

# Consolidated Interim Financial Statements — Summary

(For the fiscal year ending March 31, 2007)

November 16, 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**

Code number: **1893**

Representative

Title: **Chief Executive Officer**

Name: **Yoshio Murashige**

Contact

Title: **General Manager, Finance Department**

Name: **Hisayuki Kobayashi**

Board of Directors meeting: November 16, 2006

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, 2006 - September 30, 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)	(%)
Sep. 2006 interim term	138,224	5.5	(630)	-	(1,802)	-
Sep. 2005 interim term	131,072	7.3	779	-	(494)	-
Mar. 2006 term	354,657		14,176		11,341	

	Net income		Earnings per share		Earnings per share (diluted)	
	(Millions of yen)	(%)	(Yen)	(Yen)	(Yen)	(Yen)
Sep. 2006 interim term	(8,175)	-	(16.64)		-	
Sep. 2005 interim term	(1,517)	-	(3.62)		-	
Mar. 2006 term	3,875		8.57		-	

Notes:

① Equity in earning of affiliates (millions of yen)

Sep. 2006 interim term: 177      Sep. 2005 interim term: 157      Mar. 2005 term: (219)

② Average number of shares outstanding (consolidated)

Sep. 2006 interim term: 491,416,312      Sep. 2005 interim term: 418,736,094      Mar. 2005 term: 452,283,557

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. 2006 interim term	365,898	57,230	15.6	116.42
Sep. 2005 interim term	412,248	57,724	14.0	124.55
Mar. 2006 term	389,366	66,891	17.2	136.12

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

Sep. 2006 interim term: 491,413,623      Sep. 2005 interim term: 463,447,722      Mar. 2005 term: 491,418,246

(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. 2006 interim term	3,142	(1,934)	(7,850)	57,864
Sep. 2005 interim term	3,477	2,036	9,617	82,906
Mar. 2006 term	9,711	2,319	(14,965)	64,677

(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: 4 companies

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

Consolidated subsidiaries: (increase) None      (decrease) 1 company

Equity-method companies: (increase) None      (decrease) 1 company

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

	Net sales	Operating income	Ordinary income
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Entire term	317,000	3,000	(6,000)

Reference: Estimated earnings per share (yen, fiscal 2006): (12.21)

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, 2006 (Millions of yen)	September 30, 2005 (Millions of yen)	March 31, 2006 (Millions of yen)
<b>I Current assets</b>			
Cash and deposits	58,020	83,230	64,873
Notes and accounts receivable	95,063	70,036	108,409
Contract works in progress	44,053	72,140	36,173
Real estate for sale and real estate in progress	22,963	39,444	36,458
Other receivables	18,446	21,396	22,138
Other current assets	16,979	15,474	10,683
Allowance for doubtful accounts	(769)	(839)	(1,038)
<b>Total current assets</b>	254,757	300,884	277,698
<b>II Fixed assets</b>			
1. Tangible fixed assets:			
Land	35,326	36,033	36,017
Other tangible assets	30,710	33,125	31,954
<b>Net tangible fixed assets</b>	66,037	69,158	67,971
2. Intangible fixed assets	564	541	532
3. Investments and other assets			
Investment Securities	26,905	24,959	29,102
Other investment and other assets	23,277	22,514	19,751
Allowance for doubtful accounts	(5,643)	(5,811)	(5,689)
<b>Total investments and other assets</b>	44,538	41,663	43,164
<b>Total fixed assets</b>	111,141	111,363	111,668
<b>Total assets</b>	365,898	412,248	389,366

## LIABILITIES AND SHAREHOLDERS' EQUITY

	September 30, 2006 (Millions of yen)	September 30, 2005 (Millions of yen)	March 31, 2006 (Millions of yen)
<b>I Current liabilities:</b>			
Notes and account payable	99,537	96,656	110,201
Short-term loans	71,150	90,004	80,704
Advances received on uncompleted contracts	39,380	53,872	32,184
Reserve for job warranty costs	3,098	3,005	2,713
Other current liabilities	20,439	20,656	22,791
<b>Total current liabilities</b>	<b>233,605</b>	<b>264,195</b>	<b>248,594</b>
<b>II Long-term liabilities</b>			
Convertible bonds	—	4,600	—
Long-term loans	56,942	70,114	54,995
Deferred tax liabilities for land revaluation excess	7,259	3,317	7,274
Reserve for retirement benefits	6,533	6,646	6,751
Reserve for directors' retirement bonuses	388	396	451
Consolidation account adjustment	—	239	—
Other long-term liability	3,938	5,008	4,400
<b>Total long-term liabilities</b>	<b>75,062</b>	<b>90,323</b>	<b>73,872</b>
<b>Total liabilities</b>	<b>308,668</b>	<b>354,519</b>	<b>322,466</b>
<b>Minority interests</b>	<b>—</b>	<b>4</b>	<b>8</b>
<b>I Common stock</b>	<b>—</b>	<b>25,770</b>	<b>28,070</b>
<b>II Additional paid-in capital</b>	<b>—</b>	<b>17,806</b>	<b>20,106</b>
<b>III Retained earnings</b>	<b>—</b>	<b>4,546</b>	<b>9,939</b>
<b>IV Land revaluation, net of differed tax assets</b>	<b>—</b>	<b>4,835</b>	<b>879</b>
<b>V Net unrealized holding gains on securities</b>	<b>—</b>	<b>4,604</b>	<b>7,724</b>
<b>VI Foreign currency translation adjustments</b>	<b>—</b>	<b>172</b>	<b>185</b>
<b>VII Treasury stock, at cost</b>	<b>—</b>	<b>(10)</b>	<b>(13)</b>
<b>Total shareholders' equity</b>	<b>—</b>	<b>57,724</b>	<b>66,891</b>
<b>Total liabilities and shareholders' equity</b>	<b>—</b>	<b>412,248</b>	<b>389,366</b>
<b>I Shareholders' equity</b>			
Common stock	28,070	—	—
Additional paid-in capital	20,106	—	—
Retained earnings	1,785	—	—
Treasury stock, at cost	(14)	—	—
<b>Total shareholders' equity</b>	<b>49,947</b>	<b>—</b>	<b>—</b>
<b>II Valuation and Translation adjustments</b>			
Net unrealized holding loss on securities	6,224	—	—
Deferred hedge income	(2)	—	—
Land revaluation, net of differed tax assets	857	—	—
Foreign currency translation adjustments	183	—	—
<b>Total valuation and translation adjustments</b>	<b>7,262</b>	<b>—</b>	<b>—</b>
<b>III Minority interests</b>	<b>20</b>	<b>—</b>	<b>—</b>
<b>Total Net Assets</b>	<b>57,230</b>	<b>—</b>	<b>—</b>
<b>Total liabilities and net assets</b>	<b>365,898</b>	<b>—</b>	<b>—</b>

## Consolidated Statements of Income

	Sep. 2006 interim term (Millions of yen)	Sep. 2005 interim term (Millions of yen)	Mar. 2006 term (Millions of yen)
<b>I Net sales:</b>			
Construction business	133,815	124,376	338,842
Real estate and other	4,408	6,695	15,814
<b>Total net sale</b>	138,224	131,072	354,657
<b>II Cost of sales:</b>			
Construction business	124,983	113,728	305,346
Real estate and other	4,250	6,440	15,051
<b>Total cost of sales</b>	129,234	120,168	320,398
Gross profit			
Construction business	8,832	10,648	33,495
Real estate and other	157	255	762
<b>Total gross profit</b>	8,989	10,904	34,258
<b>III Selling, general and administrative expenses:</b>	9,620	10,124	20,081
<b>Operating income (loss)</b>	(630)	779	14,176
<b>IV Non-operating income:</b>			
Interest income	131	177	440
Dividend income	223	235	336
Equity in earnings of affiliate	177	157	—
Amortization of consolidation adjustment	—	239	479
Equity gain	114	124	255
Other non-operating income	129	124	278
<b>Total non-operating income</b>	775	1,058	1,790
<b>V Non-operating expenses:</b>			
Interest expense	1,377	1,755	3,412
Exchange loss, net	245	207	256
Equity in losses of affiliate	—	—	219
Other non-operating expenses	325	369	737
<b>Total non-operating expenses</b>	1,948	2,332	4,626
<b>Ordinary income (loss)</b>	(1,802)	(494)	11,341
<b>VI Extraordinary gain:</b>			
Prior period adjustment	24	0	45
Gain on sale of property and equipment	192	97	145
Reversal of allowance for doubtful	304	329	141
Other extraordinary gain	26	3	56
<b>Total extraordinary gain</b>	547	430	388
<b>VII Extraordinary loss:</b>			
Prior period adjustment	0	0	118
Loss on sale of property and equipment	—	90	109
Write-down of real estate for trade	7,956	559	559
Loss on real estate development business	5,137	—	—
Loss on impairment of fixed assets	1,562	286	286
Other extraordinary loss	191	320	636
<b>Total extraordinary loss</b>	14,847	1,257	1,710
Income (loss) before income taxes	(16,103)	(1,321)	10,019
Corporation, inhabitant and enterprise	387	555	1,366
Income taxes deferred	(8,317)	(357)	4,775
Minority interests	(11)	2	(1)
<b>Net income (loss)</b>	(8,175)	(1,517)	3,875

## Consolidated Statements of Changes in Net Assets

(April 1, 2006-September 30, 2006)

(Millions of yen)

	Shareholder' equity				
	Common stock	Capital reserve	Retained earnings	Treasury stock, at cost	Total shareholder' equity
Balance at March 31, 2006	28,070	20,106	9,939	(13)	58,102
Changes in the interim period					
Net income			(8,175)		(8,175)
Land revaluation, net of deferred tax portion			21		21
Purchase of treasury stock				(0)	(0)
Net changes in items other than those in shareholders' equity					
Total of changes in interim period			(8,153)	(0)	(8,154)
Balance at September 30, 2006	28,070	20,106	1,785	(14)	49,947

	Valuation and translation adjustments					Minority interests	Total net assets
	Net unrealized holding gains on securities	Deferred hedge income	Land revaluation, net of deferred tax assets	Foreign currency translation adjustment	Total valuation and translation adjustment		
Balance at March 31, 2006	7,724	—	879	185	8,789	8	66,900
Changes in the interim period							
Net income							(8,175)
Land revaluation, net of deferred tax portion							21
Purchase of treasury stock							(0)
Net changes in items other than those in shareholders' equity	(1,499)	(2)	(21)	(1)	(1,526)	11	(1,515)
Total of changes in interim period	(1,499)	(2)	(21)	(1)	(1,526)	11	(1,515)
Balance at September 30, 2006	6,224	(2)	857	183	7,262	20	57,230

## Consolidated Statement of Cash Flows

	Sep. 2006 interim term (Millions of yen)	Sep. 2005 interim term (Millions of yen)	Mar. 2006 term (Millions of yen)
I Cash flow from operating activities:			
Income before taxes and minority interests	(16,103)	(1,321)	10,019
Depreciation and amortization	2,058	2,039	4,160
Loss on impairment of fixed assets	1,562	286	286
Amortization of consolidation adjustments	—	(239)	(479)
Increase (decrease) in allowance for doubtful accounts	(313)	(1,047)	(971)
Increase (decrease) in reserve for bonus	212	347	142
Increase (decrease) in reserve for retirement benefits	(217)	132	237
Increase (decrease) in loss on real estate development business	—	(147)	(147)
Increase(decrease) in provision for loss on real estate developmen business of affiliates	(25)	—	25
Increase (decrease) in allowance for losses on construction works	440	(128)	(259)
Interest and dividends receivable	(355)	(412)	(776)
Interest expense	1,406	1,925	3,744
Foreign exchange loss (gain)	169	470	666
Equity loss (gain)	(177)	(157)	219
Loss (gain) on sales and disposals of property, plant and equipment	(185)	(6)	(35)
Loss (gain) on sales of investment in securities	0	—	0
Write-down of securities and investment in securities	26	117	83
(Increase) decrease in trade receivable:	13,771	31,501	(7,290)
(Increase) decrease in cost of uncompleted contracts	(6,932)	(22,033)	14,265
(Increase) decrease in real estate for trade and real estate in progress and other inventories	12,516	421	3,877
Increase (decrease) in trade payables	(10,647)	(18,675)	(5,177)
Increase (decrease) in advance on contracts in progress	7,195	13,617	(8,354)
(Increase) decrease in other receivable	3,691	672	(63)
Other net	(2,815)	(1,342)	(138)
Sub-total	5,277	6,021	14,033
Interest and dividends received	298	460	791
Interest paid	(1,414)	(1,910)	(3,630)
Income taxes paid	(1,019)	(1,094)	(1,422)
Net cash provided by (used in) operating activities	3,142	3,477	9,771
II Cash flows from investing activities:			
Purchases of securities and investment in securities	(551)	(138)	(383)
Proceeds from securities and investment in securities	51	16	1,172
Purchases of property, plant and equipment	(1,767)	(623)	(1,691)
Proceeds from sales of property, plant and equipment	286	187	380
Loans made	(18)	(61)	(92)
Collection of loans receivable	120	927	1,133
Other net	(54)	1,729	1,802
Net cash provided by (used in) investing activities	(1,934)	2,036	2,319
III Cash flows financing activities:			
Net increase (decrease) in short-term bank loans	(6,725)	(15,227)	(21,542)
Borrowings	20,590	41,533	43,823
Repayment of long-term debt	(21,472)	(31,224)	(51,605)
Proceeds from issue bond with subscription right	—	15,000	15,000
Refundment of bond	—	(200)	—
Cash dividends paid	(0)	(0)	(0)
Other net	(241)	(263)	(639)
Net cash provided by (used in) financing activities:	(7,850)	9,617	(14,965)
IV Difference resulting from conversion of foreign cash and cash equivalents to yen	(171)	(499)	(723)
V Net increase (decrease) in cash and cash equivalents	(6,812)	14,631	(3,597)
VI Cash and cash equivalents at beginning of the period	64,677	68,274	68,274
VII Cash and cash equivalents at end of the period	57,864	82,906	64,677