

Consolidated Financial Statements - Summary

(For the fiscal year ended March 31, 2006)

May 22, 2006

The following statements are an English-language translation of the original Japanese-language document.

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan.)

Name of listed company: **Penta-Ocean Construction Co., Ltd.**

Stock exchange: **Tokyo, Osaka, Nagoya**

Code number: **1893**

Head office: **Tokyo**

Representative

Title: **Chief Executive Officer**

Tel: **03-3817-7618**

Name: **Yoshio Murashige**

URL: <http://www.penta-ocean.co.jp/>

Contact

Title: **General Manager, Finance Department**

Name: **Hisayuki Kobayashi**

Board of Directors meeting: **May 22, 2006**

Use of U.S. accounting standards: **No**

1. Business results for the fiscal 2005 (April 1, 2005-March 31, 2006)

(1) Consolidated financial results Note: All amounts are rounded down to the nearest million yen.

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Mar. 2006 term	354,657	2.7	14,176	18.1	11,341	27.9
Mar. 2005 term	345,266	4.3	11,999	11.8	8,864	19.1

	Net income		Earnings per share (Yen)	Earnings per share (diluted)	Return on equity (%)	Ordinary income/total assets	Ordinary income/net assets (%)
	(Millions of yen)	(%)					
Mar. 2006 term	3,875	64.2	8.57	-	6.8	2.8	3.2
Mar. 2005 term	2,359	(28.3)	6.25	-	5.4	2.1	2.6

Notes:

Equity in earning of affiliates (millions of yen)

Mar. 2006 term: (219) Mar. 2005 term: 57

Average number of shares outstanding (consolidated)

Mar. 2006 term: 452,283,557 Mar. 2005 term: 377,768,881

Changes in accounting methods: Changed

Percentages for net sales, operating income, ordinary income and net income indicate changes from the previous corresponding term.

(2) Consolidated financial position

	Total assets (millions of yen)	Shareholder's equity (millions of yen)	Shareholder's equity/total assets (%)	Shareholder's equity per Share (Yen)
Mar. 31, 2006	389,366	66,891	17.2	136.12
Mar. 31, 2005	411,322	47,640	11.6	120.55

Note: Number of shares outstanding at term-end (consolidated):

Mar. 2006 term: 491,418,246 Mar. 2005 term: 395,175,333

(3) Consolidated cash flows

	Cash flows from operating activities (millions of yen)	Cash flows from investing activities (millions of yen)	Cash flows from financing activities (millions of yen)	Cash and cash equivalents at term-end (millions of yen)
Mar. 2006 term	9,771	2,319	(14,965)	64,677
Mar. 2005 term	21,872	5,765	(16,506)	68,274

(4) Scope of consolidating and application of the equity method

Consolidated subsidiaries: 27 companies

Non-consolidated subsidiaries accounted for by the equity method: None

Affiliated companies accounted for by the equity method: 5 companies

(5) Changes in scope of consolidation and application of the equity method

Consolidated subsidiaries: (increase) 2 companies (decrease) None

Equity-method companies: (increase) 1 company (decrease) 1 company

2. Forecast for fiscal 2006 (April 1, 2005-March 31, 2007)

	Net sales (Millions of yen)	Ordinary income (Millions of yen)	Net income (Millions of yen)
Interim term	130,000	(1,500)	(2,000)
Entire term	345,000	8,000	3,000

Reference: Estimated earnings per share (yen, fiscal 2006): 6.10

Note:

The forecasts given above are based on information available at the time of compilation and are inherently subject to a variety of risks and uncertainties. Actual results may vary significantly from forecast due to factor including, but not limited to, changes in the economic or business environment and exchange rate fluctuations.

Consolidated Balance Sheets

ASSETS

	March 31, 2006 (Millions of yen)	March 31, 2005 (Millions of yen)	Increase (Decrease) (Millions of yen)
I Current assets			
Cash and deposits	64,873	70,380	(5,507)
Notes and accounts receivable	108,409	101,537	6,871
Contract works in progress	36,173	50,595	(14,421)
Real estate for sale and real estate in progress	36,458	37,225	(766)
Other receivables	22,138	22,063	74
Other current assets	10,683	16,652	(5,968)
Allowance for doubtful accounts	(1,038)	(1,145)	106
Total current assets	277,698	297,309	(19,611)
II Fixed assets			
1. Tangible fixed assets:			
Land	36,017	36,395	(377)
Other tangible assets	31,954	34,804	(2,849)
Net tangible fixed assets	67,971	71,199	(3,227)
2. Intangible fixed assets	532	544	(11)
3. Investments and other assets			
Investment Securities	29,102	22,981	6,121
Other investment and other assets	19,751	25,841	(6,090)
Allowance for doubtful accounts	(5,689)	(6,553)	864
Total investments and other assets	43,164	42,269	895
Total fixed assets	111,668	114,012	(2,343)
Total assets	389,366	411,322	(21,955)

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 2006 (Millions of yen)	March 31, 2005 (Millions of yen)	Increase (Decrease) (Millions of yen)
I Current liabilities:			
Notes and account payable	110,201	115,294	(5,092)
Short-term loans	80,704	114,309	(33,605)
Straight Bond	-	200	(200)
Advances received on uncompleted contracts	32,184	40,254	(8,070)
Reserve for job warranty costs	2,713	2,919	(206)
Other current liabilities	22,791	23,934	(1,142)
Total current liabilities	248,594	296,911	(48,316)
II Long-term liabilities			
Long-term loans	54,995	50,728	4,266
Deferred tax liabilities for land revaluation excess	7,274	3,270	4,003
Reserve for retirement benefits	6,751	6,513	237
Reserve for directors' retirement bonuses	451	441	9
Consolidation account adjustment	-	479	(479)
Other long-term liability	4,400	5,331	(931)
Total long-term liabilities	73,872	66,765	7,106
Total liabilities	322,466	363,676	(41,210)
Minority interests	8	5	3
I Common stock	28,070	20,570	7,500
II Capital surplus	20,016	12,606	7,500
III Retained earnings	9,939	6,132	3,806
IV Land revaluation excess	879	4,766	(3,887)
V Net unrealized holding gains (loss) on securities	7,724	3,411	4,312
VI Foreign currency translation adjustments	185	162	23
VII Treasury stock, at cost	(13)	(9)	(4)
Total shareholders' equity	66,891	47,640	19,251
Total liabilities and shareholders' equity	389,366	411,322	(21,955)

Consolidated Statements of Income

	Mar. 2006 term (Millions of yen)	Mar. 2005 term (Millions of yen)	Increase (Decrease) (Millions of yen)
I Net sales:			
Construction business	338,842	334,802	4,040
Real estate and others	15,814	10,463	5,350
Total net sale	354,657	345,266	9,390
II Cost of sales:			
Construction business	305,346	302,466	2,879
Real estate and others	15,051	10,761	4,290
Total cost of sales	320,398	313,228	7,170
Gross profit			
Construction business	33,495	32,335	1,160
Real estate and others	762	(297)	1,060
Total gross profit	34,258	32,038	2,220
III Selling, general and administrative expenses:	20,081	20,038	43
Operating income	14,176	11,999	2,177
IV Non-operating income:			
Interest income	440	219	221
Dividend income	336	226	110
Equity in earnings of affiliate	-	57	(57)
Amortization of consolidation adjustment	479	483	(4)
Equity gain	255	212	43
Other non-operating income	278	258	19
Total non-operating income	1,790	1,457	332
V Non-operating expenses:			
Interest expense	3,412	3,730	(318)
Exchange loss, net	256	461	(204)
Other non-operating expenses	957	400	556
Total non-operating expenses	4,626	4,592	33
Ordinary income	11,341	8,864	2,476
VI Extraordinary gain:			
Prior period adjustment	45	168	(122)
Gain on sale of property and equipment	145	197	(52)
Gain on return of substituted portion of the government's welfare pension insurance scheme	-	12,501	(12,501)
Reversal of allowance for doubtful	141	-	141
Other extraordinary gain	56	622	(566)
Total extraordinary gain	388	13,490	(13,102)
VII Extraordinary loss:			
Prior period adjustment	118	200	(82)
Loss on sale of property and equipment	109	902	(792)
Loss on impairment of fixed assets	286	8,323	(8,037)
Loss on Devaluation of real estate for sale	559	-	559
Loss on real estate development business of an affiliated company	-	2,152	(2,152)
Other extraordinary loss	636	1,276	(639)
Total extraordinary loss	1,710	12,854	(11,144)
Income before income taxes	10,019	9,500	518
Corporation, inhabitant and enterprise	1,366	1,492	(126)
Income taxes deferred	4,775	5,648	(872)
Minority interests	(1)	0	(2)
Net income	3,875	2,359	1,515

Consolidated Statement of Cash Flows

	Mar. 2006 term (Millions of yen)	Mar. 2005 term (Millions of yen)
I Cash flow from operating activities:		
Income before taxes and minority interests	10,019	9,500
Depreciation and amortization	4,160	4,622
Loss on impairment of fixed assets	286	8,323
Amortization of consolidation adjustments	(479)	(483)
Increase (decrease) in allowance for doubtful accounts	(971)	(166)
Increase (decrease) in reserve for bonus	142	(23)
Increase (decrease) in reserve for retirement benefits	237	(1,215)
Increase (decrease) in provision for loss on liquidation of an affiliated company	25	-
Increase (decrease) in loss on real estate development business	(147)	(4,318)
Increase (decrease) in allowance for losses on construction works	(259)	686
Interest and dividends receivable	(776)	(445)
Interest expense	3,744	4,094
Foreign exchange loss (gain)	666	531
Equity loss (gain)	219	(57)
Loss (gain) on sales and disposals of property, plant and equipment	(35)	704
Loss (gain) on sales of investment in securities	0	9
Write-down of securities and investment in securities	83	19
(Increase) decrease in trade receivables	(7,290)	4,102
(Increase) decrease in cost of uncompleted contracts	14,265	3,007
(Increase) decrease in real estate for trade and real estate in progress and other inventories	3,877	1,029
Increase (decrease) in trade payables	(5,177)	4,344
Increase (decrease) in advance on contracts in progress	(8,354)	(11,054)
(Increase) decrease in other receivable	(63)	838
Other net	(138)	2,541
Sub-total	14,033	26,590
Interest and dividends received	791	388
Interest paid	(3,630)	(4,102)
Income taxes paid	(1,422)	(1,003)
Net cash provided by (used in) operating activities	9,771	21,872
II Cash flows from investing activities:		
Purchases of securities and investment in securities	(383)	(632)
Proceeds from securities and investment in securities	1,172	817
Purchases of property, plant and equipment	(1,691)	(1,384)
Proceeds from sales of property, plant and equipment	380	9,107
Loans made	(92)	(968)
Collection of loans receivable	1,133	621
Other net	1,802	(1,796)
Net cash provided by (used in) investing activities	2,319	5,765
III Cash flows financing activities:		
Net increase (decrease) in short-term bank loans	(21,542)	(7,996)
Borrowings	43,823	21,140
Repayment of long-term debt	(51,605)	(34,599)
Proceeds from issue bond with subscription right	15,000	5,000
Cash dividends paid	(0)	(1)
Other net	(639)	(48)
Net cash provided by (used in) financing activities:	(14,965)	(16,506)
IV Difference resulting from conversion of foreign cash and cash equivalents to yen	(723)	(558)
V Net increase (decrease) in cash and cash equivalents	(3,597)	10,574
VI Cash and cash equivalents at beginning of the period	68,274	57,700
VII Cash and cash equivalents at end of the period	64,677	68,274