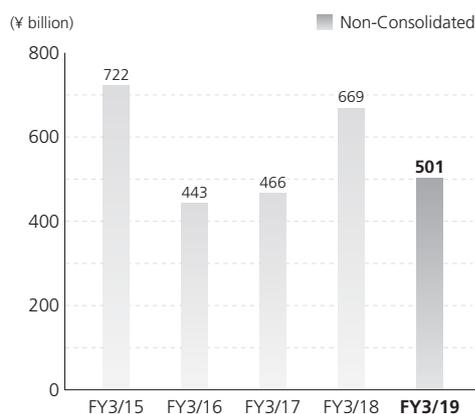
Consolidated Financial Highlights

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

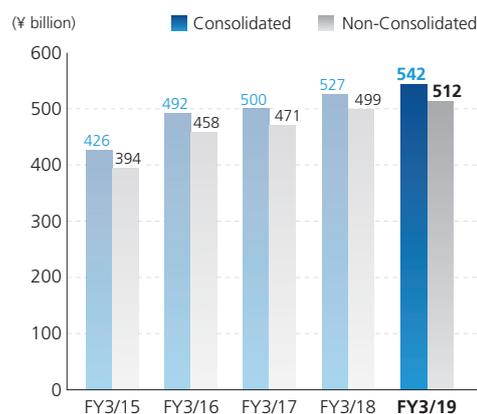
	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Net sales	¥526,902	¥541,949	\$4,882,866
Total assets	418,824	383,840	3,458,328
Net assets excluding non-controlling interests	111,971	126,517	1,139,896
Ordinary income	25,683	26,569	239,383
Income before income taxes	25,290	26,560	239,303
Net income attributable to owners of parent	17,826	18,899	170,279
Cash dividends	4,003	5,430	48,926
Per share of common stock:			
	Yen		U.S. dollars
Net assets excluding non-controlling interests	¥392.27	¥443.36	\$3.99
Net income attributable to owners of parent	62.41	66.22	0.60
Cash dividends	14.00	19.00	0.17

Note: 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.

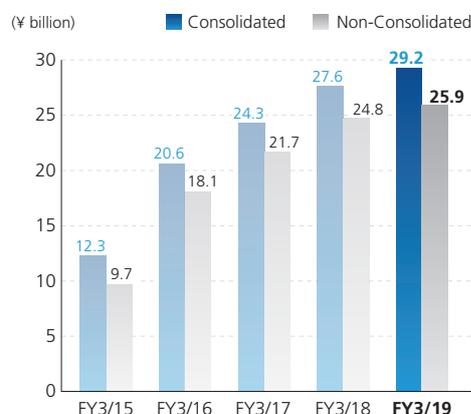
Orders Received



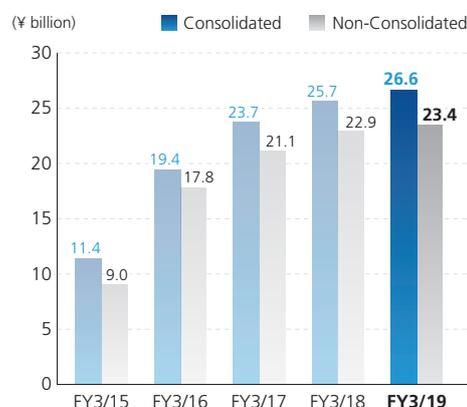
Net Sales



Operating Income



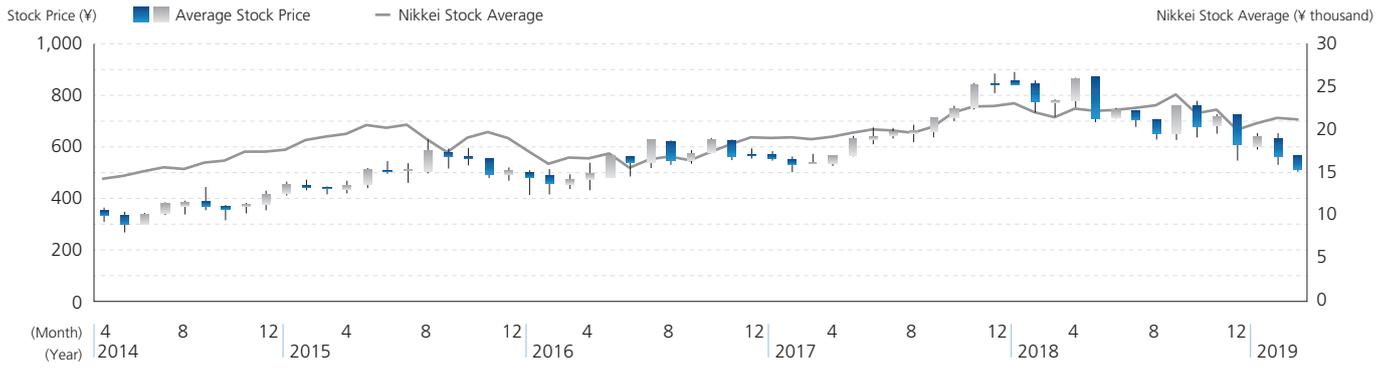
Ordinary Income



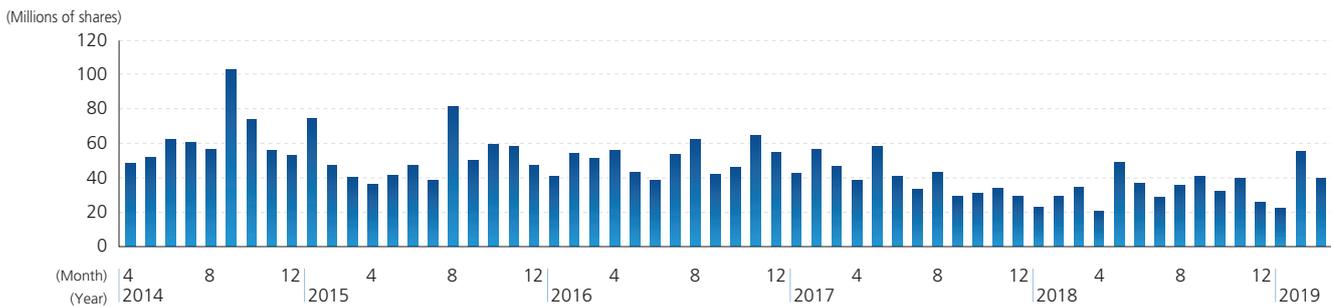
Disclaimer

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

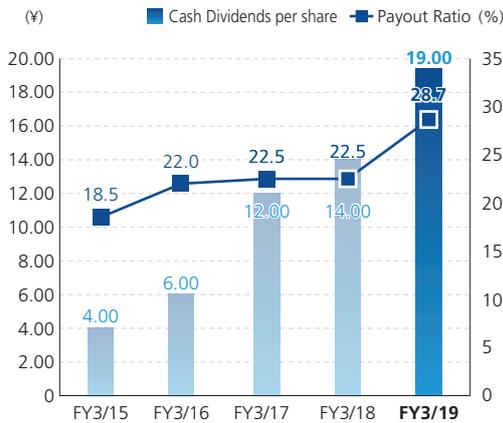
Stock Price Range



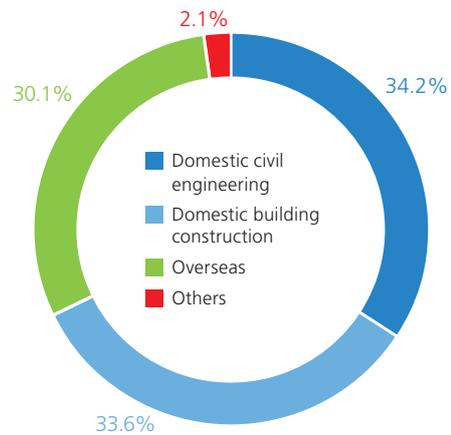
Trading Volume



Cash Dividends per Share and Payout Ratio



Sales by Segments

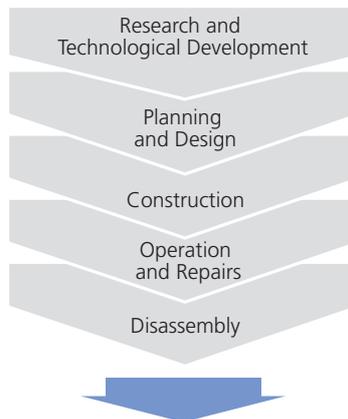


Business Activities and Environmental Burden

INPUT

Power (kWh)*	18,710,484
Light oil (kL)	36,536
Heavy oil (kL)	23,544
Kerosene (kL)*	336
Concrete (t)	1,328,000
Asphalt concrete (t)	126,000
Rubble (m ³)	1,016,000
Earth and sand (m ³)	3,734,000

* Site + office combined number



OUTPUT

Amount of CO ₂ emissions (t-CO ₂)	126,511
Amount of construction waste (t)	485,000
Final disposal rate (%)	2.0
Recycling rate (%)	98.0
Amount of soil generated from construction (m ³)	1,890,000



Message from the President

To affirmatively respond to the customer's trust with reliable safety and product quality, contributing to society through advanced technology



Takuzo Shimizu
President, Chief Executive Officer and Representative Director



Penta-Ocean Construction Co., Ltd. is now celebrating its 123rd anniversary since its founding as Mizuno-gumi in Kure City, Hiroshima Prefecture in 1896. Our business began with marine civil engineering works and has expanded to land civil engineering works and building construction works. We have had historical involvement in numerous and notable major overseas projects, particularly the Suez Canal Widening and Deepening project in Egypt, etc. This year is the 55th anniversary of the establishment of our base in Singapore.

We are now aiming to become a globally No.1 contractor in port, coastal and waterfront areas. Towards the year 2021 which is the 125th anniversary of the foundation of our company, we will strengthen the foothold as a distinctive general contractor with strengths in marine civil engineering and overseas businesses.

The world's economic situation remains uncertain due to concerns over the future of the economy and unstable political situations in the United States and Europe.

The business environment surrounding the construction industry, however, continues to be firm both in Japan and overseas. Our business is expected to expand further, owing to the steady progress of large-scale projects in Japan and overseas, as well as the substantial increase in Japanese public investment due to "the three-year emergency response plan for disaster prevention, disaster mitigation, and building national resilience".

The Medium-term Management Plan has entered the final fiscal year. Its results have exceeded the original plan and it is expected to achieve the record-high net income for the sixth consecutive years. We will further develop "Interdepartmental collaboration" between Civil Engineering and Building Construction businesses and also between Domestic and Overseas businesses, which is a unique corporate culture of Penta-Ocean Construction. We aim to be a company that can provide the high-quality social infrastructures and buildings for our customers as well as for the society, while improving productivity backed by advanced technology, and demonstrating the company's comprehensive strength beyond departmental borders.

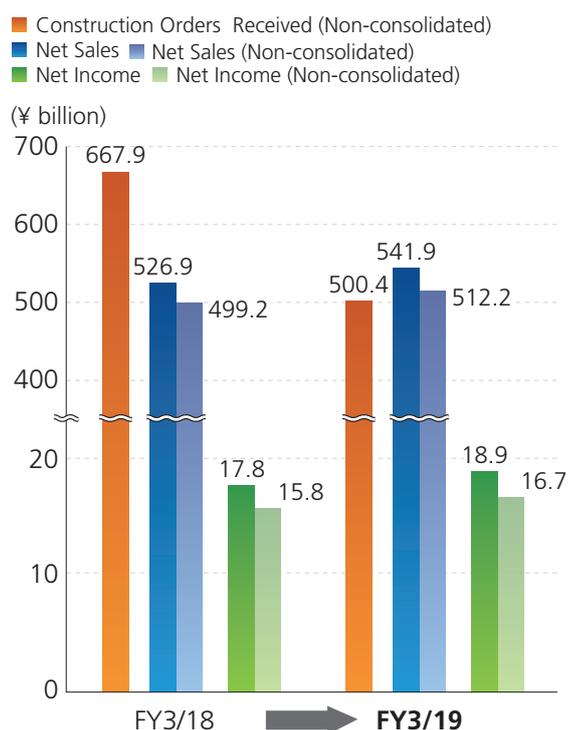
Under current good business climate, we will accelerate “Work style reform” and “Productivity improvement” aiming for “Two days off per week” which is one of the most impending management tasks for us. In order to realize this while the volume of business is expanding, securing and nurturing diverse human resources is first and foremost important. We have been actively engaged in recruiting and nurturing diverse human resources, such as not only new graduates but also mid-career candidates and foreign students.

In Japan, all the site staff have been provided with tablet terminals and promoting on-site productivity improvements such as utilizing ICT, promoting BIM/CIM and streamlining construction management operations. In overseas as well, Japanese and non-Japanese are working together to introduce a new global personnel appraisal system and to try to realize “Two days off per week”.

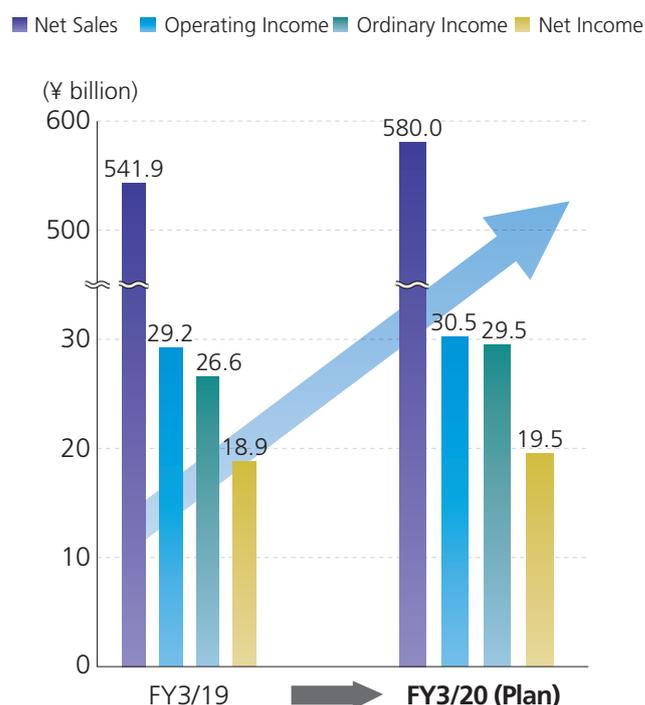
Both in Japan and overseas, we will promote “Diversity & Inclusion” with the aim of creating a company in which diverse human resources can work with mutual recognition and make the most of each other, regardless of gender or nationality.

Penta-Ocean Construction Group will continuously practice business management based on its Corporate Social Responsibility (CSR) Policy, with an emphasis on ESG. As for environment (E), we work on various environmental considerations in construction and contribute to creation of a better global environment through construction. As for society (S), we aim to contribute to society through construction of high quality infrastructures. As for governance (G), we practice highly transparent corporate management in accordance with the Japanese version of the Corporate Governance Code. We always maintain high ethical standards, cherish a culture of openness and trust where our technological strength is highly valued.

Construction Orders Received/Net Sales/Net Income



Revised Medium-Term Management Plan



Medium-Term Management Plan (FY3/18 - FY3/20)

Now, we have established our "Medium-Term Management Plan (FY3/18 - FY3/20)" for the three years from FY3/18 (the beginning year). We will make the effort to achieve the goals in this plan.

Prospects toward FY3/22 – our 125th anniversary
Global No.1 contractor in port, coastal and waterfront areas
(A corporate group that constantly achieves net sales exceeding ¥500 billion)

Basic Policy

To achieve steady business expansion as a unique general contractor with distinctive features in port, coastal and waterfront areas and overseas

Basic Strategies

1

Enhancement of marketing, site capabilities and technology **~ "Mastering the contracting business"**

- Reinforcing site capabilities and cost competitiveness as well as marketing endorsed by technology
- Development of proprietary core technologies, human resources
+ Enhancing collaboration with outside technologies/human resources
- Global development of Penta-Ocean Standards of Safety and Quality
- Future-oriented business development : Offshore wind farms, recycling of construction generated soil and dredged soil, etc.

2

Productivity improvement by rationalization of construction production systems **~ Measures against the nation's shrinking and aging work force**

- Development and active introduction to construction sites ⇒ leading to better safety control
- Labor-saving, automation and robotization, construction monitoring using ICT/ AI, BIM/CIM
- Organization-wide collaboration across units (Domestic vs. Overseas, Civil Engineering vs. Building Construction)

3

Securing and nurturing future work force, Work Style Reform promotion **~ Realized by productivity enhancement**

- Introduction of two days off per week (eight days off per four weeks), initiatives to avoid overwork
- Securing and nurturing diverse human resources : Improvement of working environment and conditions, encouraging female employees
- Promotion of globalization : Introduction of the global human resources evaluation system, discovering and nurturing core human resources
- Securing and nurturing skilled technicians : Reinforcing relationship with subcontractors, work style reform at construction sites

4

Initiatives for CSR based management **~ Stakeholder-oriented management (society, customers, shareholders and employees)**

- Continuous efforts to improve corporate governance and risk management
- Ensuring full compliance including corporate and engineering ethics, building a corporate culture of openness and trust

Target Earnings under Medium-Term Management Plan

Medium-Term Management Plan

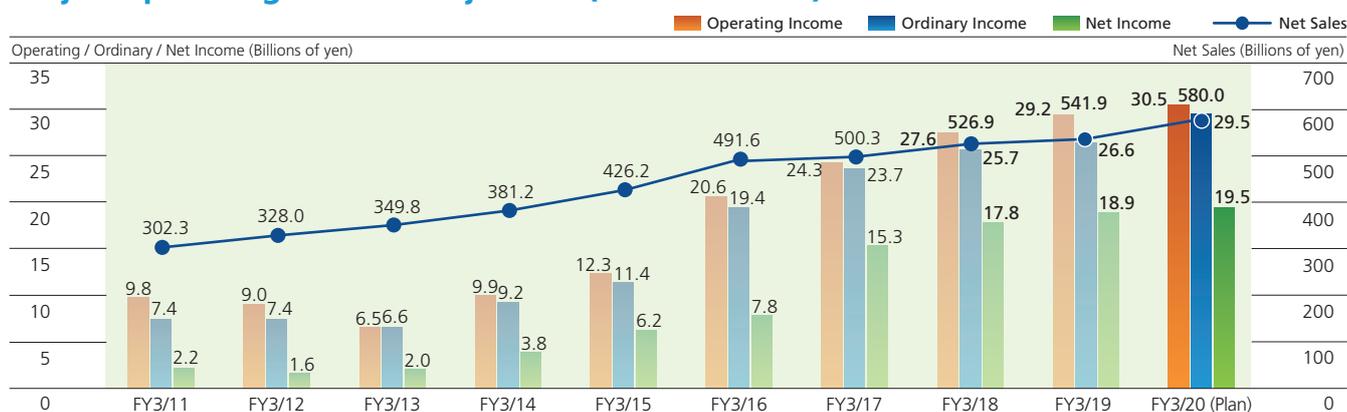
(Billions of yen)

	FY 3/19 (Result)		FY 3/20 (Plan)	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Earnings Targets				
Construction Orders Received	—	500.4	—	500.0
Net Sales	541.9	512.2	580.0	550.5
Gross Profit	46.7	42.0	48.9	44.4
Operating Income	29.2	25.9	30.5	27.5
Ordinary Income	26.6	23.4	29.5	26.5
Net Income	18.9	16.7	19.5	17.5
Earnings Per Share (¥)	¥66.2	¥58.5	¥68.3	¥61.3

Consolidated Financial Targets

Equity Ratio	33.0%	34%
Interest-Bearing Debt	59.5	60.0 or less
Net D/E Ratio	0.2 times	about 0.1 times
ROE	15.8%	15%
Payout Ratio	28.7%	29%

Major Operating Trends/Projection (Consolidated)



“CP-8001,” the First Japanese Multipurpose SEP Equipped with a Large Crane

Introduction

In December 2018, Penta-Ocean Construction Co., Ltd. completed the construction of “CP-8001,” the first Japanese multi-purpose self elevating platform (SEP) equipped with a large crane. By lifting the hull to the surface of the seawater, the vessel is able to carry out safe crane operation even under harsh marine and weather conditions. In Japan which is surrounded by the sea, the multi-purpose SEP “CP-8001” ensures to achieve high utilization rate, high-accuracy and safe operation in offshore civil engineering and construction of offshore wind power generation facilities.



Towards the Future of Renewable Energy

With the expansion of renewable energy, offshore wind power generation is spreading worldwide. According to the Global Wind Energy Council, as of the end of 2018, the world's offshore wind power output has more than tripled in five years. With the spread of offshore wind power generation, stiff cost competition has begun in Europe. Offshore wind power generation is also spreading in Asia, and offshore wind power projects are underway in Taiwan.

In Japan, the momentum to promote renewable energy has increased after the Great East Japan Earthquake, and the development of laws on offshore wind power has progressed. Many offshore wind power generation projects are being planned. However, there was no SEP equipped with a large crane that can install offshore wind power generation facilities in Japan.

As the "No.1 Contractor in port, coastal and waterfront areas," we built a multipurpose SEP equipped with a large crane ahead of other domestic construction companies.

Flowchart of Windmill Installation

In the installation work of windmill facility, a series of work of loading → sea transportation → monopile driving → windmill installation can be done only with CP-8001.



① Loading

The fabricated windmill components (towers, hubs, nacelles, blades, etc.) and foundation components (piles, etc.) are temporarily placed near the quay. We jack up CP-8001 on the quay and load the components on the hull with the main crane.



② Transportation

After loading is completed, CP-8001 is jacked down to float on water. The hull is towed and transported by a tug boat to the installation site. At the place where the windmill is installed, the legs are lowered, and the hull is jacked up with the hull position held by Dynamic Positioning System.



③ Installation

After placing the foundation, wind turbine components are installed in sequence. The windmill installation work is extremely precise and it requires high-precision crane operation. After the windmill is placed, the hull is jacked down to float and moved to the next location.

Offshore Wind Power Generation and CP-8001

Types of wind power generation

There are two types of offshore wind power generation: bottom-fixed type and floating type. CP-8001 is the first Japanese multipurpose self-elevating platform (SEP) equipped with a fully-revolving crane for the purpose of construction of a bottom-fixed type offshore wind power generation.



◆ Bottom-fixed type wind power generation

It is suitable for offshore with water depth shallower than 50 meters. With this method, wind turbine equipment is installed on the support structure (foundation) constructed on the seabed. Currently, more than 99% of the world's wind power generation systems in practical use are adopting this method.

◆ Floating type wind power generation

Floating type offshore wind power generation is more suitable for deeper seas than bottom-fixed type. With this method, wind turbines are installed on moored floating structures. It is effective for terrain with few shallow waters like Japan, but the installation of this type costs more than the bottom-fixed type, and it is still in the process of technical development.

Meaning of SEP

SEP is an abbreviation for "Self-Elevating Platform." It is a work vessel that lowers the four legs on the seabed and lifts the hull above the water surface.

Corresponding water depth

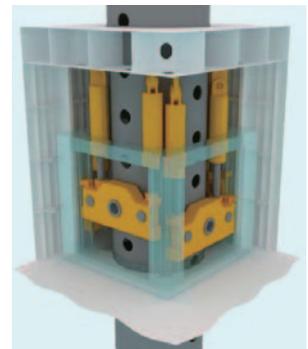
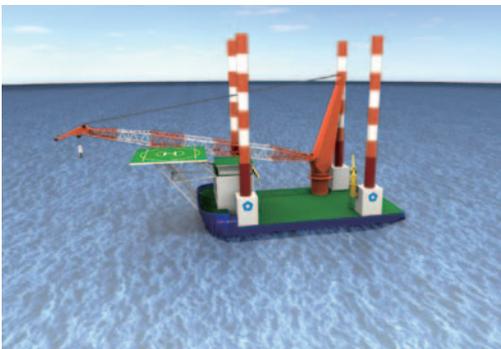
The maximum water depth in the port area is approximately 30m, where the bottom-fixed offshore wind power generation facility is planned to be constructed. Therefore, we tailored the length of the legs to be 66m at the time of construction. In the future, considering the possibility of operating in general sea areas with expected maximum water depth of about 50m, the CP-8001 is designed with the legs that can be extended up to 86m.

Feature ①

“CP-8001,” the Multipurpose SEP



Jack-up Device

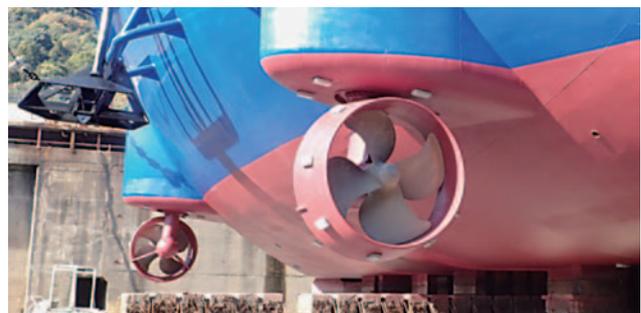


The leg has multiple holes in four directions into which the jack device pins can be inserted to raise or lower the leg.

The continuous hydraulic jack-up system installed on the ship is designed so that four pins are inserted at different heights, the leg is always moved up and down by three pins, and the remaining pin is inserted and replaced. As a result, there is no time loss to stop the jack for replacement, and the time required for hoisting is reduced by about 40% compared with the conventional jack system.

Azimuth Thrusters / Dynamic Positioning System

A total of four propulsion units and two sets of Azimuth thrusters, which can rotate 360° horizontally are installed on the bow and stern. CP-8001 is also equipped with Dynamic Positioning System (DPS). This device automatically controls the output and direction of the azimuth thrusters and holds the vessel at specified position while sensors and calculations detects external forces, such as tidal current, wind and waves that move the hull.





Senior Manager, Vessel and Machinery Management Division, M&E Group

Hideaki Okada

In 2013, I went to Belgium, the Netherlands and the UK to observe SEP vessels and wind farms and to learn about European offshore wind power projects. At that time, we had just completed the installation work of NEDO's offshore wind power generation facility for experimental study and offshore wind observation tower off the coast of Kitakyushu. Back then, Japan's offshore wind power generation business had many challenges in terms of technology, environment, infrastructure, and construction. Legal systems were not implemented yet. Compared to the situation in Japan, wind turbines were installed more efficiently by using SEP vessels in Europe. After seeing them, I strongly felt that we should have a large SEP vessel in Japan.

Although we adopted the overseas technology for the basic design, we could not just build the SEP vessels under Japanese construction conditions as is, because the overseas SEP vessels were tailored to their conditions. In Japan, there are different climatic conditions, such as earthquakes and typhoons that are not occurring in Europe, and there are a wide variety of seabed grounds, such as bedrock and soft ground. The submarine topography is also not as smooth as in Europe. CP-8001 is a SEP vessel well suited for Japanese construction conditions based on overseas technology.



Vessel and Machinery Management Division, Vessel Management Group

Masaya Ishikawa

With a limited knowledge I had on vessels, I had a hard time understanding the specifications and manuals written in English. The terms were so technical that I could not understand even if I searched them. But my supervisor and partner companies always helped me. I felt the expectations from my company and other parties around that they would like young engineers like myself to grow by gaining experiences and learning skills from the seniors. Each action of selecting on-board equipment or the crane layout has a meaning and is based on precise calculations to maximize the vessel's potential. I believe we were able to complete the first SEP equipped with a large crane in Japan because our company has the extensive expertise from building many work vessels in the past.

In addition, although there was regulation for SEP vessels in the classification of Japanese vessel it was difficult to apply it to a SEP equipped with a large crane, such as those used for offshore wind power generation in Europe. Based on this point, we had a series of meetings with the Vessel Classification Society together with the shipyard and solved the problems one by one while building CP-8001.

In the future, I hope that CP-8001 will become a pioneer to contribute to the development of the offshore wind power generation business and boost not only our company but the entire construction industry.



Feature ②

Promotion of i-Construction



What is "i-Construction"?

It is a technology that aims to improve the productivity of the entire construction production system by making full use of ICT* while creating more attractive construction sites. The promotion of i-Construction and improvement of productivity are expected to lead to "work style reform" and "securing human resources" which will play a vital role in the next-generation construction industry.

* ICT: Information and Communication Technology

▶ The Matarbari District is a region with a high turbidity level and very fast currents in the water. This is clearly seen in the difference in turbidity on the left and right sides of the embankment.

Labor-saving Construction Using 3D Information by Underwater Sonar, etc.

Matarbari Coal-Fired Power Plant Port/Site Construction (Bangladesh)

Overview of the construction

As part of the export of high-quality infrastructure promoted by the Japanese government, Bangladesh is building its largest coal-fired power plant located in the southeastern part of the country in order to meet their increasing power demand in recent years. As a part of this project, we are dredging an access channel for navigation of the coal ships spanning to a total length of 14 kilometers, constructing a sand dike to reduce siltation in the access channel after dredging, sand filling for reclamation of the power plant site including ground improvement.

Efforts to improve productivity in construction of sand barriers

In this project, we will construct a 1,753-meter-long sand dike to prevent siltation into the port. The sea area has high tidal currents and 0-meter underwater visibility. There are also restrictions on the construction period due to weather conditions such as the rainy and monsoon seasons. Thus, it was necessary to take measures such as labor saving. Also, 24-hour work shift was required to perform rapid construction for a short period of 14 months. Therefore, manpower saving technology by mechanized construction was incorporated to operate during the night.

Challenges to overcome

Turbidity with 0-meter underwater visibility

Highly difficult diving work due to tidal current

Solving problems using ICT

Underwater sonar installation for analysis

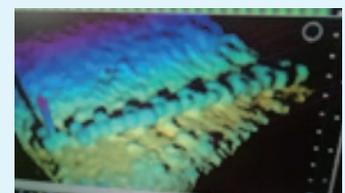
Unmanned underwater work through mechanization

Labor Saving Efforts through Mechanized Construction

- Block installation by remote control was conducted using underwater sonar
- Installation history management with sensors installed on trolleys
 - ▶ Realization of unmanned construction of the underwater parts during the night and in the turbid environments where visibility cannot be secured
 - ▶ Realization of 24-hour work shift because it was possible to carry out the work without relying on divers



Realization of labor saving by managing the history of the installed blocks by using the underwater sonar fitted on the part shown in red in the photo



Images taken by underwater sonar

Initiatives to Improve Work Efficiency by i-PentaCOL (Penta-Ocean Information Sharing System)

National Route 106 Yobesawa Tunnel Construction

Overview of the construction

The Miyako-Morioka Crossing Road is positioned as a reconstruction support road promoting cooperation between the areas affected by the Great East Japan Earthquake and inland, and supporting early reconstruction and further expansion of the emergency transportation network. The Yobesawa tunnel project is a tunnel extension construction up to 1,039m of the Miyako-Morioka Crossing Road.

Trial of new technologies such as IoT and AI -Public/Private R&D Investment Strategic Expansion Program (PRISM)

The Ministry of Land, Infrastructure, Transport and Tourism is promoting i-Construction, aiming to improve construction site productivity by 20% by FY 2025 by utilizing the "Public/Private R&D Investment Strategic Expansion Program" (PRISM*1) established by the Cabinet Office in 2018.

As part of this effort, a public offering of a "Project on the introduction and use of innovative technologies to dramatically improve the productivity of construction sites" was established. This project was designed for research and development to improve productivity at construction sites by testing new technologies such as IoT*2 and AI*3. A consortium represented by our company was selected. In the Yobesawa tunnel construction carried out by us, we made a trial of a variety of advanced technologies using ICT technology.

Improvement of work efficiency by i-PentaCOL

In this project, seven companies and educational institutions have formed a consortium and worked on the utilization of trial technologies. Since each trial technology measures and acquires data using different systems, it was necessary to integrate the systems using i-PentaCOL. The data aggregated in the cloud were shared with the clients and related parties, and the data from different systems were also utilized interchangeably.



On-site trial technologies

- ① 3D surface survey
- ② Autonomous drone
- ③ Ahead of tunnel-face exploration cloud sharing
- ④ Remote inspection
- ⑤ AR*4 inspection
- ⑥ Flow line measurement
- ⑦ Information collection and sharing system(i-PentaCOL)

Consortium members

- Penta Ocean Construction Co., Ltd.: ①~⑦
 Informatix: ⑤
 Osaka University: ⑤
 Sooki Co., Ltd.: ⑦
 Panasonic Corporation: ⑥
 Bcore, Inc.: ⑥
 Hitachi Systems, Ltd.: ②

* The number represents the trial technology that each company was represents charge of.

*1 PRISM: Public/Private R&D Investment Strategic Expansion Program

*2 IoT: Internet of Things

*3 AI: Artificial Intelligence

*4 AR: Augmented Reality

Challenges to overcome

The complexity of managing multiple systems

The complexity of using data between different systems

Solving problems using ICT

Integrating and storing information in the cloud

Using the information for 3D data source management, AR, etc.

Flowchart of Information Management Using i-PentaCOL

Data collection

3D construction drawing/survey information

Autonomous drone image information

Ahead of tunnel-face exploration information(horizontal boring etc.)

Flow line measurement information

Other on-site management information

Information from various trial technologies implemented by each company is imported in the cloud server.

Integration and sharing of data (practice of efficiency improvement)



Information was consolidated in i-PentaCOL in the cloud server. The information was used not only internally use, but also for examination of construction procedures with related parties through data sharing and remote confirmation with the clients.

Utilization of data (approach to advanced technology)

3D construction drawing information and survey information

Ahead of tunnel-face exploration information (horizontal boring data, etc.)

Data integration/conversion

AR inspection

Using a dedicated AR inspection tool, we superimposed 3D construction information data on the real space and carried out experiential inspection.

*The Yobesawa tunnel construction project will continue to work on PRISM in FY2019. Based on the results of FY2018, we will exploit more advanced and efficient technologies.

Promotion of Effective Corporate Governance

Corporate Governance Initiatives

Penta-Ocean Construction Group has built a unique corporate governance system to ensure sound, transparent and effective compliance management, as well as to secure the sustainable growth and development of the Company. Moreover, we are continuously “strengthening audits and audit functions (e.g. audits by auditors, internal audits and accounting audits)” relating to corporate management as our most important measure in order to enhance this system.

Corporate Governance System

1 Management and Business Execution

Our company's board of directors is composed of 10 directors, including three external ones, and operates in accordance with the laws, regulations, articles of incorporation, in-house rules, and Penta-Ocean Construction Corporate Governance Guidelines. In principle, a meeting of the board of directors is held twice a month, to make decisions on important management issues and supervise business operation. In addition, we adopted a system of executive officers, in order to clarify the responsibility for business execution.

Nomination of candidates for executive positions and proposals for executive compensation are made by the Board of Directors after consultation with the Nominating Committee, which is chaired by an outside Member of the Board. The Nominating Committee is composed of all external Members of the Board and a small number of other Members of the Board, not exceeding a majority. We have introduced a performance-based evaluation system for executive compensation.

We have established the Board of Auditors, which is composed of four auditors including three external auditors. In addition to attending the Board of Directors' Meetings, the auditors also actively participate in important meetings in the Company (e.g. Executive Board Meetings, Group Management Meetings) and monitor the execution of duties of Members of the Board. We believe that such a corporate governance system enables fair, transparent business administration.

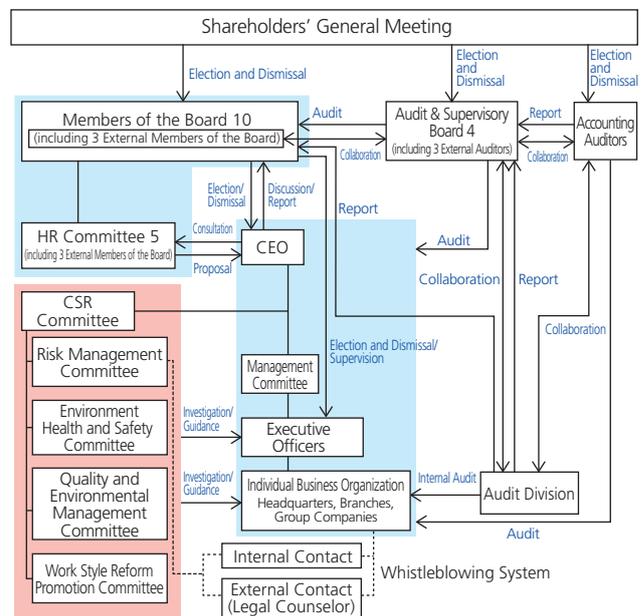
2 Internal Control and Risk Management

In order to ensure thorough risk management, legal compliance, and proper and efficient business operations, the Board of Directors has formulated a basic internal control policy and has established an internal control system.

The status of establishment and implementation of the Internal Control System is annually reviewed by the Board of Directors. The Risk Management Committee that was established in our

Headquarters has formulated a Basic Risk Management Policy and each business unit implements compliance measures including training in accordance with the committee's policy. We are working to prevent risk and minimize corporate losses associated with various risks that occur in company's continuing business activities (e.g. financial risks, construction risks and business continuity plan risks) not limited to compliance risks.

Corporate Governance System



Establishment of Corporate Governance Guidelines

Our company has established the “Penta-Ocean Construction Corporate Governance Guidelines”, as its basic stance for corporate governance and management guidelines. Following the revision of Corporate Governance Code in June 2018, we expanded and revised the guidelines on June 25, 2019.

1 Objectives

Penta-Ocean Construction makes CSR-oriented management a priority in its corporate philosophy. Pursuant to our corporate creed that “our greatest contribution to society is the construction of superior infrastructure,” we have set high goals to offer high-quality workmanship backed by advanced technologies developed with high regard to safety and ecological considerations. We strive to achieve sustainable growth and to further enhance our corporate values in order to grow into an even more attractive corporation in the eyes of our various stakeholders.

To achieve this goal, we have decided to place a greater emphasis on enhancing corporate governance, and have established the Penta-Ocean Construction Corporate Governance Guidelines as a

set of basic policies and guidelines. In accordance with these guidelines, we will strive to expedite our decision-making process and ensure management transparency while responding appropriately to changing business conditions.

2 Structure of the Corporate Governance Guidelines

- Ensuring shareholders' rights and equality
- Proper cooperation with stakeholders other than shareholders
- Appropriate information disclosure and transparency
- Duties of the Board of Directors
- Dialogue with shareholders

Compliance Initiatives

Our Group has established Risk Management Committees in each company of the Group in accordance with the “Basic Compliance Policy”, ensuring that all employees and executives of the entire Group comply with laws and regulations, respect social norms and corporate ethics, and act with integrity at all times.

Basic Compliance Policy

All of our group employees and executives shall observe the laws and regulations in their business activities and respect social norms and ethics, and also act with integrity at all times. In particular, when bidding for construction projects, we will practice fair and free competition by observing the Antitrust Act and all other relevant laws and regulations.

Compliance Promotion Initiatives

We are continuously working so that our employees and executives to appropriately comply with the complex laws surrounding them even in the midst of daily work pressure through various in-house training courses and dissemination of information on the Group Intranet.

Compliance Training

We provide compliance training to ensure that all employees and executives of the entire Group comply with the laws and regulations, respect social norms and corporate ethics, and act with integrity at all times. In FY 3/19, a total of 11,153 executives and employees took part in the training and e-learning by type of occupation and position.

In the International Business Unit, group training was held in Singapore and Hong Kong, and other Southeast Asia and Africa, etc., attended by 152 Japanese and 1,759 non-Japanese employees.

In Japan, group training was provided for technical and sales staff by type of occupation and position, from new employees to management level employees. The group training included discussion sessions, which allowed attendees to have better understanding of the themes. In addition, we incorporated the latest examples in the e-learning for all

staff, and we believe that attendees were able to recognize anew that it is important not to involve or violate the laws and regulations.

In the International Business Unit, we conducted harassment training to Japanese and non-Japanese employees under the theme of respect for diversity, in addition to “Competition Act (Antitrust Act),” “Bribery,” “Engineering ethics,” and “Unauthorized use of software.”



Risk Management Initiatives

Penta-Ocean Construction Group appropriately and continuously manages various risks that are assumed to occur in the course of its business, such as making efforts to prevent the occurrence of such risks and to minimize losses caused by the risks, which may affect the entire group management.

Risk Management Structure

In April 2008, our company established the “Risk Management Committee” with the aim of comprehensively managing the occurrence of risks. The Committee has taken the lead in managing various risks, such as compliance risks, information risks, business continuity plan (BCP), and large-scale disaster risks, etc., which the Committee inculcate, and has nominated a department in charge of risk management for each risk category.

Furthermore, in April 2010, our group introduced the concept of group risk management to strengthen risk management of the Group companies.

By identifying and classifying risks in advance, we have established Risk Management System that enables us to promptly respond according to the type of risk that actually arises. As a result, we will be able to minimize the damage caused by risks, even in the event of unexpected risks. By reviewing the results of our efforts to deal with the risks, we will be aware of and prepared for new risks.

Information Security Management

In recent years, there has been a steady stream of information-related incidents and accidents, including a leak of personal and other confidential information. As such an incident or accident occurs, the company will suffer immeasurable damage as well as shoulder grave social responsibility. Thus, the company is required to control information appropriately. Furthermore, in the current information society, the company is required to make

arrangements and responses based on the information systems environment (electronic bidding, electronic delivery, e-commerce, etc.). After establishing the Information Management System in 2004, we have been reviewing and enhancing the system periodically. Also, by leveraging common groupware, we not only take physical measures for information systems equipment, but also strive to improve the information management technology through providing training such as e-learning information education for all employees and executives (twice a year) and job-specific training.

2003	Issuance of the “Information Management Criteria” regarding the handling of information systems
2004	Introduction of the “Information Management System”
2005	Full implementation of “Personal Information Protection Act” Start of Business Continuity Plan (BCP) activities Signing of the “Confidentiality Agreement” with all business partners
2006	Implementation of internal audit concerning information security Establishment of a Security Policy for six affiliated companies
2008	Implementation of self-check for Information Security
2012	Smart device deployment and revision of the Security Policy
2016	Revision in line with “My Number” System Review of information on Security Policy in accordance with groupware migration
2017	Revision and establishment of Security Policy for 10 affiliated companies

Creation of a Rich Environment

Environmental Initiatives

Our company is working on manufacturing technologies in consideration of preservation of rich global environment, in order to enhance biodiversity (diversity of ecosystems, diversity of species, and diversity of genes). To create a future in which people and nature coexist, we are conducting research and development based on the technology and experience we have acquired through various construction projects.

Basic Environmental Guidelines

1. We shall contribute to a recycling-oriented society and preserve the natural environment by taking measures to reduce global warming.
2. We shall prevent environmental accidents.
3. We shall enhance mutual communication with local communities and conduct eco-friendly planning and construction, while developing technologies to preserve and restore the environment.
4. We shall communicate with all our stakeholders to enhance their awareness of the importance of environmental preservation.

Effective Use of Soft Dredged Soil (Calcia Reforming Technology)

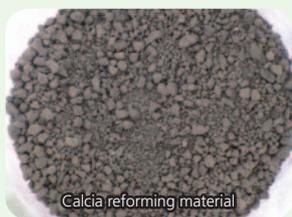
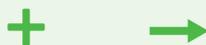
Outline

Calcia reforming technology improves the physical and chemical properties of dredged soil by mixing the soft dredged soil generated from the port works with the calcia reforming material (materials for controlling the composition and adjusting the particle size of steelmaking slag from converter system) generated in the steelmaking process.

Calcia reformed soil improves the strength of soft dredged soil and ensures long-term durability, so it is effective for consolidation settlement and liquefaction countermeasures. It is also possible to prevent and control the elution and pollution of hazardous substances and to form slopes during construction. By taking advantage of these features, this method can be applied to a wide range of port works, including landfill materials, filling materials for inner walls, filling materials for seawalls, and submerged breakwaters to prevent sea-lanes from being buried. This method is expected to shorten construction periods and reduce costs.

Our company has developed a high-performance calcia reforming technology using short fibers and mud improvement materials and is working on dredged soil recycling at ports.

Overview of the Calcia Reforming Technology



The mixing ratio of calcia reforming material is generally 20% to 40% of the volume of dredged soil, and it can be widely used as landfill material, lining, embankment and filling materials.

+ Short fiber

Adding short fiber enhances toughness and strength, and the material can be applied to bottom impervious layer and prevention of water absorption.



+ "Watoru", Water-absorbing mud reforming material, Wattle

It is a material to which Watoru, a water-absorbing mud reforming material, is added. It can secure strength when dredged soil is not strong due to high moisture content. When Watoru is added to dredged soil with a normal moisture content, it can be used to backfill soil, submerged dike etc., as it suppresses fluidity.



+ Blast furnace cement

It is artificial stone material added with blast furnace fine powder and blast furnace cement, and it can be applied to lining stones, submerged dikes, algae reefs, etc.



Awards and Technical Evaluation

"Calcia reformed soil"

- Received the 19th National Land Development Award
- NETIS registration CKB-150001-A
- Ministry of the Environment Environmental Technology Demonstration Project 090-0901
- Basic certification for a restoration technology for the environment in fishing areas (Japan Fisheries Science and Technology Association) No. 26001

"Fiber-reinforced calcia reformed soil"

- Obtained the technical evaluation certificate (No. 17001) from Coastal Development Institute of Technology

Obtained the “ZEB” Certification for Hisamitsu Pharmaceutical Museum

Hisamitsu Pharmaceutical Museum achieved an energy saving rate of 103% including energy generation, and it received the “Zero Energy Building (ZEB) certification,” which is the highest rank “☆☆☆☆☆” of the Building-Housing Energy-efficiency Labeling System (BELS). This is the first ZEB certification acquired in Saga Prefecture.

The building was a project commemorating the 170th anniversary of Hisamitsu Pharmaceutical Co., Inc., and the construction was completed in February 2019. World-renowned Italian sculptor Cecco Bonanotte was in charge of the basic design. In response to the promotion of their “CSR activities aimed at the development of an affluent society and global environmental conservation,” we made a technical proposal for ZEB.

In making a proposal for ZEB, we achieved a high energy-saving rate through measures such as strengthening roof insulation, energy-saving air conditioning equipment, and operation control of equipment using various sensors. A solar power system is used for energy creation, and solar panels are placed on the roof surface to the maximum to secure a large amount of electricity throughout the year. In addition, the installation height and installation angle were taken into consideration so that the solar panels are not visible from the ground. After completion, we will monitor and analyze the energy consumption during the building use, so that we can accumulate the expertise of automatic operation control by validating the effects of the adopted technologies.



Hisamitsu Pharmaceutical Museum Construction Overview

Location: 427 Tashiro Daikancho, Tosu City, Saga Prefecture	Shinko special construction enterprises
Client: Hisamitsu Pharmaceutical Co., Inc.	Scale: Total floor area 687.63 m ²
Design and supervision: Yasui Architects and Engineers	Structure: Reinforced concrete, 2 floors above ground
Construction: Penta ocean construction and	Completion: February 2019



BELS “ZEB” plate

What is BELS?

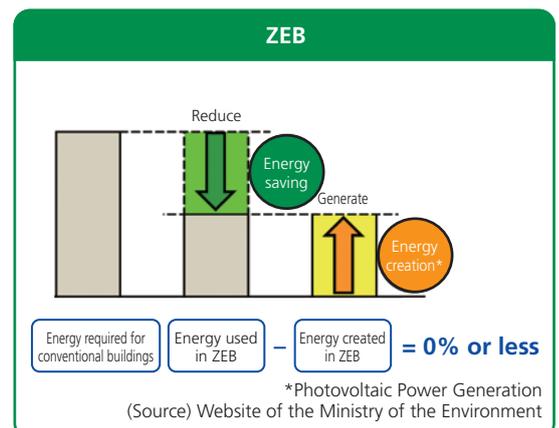
BELS is an abbreviation for Building-Housing Energy-efficiency Labeling System. It is a system in which a third-party evaluation organization evaluates and certifies energy-saving performance in new and existing buildings. ☆ is displayed in 5 stages according to performance.

What is ZEB?

It is an abbreviation for Zero Energy Building. It is a building that aims to reduce its annual primary energy balance to zero while realizing a comfortable indoor environment. Energy consumption cannot be reduced to zero because of human activities in the building, but energy consumption is reduced to net-zero through energy saving and on-site creation of required energy.

<Method>

- Outer skin specification: Insulation reinforcement of roof
- Air conditioning equipment: Adoption of high-efficiency air conditioning, system subdivision operation control
- Ventilation equipment: High efficiency ventilation fan, operation control by a CO₂ sensor
- Elevator: Addition of power regeneration function
- Energy creation: Solar power generation



Recycling Business

Construction Sludge Recycling Business (Sendai Ecoland)

① Overview of the business

This business promptly processes inorganic sludge from construction work and drilling work (certain type of sludge which cannot be reused, such as cement-bentonite mixture, construction sludge having a high moisture ratio, etc.) into construction material "Shimarussa (reconditioned sand)."

② Characteristics of the business

- Since construction sludge, which is industrial waste, goes through the granulation and solidification process without pretreatment (dewatering, drying, etc.), water pollution, noise, vibration, dust, etc. never occur, preventing any impact on the surrounding environment.
- Construction sludge having a high moisture ratio can be granulated and solidified in just a few minutes.



③ Use of recycled product "Shimarussa (reconditioned sand)"

Since the treated soil has sufficient strength with properties of high-quality sand and gravel, it can be used as civil engineering material.

Main construction projects that generate sludge

- Shield work, propulsion work
- Basic construction work
- Dredging work
- SMW, continuous wall construction
- Soft ground excavation, etc.



Sludge treatment plant

Miki Composting Center

*This business is conducted by JAIWAT Co., Ltd. (our wholly owned consolidated subsidiary)

Food Waste Recycling Business (Miki Composting Center)

① Overview of the business

This business processes and sells compost materials made from organic waste discharged from food-related companies, etc.

② Characteristics of the business

- With the automatic agitator (scoop-type) and the forced air circulation (aeration), collected food waste is subject to primary fermentation for about 1 month, and then further fermentation and maturation for about 3 months to produce complete compost.
- Since the Miki Composting Center is located near the Hanshin district with concentration of many food-related companies and easily accessible from interchanges of the expressway, it can contribute to the reduction of waste transport costs.

③ Use of recycled product (compost "Minami-No-Hikari")

Made from recycled food waste, not only is this product nature-friendly and safe compost, it also is free from unpleasant odors because it is fermented and matured for a long time. It can be used for a variety of applications including full-scale agriculture, landscape gardening, greening, and private vegetable gardens.



Inside the facility



Panoramic view of the facility



Product "Minami-No-Hikari"

*This business is conducted by Miki Biotech Co., Ltd. (our wholly owned consolidated subsidiary)

Paper Sludge Incineration Ash Recycling Business (Sodegaura Ecoland)

① Overview of the business

This business manufactures a water-absorbing mud stabilization material "watoru" made from paper sludge incineration ash discharged from papermaking companies, and supplies it for construction.



Panoramic view of the facility

② Characteristics of the business

- The material is harmless and extremely safe, since it undergoes chemical treatment using special chemicals.
- This is a mud improving material with two characteristics: instant improvement effect and gradual strength development property.
- Includes three main components: calcium, silicon, and aluminum.
- Has high water absorbing and deodorizing properties.
- Reformed soil demonstrates eco-friendly, neutral to slightly alkaline pH levels. Unlike the case of cement treatment, it is not solidified.



"Watoru,"
a water-absorbing mud
recycled material

③ Use of recycled product ("Watoru," a mud stabilizing material)

This product is suitable for the treatment of dredged soil in ports, rivers, and lakes, as well as mud and sludge generated in the course of excavation work on land.

Example of using Watoru



Before treatment with Watoru



After treatment with Watoru

*This business is conducted by JAIWAT Co., Ltd. (our wholly owned consolidated subsidiary)

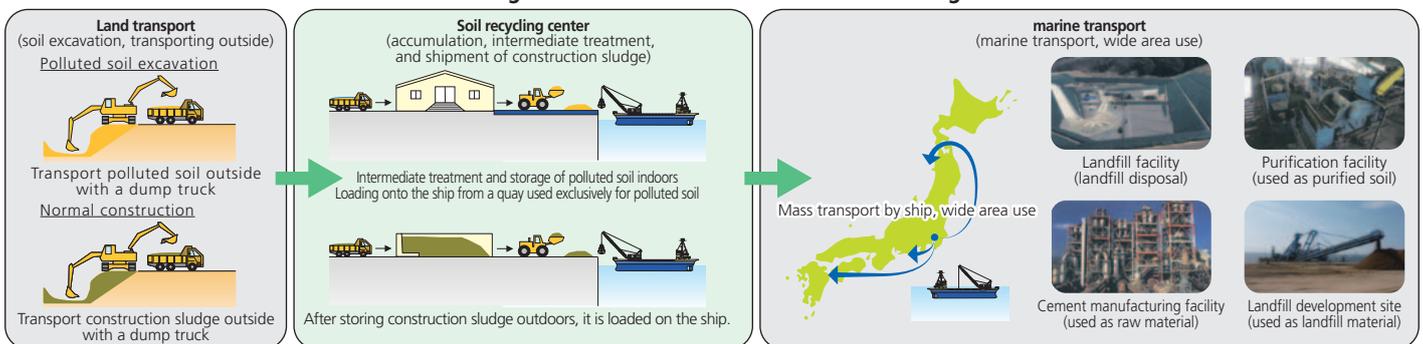
Construction Sludge Business for Wide Area Use

- Ichikawa Soil Recycling Center
- Yokohama Soil Recycling Center
- Nagoya Soil Recycling Center

① Overview of the business

This business operates Soil Recycling Centers (in Ichikawa, Yokohama, and Nagoya) that perform accumulation, intermediate treatment, and shipment of generated sludge to recycle construction sludge and contaminated soil generated in the Kanto and Chubu regions over wide areas.

Image of the wide area use of construction sludge



② Characteristics of the business

- Helps reduce the transport distance of trucks by making the most of our positional superiority in the Kanto and Chubu regions.
- Adopts a 24-hour acceptance system.
- Allows mass transport by a large ship using of the quay which can dock up to a 10,000t class ship.



Ichikawa Soil Recycling Center



Yokohama Soil Recycling Center



Nagoya Soil Recycling Center

Working in Harmony with Society

Efforts to Respect Humanity

Respect for Diversity

We are making efforts to value the individual abilities and to respect employee diversity by, for example, creating a working environment that is pleasant to work in regardless of attributes such as nationality, gender or workplace. We are also promoting employment of people with disabilities and stability of their work force and improving the retired worker re-employment system. Regarding the employment of people with disabilities, we have set up "a satellite office for employment of people with disabilities" in three places and continue to employ them stably. In addition, as human rights awareness activities, we hold human rights awareness workshops for our executives to raise awareness about diversity.

Supporting Next Generation Development

Aiming to create a pleasant working environment where employees can balance work and family (childcare/nursing care) and fully demonstrate their own abilities, we established the "4th Action Plan for Supporting Next Generation Development" in FY3/18 and now working on it as a five-year task. In addition, aiming to support the balance between employees' work and childcare/nursing care, we have distributed a specially designed handbook, lent PCs for offering company information to those employees taking childcare/nursing care leave, and held a family tour attended by family members of employees.

Promotion of Women's Empowerment

For the sites to which female technical employees are assigned, we install changing rooms and resting rooms in advance as well as provide training seminar on the company system and how to achieve a balance between childcare and career for young female full-time employees on the main career track, promoting the development of a pleasant working environment for women.

Furthermore, senior female employees conduct interviews regularly to new female employees, asking their recognition of current situation and offer counseling sessions.

We have also developed a system that allows women to continue work after time off from work to take care of a family member. Interviews with their superiors are arranged before and after childcare leave and mutual understanding regarding returning to their old jobs are deepened.

Won the Excellence Prize at the 4th "Kensetsu Komachi Activity Promotion Award"

Following last year, we won the excellence prize in the 4th "Kensetsu Komachi Activity Promotion Award" hosted by the Japan Federation of Construction Contractors (JFCC). This award was established in 2015 with the aim of helping foster next generation, promote diversity, and improve the image of the construction industry by awarding efforts to promote the active participation of women in the construction industry.

Our ICT team (Japan) and BIM/CIM Group (Singapore) are working on technology development in an environment where employees with various personalities can play active roles regardless of gender, nationality, language, and occupation. In addition, our young female engineers in Japan improved their awareness of career advancement through work with female leaders who are active in overseas offices. These points were highly recognized and led to the award.

Held "Kensetsu Komachi Active Site Tour 2018"

"Kensetsu Komachi Active Site Tour 2018" sponsored by the Japan Federation of Construction Contractors was held. This tour is a special summer vacation project organized by the Japan Federation of Construction Contractors as part of their efforts to promote active participation of women. It was one of the tours held at 19 sites throughout Japan where "Kensetsu Komachi" are active, targeting female elementary and junior high school students and their parents.

We conducted the "Tokyo Bay Cruise/Large Ship Terminal Construction Site Tour." 24 people (11 groups of parents and children) participated to observe the new passenger ship terminal constructed by our company from a ship, the Tokyo Port Rinko Road Namboku Line construction site, and the underwater screen installation and removal work. At the work experience corner, the participants were involved with a concrete work, bundled reinforcing steel, and had surveying experience.

Eleven Kensetsu Komachi, including the Director of the Oshima Diversity Promotion Center of the HR Department (a committee member of the Kensetsu Komachi Sub-committee), guided the tour and presented the features of women's work in the construction industry and the attractiveness of construction industry while interacting with participants.

Global Personnel System

In FY3/18, we adopted a personnel evaluation system for foreign workers in Singapore and Hong Kong, which are the major footholds of our international division. In July 2018, we introduced a grading and remuneration system.

The objective of the personal evaluation system is to motivate employees to attain their goals, promote personnel development, and facilitate communication between superiors and subordinates.

The grading and remuneration system boosts the incentive to perform well and achieve goals by reflecting performance and evaluation in the international division in remuneration, and enhances foreign workers engagement in efforts to achieve their individual targets.

Work Style Reform

In order to realize "two days off per week and overtime not exceeding 720 hours," we established model sites taking seven or eight days off per four weeks in FY3/18, defined the second Saturday of each month as "closing Saturday," and started efforts to give six days off per four weeks without fail. In FY3/19, we defined both the second and fourth Saturdays as "closing Saturdays" with the aim of having individual employees take six days off per four weeks with compensating holidays and rotating schedules.

As for overtime work, we engage in activities for reducing overtime work by one hour per person per day in order to realize overtime not exceeding 720 hours for all employees by the end of FY3/20. In addition, in order to attain these goals, we are actively proceeding with the development and adoption of productivity improvement technologies.

In order to enrich the work and life balance, we conduct activities to improve the working environment, including the promotion of active utilization of scheduled five paid annual holidays, childcare leave, nursing-care support, trail of telework, and support for child rearing, in order to foster enthusiasm among all employees.



	FY3/16	FY3/17	FY3/18	FY3/19
Number of employees (Women in career-track position) (Female technical staff among women in career-track position)	2,522 (30) (22)	2,572 (32) (23)	2,673 (54) (44)	2,793 (79) (66)
Number of new employees (Women in career-track position) (Female technical staff among women in career-track position)	118 (5) (3)	116 (3) (2)	164 (23) (22)	190 (30) (24)
Number of foreign employees (Women)	1,726 (400)	2,004 (428)	1,800 (432)	1,781 (408)
Employment rate for persons with disabilities (%)	1.84	2.00	2.20	2.25
Rate of taking paid holidays (%)	25.0	28.7	52.2	53.1
Rate of taking childcare leave (for women) (%)	85.7	85.7	100	100

Occupational Safety and Health

Penta-Ocean Construction gives top priority to safety in construction work, with the basic policy of respecting each person. In the construction field, Penta-Ocean obtained the "certification of COHSMS" earlier than other construction peers, and continues safety and health management with "PENTA-COHSMS."

Health & Safety, Quality and Environmental Policy

Penta-Ocean Construction Group shall promote construction activities by taking utmost consideration of health & safety, quality and environment and shall comply with all relevant laws and other requirements. Furthermore, we shall proactively work on the workstyle reform and improve productivity to realize reform and to achieve sustainable development as an attractive company that is trusted by all stakeholders.

We shall strive to earn trust from society by providing eco-friendly products and services that give satisfaction to our customers through our devoting efforts to prevent all accidents through safety-first construction with respect for humanity. By ensuring all employees' strict adherence to the above-mentioned policy, we shall promote efficient and effective implementation of the policy while continuously improving the existing management systems. Under the above management philosophy, we established the following guidelines.

Examples of Accident Prevention Activities

Efforts to Prevent Fall Accidents

Our company has adopted an "Issuance of Immediate Red Card for the Non-use of Safety Belts System"* that identifies those who fail to use safety belts when working at height and sends them out of the site in order to ensure that employees are using safety belts with the aim of achieving "zero fall accidents."

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

Efforts to Prevent Crane Accidents

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

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

Enhancing On-site Communication

We are working on the promotion of a "Friendly Greeting Campaign" that aims to achieve "zero incidents, accidents and illnesses" in order to create a safe, healthy and lively workplace culture by calling each other by name.

Health & Safety Activities Guidelines

1. Strive to prevent all accidents as well as industrial accidents, including those involving the public.
2. Prevent occupational diseases, promote mental and physical health and create a comfortable working environment.
3. Conduct health & safety inspection activities in cooperation with employees and partner companies with an aim to improve the health and safety standards.

Social Contribution Activities

Promotion of IR (Investor Relations)

Under the basic policy of timely and appropriate information disclosure, our company makes efforts to enrich the various IR tools on our website to response to customer requests. We hold bi-annual financial results briefings for institutional investors and analysts with the participation of the management of our company, and accept individual interviews from 200 to 300 analysts annually. We also held a tour on board of the self-elevating platform (SEP) multi-purpose crane ship "CP-8001" to introduce our latest cutting-edge technology. Additionally, the president of our company visits the U.S. and Europe once a year to directly discuss our business strategies, etc. with institutional investors and analysts overseas.

Through these various activities, we strive to enrich communication with shareholders and investors.



Held "Site Tours for Individual Shareholders"

As part of our IR activities, our company holds on-site tours for individual shareholders at our civil engineering and construction sites. These tours have been held since 2016 with the aim of deepening their understanding of our business activities through visiting the sites.

In the civil engineering site, 44 shareholders have toured around the site while cruising the Tokyo port. As for construction site, 38 shareholders toured the high-rise condominium building and experienced the work at the site. Going forward, we will continue to conduct tours for individual shareholders to help them understand our company's technological capabilities and expand the base of the construction industry.



Participated in a Summer Science Event

Our Joint Venture for the construction of the Tono-machi Haneda Airport Line, has participated in a summer science event organized by KING SKYFRONT (an urban redevelopment project in the Tono-machi area of Kawasaki Ward) in Kawasaki City. The purpose of this event was to create opportunities for elementary school students to come into contact with science, enhance understanding in KING SKYFRONT, and promote interactions with various institutions through this event.

As a hands-on event, our Joint Venture allowed the participants to board a vehicle for work at heights and had a tour of the site. In addition, female employees of the Joint Venture's Kensetsu Komachi and Kawasaki City representatives explained the mechanism of the bridge with the theme of "Do you know what a bridge is? Let's make one and learn!"



Held Private Company Training for Teachers

Our company has been conducting the "private company training for teachers" targeting public school teachers, and a total of 202 teachers have participated in this year's event for 26 consecutive years thus far. This training program is hosted by Keizai Koho Center, and is held every year. The training offers various programs for teachers at private companies. It is hoped that they will utilize their experiences in the education of children and also in school management.

This year, we invited 12 teachers to participate in the training. The Civil Engineering/Building Construction Business Unit introduced construction results in Japan and overseas and explained the company's business activities. The Human Resources Division introduced Work Style Reforms and mental health care initiatives. Then they went on a site visit and experienced the construction work.



Held a Tour for Local Kindergarteners at the Institute of Technology

On Civil Engineering Day (18th November), we invite children from local kindergartens to visit the Institute of Technology in Nasu-shiobara City to learn the construction industry. This year, we have invited 57 senior class students and 7 teachers from Futaba Kindergarten to tour around our facilities and experience participatory experiments in each laboratory building.

Before the tour, the children have learned about our Suez Canal restoration project. Therefore, they were filled with curiosity in the exhibition space, saying "That is devil's bedrock!" The teacher asked them "Who wants to work at Penta-Ocean Construction?" and we heard children answering, "Me, me!" The event seems to have helped in developing young children's interest in the construction industry and our company.



Seaweed Cleanup Activities at Wajiro Tidal Flat (Fukuoka City)

We participated in the seaweed cleanup activities at Wajiro Tidal Flat. On the Wajiro Coast, a large amount of seaweed grows from summer to autumn, covering the tidal flat. It hinders the growth of living creatures in the tidal flat such as clams. In addition, the seaweed near the shore causes a rotting odor if left untouched. This time, due to the impact of the typhoon, we also collected daily household trash, barbecue equipment, bottles and cans in addition to seaweed.

Some employees from our Kyushu Branch participated in the seaweed cleanup activities at tidal flat in Wajiro area as a volunteer activity hosted by Kyushu Electric Power Company, Civil Engineering Construction Subcommittee / Cement Subcommittee, of which our company is a member.

We will continue to actively participate in volunteer activities as part of our contribution to the community.



Won External Awards

Won the 20th Anniversary Grand Prize of the National Land Technology Development Award

The National Land Technology Development Award is presented by the Minister of Land, Infrastructure, Transport and Tourism to technology developers, who have contributed to the development of outstanding new technologies in the construction field. This year marks the 20th year anniversary of the awarding body. Of the 220 technologies awarded so far, 16 have been selected as the "20th Anniversary Grand Prize," including our "Key Element Method," developed by our company, which were chosen as a model technology for future technology development.

● Outline of the Key Element Method

Our "Key Element Method" is a technology that eliminates the final connector segments in submerged tunnels. Compared with conventional method, it realizes a significant cost reduction and shortening of the construction period, due to elimination of final connectors .

In addition, with the exception of some confirmation work, the Key Element Method has realized substantive unmanned underwater work using ICT, which can improve quality, productivity, and safety.



Installation of a submerged caisson using "Key Element Method"

Won the Paper Award of Ports and Harbors Association of Japan for the Second Consecutive Year

In the general meetings of the Ports and Harbors Association of Japan in FY3/19 and FY3/20, we won the Best Paper Award of Ports and Harbors Association of Japan for the second consecutive year.

The Ports and Harbors Association of Japan Awards include a best paper award, technology award, planning award, and the Samejima award and the best paper award is given once a year to individuals or organizations who published excellent papers on port maintenance and coastal conservation.

In FY3/19, General Manager Takehiko Sato won the award for the best paper entitled "Design method development of breakwater reinforcing embankment and sensitivity analysis of its shape," which proposed a new design method for the robustness of breakwaters. In FY3/20, General Manager Katsuya Ikeno won the award for the paper titled "Technical development concerning pile head joints of precast superstructure by the sleeve pipe connection method," which is a practical method that improves on-site productivity.



FY3/19



FY3/20

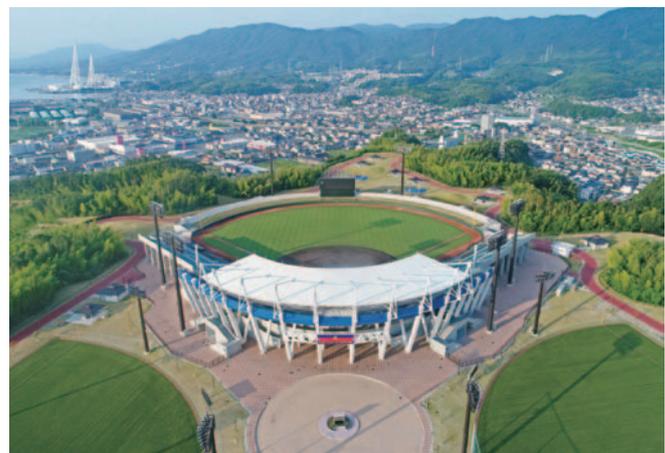
Won the Special Excellent Work Award by the Ministry of Defense for Two Projects

In August 2018, the "2018 Special Excellent Work Award Commendation Ceremony" was held at the Ministry of Defense headquarters, and our company received the awards for two projects. This is the second consecutive year that we won the award.

The two projects that won the Special Excellent Work Award were the construction of a baseball field and a cultural exchange facility within the general sports facility "Atago Sport Complex" located in Atagoyama district of Iwakuni city, Yamaguchi Prefecture. The Ministry of Defense was the primary operator of the construction of the facility.

The main facility, "Kizuna Stadium," which is a baseball field, has 100m on both wings and 122m at the center, and with a capacity of about 8,000 people. BIM and 3D measurement were adopted to support the construction of a particular shape that is unique to a baseball field.

Meanwhile, the cultural exchange facility is a shared facility between US military personnel in Japan and Iwakuni citizens, and has a sport arena and various rooms such as Japanese-style rooms and cooking rooms for cultural exchange. The theme of the exterior was "Japanese," and special finishes were adopted everywhere, which required a high level of technical capabilities and creativity.



2018 Special Excellent Work Award
Atago Sport Complex Baseball Field (known as Kizuna Stadium)



Corporate Identity

Our Pentagon logo represents the five oceans of the world. Penta-Ocean believes there are no borders for the creative mind and with this philosophy has played an active role in every corner of the world.

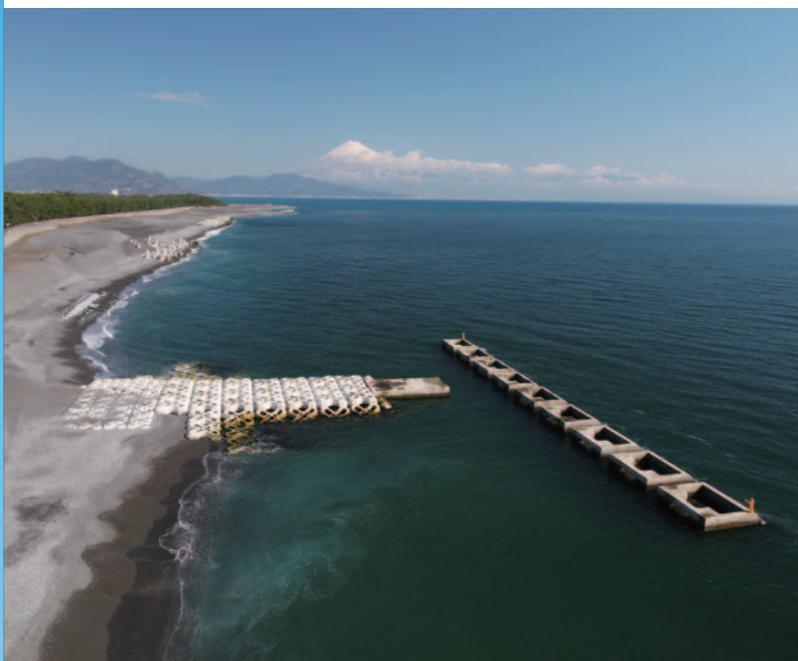
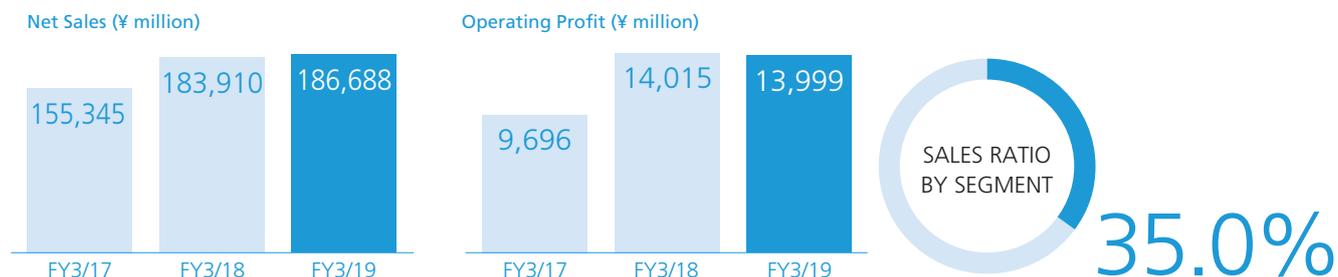


Mascot Character

"Mr. PENTA" was modeled on an adorable basset hound. We gave him his name from "Penta-Ocean" – the English name of our company.

Major Projects in FY3/19

Domestic Civil Engineering



Miho L-shaped Jetty

Shizuoka Prefecture

To protect the sandy beach of Miho-no-Matsubara, which forms part of the World Cultural Heritage Site "Mt. Fuji," our patented S-VHS method is adopted in constructing the groin on the coast of Shimizu in the City of Shizuoka. The S-VHS method uses caissons with a sloped surface on the offshore side. All caissons are designed with slits to absorb and weaken the wave forces, and have steel pipe piled legs firmly fixing them to the ground. Our technology helps relieve the severe impact of waves in Suruga Bay, preserving the white sand and green pines, and it also contributes to landscape improvement and regional disaster prevention.

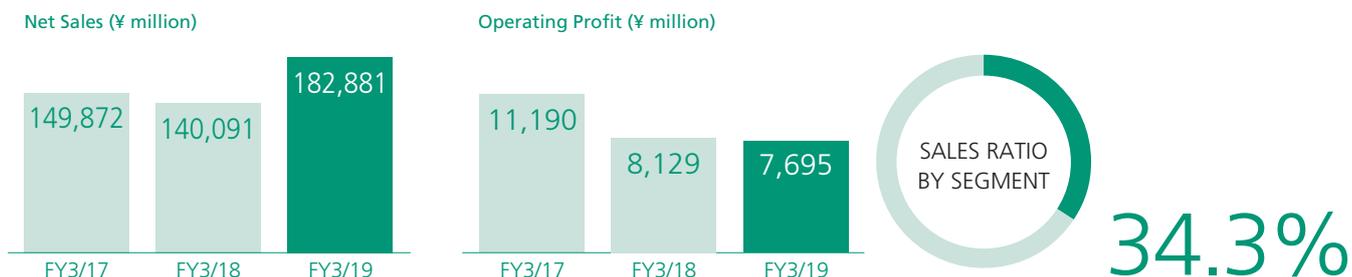


Mirai Ships Construction Project

Miyagi Prefecture

This project is a reorganization of a shipyard that has supported the fisheries industry, a key industry in Kesenuma City. The biggest feature of this project is the incorporation of the ship lift system, which is the third instance of its use in Japan. In this method, a ship is lifted vertically using 10 hoists (winding machines) and then pulled into the site by horizontal movement. This system enables the operation inside the seawalls, a place less susceptible to tsunamis.

Domestic Building Construction



Hisamitsu Pharmaceutical Museum

Saga Prefecture

The museum is located among lush greenery within the premises of the Hisamitsu Pharmaceutical Co., Inc. Kyushu Headquarters and Tosu Factory. It was built to commemorate the company's 170th anniversary. The world-renowned Italian sculptor, Cecco Bonanotte, was in charge of the basic design. During construction, building information modeling (BIM) technology was used to achieve superior design, coupled with highly efficient energy-saving technologies. It has earned the Zero Energy Building (ZEB) certification, the first in Saga Prefecture and one of only a limited number of such buildings in the entire country.



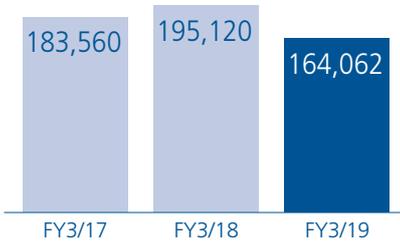
Glacier Tower Mitaka/Trikona

Tokyo

This is a redevelopment project involving construction of a commercial/office/residential complex directly connected to the south exit of Mitaka railway station with a pedestrian deck. The building is about 100 meters in height and is known as the tallest building in Mitaka City. From this building, people can enjoy views in all directions, including Mt. Fuji and the night view of the skyscrapers in downtown Tokyo. As the building name "Trikona" (meaning a triangle) suggests, expressive appearances created by its triangular-shaped lot and the varying wall finishes have attracted attention to the building as a new symbol of the city.

Overseas

Net Sales (¥ million)



Operating Profit (¥ million)



New Construction Project of the International Culinary Institute

Hong Kong

The International Culinary Institute (ICI) is one of the vocational schools belonging to the Vocational Training Council (VTC), where students can study international cuisine. The ICI building is located adjacent to the existing VTC building, and the two buildings are connected by a tunnel on the second basement floor, providing direct access to the Chinese Culinary Institute across the road. In spite of the complex shape of the building and a variety of finishes on the façades, we were able to achieve excellent detailing with high precision and full control.



Construction of the Thilawa Grain Terminal

Myanmar

In this project, we constructed a terminal dedicated to grain and feed bulk cargo related facilities, including grain silos, warehouses, and a pier under a full turnkey contract*. This makes it possible to import grain and feed by bulk ship in proximity to the industrial park and the construction is expected to contribute to the future economic growth of Myanmar.

*Full turnkey contract: It is a type of contract in which the contractor is responsible for delivery and performance guarantees at a fixed price for all operations from design to material procurement, construction and commissioning.

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

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.

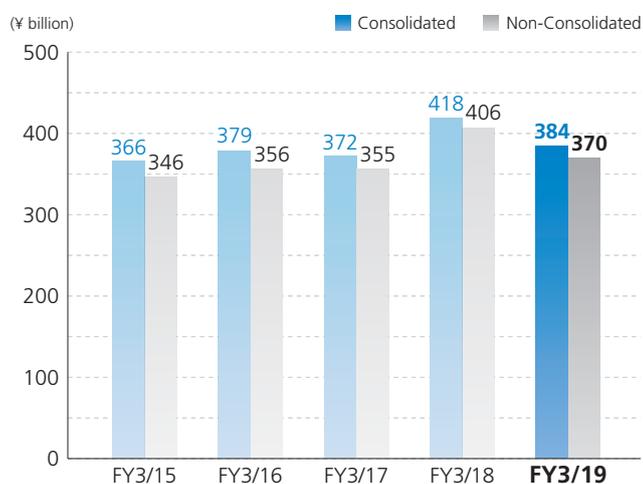
In our Other Businesses, sales amounted to ¥11,241 million (US\$101.3 million), an increase of ¥766 million (US\$6.9 million) (7.3%) compared to the previous consolidated fiscal year and segment income totaled ¥746 million (US\$6.7 million), an increase of ¥67 million (US\$0.6 million) compared to the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

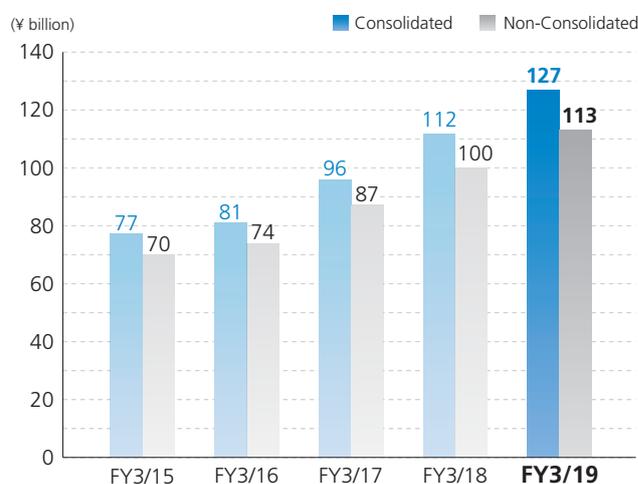
Orders Received and Contract Backlog

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).

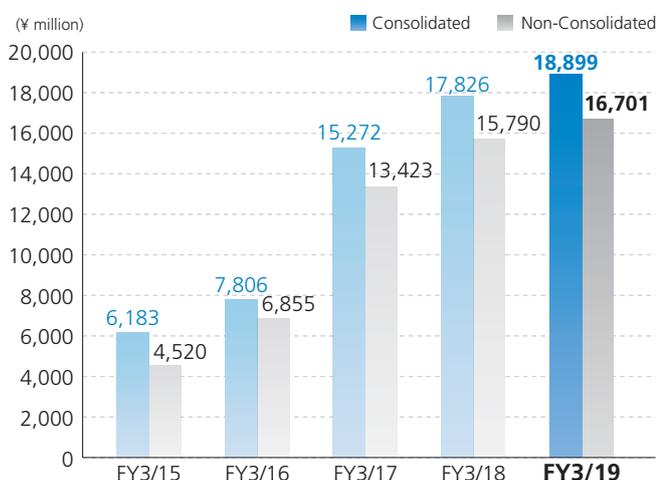
Dividends

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).

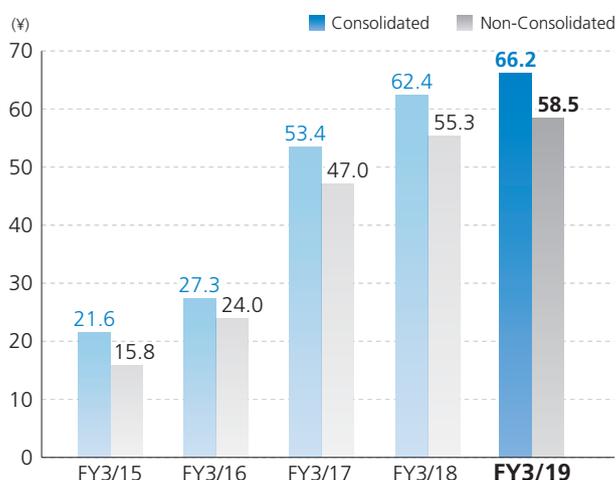
It is also our basic policy to pay a year-end dividend annually, determined by the general shareholders' meetings.

* 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
Current assets:			
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)
Total current assets	312,955	273,765	2,466,571
Non-current assets:			
Property, plant and equipment: (Notes 3(6) and 3(8))			
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
Intangible assets (Note 3(7))	1,400	1,345	12,123
Investments and other assets:			
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
Total non-current assets	105,446	110,072	991,730
Deferred assets (Note 3(19))	22	3	27
Total assets	¥418,423	¥383,840	\$3,458,328

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Current liabilities:			
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
Total current liabilities	268,987	221,274	1,993,642
Non-current liabilities:			
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
Total non-current liabilities	37,405	35,993	324,282
Total liabilities	306,392	257,267	2,317,924
Commitments and contingent liabilities (Note 15)			
Net assets:			
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)
Total shareholders' equity	102,758	117,597	1,059,530
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
Total accumulated other comprehensive income	9,213	8,920	80,365
Non-controlling interests	60	56	509
Total net assets	112,031	126,573	1,140,404
Total liabilities and net assets	¥418,423	¥383,840	\$3,458,328

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
Net income	¥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)
Total other comprehensive income (Note 13)	1,497	(294)	(2,648)
Comprehensive income	¥19,317	¥18,602	\$167,600
(Breakdown)			
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
Balance at the beginning of current period	¥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
Balance at the end of current period	¥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			
Balance at the beginning of current period	¥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	
Balance at the end of current period	¥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
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)
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 adjustments	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	¥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
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, 2019

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	\$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
Balance at the end of current period	\$274,349	\$165,661	\$622,974	\$(3,454)	\$1,059,530

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		
Balance at the beginning of current period	\$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
Balance at the end of current period	\$41,406	\$(163)	\$35,231	\$(1,142)	\$5,033	\$80,365	\$509	\$1,140,404

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cash flows from financing activities:			
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)
Effect of exchange rate change on cash and cash equivalents	(1,099)	739	6,659
Net increase (decrease) in cash and cash equivalents	(6,658)	(29,502)	(265,806)
Cash and cash equivalents at the beginning of the period	71,770	65,112	586,650
Cash and cash equivalents at the end of the period	¥65,112	¥35,610	\$320,844
(Note) (1) Cash and cash equivalents are comprised as follows:			
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
Securities whose fair value exceeds their book value on consolidated B/S:			
National and local government bonds	¥210	¥215	¥ 5
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	¥210	¥215	¥ 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	¥210	¥215	¥ 5

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

	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	\$1,904	\$1,943	\$39
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	\$1,904	\$1,943	\$39
Securities whose fair value doesn't exceed their book value on consolidated B/S:			
National and local government bonds	\$ —	\$ —	\$—
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	\$ —	\$ —	\$—
Total	\$1,904	\$1,943	\$39

(2) Other securities

As of March 31, 2018	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	¥14,515	¥8,191	¥6,324
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	¥14,515	¥8,191	¥6,324
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
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
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

	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	\$ 145,442	\$ 84,950	\$ 60,492
Bonds			
National and local government bonds	—	—	—
Corporate bonds	—	—	—
Other	—	—	—
Other	—	—	—
Subtotal	\$ 145,442	\$ 84,950	\$ 60,492
Securities whose book value on consolidated B/S doesn't exceed their acquisition cost:			
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 ^(*)	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
Commitment line			
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
Deferred tax assets			
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
Deferred tax liabilities			
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
Assets			
(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
Liabilities			
(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 ^(*)	30,000	30,176	176
(5) Long-term loans payable ^(*)	19,964	20,028	64
Total Liabilities	¥207,821	¥208,061	¥240
Derivative transaction ^(*)	¥ 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	—	—	—	—
Total	¥269,688	¥20,210	¥53	¥—

(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
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 ^(*)	19,804	19,816	12
Total Liabilities	¥174,799	¥174,920	¥121
Derivative transaction ^(*)	¥ (26)	¥ (26)	¥ —

	Thousands of U.S. dollars		
	Book value on consolidated B/S	Fair value	Difference
Assets			
(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	—
Total Assets	\$2,441,569	\$2,441,607	\$ 38
Liabilities			
(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 ^(*)	178,433	178,536	103
Total Liabilities	\$1,574,914	\$1,575,999	\$1,085
Derivative transaction ^(*)	\$ (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	—	—	—
Total	¥ 233,856	¥ 20,457	¥ 41	¥—

	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	—	—	—
Total	\$ 2,107,003	\$ 184,312	\$ 373	\$—

(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								
Net sales:								
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
Other item:								
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								
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

	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								
Net sales:								
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
Other item:								
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



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

Tel: +81 3 3503 1720
Fax: +81 3 3503 1828
ey.com

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



Non-Consolidated Financial Statements

Non-Consolidated Five-Year Summary

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

	Millions of yen					Thousands of U.S. dollars
	2015	2016	2017	2018	2019	2019
Orders received	¥722,341	¥443,182	¥465,939	¥668,572	¥501,360	\$4,517,163
Civil engineering	405,004	195,832	241,165	465,190	248,639	2,240,193
Building construction	311,453	244,240	222,656	202,728	251,723	2,267,983
Other	5,884	3,110	2,118	654	998	8,987
Net sales	393,711	457,862	471,459	499,165	512,193	4,614,766
Civil engineering	216,009	235,976	251,329	275,911	281,459	2,535,896
Building construction	175,633	216,925	216,037	222,531	229,736	2,069,884
Other	2,069	4,961	4,093	723	998	8,986
Contract backlog	762,370	719,343	707,213	875,260	873,475	7,869,853
Civil engineering	452,830	391,952	378,001	566,711	541,697	4,880,591
Building construction	305,647	325,349	329,144	308,549	331,778	2,989,262
Other	3,893	2,042	68	—	—	—
Total assets	345,576	356,335	355,313	406,373	369,609	3,330,112
Net assets	69,795	74,456	87,156	100,345	113,121	1,019,205
Ordinary income	9,044	17,807	21,117	22,932	23,441	211,201
Income before income taxes	7,611	12,615	20,431	22,497	23,409	210,911
Net income	4,520	6,855	13,423	15,790	16,701	150,474
Cash dividends	1,144	1,715	3,431	4,003	5,430	48,926
Per share of common stock:						
	Yen					U.S. dollars
Net assets	¥244.12	¥260.43	¥304.84	¥351.54	¥396.42	\$3.57
Net income	15.81	23.98	46.95	55.28	58.52	0.53
Cash dividends	4.00	6.00	12.00	14.00	19.00	0.17
Number of employees	2,441	2,522	2,572	2,673	2,793	

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 and other" is presented as "Other" in the year ended March 31, 2019, since materiality of development business has decreased.

Non-Consolidated Balance Sheets

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Current assets:			
Cash and deposits	¥ 60,174	¥ 31,238	\$ 281,451
Securities	—	58	524
Trade receivables:			
Notes	9,619	1,563	14,085
Accounts	206,422	204,085	1,838,773
Subsidiaries and affiliates	5,439	9,356	84,299
Inventories:			
Costs on uncompleted construction contracts	14,112	10,247	92,322
Real estate for sale and development projects in progress	3,306	2,481	22,355
Raw materials and supplies	1,072	1,138	10,248
Other	3,021	2,388	21,504
Allowance for doubtful accounts	(851)	(748)	(6,739)
Total current assets	302,314	261,806	2,358,822
Non-current assets:			
Property, plant and equipment:			
Land	31,738	31,725	285,840
Buildings and structures	33,855	34,302	309,051
Machinery, equipment and vehicles	17,885	18,501	166,692
Dredgers and vessels	29,609	43,530	392,200
Construction in progress	8,125	151	1,364
Other	356	369	3,318
Total property, plant and equipment	121,568	128,578	1,158,465
Less: Accumulated depreciation	(60,658)	(65,384)	(589,098)
Property, plant and equipment — net	60,910	63,194	569,367
Intangible assets:	1,339	1,258	11,338
Investments and other assets:			
Stock of and long-term loans receivable from subsidiaries and affiliates	17,517	17,021	153,360
Investment securities	17,920	19,415	174,927
Deferred tax assets	2,366	2,732	24,617
Other	5,180	7,462	67,224
Allowance for doubtful accounts	(1,173)	(3,279)	(29,543)
Total investments and other assets	41,810	43,351	390,585
Total non-current assets	104,059	107,803	971,290
Total assets	¥406,373	¥369,609	\$3,330,112

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Current liabilities:			
Short-term loans payable			
Bank	¥ 15,878	¥ 18,036	\$ 162,501
Current portion of long-term loans payable and bonds payable	17,610	8,842	79,667
Trade payable:			
Notes	15,575	—	—
Accounts	105,966	111,247	1,002,315
Electronically recorded monetary payable	12,326	—	—
Subsidiaries and affiliates	7,205	5,641	50,825
Advance received on uncompleted construction contracts	43,980	20,551	185,157
Deposits received	37,499	43,680	393,553
Income taxes payable	5,362	4,648	41,880
Provision for loss on construction contracts	1,328	1,623	14,621
Provision for warranties for completed construction	1,457	1,312	11,825
Other provision	2,298	2,583	23,272
Other	2,363	2,529	22,776
Total current liabilities	268,847	220,692	1,988,392
Non-current liabilities:			
Bonds payable	20,000	20,000	180,196
Long-term loans payable	12,354	10,962	98,766
Provision for retirement benefits	743	763	6,875
Provision for board benefit trust	87	167	1,503
Deferred tax liabilities for land revaluation	3,680	3,680	33,152
Other	317	224	2,023
Total non-current liabilities	37,181	35,796	322,515
Total liabilities	306,028	256,488	2,310,907
Net assets:			
Capital stock	30,450	30,450	274,349
Authorized - 599,135,000 shares			
Issued shares - 286,013,910 shares in 2018 and 2019			
Capital surplus			
Legal capital surplus	12,380	12,380	111,538
Other capital surplus	6,007	6,007	54,123
Total capital surplus	18,387	18,387	165,661
Retained earnings			
Reserve for advanced depreciation of non-current assets	99	93	833
General reserve	20,000	30,000	270,295
Retained earnings brought forward	23,383	26,088	235,052
Total retained earnings	43,482	56,181	506,180
Less: Treasury stock	(326)	(383)	(3,454)
Valuation difference on available-for-sale securities	4,434	4,595	41,402
Deferred gains or losses on hedges	8	(19)	(164)
Revaluation reserve for land	3,910	3,910	35,231
Total net assets	100,345	113,121	1,019,205
Total liabilities and net assets	¥406,373	¥369,609	\$3,330,112

Non-Consolidated Statements of Income

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Construction business:			
Net sales	¥498,442	¥511,195	\$4,605,779
Cost of sales	457,753	469,173	4,227,165
Gross profit	40,689	42,022	378,614
Other:			
Net sales	723	998	8,987
Cost of sales	686	985	8,868
Gross profit	37	13	119
Total:			
Total net sales	499,165	512,193	4,614,766
Total cost of sales	458,439	470,158	4,236,033
Total gross profit	40,726	42,035	378,733
Selling, general and administrative expenses	15,938	16,168	145,673
Operating income	24,788	25,867	233,060
Non-operating income:			
Interest and dividends income	473	645	5,812
Interest and dividends income from subsidiaries and affiliates	232	413	3,721
Other	260	308	2,778
	965	1,366	12,311
Non-operating expenses:			
Interest expenses	726	867	7,812
Provision of allowance for doubtful accounts	952	2,077	18,710
Foreign exchange losses	915	704	6,343
Other	228	144	1,305
	2,821	3,792	34,170
Ordinary income	22,932	23,441	211,201
Extraordinary income	108	63	570
Extraordinary losses	543	95	860
Income before income taxes	22,497	23,409	210,911
Income taxes:			
Current	6,838	7,149	64,411
Deferred	(131)	(441)	(3,974)
Total income taxes	6,707	6,708	60,437
Net income	¥ 15,790	¥16,701	\$ 150,474
Net income per share of common stock			
	Yen		U.S. dollars
Basic	¥ 55.28	¥ 58.52	\$ 0.53

Company Data

Company Outline

(As of March 31, 2019)

Company Name	Penta-Ocean Construction Co., Ltd.
Founded	April 1896
Established	April 1950
Headquarters	2-8, Koraku 2-chome, Bunkyo-ku, Tokyo 112-8576, Japan Tel: 81-3-3817-7181 Fax: 81-3-3817-7642
Paid-in Capital	¥30,450 million (U.S.\$274.3 million)
Employees	2,793 (3,319 consolidated)
Website	http://www.penta-ocean.co.jp

Members of the Board and Audit & Supervisory Board Members

(As of June 25, 2019)

President, Chief Executive Officer and Representative Director
Takuzo Shimizu

Executive Vice President, Representative Director
Kazuya Ueda

Members of the Board

Tetsushi Noguchi Ryoji Tahara Hiroshi Watanabe
Junji Katsumura Tomoyuki Yamashita Yasuhiro Kawashima*
Hidenori Takahashi* Naoki Furuya*

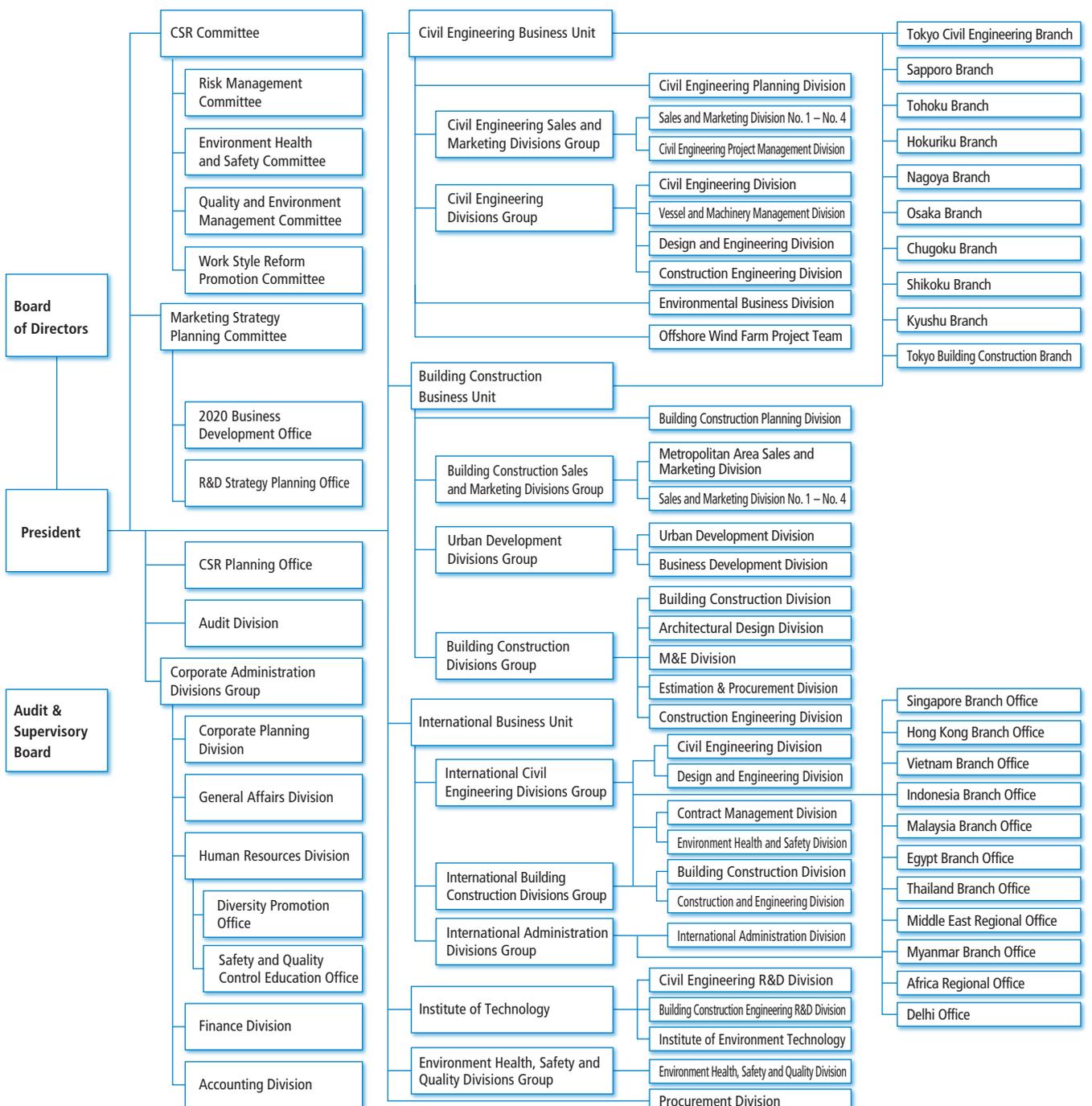
Audit & Supervisory Board Members

Takeshi Miyazono Hironaga Fukuda* Yoshiaki Ohashi*
Kyota Shigemoto*

* Indicates external members.

Organization Chart

(As of June 1, 2019)



Penta-Ocean Construction Network

(As of July 31, 2019)



1 Headquarters

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

**2 International Business Unit Headquarters in Singapore
-International Civil Engineering Divisions Group
-International Building Construction Divisions Group
Singapore Branch Office**

1 HarbourFront Place, #13-01 HarbourFront Tower One,
Singapore 098633
Tel: 65-6338-8966 Fax: 65-6337-0987

3 Hong Kong Branch Office

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

4 Vietnam Branch Office

4th Floor, 18 Tran Hung Dao Street, Hanoi, Vietnam
Tel: 84-24-3824-1360 Fax: 84-24-3824-1444

5 Indonesia Branch Office

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

6 Malaysia Branch Office

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

7 Egypt Branch Office

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

8 Thailand Branch Office

17th Floor, Room 1704, Vanit II Building, 1126/2
New Petchburi Road, Makkasan Rajthevee,
Bangkok 10400, Thailand
Tel: 66-2-069-2183 Fax: 66-2-069-2185

9 Middle East Regional Office

Office No.15327, Jafza LOB 15, P.O. Box 118791, Dubai, U.A.E.
Tel: 971-4-880-8824 Fax: 971-4-880-8834

10 Myanmar Branch Office

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

11 Africa Regional Office

Av. Julius Nyerere, no. 140, 5 Andar, Maputo, Mozambique
Tel: 258-84-8666114 Fax: 258-21-483144

12 Delhi Office

Unit No.1120, 11th Floor, JMD Megapolis, Sector-48, Sohana Road,
Gurgaon-122018, Haryana, India
Tel: 91-124-436 8355 Fax: 91-124-436 8356

Consolidated Affiliates

Penta–Ocean Dredging Co., Ltd.	Tokyo, Japan
Yoshin Construction Co., Ltd.	Hiroshima, Japan
Penta Builders Corporation	Tokyo, Japan
Kegoya Dock Co., Ltd.	Hiroshima, Japan
Penta Techno Service Co., Ltd.	Tochigi, Japan
Sand Techno Co., Ltd.	Chiba, Japan
Domi Environmental Solutions Co., Ltd.	Tokyo, Japan
Penta Insurance Services Co., Ltd.	Tokyo, Japan
Jaiwat Co., Ltd.	Miyagi, Japan
Miki Biotech Co., Ltd.	Hyogo, Japan
Penta–Ocean Marine Holdings Pte. Ltd.	Singapore
Andromeda Five Pte. Ltd.	Singapore
Cassiopeia Five Pte. Ltd.	Singapore
Mercury Five Pte. Ltd.	Singapore
Mars Five Pte. Ltd.	Singapore
Cherry Five Pte. Ltd.	Singapore
Penta–Ocean (Malaysia) SDN. BHD.	Malaysia
Angkutlaut Ltd.	Malaysia

PT. Penta Ocean Construction	Indonesia
Siam Goyo Co., Ltd.	Thailand
Thai Penta–Ocean Co., Ltd.	Thailand
Penta–Ocean Construction (Hong Kong) Ltd.	Hong Kong
Penta–Ocean Construction (India) Pvt. Ltd.	India
Penta–Ocean Construction (Lao) Solo Company Limited	Lao
Brichwood Co., Ltd.	Hong Kong
Penta–Ocean Technology Information Advisory (Shenzhen) Ltd.	China
PENTA–OCEAN/HYUNDAI/BOSKALIS JV PTE. LTD.	Singapore

Equity Affiliate

Haneda International Airport Apron PFI Co., Ltd.	Tokyo, Japan
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Non–Equity Affiliates

Miyajima Aqua Partners Co., Ltd.	Hiroshima, Japan
Matsuyama Environment Technology Co., Ltd.	Ehime, Japan
Wakkanai Environment Technology Co., Ltd.	Hokkaido, Japan
Zentsuji, Kotohira, and Tadotsu School meal Supplier Co., Ltd.	Kagawa, Japan

Investor Information

Fiscal Year	April 1 – March 31
Common Stock	Authorized: 599,135,000 Issued: 285,804,190 (excluding 209,720 shares of treasury stock)
Stock Listing	First Section of the Tokyo and Nagoya Stock Exchanges
Shareholders	36,483
Transfer Agency	Mizuho Trust & Banking Co., Ltd. 2–8–4, Izumi, Suginami–ku, Tokyo 168–8507, Japan

Major Shareholders

Shareholders	Number of shares held (thousands)	Percentage of shares held (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	39,824	13.9
The Master Trust Bank of Japan, Ltd. (Trust Account)	21,628	7.6
Mizuho Bank, Ltd.	7,059	2.5
Meiji Yasuda Life Insurance Company	6,656	2.3
Trust & Custody Services Bank, Ltd. (Security Investment Trust Account)	6,471	2.3
Japan Trustee Services Bank, Ltd. (Trust Account 5)	5,224	1.8
JUNIPER	5,216	1.8
JPMorgan Chase Bank, N.A. 385151	4,398	1.5
Sompo Japan Nipponkoa Insurance Inc.	4,280	1.5
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,934	1.4



www.penta-ocean.co.jp