

Consolidated Interim Financial Statements — Summary

(For the fiscal year ending March 31, 2006)

November 17, 2005

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**
 Code number: **1893**
 Representative
 Title: **Chief Executive Officer**
 Name: **Kazujiro Tetsumura**
 Contact
 Title: **General Manager, Finance Department**
 Name: **Hisayuki Kobayashi**
 Board of Directors meeting: **November 17, 2005**
 Use of U.S. accounting standards: **No**

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

Tel: **03-3817-7618**
 URL: **http://www.penta-ocean.co.jp/**

1. Business results for the interim term (April 1, 2005 - September 30, 2005)

(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)	(%)
Sep. 2005 interim term	131,072	7.3	779	-	(494)	-
Sep. 2004 interim term	122,116	(2.0)	(951)	-	(2,353)	-
Mar. 2005 term	345,266		11,999		8,864	

	Net income		Earnings per share	Earnings per share (diluted)
	(Millions of yen)	(%)	(Yen)	(Yen)
Sep. 2005 interim term	(1,517)	-	(3.62)	-
Sep. 2004 interim term	(2,560)	-	(7.01)	-
Mar. 2005 term	2,359		6.25	-

Notes:

- ① Equity in earning of affiliates (millions of yen)
 Sep. 2005 interim term: 157 Sep. 2004 interim term: 19 Mar. 2004 term: 57
- ② Average number of shares outstanding (consolidated)
 Sep. 2005 interim term: 418,736,094 Sep. 2004 interim term: 364,946,537 Mar. 2004 term: 377,768,881
- ③ Changes in accounting methods: Changed
- ④ Percentages for net sales, operating income, ordinary income and net income indicate changes from the previous corresponding term.

(2) Consolidated financial position

	Total assets	Shareholder's equity	Shareholder's equity/total assets	Shareholder's equity per Share
	(millions of yen)	(millions of yen)	(%)	(Yen)
Sep. 2005 interim term	412,248	57,724	14.0	124.55
Sep. 2004 interim term	437,448	40,407	9.2	104.52
Mar. 2005 term	411,322	47,640	11.6	120.55

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

Sep. 2005 interim term: 463,447,722 Sep. 2004 interim term: 386,597,405 Mar. 2004 term: 395,175,333

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at term-end
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)
Sep. 2005 interim term	3,477	2,036	9,617	82,906
Sep. 2004 interim term	6,389	(1,774)	(5,653)	56,075
Mar. 2005 term	21,872	5,765	(16,506)	68,274

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

Consolidated subsidiaries: 26 companies
 Non-consolidated companies: 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) 1 company (decrease) None
 Equity-method companies: (increase) None (decrease) None

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

	Net sales	Operating income	Ordinary income
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Entire term	360,000	115,000	3,500

Reference: Estimated earnings per share (yen, fiscal 2005):

7.55

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

	September 30, 2005 (Millions of yen)	September 30, 2004 (Millions of yen)	March 31, 2005 (Millions of yen)
I Current assets			
Cash and deposits	83,230	57,182	70,380
Notes and accounts receivable	70,036	79,164	101,537
Contract works in progress	72,140	84,992	50,594
Real estate for sale and real estate in progress	39,444	37,834	37,225
Other receivables	21,396	27,478	22,063
Other current assets	15,474	18,934	16,652
Allowance for doubtful accounts	(839)	(840)	(1,145)
Total current assets	300,884	304,745	297,309
II Fixed assets			
1. Tangible fixed assets:			
Land	36,033	44,363	36,395
Other tangible assets	33,125	37,709	34,804
Net tangible fixed assets	69,158	82,072	71,199
2. Intangible fixed assets	541	543	544
3. Investments and other assets			
Investment Securities	24,959	20,576	22,981
Other investment and other assets	22,514	36,180	25,841
Allowance for doubtful accounts	(5,811)	(6,671)	(6,553)
Total investments and other assets	41,663	50,086	42,269
Total fixed assets	111,363	132,703	114,012
Total assets	412,248	437,448	411,322

LIABILITIES AND SHAREHOLDERS' EQUITY

	September 30, 2005 (Millions of yen)	September 30, 2004 (Millions of yen)	March 31, 2005 (Millions of yen)
I Current liabilities:			
Notes and account payable	96,656	103,934	115,294
Short-term loans	90,004	108,308	114,309
Straight Bond	—	200	200
Advances received on uncompleted contracts	53,872	66,530	40,254
Reserve for job warranty costs	3,005	2,368	2,919
Other current liabilities	20,656	23,803	23,934
Total current liabilities	264,195	305,145	296,911
II Long-term liabilities			
Convertible bonds	4,600	1,200	—
Long-term loans	70,114	67,586	50,728
Deferred tax liabilities for land revaluation excess	3,317	5,774	3,270
Reserve for retirement benefits	6,646	6,399	6,513
Reserve for directors' retirement bonuses	396	394	441
Reserve for development projects loss	—	3,915	—
Consolidation account adjustment	239	719	479
Other long-term liability	5,008	5,902	5,331
Total long-term liabilities	90,323	91,892	66,765
Total liabilities	354,519	397,038	363,676
Minority interests	4	2	5
I Common stock	25,770	19,970	20,570
II Capital surplus	17,806	12,006	12,606
III Retained earnings	4,546	(2,437)	6,132
IV Land revaluation excess	4,835	8,416	4,766
V Net unrealized holding gains (loss) on securities	4,604	2,290	3,411
VI Foreign currency translation adjustments	172	168	162
VII Treasury stock, at cost	(10)	(6)	(9)
Total shareholders' equity	57,724	40,407	47,640
Total liabilities and shareholders' equity	412,248	437,448	411,322

Consolidated Statements of Income

	Sep. 2005 interim term (Millions of yen)	Sep. 2004 interim term (Millions of yen)	Mar. 2005 term (Millions of yen)
I Net sales:			
Construction business	124,376	116,677	334,802
Real estate and other	6,695	5,438	10,463
Total net sale	131,072	122,116	345,266
II Cost of sales:			
Construction business	113,728	106,923	302,466
Real estate and other	6,440	5,918	10,761
Total cost of sales	120,168	112,841	313,228
Gross profit			
Construction business	10,648	9,753	32,335
Real estate and other	255	(479)	(297)
Total gross profit	10,904	9,274	32,038
III Selling, general and administrative expenses:	10,124	10,225	20,038
Operating income	779	(951)	11,999
IV Non-operating income:			
Interest income	177	110	219
Dividend income	235	148	226
Equity in earnings of affiliate	157	19	57
Amortization of consolidation adjustment	239	243	483
Equity gain	124	102	212
Other non-operating income	124	117	258
Total non-operating income	1,058	743	1,457
V Non-operating expenses:			
Interest expense	1,755	1,807	3,730
Exchange loss, net	207	232	461
Other non-operating expenses	369	105	400
Total non-operating expenses	2,332	2,145	4,592
Ordinary income	(494)	(2,353)	8,864
VI Extraordinary gain:			
Prior period adjustment	0	9	168
Gain on sale of property and equipment	97	—	197
Gain on return of substituted portion of the	—	12,501	12,501
Reversal of allowance for doubtful	329	333	—
Gain on sale of investment securities	—	14	—
Other extraordinary gain	3	156	622
Total extraordinary gain	430	13,016	13,490
VII Extraordinary loss:			
Prior period adjustment	0	—	200
Loss on sale of property and equipment	90	54	902
Loss on impairment of fixed assets	286	8,323	8,323
Loss on real estate development business	—	—	2,152
Write-down of real estate for trade	559	—	—
Other extraordinary loss	320	324	1,276
Total extraordinary loss	1,257	8,702	12,854
Income before income taxes	(1,321)	1,959	9,500
Corporation, inhabitant and enterprise	555	366	1,492
Income taxes deferred	(357)	4,156	5,648
Minority interests	2	3	0
Net income	(1,517)	(2,560)	2,359

Consolidated Statement of Cash Flows

	Sep. 2005 interim term (Millions of yen)	Sep. 2004 interim term (Millions of yen)	Mar. 2005 term (Millions of yen)
I Cash flow from operating activities:			
Income before taxes and minority interests	(1,321)	1,959	9,500
Depreciation and amortization	2,039	2,413	4,622
Loss on impairment of fixed assets	286	8,323	8,323
Amortization of consolidation adjustments	(239)	(243)	(483)
Increase (decrease) in allowance for doubtful accounts	(1,047)	(352)	(166)
Increase (decrease) in reserve for bonus	347	192	(23)
Increase (decrease) in reserve for retirement benefits	132	(1,329)	(1,215)
Increase (decrease) in loss on real estate development business	(147)	(208)	(4,318)
Increase (decrease) in allowance for losses on construction works	(128)	—	686
Interest and dividends receivable	(412)	(259)	(445)
Interest expense	1,925	1,993	4,094
Foreign exchange loss (gain)	470	559	531
Equity loss (gain)	(157)	(19)	(57)
Loss (gain) on sales and disposals of property, plant and equipment	(6)	12	704
Loss (gain) on sales of investment in securities	—	8	9
Write-down of securities and investment in securities	117	12	19
(Increase) decrease in trade receivables	31,501	26,479	4,102
(Increase) decrease in cost of uncompleted contracts	(22,033)	(32,440)	3,007
(Increase) decrease in real estate for trade and real estate in progress and other inventories	421	1,588	1,029
Increase (decrease) in trade payables	(18,675)	(7,046)	4,344
Increase (decrease) in advance on contracts in progress	13,617	15,221	(11,054)
(Increase) decrease in other receivable	672	(4,576)	838
Other net	(1,342)	(3,393)	2,541
Sub-total	6,021	8,895	26,590
Interest and dividends received	460	267	388
Interest paid	(1,910)	(2,091)	(4,102)
Income taxes paid	(1,094)	(682)	(1,003)
Net cash provided by (used in) operating activities	3,477	6,389	21,871
II Cash flows from investing activities:			
Purchases of securities and investment in securities	(138)	(93)	(632)
Proceeds from securities and investment in securities	16	635	817
Purchases of property, plant and equipment	(623)	(638)	(1,384)
Proceeds from sales of property, plant and equipment	187	326	9,107
Loans made	(61)	(1,217)	(968)
Collection of loans receivable	927	44	621
Other net	1,729	(831)	(1,796)
Net cash provided by (used in) investing activities	2,036	(1,774)	5,765
III Cash flows financing activities:			
Net increase (decrease) in short-term bank loans	(15,227)	(1,064)	(7,996)
Borrowings	41,533	14,130	21,140
Repayment of long-term debt	(31,224)	(23,678)	(34,599)
Proceeds from issue bond with subscription right	15,000	5,000	5,000
Refundment of bond	(200)	—	—
Cash dividends paid	(0)	(1)	(1)
Other net	(263)	(39)	(48)
Net cash provided by (used in) financing activities:	9,617	(5,653)	(16,506)
IV Difference resulting from conversion of foreign cash and cash equivalents to yen	(499)	(586)	(558)
V Net increase (decrease) in cash and cash equivalents	14,631	(1,625)	10,574
VI Cash and cash equivalents at beginning of the period	68,274	57,700	57,700
VII Cash and cash equivalents at end of the period	82,906	56,075	68,274