

October, 26, 2006

Name of listed company:

Penta-Ocean Construction Co., Ltd

Representative: Chairman and Executive Officer  
Yoshio Murashige

Code number: 1893

Stock exchange: Tokyo, Osaka, Nagoya

Contact: General Manager, Finance Department

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**Revisions of Earnings Forecasts for the First Half and the Fiscal Year**  
**Ending March 31, 2007**

In light of recent performance, Penta-Ocean Construction announced revisions to its earnings forecasts for 1H and FY3/07. The forecasts were originally provided on May 22, 2006 together with the previous full-year results.

1. Revised Forecasts of Interim Earnings for FY3/07(April 1, 2006 to September 30, 2006)

(1)Consolidated

(Millions of yen, %)

	Net sales	Ordinary income	Net income
Previous Forecasts (A)	130,000	(1,500)	(2,000)
Revised Forecasts (B)	138,000	(1,800)	(8,200)
Difference (B)-(A)	8,000	(300)	(6,200)
Percentage Change (%)	6.2%	—	—
(Reference) Interim Fiscal 2005	131,072	(494)	(1,517)

(2)Non-Consolidated

(Millions of yen, %)

	Net sales	Ordinary income	Net income
Previous Forecasts (A)	117,500	(1,500)	(2,000)
Revised Forecasts (B)	125,000	(2,300)	(8,500)
Difference (B)-(A)	7,500	(800)	(6,500)
Percentage Change (%)	6.4%	—	—
(Reference) Interim Fiscal 2005	116,623	(1,569)	(2,183)

2. Revised Forecasts of Full-Year Earnings for FY3/07(April 1, 2006 to March 31, 2007)

(1)Consolidated (Millions of yen, %)

	Net sales	Ordinary income	Net income
Previous Forecasts (A)	345,500	8,000	3,000
Revised Forecasts (B)	317,000	3,000	(6,000)
Difference (B)-(A)	(28,000)	(5,000)	(9,000)
Percentage Change (%)	(8.1%)	(62.5%)	—
(Reference) Interim Fiscal 2005	354,657	11,341	3,875

(2)Non- Consolidated (Millions of yen, %)

	Net sales	Ordinary income	Net income
Previous Forecasts (A)	310,000	7,000	2,500
Revised Forecasts (B)	282,000	2,000	(6,500)
Difference (B)-(A)	(28,000)	(5,000)	(9,000)
Percentage Change (%)	(9.0%)	(71.4%)	—
(Reference) Interim Fiscal 2005	318,959	9,584	2,855

3. Reasons for revision of forecast

The main reasons for revisions of forecasts are stated as follows;

- ①Extraordinary losses: JPY 16.0bn over the fiscal year, FY3/07
- Early application of the cost or market accounting method to the real estates for sale and the real estates in progress: JPY 7.9bn
  - Losses in the development business: JPY 5.1bn  
(Cut down the selling price to the early disposal possible value)
  - Impairment loss on the fixed asset of the golf course: JPY 1.5bn
- ②Larger-than-expected decrease in ordinary profit:
- This is mainly due to bidding suspension from the list of officially designated bidders for public work contracts, especially in civil engineering projects.
  - The consolidated ordinary profit forecast is revised downward to JPY 3.0bn from JPY 8.0bn.

The balance sheet restructuring is almost finished and the financial soundness is improved remarkably after posting the above extraordinary losses in the current term.

The downturn in profits for FY3/07 is attributed mainly to bidding suspension and its impact is only temporary. From the next fiscal year, FY3/08, the earnings from the Haneda airport expansion project (total sales of JPY 60bn) will be contributed. We are making every effort to enhance the competitiveness and to reduce SG&A and construction work costs. A major upturn in profits is, therefore, expected for FY3/08.

<Reference> Orders Received for 1H FY3/07

(Billions of yen)

		1H FY3/07	1H FY3/06	Difference	YoY
Domestic Civil Eng.	Public	26.6	48.4	(21.8)	(45.1%)
	Private	23.2	14.1	9.1	65.0%
	Total	49.8	62.5	(12.7)	(20.3%)
Domestic Building Const.	Public	1.8	7.5	( 5.7)	(76.0%)
	Private	58.7	62.6	( 3.9)	( 6.2%)
	Total	60.5	70.1	( 9.6)	(13.7%)
Overseas		56.0	8.5	47.5	557.7%
Construction Total		166.3	141.0	25.2	17.9%