

Summary of Consolidated Financial Results in the First Quarter of the Fiscal Year Ending March 2007

August 7, 2006

The following statements are an English-language translation of the summary of 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**

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

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

Representative

Title: **Chief Executive Officer**

Name: **Yoshio Murashige**

Contact

Title: **General Manager, Finance Department**

Name: **Hisayuki Kobayashi**

Tel: **03-3817-7618**

1. Regarding the Preparation of Quarterly Financial Information

(1) Use of Simplified Accounting Procedures : Yes

Simplified methods are employed in calculation of income taxes using annual effective tax rates and in some other items with little influence on overall accounting.

(2) Changes in Accounting Procedures from the Most Recent Consolidated Fiscal Year : No

(3) Changes in the Scope of Consolidation or Application of the Equity Method : Yes

Omori Building Co.,Ltd. which ran real estate lease business was excluded from equity method companies.

2. Summary of First Quarter Financial Results for the Year Ending March 2007

(April 1, 2006 - June 30, 2006)

(1) Progress in Consolidated Operating Results

Note: All amounts are rounded down to the nearest million yen.

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
1Q FY2006	47,242	17.1	(2,829)	-	(3,361)	-	(2,164)	-
(Ref.) 1Q FY2005	40,350	-	(3,220)	-	(3,551)	-	(2,159)	-
(Ref.) FY ended March 31, 2006	354,657		14,176		11,341		3,875	

	Net income (loss) per share	Net income per share (after full dilution)
	(Yen)	(Yen)
1Q FY2006	(4.41)	-
(Ref.) 1Q FY2005	(5.42)	-
(Ref.) FY ended March 31, 2006	8.57	-

Notes : Percentage for net sales, operating income, ordinary income, indicate changes from the previous corresponding term. Summary of First Quarter Financial Results has only been disclosed since the first quarter for the year ending March 2007. Net sales and Income for the previous first quarter are indicated as reference.

(2) Changes in Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
1Q FY2006	362,554	63,197	17.4	128.60
(Ref.) 1Q FY2005	-	-	-	-
(Ref.) FY ended March 31, 2006	389,366	66,891	17.2	136.12

3. Consolidated Financial Forecast for Fiscal Year Ending March 31, 2007

(April 1, 2006-March 31, 2007)

	Net sales	Ordinary income (loss)	Net income (loss)
	(Millions of yen)	(Millions of yen)	(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

Notes : 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.

1. Summary of Consolidated Balance Sheets

(Millions of yen)

	1Q FY2006 (As of Jun. 30, 2006)		FY2005 (As of Mar. 31, 2006)	
	Amount	% of total	Amount	% of total
ASSETS				
I Current assets				
Cash and deposits	59,063		64,873	
Notes and accounts receivable	77,751		108,409	
Contract works in progress	49,669		36,173	
Real estate for sale and real estate in progress	36,381		36,458	
Other receivables	18,776		22,138	
Other current assets	12,960		10,683	
Allowance for doubtful accounts	(865)		(1,038)	
Total current assets	253,737	70.0	277,698	71.3
II Fixed assets				
1. Tangible fixed assets:				
Land	36,017		36,017	
Other tangible assets	31,348		31,954	
Net tangible fixed assets	67,365		67,971	
2. Intangible fixed assets	521		532	
3. Investments and other assets				
Investment Securities	26,399		29,102	
Other investment and other assets	20,304		19,751	
Allowance for doubtful accounts	(5,774)		(5,689)	
Total investments and other assets	40,929		43,164	
Total fixed assets	108,816	30.0	111,668	28.7
Total assets	362,554	100.0	389,366	100.0

(Millions of yen)

	1Q FY2006 (As of Jun. 30, 2006)		FY2005 (As of Mar. 31, 2006)	
	Amount	% of total	Amount	% of total
LIABILITIES				
I Current liabilities:				
Notes and account payable	87,744		110,201	
Short-term loans	74,321		80,704	
Advances received on uncompleted contracts	42,582		32,184	
Reserve for job warranty costs	1,874		2,713	
Other current liabilities	24,281		22,791	
Total current liabilities	230,804	63.7	248,594	63.8
II Long-term liabilities				
Long-term loans	50,250		54,995	
Deferred tax liabilities for land revaluation excess	7,274		7,274	
Reserve for retirement benefits	6,655		6,751	
Reserve for directors' retirement bonuses	362		451	
Other long-term liability	4,010		4,400	
Total long-term liabilities	68,553	18.9	73,872	19.0
Total liabilities	299,357	82.6	322,466	82.8
Minority interests	—	—	8	0.0
SHAREHOLDERS' EQUITY				
I Common stock	—	—	28,070	7.2
II Capital surplus	—	—	20,106	5.2
III Retained earnings	—	—	9,939	2.6
IV Land revaluation excess	—	—	879	0.2
V Net unrealized holding gains (loss) on securities	—	—	7,724	2.0
VI Foreign currency translation adjustments	—	—	185	0.0
VII Treasury stock, at cost	—	—	(13)	(0.0)
Total shareholders' equity	—	—	66,891	17.2
Total liabilities and shareholders' equity	—	—	389,366	100.0
NET ASSETS				
I Shareholders' Equity				
1 Common stock	28,070	7.7		
2 Capital surplus	20,106	5.6		
3 Retained earnings	7,774	2.1		
4 Treasury stock, at cost	(13)	(0.0)		
Total shareholders' equity	55,937	15.4		
II Revaluation and translation adjustments				
1 Unrealized gain on securities	6,174	1.7		
2 Gain (loss) on deferred hedge	11	0.0		
3 Land revaluation excess	879	0.2		
4 Foreign currency translation adjustments	185	0.1		
Total revaluation and translation adjustments	7,251	2.0		
III Minority interests	8	0.0		
Total net assets	63,197	17.4		
Total liabilities, and net assets	362,554	100.0		

2. Summary of Consolidated Statements of Income

(Millions of yen)

	1Q FY2006		FY2005	
	(Apr. 1, 2006 - Jun. 30, 2006)		(Apr. 1, 2005 - Mar. 31, 2006)	
	Amount	% of net sales	Amount	% of net sales
I Net sales:				
Construction business	46,343		338,842	
Real estate and others	898		15,814	
Total net sale	47,242	100.0	354,657	100.0
II Cost of sales:				
Construction business	44,288		305,346	
Real estate and others	857		15,051	
Total cost of sales	45,145	95.6	320,398	90.3
Gross profit				
Construction business	2,055		33,495	
Real estate and others	41		762	
Total gross profit	2,096	4.4	34,258	9.7
III Selling, general and administrative expenses:	4,925	10.4	20,081	5.7
Operating income (loss)	(2,829)	(6.0)	14,176	4.0
IV Non-operating income:	514	1.1	1,790	0.5
V Non-operating expenses:	1,046	2.2	4,626	1.3
Ordinary income (loss)	(3,361)	(7.1)	11,341	3.2
VI Extraordinary gain:	252	0.5	388	0.1
VII Extraordinary loss:	75	0.1	1,710	0.5
Income (loss) before income taxes	(3,184)	(6.7)	10,019	2.8
Tax expenses	(1,019)	(2.1)	6,141	1.7
Minority interests	0	0.0	(1)	(0.0)
Net income (loss)	(2,164)	(4.6)	3,875	1.1

(Reference Data)

Summary of Non-Consolidated Financial Results in the First Quarter of the Fiscal Year Ending March 2007

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Representative

Title: **Chief Executive Officer**

Name: **Yoshio Murashige**

Contact

Title: **General Manager, Finance Department**

Name: **Hisayuki Kobayashi**

Tel: **03-3817-7618**

1. Regarding the Preparation of Quarterly Financial Information

(1) Use of Simplified Accounting Procedures : Yes

Simplified methods are employed in calculation of income taxes using annual effective tax rates and in some other items with little influence on overall accounting.

(2) Changes in Accounting Procedures from the Most Recent Consolidated Fiscal Year : No

2. Summary of First Quarter Financial Results for the Year Ending March 2007

(April 1, 2006 - June 30, 2006)

(1) Progress in Non-Consolidated Operating Results

Note: All amounts are rounded down to the nearest million yen.

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
1Q FY2006	43,156	18.7	(2,668)	-	(3,378)	-	(2,188)	-
(Ref.) 1Q FY2005	36,359	-	(3,267)	-	(3,866)	-	(2,347)	-
(Ref.) FY ended March 31, 2006	318,959		12,598		9,584		2,855	

	Net income (loss) per share	Net income per share (after full dilution)
	(Yen)	(Yen)
1Q FY2006	(4.45)	-
(Ref.) 1Q FY2005	(5.90)	-
(Ref.) FY ended March 31, 2006	6.31	-

Notes : Percentage for net sales, operating income, ordinary income, indicate changes from the previous corresponding term. Summary of First Quarter Financial Results has only been disclosed since the first quarter for the year ending March 2007. Net sales and Income for the previous first quarter are indicated as reference.

(2) Changes in Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
1Q FY2006	330,719	60,049	18.2	122.20
(Ref.) 1Q FY2005	-	-	-	-
(Ref.) FY ended March 31, 2006	356,147	63,771	17.9	129.77

3. Non-Consolidated Financial Forecast for Fiscal Year Ending March 31, 2007

(April 1, 2006-March 31, 2007)

	Net sales	Ordinary income (loss)	Net income (loss)
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Interim term	117,500	(1,500)	(2,000)
Entire term	310,000	7,000	2,500

Reference: Estimated earnings per share (yen, fiscal 2006) : 5.09

There is not a change in the financial forecast announced on May 22, 2006.

Notes : 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.

4. Non-Consolidated Orders Received

(1) Orders Received for the First Quarter Ended June 30, 2006 (April 1, 2006 - June 30, 2006)

	Orders Received	
	(Millions of yen)	(%)
1Q FY2006	96,377	31.0
1Q FY2005	73,558	19.5

Notes: The amount is the total until the quarter concerned
Percentage indication shows the ratio increase and decrease rate for the same quarter of the previous fiscal year.

(Reference) Details of Orders Received

(Millions of yen)

	1Q FY2006 (Apr. 1, 2006 - Jun. 30, 2006)		1Q FY2005 (Apr. 1, 2005 - Jun. 30, 2005)		Increase (Decrease)	
	Amount	Constitution ratio for the total	Amount	Constitution ratio for the total	Amount	Rate
	Public works	11,010	11.4 %	21,334	29.0 %	(10,323)
Private works	11,338	11.8 %	6,158	8.4 %	5,179	84.1 %
Domestic civil engineering	22,348	23.2 %	27,492	37.4 %	(5,144)	(18.7) %
Public works	283	0.3 %	3,090	4.2 %	(2,807)	(90.8) %
Private works	28,369	29.4 %	36,063	49.0 %	(7,693)	(21.3) %
Domestic building construction	28,652	29.7 %	39,153	53.2 %	(10,501)	(26.8) %
Civil engineering	8,702	9.0 %	6,299	8.6 %	2,403	38.2 %
Building construction	36,355	37.7 %	214	0.3 %	36,140	16,861.9 %
Overseas	45,058	46.8 %	6,513	8.9 %	38,544	591.8 %
Construction Total	96,059	99.7 %	73,160	99.5 %	22,899	31.3 %
Real estate and Others	317	0.3 %	398	0.5 %	(80)	(20.3) %
Total	96,377	100.0 %	73,558	100.0 %	22,818	31.0 %

(2) Forecast of Non-Consolidated Orders Received for the Fiscal Year Ending March 31, 2007 (April 1, 2006 - March 31, 2007)

	Entire term	
	(Millions of yen)	(%)
FY2007 (forecast)	295,000	7.5
FY2006	274,461	(15.3)

Notes : % is the ratio for the result of the previous fiscal year.
Real estate and Others is not included in the amount.

(Reference) Non-Consolidated Financial Statement**1. Summary of Balance Sheets**

(Millions of yen)

	1Q FY2006 (As of Jun. 30, 2006)		FY2005 (As of Mar. 31, 2006)	
	Amount	% of net sales	Amount	% of net sales
ASSETS				
I Current assets				
Cash and deposits	53,844		58,063	
Notes receivable	7,463		6,206	
Accounts receivable	66,307		95,791	
Real estate for trade	13,599		13,634	
Cost of uncompleted contracts	40,211		29,436	
Real estate in progress	21,545		21,548	
Raw materials and supplies	530		536	
Other receivables	19,149		22,606	
Other current assets	14,795		12,606	
Allowance for doubtful accounts	(701)		(838)	
Total current assets	236,746	71.6	259,592	72.9
II Fixed assets				
1. Tangible fixed assets:				
Land	34,065		34,065	
Other tangible assets	17,470		17,670	
Net tangible fixed assets	51,536		51,735	
2. Intangible fixed assets	465		473	
3. Investments and other assets				
Investment Securities	27,317		30,019	
Long-term loans receivable	5,378		5,604	
Impaired loan	5,858		5,837	
Other	9,107		8,521	
Allowance for doubtful accounts	(5,691)		(5,637)	
Total investment and other assets	41,971		44,345	
Total fixed assets	93,973	28.4	96,554	27.1
Total assets	330,719	100.0	356,147	100.0

(Millions of yen)

	1Q FY2006 (As of Jun. 30, 2006)		FY2005 (As of Mar. 31, 2006)	
	Amount	% of net sales	Amount	% of net sales
LIABILITIES				
I Current liabilities:				
Notes payable	23,603		25,327	
Account payable	55,306		77,146	
Short-term loans	72,255		77,396	
Advances received on uncompleted contracts	36,448		27,648	
Reserve for job warranty costs	1,666		2,402	
Other current liabilities	22,190		18,190	
Total current liabilities	211,471	63.9	228,110	64.1
II Long-term liabilities				
Long-term loans	41,791		46,449	
Deferred tax liabilities for land revaluation excess	7,274		7,274	
Reserve for retirement benefits	6,417		6,515	
Reserve for directors' retirement bonuses	127		207	
Provision for loss on real estate development business of affiliates	72		72	
Other long-term liabilities	3,516		3,747	
Total long-term liabilities	59,198	17.9	64,264	18.0
Total liabilities	270,669	81.8	292,375	82.1
SHAREHOLDERS' EQUITY				
I Common stock	—	—	28,070	7.9
II Capital surplus				
1 Capital surplus	—		10,000	
2 Other capital surplus	—		10,106	
Total capital surplus	—	—	20,106	5.6
III Retained earnings				
1 Voluntary reserve	—		4,000	
2 Retained earnings for entire term	—		3,008	
Total retained earnings	—	—	7,008	2.0
IV Land revaluation excess	—	—	879	0.2
V Net unrealized holding gains (loss) on securities	—	—	7,720	2.2
VI Treasury stock, at cost	—	—	△ 13	△ 0.0
Total shareholders' equity	—	—	63,771	17.9
Total liabilities and shareholders' equity	—	—	356,147	100.0
NET ASSETS				
I Shareholders' Equity				
1 Common stock	28,070	8.5		
2 Capital surplus				
Capital surplus	10,000			
Other capital surplus	10,106			
Total capital surplus	20,106	6.1		
3 Retained earnings				
Voluntary reserve	4,000			
Retained earnings for entire term	820			
Total retained earnings	4,820	1.5		
4 Treasury stock, at cost	△ 13	△ 0.0		
Total shareholders' equity	52,983			
II Revaluation and translation adjustments				
1 Unrealized gain on securities	6,175	1.8		
2 Gain (loss) on deferred hedge	11	0.0		
3 Land revaluation excess	879	0.3		
Total revaluation and translation adjustments	7,066	2.1		
Total net assets	60,049	18.2		
Total liabilities, and net assets	330,719	100.0		

2. Summary of Non-Consolidated Statements of Income

(Millions of yen)

	1Q FY2006 (Apr. 1, 2006 - Jun. 30, 2006)		FY2005 (Apr. 1, 2005 - Mar. 31, 2006)	
	Amount	% of net sales	Amount	% of net sales
I Net sales:				
Construction business	42,979		314,300	
Real estate and others	177		4,659	
Total net sale	43,156	100.0	318,959	100.0
II Cost of sales				
Construction business	41,166		283,402	
Real estate and others	208		4,804	
Total cost of sales	41,374	95.9	288,207	90.4
Gross profit				
Construction business	1,813		30,897	
Real estate and others (loss)	(31)		(145)	
Total gross profit	1,782	4.1	30,752	9.6
III Selling, general and administrative expenses:	4,450	10.3	18,154	5.7
Operating income (loss)	(2,668)	(6.2)	12,598	3.9
IV Non-operating income:	345	0.8	1,244	0.4
V Non-operating expenses:	1,055	2.4	4,257	1.3
Ordinary income (loss)	(3,378)	(7.8)	9,584	3.0
VI Extraordinary gain:	209	0.5	348	0.1
VII Extraordinary loss:	73	0.2	2,147	0.7
Income (loss) before income taxes	(3,242)	(7.5)	7,785	2.4
Tax expenses	(1,054)	(2.4)	4,930	1.5
Net income (loss)	(2,188)	(5.1)	2,855	0.9