Penta-Ocean Construction

Annual Report

Year Ended March 31, 2000

Profile

Penta-Ocean Construction Co., Ltd. was established in Kure City, Hiroshima Prefecture in 1896 and throughout its 104 years in operation has grown to become the world's premier marine constructor, a leading architectural engineering and technology-based comprehensive construction firm. Today, the Company's consolidated group consists of 23 wholly owned subsidiaries and six affiliates and encompasses a network that spans the globe. Penta-Ocean is also well-known for its construction related research and development prowess and leads the industry in the development of advanced construction materials, methods and systems, which it employs in large-scale architectural and civil engineering projects in locations such as Singapore, China, Africa and Japan.

Contents

Consolidated Financial Highlights

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries

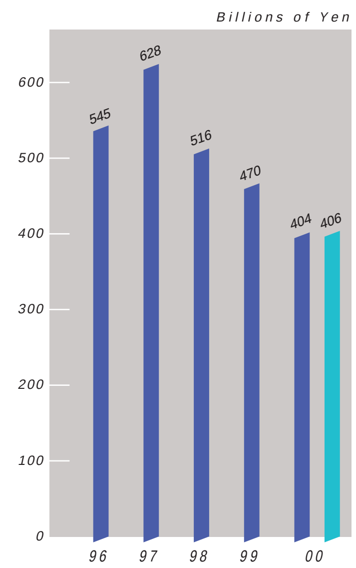
Year ended March 31, 2000

	Millions of Yen	Thousands of U.S. Dollars
	2000	2000
Orders received	¥406,995	$3,834,150
Net sales	463,952	4,370,721
Contract backlog	486,989	4,587,744
Total assets	510,665	4,810,787
Shareholders' equity	46,110	434,385
Ordinary income	8,824	83,128
Income (Loss) before income taxes	(19,054)	(179,501)
Net income (loss)	(13,395)	(126,189)
Cash dividends	904	8,516

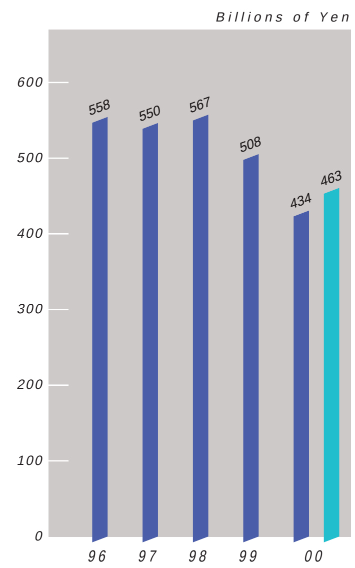
Per share of common stock:	Yen	U.S. Dollars
Shareholders' equity	¥128	$(1.21)
Net income (loss)	(37.06)	(0.35)
Cash dividends	2.50	0.02

Note: Figures stated in U.S. dollars are converted for convenience only, at the rate of ¥106.15 per US$1, prevailing on March 31, 2000.

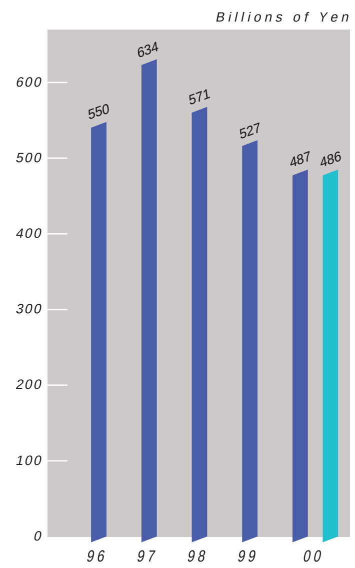
Orders Received



Net Sales



Contract Backlog



Non-consolidated Consolidated

Penta-Ocean and its consolidated subsidiaries are positioning themselves for a leadership role and sustainable growth in the turbulent times expected to characterize the first years of the 21st century. At this important threshold, the Penta-Ocean Group is stronger and more resilient than ever before in its 104-year history and ready to meet the challenges of a new era of unprecedented competition. As one of the world's leading technology-based civil and architectural engineering groups, Penta-Ocean continues to fill its new order roster with world-first, landmark scale projects around the globe.

An Evolving Operating Environment

Fiscal 1999, the year ended March 31, 2000, marked a turning point for the Company, as strategies implemented in previous terms to fortify the Groups fundamentals and set a new course for growth began to bear results. While the Japanese economy appeared to remain stagnant, there were clear signs by year-end of an imminent shift to a recovery phase, including speculation that stock markets would gain momentum and corporate capital spending would soon move in a positive direction. Economic stimulus packages initiated by the Japanese government to spur growth in carefully selected industries was credited with creating a jump-start effect expected to get the economy moving again.

In the construction market, however, private capital investment remained sluggish throughout fiscal 1999, although special tax exemptions resulted in an increase in housing investment. The number and scale of public works projects continued to decline in the latter half of the term, while the overall level of construction related investment remained lower than in the previous term. The operating environment for construction companies became even more challenging, as companies prepared to bring their financial reporting in line with international accounting standards. Against this backdrop, Penta-Ocean and its consolidated subsidiaries strove to improve sales performance and new order procurement levels.

Business Results for Fiscal 1999

A year-on-year comparison of results for the term has not been presented here, due to the fact that fiscal 1999 marks the Company's first year of financial reporting on a consolidated basis.

Consolidated net sales for the term amounted to ¥463,952 million (US$4,370 million). Although net sales and orders received were both lower than fiscal 1998 levels, ordinary income exceeded that of the previous term, at ¥8,824 million (US$83 million). This growth was realized primarily through increased sales activities, by stringent efforts to increase profit margins on overseas projects, and through further cutting of general administrative expenses. Net loss for the term amounted to ¥13,395 million (US$126 million) and reflected efforts to increase transparency and revalue real estate for sale held by the Company.

All land parcels were reassessed at fair market price, resulting in an excess of ¥7,900 million (US$74 million) for the term. The amount carried forward for taxation purposes was ¥3,300 million (US$31 million), while ¥4,600 million (US$43 million) has been identified as revaluation excess in the capital account.

In fiscal 1999, the Company's newly formed Construction Segment recorded net sales of ¥436,910 million (US$4,115 million), despite severe competition and slow economic recovery. The Real Estate Development Segment recorded net sales of ¥17,283 million (US$162 million), backed by strong sales of condominiums and rental fees in Japan and the sale of developed real estate in Hong Kong. This amount did not represent a healthy profit for Penta-Ocean. The Other's Segment, including shipbuilding, construction materials and equipment, vessel leasing and rental, and the management of golf courses, recorded total net sales of ¥9,759 million (US$91 million).

Prospects for Economic Recovery

Economic recovery in Japan is expected to occur gradually, as private sector capital spending and consumer confidence continue to grow steadily. However, until recovery based on solid growth in demand across a broad range of industries takes hold, the situation will continue to be slowed by such factors as restructuring of industries laden with excessive or unprofitable equipment and facilities and the increasingly uncertain employment situation.

The construction sector is expected to grow at a steady, albeit laggard pace over the next few years, as an increase in private sector capital investment and investment in new housing replaces the government sponsored public works projects that have sustained the industry throughout most of the 1990s. In the short term, competition within the industry is expected to increase, as companies restructure their operations and implement new management formats in order to adapt to the new business environment.

In Southeast Asia, investment in construction projects is expected to increase steadily, as economic recovery gains momentum in that region. In June 1999, Penta-Ocean succeeded in winning an order for a very-large-scale onshore civil engineering project in Singapore. The project is part of the world's largest land reclamation project, one Penta-Ocean has been involved with from its beginning.

The order amounted to ¥220,000 million (US$2,070 million) for landfill encompassing 1,464 hectares and for pier and pipeline construction as part of the port city's gigantic tanker unloading facility. Penta-Ocean is the managing company responsible for the Japanese-European joint venture.

Improving Group Synergy

Penta-Ocean and its consolidated subsidiaries will endeavor to strengthen the Group's competitive edge in the business sectors in which it operates by streamlining production and curbing general expenses, and by focusing on the attainment of the targets laid out in our 3-Year Management Plan initiated during fiscal 1998.

No problems were reported relating to Y2K during the term, and funding for prevention measures represented a small amount. In an effort to prepare for the introduction of a new retirement benefit accounting system during the current term, Penta-Ocean worked to establish retirement and pension trusts in order to minimize the gap that exists between retirement benefit obligations and pension assets.

Consolidated business results are expected to reach ¥467,000 million (US$4,400 million) for sales, ¥11,500 million (US$108 million) for ordinary income, and ¥2,500 million (US$23.5 million) for net income in the current term. The Company also plans to reset the dividend, which was ¥2.50 per share, to its former level.

It was necessary for the Company to endure a temporary extraordinary loss attributable to the revaluation on real estate for sale during the term under review, in order to reinforce the Group's financial base and ensure profitability in the mid and long term. In these efforts to grow a more resilient and profitable organization, we thank our shareholders for their perseverance and understanding.

June 29, 2000

Rempei Mizuno
Chairman, Representative Director and President

Singapore Post Centre, Singapore

Reclamation of Jurong Island Phase 3B, Singapore

ADAPTING TO A NEW BUSINESS ENVIRONMENT

During fiscal 1999, Penta-Ocean continued to consolidate its organization in order to strengthen its group structure, improve efficiency and enhance its position in the construction industry in Japan and abroad. Owing to these efforts, the Group moved steadily in a positive direction as conflicting reports on the state of the economy continued to raise and then dampen hopes for a recovery throughout the year. Against this backdrop, Penta-Ocean endeavored to increase profit margins on domestic construction projects by making full use of its Value Engineering Method. It also strove to enhance performance through reductions in personnel costs and other general administrative expenses in overseas large-scale land fill projects by utilizing the Queen of Penta-Ocean, a self-propelling trailing suction-hopper dredger. The vessel was delivered to the Company during the previous term, and was used for the first time in reclamation work in Singapore, during the term under review. In only one year the Queen of Penta-Ocean has demonstrated superior performance and significant cost saving on this very-large-scale project. The vessel was instrumental in the completion of the Jurong Island Landfill Phase II and Tuas Landfill projects for Jurong Town Corporation. These two works are part of a series of large-scale island formation projects that will link seven naturally existing islands by landfill. The newly created Jurong island encompasses 3,000 hectares and will be used for Singapore's extensive petrochemical operations. Phase II of the Jurong and Tuas landfill projects were completed during the term under review, with Phase III reclamation work currently under way.

The Group's reputation for excellence in the execution of both civil and architectural engineering projects has gained it recognition worldwide and contributed substantially to a steady increase in sales and new orders.

In Singapore, the Post Centre complex reached completion during the term under review. This ultramodern facility houses a theater and various commercial establishments, in addition to being the district's main postal hub. The complex has already contributed to accelerated development of the surrounding area and is expected to be a center for further transportation infrastructure development in the future.

Construction work on the Esplanade Theatre on the Bay at Marina Square progressed smoothly during the term with completion expected in the current term. This breathtaking structure will house a 2,000 seat theater, a concert hall and various commercial establishments.

Hong Kong University of Science & Technology, Hong Kong

EXTENDING OUR GLOBAL REACH

In fiscal 1999, Penta-Ocean continued work on various social infrastructure projects around the world, including the design and construction of sewerage tunnels for Singapore's Deep Tunnel Sewerage System, Contract No. T-02. The order amounted to ¥6,000 million (US$56 million) and will encompass both design and construction phases of the project for Singapore's Ministry of the Environment. The portion of the system that Penta-Ocean will complete measures 7.7 km long and 35 to 40 meters deep, with an inside diameter of six meters. The Company's sealed tunnel excavating machine will be used to complete the project.

In June 2000, a Japan-Europe joint-venture consortium headed by Penta-Ocean succeeded in receiving an order for the world's largest landfill project from the Government of Singapore. This extremely large-scale project will encompass 1,464 hectares of reclamation work equivalent to approximately 2.2% of Singapore's entire land mass, at a cost of ¥220,000 million (US$2,072 million). This project is widely viewed as the first mega-project of the 21st century.

Hong Kong is also a market exhibiting enormous growth potential for the Group. Penta-Ocean has a firmly established reputation as a world-class comprehensive construction company with an outstanding list of accomplishments in Hong Kong. Some of these include the Central Wan Chai reclamation project, Hong Kong's new Chek Lap Kok Airport, the beautiful Gateway and Titus Square office buildings, the Ever Gain Plaza, and the spectacular Sai Wong Hoo residential high-rise building. Penta-Ocean also offers a wide range of services supporting its civil and architectural engineering projects.

Hong Kong Academy of Medcine headquarters, Hong Kong

Orders received during the term in Hong Kong included the construction of the Tsuen Wan Station and approach tunnel sections of the West Rail Phase II Project of the Kowloon-Canton Railway Corporation (KCRC). This order amounted to HK$1,778 million or ¥26,000 million (US$244 million) and at 30.5 km in length, constitutes one of the largest railway projects Penta-Ocean has undertaken. The Tsuen Wan Station is also the largest facility on this line, and involves the construction of a 300-meter tunnel at each

Isuzu Motors production facility, Poland

Meteorological Education Center of Tokyo University, Tokyo

end of the station. Due to the station's proximity to the ocean, Penta-Ocean will draw upon its construction expertise and technological prowess in the areas of marine construction and reclamation technology in order to complete the project.

In February 2000, The Group received an order for the construction of a new intensive care unit at Caritas Medical Centre, from the Hospital Authority of Hong Kong's special administrative government. The ward will expand the Centre's emergency treatment facilities and will consist of a 14-story building with a total floor area of 30,940 m², 679 beds, 21 clinic rooms, 7 operating rooms, a CT scanner and other diagnostic facilities.

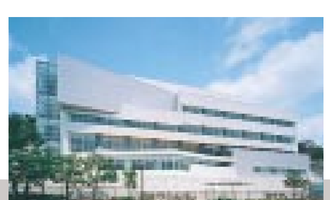
ENHANCING OUR REPUTATION AS A COMPREHENSIVE CONSTRUCTION COMPANY IN JAPAN

In recent years, Penta-Ocean has enhanced its overseas reputation as a leading marine constructor by building an equal reputation in Japan as a leading architectural engineering firm and developer of cutting-edge construction related technology. During the term under review, the Group completed construction of piers for a new runway at Iwakuni Airport for the Hiroshima Regional Defense Facilities Administration Bureau, and the Shokawa Interchange on the Tokai Hokuritu Highway for the Japan Highway Public Corporation. It also completed work on the Form Senri Chuo condominium for Recruit Cosmos Co., Ltd., and construction of the Musashino Research and Development Center for Nippon Telegraph and Telephone Co., Ltd.

The Form Senri Chuo Condominium Project is unique in that it represents the first time in Japan that an obsolete housing complex has been completely replaced and then sold back to the original owners at a fixed rate. All of the 150 owners agreed to the project, which included the construction of three, 14-story buildings, each with a basement level. Penta-Ocean employed a highly efficient construction method and was able to complete the project ahead of schedule.

During the term, the Group received orders for the construction of school buildings, including the Meteorological Education Center, located in Mitaka, Tokyo. The Center is a branch of Tokyo University's Department of Science. The 3-dimensional curves of this uniquely designed building were employed to create the artistic effect of a flying saucer rising out of a forest.

Tsurumi Girls High School attached to Hosei University, Yokohama



Kansai International Airport reclamation work Phase II, Osaka

Other orders received included the construction of 4-story reinforced concrete buildings for Tsurumi Girls High School in Yokohama, which is part of Hosei University, and facilities for a junior high school in Minato, Tokyo. The school is attached to Keio University. Penta-Ocean also received an order for construction of an annex building for the Hong Kong Science and Technology College in Hong Kong.

In June, 2000, the Group received an order for a high-rise building construction project in Hiroshima. The 43-story structure will stand at the center of the downtown area and will be the tallest building in western Japan. The intelligent building will be equipped with a full range of high technology features, including optical fiber networks on every floor, and see-through elevators on the outside of this landmark tower. Construction has already begun, with completion expected in 2003.

Penta-Ocean completed a number of civil engineering projects during the term, including the Shokawa Interchange on the 185 km long Tokai Hokuriku Highway connecting the Meishin and Hokuriku highways. The Shokawa Interchange is located at Shokawa, and was designed especially to blend in with the rich natural landscape of Gifu prefecture.

In August, 2000, Phase II of the Kansai International Airport Project began with the building of a second runway. Preparations for construction of the 4,000-meter runway include the reclamation of 42 hectares of new land to enlarge the artificial island. Penta-Ocean will be responsible for pier construction at the south westernmost edge of the island and this will entail the implanting of 130,000 side drain tubes and the piling of approximately 8,000,000 m³ of landfill sand and about 1,000,000 m³ of base gravel. The Group is also involved in large-scale airport construction projects in Iwakuni, Osaka and Oshima and all of these are expected to reach completion during the current term.

Shokawa Interchange of Tokai Hokuriku Expressway, Gifu

UTILIZING ADVANCED TECHNOLOGY TO MEET NEW CHALLENGES

Presently, the spread of cities and the growth of regional towns and transportation hubs is accelerating at a rapid pace. Due to the fact that most urban areas are located in Japan's lower lying coastal areas, flooding, water supply and sewage control are important issues being dealt with by municipal authorities and the construction industry as a whole. Owing to its formidable expertise in marine construction and development of construction materials, methods and systems for

Control tower of Osaka Airport, Osaka

Work on Oedo Subway Line, Tokyo

Hitachi recycling and disposal center, Ibaraki

dealing with the problems related to marine environments, Penta-Ocean continues to receive many orders for construction and development projects in these types of areas.

One such project is the Eitai Trunk Line in Tokyo's Koto Ward, presently nearing completion: Tokyo's Water Bureau has designated this project as a model for reducing construction costs. The "tenoned" RC segment method adopted in this project was first introduced to Japan from Europe. Tunnel pipeline segments are equally divided into six tenons and are embedded to accommodate future robotization and automation of the system. This project gave Penta-Ocean an excellent opportunity to gain valuable technological experience in this area.

The Metropolitan External Floodway Discharge Tube Project will involve the construction of a 6.3 km underground river channel to divert flood waters away from populated areas. The Naka and Ayase rivers are representative of urban rivers flowing from the northern Kanto district into Tokyo Bay. As Tokyo's boundaries have expanded, these flood plain areas have been covered with streets and buildings and residential districts and the new system is expected to improve ground water conditions in these areas. Penta-Ocean is employing a special method utilizing RC box culverts to complete this very-large scale project.

TECHNOLOGY DEVELOPMENT

Penta-Ocean maintains one of the world's largest and most advanced privately funded technology development centers among construction companies. For over a century, it has led the industry in the development of innovative solutions to the myriad of problems confronting civil and architectural engineering projects around the world. During the term under review, the Group allotted ¥2,334 million (US$21.9 million) for research and development programs in order to develop new construction materials, methods and systems that meet increasingly complex requirements in various construction environments. These advances are also making it possible to shorten construction time and increase profitability.

Penta-Ocean also participates in joint research schemes with public sector organizations, universities and private companies to develop environmentally sound construction and recycling systems. Drawing on its extensive experience in marine construction, the Group has developed a method for creating artificial shorelines and transplanting eel grass and other local vegetation to these areas to protect fishing grounds from disturbance by land filling and other types of development. It has also developed systems for purifying streams and rivers.

Penta-Ocean has always supported efforts to protect and rebuild the natural environment and has developed a method to reestablish tidal pools along coastlines: It has set up "bi-top" experimental fields at the Institute of Technological Development, in Nasu. As a proponent of guided resource allocation and conservation, Penta-Ocean continues to promote the development of wind-power generation facilities in coastal and mountainous areas. The Group continues to become increasingly involved in construction projects related to the development and management of both established and alternative forms of energy.

In the term under review, Penta-Ocean became more involved in the development of co-generation systems, through its subsidiary network. Co-generation systems are used in factories, hospitals, shopping centers, and many other kinds of facilities to increase efficiency and thus, lessen the burden on the environment. The Group began marketing a new heart-type ventilation system, which is designed to create a more healthful interior environment, and a new type of eco-friendly wallpaper. The ventilation-circulation system operates 24-hours a day to eliminate formaldehyde and other harmful substances produced by construction materials, especially paints. Penta-Ocean adopted this new system for the first time in a condominium currently under construction. Eco-friendly wallpaper, which has proven to be very effective in adsorbing organic chemical substances such as formaldehyde from the air, is also being used in the project. This innovative paper product consists of Japanese paper pulp and natural diatomite, which is easily and safely recycled.

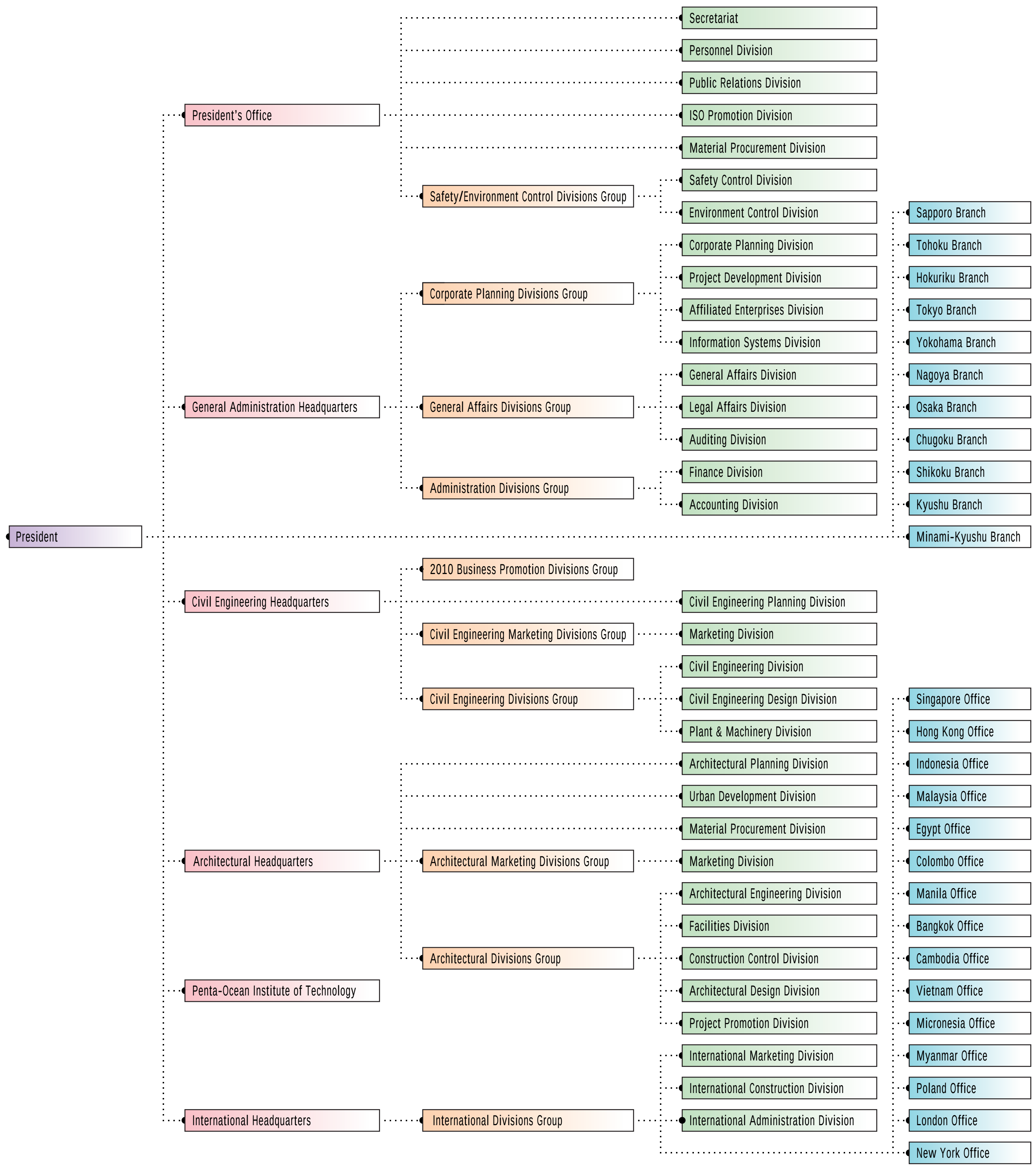
The Penta-Ocean Group will continue to pursue research and development programs that focus on improving construction efficiency, enhancing profitability and reducing the impact of construction materials and methods on the environment.

Shin-Sakuraen nursing home, Kitakyushu

Nishinomiya-Kita Country Club, Hyogo

Form Senri-Chuo Condominium, Osaka

Organization Chart



Financial Statements

Consolidated Summary

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
Year ended March 31

	Millions of Yen	Thousands of U.S. Dollars
	2000	2000
Orders received	¥406,995	$3,834,150
Construction	406,995	3,834,150
Real estate development	—	—
Other	—	—
Net sales	463,952	4,370,721
Construction	436,910	4,115,968
Real estate development	17,283	162,817
Other	9,759	91,936
Contract backlog	486,989	4,587,744
Construction	486,989	4,587,744
Real estate development	—	—
Other	—	—
Total assets	510,665	4,810,787
Shareholders' equity	46,110	434,385
Ordinary income	8,824	83,128
Income (Loss) before income taxes	(19,054)	(179,501)
Net income (loss)	(13,395)	(126,189)
Cash dividends	904	8,516

	Yen	U.S. Dollars
Per share of common stock:		
Shareholders' equity	¥128	$1.21
Net income(loss)	(37.06)	(0.35)
Cash dividends	2.50	0.02
Number of employees	4,176	

Notes: The amounts of orders received and contract backlog related to real estate development and others business are not stated on the above summary by the reason why those amount were small and did not have material effect to each total amount. US$1=¥106.15 as at March 31, 2000

Business Performance

The operating environment surrounding Japan's construction companies has continued to be harsh in recent years, both in Japan and overseas. Unprecedented competition and restructuring of large segments of the industry in Japan has forced companies operating in this sector to increase efficiency at every level of their operations, and yet another challenge has arisen as firms prepare to adopt new international accounting standards. Against this backdrop, Penta-Ocean initiated its first ever consolidated disclosure in fiscal 1999, the term under review, and so no comparisons or analyses have been made in reference to the previous fiscal term in this report.

Consolidated sales of Penta-Ocean and its business group amounted to ¥463,952 million (US$4,370 million), with consolidated operating income of ¥14,544 million (US$137 million) and consolidated ordinary income of ¥8,824 million (US$83 million). To secure the transparency and objectiveness of the financial statements, real estate for sale held by the Company at term end underwent a process of revaluation, resulting in a net loss of ¥13,395 million (US$126 million). Values were calculated by applying the formulas laid out in the Land Revaluation Law.

Segment Information

As a result of the new consolidation adopted during the term under review, the Company's business segments have been reclassified as Construction, Real Estate Development, and Others.

The Construction Segment, which represents the core of Penta-Ocean's business activities, operated in an extremely severe business environment during the term. Completed works amounted to ¥436,910 million (US$4,115 million) and with the addition of internal sales, consolidated total net sales amounted to ¥437,514 million (US$4,121 million). Operating income amounted to ¥16,068 million (US$151 million).

The Real Estate Development Segment operated in a nearly static business environment during the term, resulting in consolidated total net sales of ¥17,283 million (US$162 million). This amount consisted primarily of sales of condominiums and rental fees from real estate held by the Company in Japan and sales of developed real estate properties in Hong Kong. In addition to internal sales, consolidated total net sales for this segment amounted to ¥17,385 million (US$163 million), however, operating loss amounted to ¥1,034 million (US$9.7 million), resulting in no profit for this segment of the Company's operations for fiscal 1999.

The Others Segment, which includes the Group's shipbuilding business, the sale of construction materials and equipment, and the sale and lease of vessels, recorded net sales of ¥9,759 million (US$91 million). Amalgamated to internal sales, consolidated total net sales for this segment amounted to ¥12,873 million (US$121 million). The Company's golf course business recorded an operating loss of ¥535 million (US$5.0 million), owing to an extended fall-off in the number of customers.

When analyzing the business results by region, sales in the Japanese market amounted to ¥383,902 million (US$3,616 million) and accounted for 82.7% of total sales. Operating income totaled ¥13,665 million (US$128 million). In Singapore, Hong Kong, and Malaysia, Penta-Ocean's principal areas of business overseas, sales of ¥76,064 million (US$716 million) were recorded. This amount was equivalent to 16.4% of consolidated total net sales. Operating income for the region amounted to ¥919 million (US$8.6 million). Sales in other regions remained depressed, amounting to ¥3,986 million (US$37 million), or 0.9% of the total. Operating loss for sales in these areas amounted to ¥40 million (US$0.3 million) for the term.

Cash Flows

Operating activities generated a total cash flow of ¥8,687 million (US$81 million), as a result of the substantial reduction in trade receivables and inventory during the term under review. Income before income taxes declined considerably and trade payables and advances on contracts in progress also declined, owing to the downturn in the construction sector.

Net cash used in investment activities amounted to ¥4,860 million (US$45 million) and consisted primarily of tangible fixed assets related to the construction of the Company's self-propelling trailing suction-hopper dredger, the Queen of Penta-Ocean and the repayment for loans.

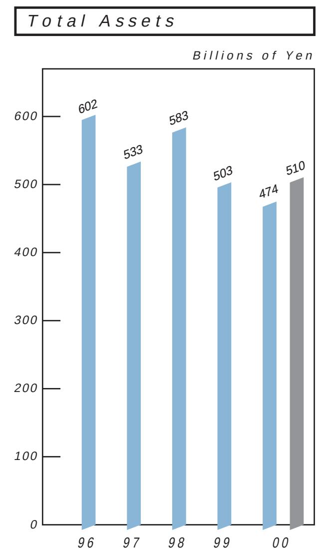
Net cash used in financing activities totaled ¥14,695 million (US$138 million), consisting mainly of payments on long-term debt. As a result, cash and cash equivalents at the end of the term were reduced by ¥11,291 million (US$106 million), to ¥35,871 million (US$337 million).

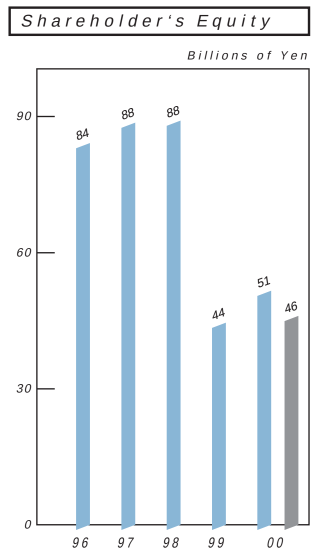
Dividends

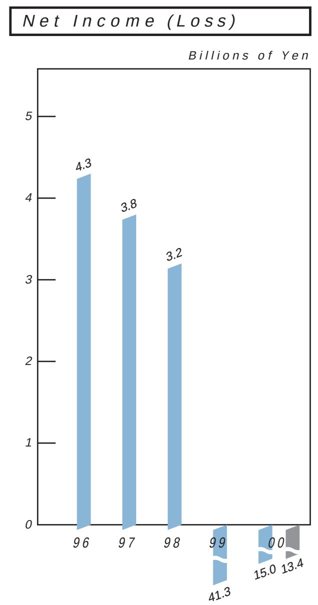
It is the Company's basic policy to pay dividends to its shareholders in a consistent manner based on performance and overall financial stability. However, despite a net loss owing to revaluation on real estate held by the Company for sale during the term under review, the Management decided to pay a dividend of ¥2.50 (US$0.02) per share to shareholders. It also expressed its resolve to make concerted efforts to ensure a return to stable profits in the medium and long term.

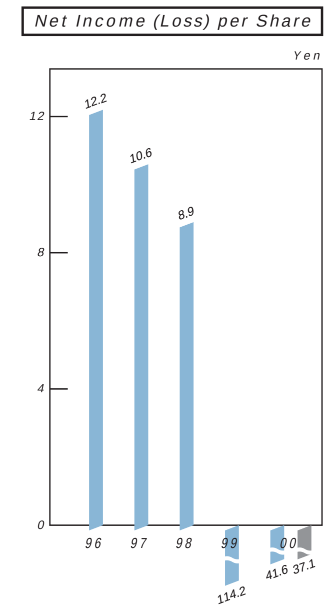
Y2K

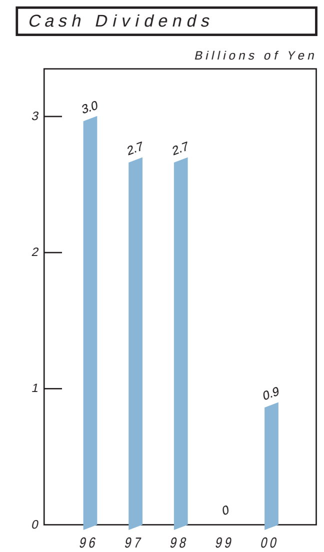
Expenses related to preparations for Y2K represented an extremely small amount for the Company and no problems were found to have occurred as a result.

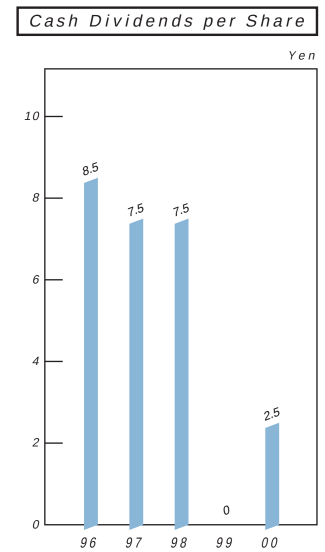












Non-consolidated Consolidated

Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2000

ASSETS	Millions of Yen 2000	Thousands of U.S. Dollars 2000
Current assets:		
Cash and time deposits	¥ 37,578	$ 354,008
Marketable securities (Note 3(3), 4 and 5)	14,864	140,028
Trade receivables:		
Note	18,343	172,803
Account	156,728	1,476,477
Inventories: (Note 3(5) and 5)		
Cost of uncompleted contacts	60,543	570,353
Real estate for trade and real estate in progress	51,006	480,509
Other inventories	2,794	26,321
Deferred tax assets (Note 15)	15,083	142,091
Other current assets	7,235	68,158
Allowance for doubtful receivables (Note 3(4))	(3,986)	(37,550)
Total current assets	360,188	3,393,198
Investments and non-current assets:		
Investment in securities (Note 3(3), 4 and 5)	15,842	149,242
Long-term loans and receivables	7,195	67,781
Sundry investments	21,376	201,375
Deferred tax assets (Note 15)	9,776	92,096
Allowance for doubtful receivables (Note 3(4))	(9,103)	(85,755)
Total investments and non-current assets	45,086	424,739
Property and equipment: (Note 3(6))		
Land	52,335	493,029
Buildings and structures	42,383	399,275
Machinery, equipment and vehicles	19,131	180,226
Dredgers and vessels	45,091	424,786
Construction in progress	152	1,432
Other Property and equipment	3,722	35,063
Total property and equipment	162,814	1,533,811
Less accumulated depreciation	(58,809)	(554,018)
Property and equipment – net	104,005	979,793
Other assets		
Consolidation adjustments	192	1,809
Others (Note 3(7))	1,194	11,248
Total other assets	1,386	13,057
Total assets	¥510,665	$4,810,787

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2000	Thousands of U.S. Dollars 2000
Current liabilities:		
Bank loans (Note 6)	¥130,429	$1,228,724
Commercial paper	3,000	28,262
Current portion of long-term debt (Note 6)	26,233	247,131
Trade payables:		
Note	49,267	464,126
Account	98,855	931,276
Advance on contracts in progress	48,797	459,699
Deposit received	8,998	84,767
Accrued taxes on income	525	4,946
Accrued expenses	4,008	37,758
Other current liabilities	3,858	36,344
Total current liabilities	373,970	3,523,033
Long-term liabilities:		
Long-term debt (Note 6)	73,072	688,384
Accrued directors' and statutory auditors' and employees' severance indemnities (Note 3(10) and 3(11))	7,045	66,368
Deferred tax liabilities for land revaluation (Note 18)	3,358	31,635
Other long-term liabilities	6,867	64,692
Total long-term liabilities	90,342	851,079
Cumulative foreign currency translation adjustments	243	2,290
	464,555	4,376,402
Shareholders' equity:		
Common stock	33,971	320,028
Common stock, ¥50 par value		
Authorized — 599,135,000 shares		
Issued — 361,407,443 shares at March 31, 2000		
Additional paid-in capital (Note 17)	10,635	100,188
Land revaluation excess (Note 18)	4,628	43,599
Retained earnings (deficit) (Note 3(12))	(3,124)	(29,430)
Less: Tresury shares	(0)	(0)
Total shareholders' equity	46,110	434,385
Total liabilities and shareholders' equity	¥510,665	$4,810,787

Commitments and contingent liabilities (Note 14)

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Income, and Retained earnings or Deficit

For the year ended March 31, 2000

	Millions of Yen	Thousands of U.S. Dollars
	2000	2000
Construction business:		
Net sales	¥436,910	$4,115,968
Cost of sales	389,785	3,672,021
	47,125	443,947
Real estate and others:		
Net sales	27,042	254,753
Cost of sales	27,514	259,199
	(472)	(4,446)
Total net sales	463,952	4,370,721
Total cost of sales	417,299	3,931,220
Total gross profit	46,653	439,501
Selling, general and administrative expenses	32,109	302,487
Operating income	14,544	137,014
Other income:		
Interest and dividends	822	7,744
Others (Note 7)	685	6,453
	1,507	14,197
Other expenses:		
Interest	5,215	49,129
Others (Note 8)	2,012	18,954
	7,227	68,083
Ordinary income	8,824	83,128
Extraordinary gain (Note 9)	4,686	44,145
Extraordinary loss (Note 10)	32,564	306,774
Income (loss) before income taxes	(19,054)	(179,501)
Income taxes: (Note 3(9) and 15)		
Current	862	8,120
Tax effect adjustment	(6,521)	(61,432)
Net income (loss)	(13,395)	(126,189)
Retained earnings or deficit: (Note 3(12))		
Balance at the beginning of the period	(26,787)	(252,350)
Prior period tax effect adjustment	18,031	169,863
Reversal of additional paid-in capital for cover of deficit	19,027	179,246
Net income (loss)	(13,395)	(126,189)
Balance at the end of the period	¥ (3,124)	$ (29,430)
Income (loss) per share of common stock (Note 3(13))	Yen	U.S. Dollars (Note1)
Primary	¥ (37.06)	$ (0.35)
Assuming full dilution	—	—

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Shareholders' Equity

For the year ended March 31, 2000

	Millions of Yen	Thousands of U.S. Dollars
	2000	2000
Common stock:		
Balance at the beginning of the period	¥33,971	$320,028
Balance at the end of the period	33,971	320,028
Additional paid-in capital: (Note 17)		
Balance at the beginning of the period	29,662	279,434
Reversal for covering the deficit	(19,027)	(179,246)
Balance at the end of the period	10,635	100,188
Retained earnings or deficit: (Note 3(12))		
Balance at the beginning of the period	(26,787)	(252,350)
Prior period tax effect adjustment	18,031	169,863
Reversal of additional paid-in capital for covering the deficit	19,027	179,246
Net income (loss)	(13,395)	(126,189)
Balance at the end of the period	(3,124)	(29,430)
Land revaluation excess: (Note 18)		
Balance at the beginning of the period	—	—
Land revaluation excess	4,628	43,599
Balance at the end of the period	¥ 4,628	$ 43,599

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended March 31, 2000

	Millions of Yen	Thousands of U.S. Dollars
	2000	2000
Cash flows from operating activities:		
Income (loss) before income taxes	¥(19,054)	$(179,501)
Adjustment to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	5,400	50,871
(Increase) decrease in allowance for doubtful receivables	2,759	25,992
(Increase) decrease in accured directors' and statutory auditors' and employees' severance indemnities	2,819	26,557
Interest and dividends received	(822)	(7,744)
Interest paid	5,680	53,509
Foreign exchange loss (gain)	684	6,444
Equity in loss (gain) of affiliates	336	3,165
Loss (gain) on sales and disposals of property and equipment	620	5,841
Loss (gain) on sales of marketable and investment in securities	283	2,666
Loss (gain) on valuation of marketable and investment in securities	228	2,148
Change in assets and liabilities:		
(Increase) decrease in trade receivables	18,451	173,820
(Increase) decrease in cost of uncompleted contacts.	6,563	61,828
(Increase) decrease in real estate for trade and real estate in progress	26,553	250,146
Increase (decrease) in trade payables	(14,302)	(134,734)
Increase (decrease) in advance on contracts in progress	(15,887)	(149,666)
Increase (decrease) in accured expenses	(907)	(8,545)
Other – net	(5,112)	(48,157)
Sub total	14,292	134,640
Interest and dividends received	756	7,122
Interest paid	(5,373)	(50,617)
Income taxes paid	(988)	(9,308)
Net cash provided by (used for) operating activities	8,687	81,837

	Millions of Yen	Thousands of U.S. Dollars
	2000	2000
Cash flows from investing activities:		
Payments for purchases marketable securities	¥ (215)	$ (2,025)
Proceeds from sales of marketable securities	721	6,792
Payments for purchases investment in securities	(915)	(8,620)
Proceeds from sales of investment in securities	450	4,239
Payments for purchases property and equipment	(5,125)	(48,281)
Proceeds from sales of property and equipment	1,915	18,041
Disbursements for loans receivables	(3,281)	(30,909)
Proceeds from collection of loans receivables	1,939	18,267
Other – net	(349)	(3,288)
Net cash provided by (used for) financing activities	(4,860)	(45,784)
Cash flows from financing activities:		
Net increase (decrease) in short-term bank loans	(9,081)	(85,549)
Net increase (decrease) commercial paper	(2,000)	(18,841)
Proceeds from long-term debt	16,882	159,039
Payment of long-term debt	(20,489)	(193,019)
Cash dividends paid	(7)	(66)
Other – net	0	0
Net cash provided by (used for) financing activities	(14,695)	(138,436)
Difference resulting from conversion of foregin cash and cash equivalents to yen	(423)	(3,985)
Net increase (decrease) in cash and cash equivalents	(11,291)	(106,368)
Cash and cash equivalents at the beginning of the period	47,162	444,295
Cash and cash equivalents at the end of the period	¥35,871	$337,927

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statement

(Information with respect to fiscal 2000 is unaudited)

1. Basis of consolidated financial statement

The consolidated financial statement was disclosed from the fiscal year ended March 31, 2000 in order that the consolidated standards and its related regulations were revised and enforced on/from April 1, 1999.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles and practices generally accepted and applied in Japan and the regulations under the Securities and Exchange Law Japan. The accounting principles and practices adopted by the oversea consolidated subsidiaries conform to those adopted by the Company. The accompanying consolidated financial statements have been reclassified for the convenience of readers outside Japan.

The figures in these financial statements are shown in U.S. dollars at the conversion rate of U.S.$1=¥106.15, the exchange rate prevailing on March 31, 2000. This is solely for the convenience of the readers outside Japan and does not mean that assets and liabilities originating yen can converted into or settled in dollars at the above rate.

2. Consolidation

(1) Condition

The Company has been 23 subsidiaries and 6 affiliates at March 31, 2000. The Company consolidated 23 subsidiaries and applied the equity method to 6 affiliates.

(2) Consolidation date

The balance sheet date in the Company and the domestic subsidiaries is on March 31 and those of the overseas subsidiaries are on December 31.

The consolidation date is on March 31.

The transactions from year-end date to consolidation date were neglected excluding significant transactions.

(3) Valuation of assets and liabilities of consolidated subsidiaries

The company applied the method which allocate the valuation excess between the amounts which evaluated assets and liabilities of subsidiaries at fair market value and their book value on the proportion of holding share's number of minority shareholders and the Company.

This method was applied to subsidiaries which were acquired on and after April 1, 1999.

(4) Consolidation adjustments

Consolidation adjustments are amortized on the straight-line method over five years.

(5) Appropriation of retained earnings or deficit

Appropriation of retained earnings or deficit approved by shareholders' meeting held during the fiscal year in the respective consolidated companies was reflected to the consolidated financial sratements.

3. Summary of significant accounting policies

(1) Foreign currency conversion

Transactions in foreign currencies are converted into yen at the exchange rate prevailing at the time of the transactions. Short-term receivables and payables denominated in foreign currencies are converted into yen at the exchange rate prevailing on the balance sheet date. The other items denominated in foreign currencies are converted into yen at the exchange rate prevailing at time when assets were acquired or liabilities were incurred. Exchange gains or losses, realized or unrealized, are included in current income.

(2) Recognition of contract revenue

The Company generally recognizes revenue upon the completed-contract method. However it uses the percentage of completion method to recognize revenue derived from large, long-term construction projects which meet a certain specified term. Advances received in excess of revenue incurred on long-term contracts are shown as a current liability. Unbilled costs are included in inventories.

(3) Securities

Securities included in current assets and investments are stated at cost determined by the moving average method except for those of a remarkable fall in market price.

(4) Allowance for doubtful receivables

The Company declared estimated amounts based on the ratio of actual bad debt to monetary credit balances and certain amounts for individual receivables which are considered uncollectable.

(5) Inventories

Inventories are stated at specific cost, except for raw materials and supplies which are determined by the first-in first-out method.

(6) Property and equipment

Property and equipment of the Company and domestic subsidiaries is stated at cost and its depreciation is calculated under the declining balance method using the estimated useful lives stipulated by Japanese tax regulations, except buildings (except for equipment fixed inside buildings) which were acquired on/after April 1, 1998 and which are calculated under the straight-line method. The straight-line method is applied to their properties and equipments of overseas subsidiaries.

At the time of sale or disposal, the cost and related accumlated depreciation are eliminated from the account, and gains or losses are reflected in income. Maintenance and repair costs, including minor renewals and betterments and purchases of small equipment, are included in the expenses incurred during the fiscal year under review.

(7) Research and development costs, and computer software

Research and development costs are charged to income as they are incurred.

The computer software which has been purchased for internal use is amortized as no scrap values by the straight – line method for five years based on the estimated useful lives of internal use.

(8) Accounting for finance lease

To transactions of finance lease other than these which the right of ownership to lease assets is recognized to belong to lessee, the same accounting method as that of operating is adopted.

(9) Income taxes

The Company and consolidated domestic subsidiaries declares corporation and other taxes for the current fiscal year on the basis of the taxable income calculated under the provisions of the Corporation Tax Law and other tax regulations. Taxable income thus calculated is different from earnings in the account book.

Japanese corporation and other taxes applicable to the Company and consolidated domestic subsidiaries comprise of (a) corporation tax of 30.0 percent on taxable income, (b) enterprise tax of 9.6 percent on taxable income after a certain adjustment, and (c) prefectural and municipal taxes averaging 20.4 percent on the amount of corporation tax after a certain adjustment. When paid, enterprise tax is deductible for income tax purposes.

Foreign subsidiaries are subject to income taxes at the various tax rate applicable in each country. Foreign tax credit related to the amounts of income tax paid to foreign tax offices by the Company directly or indirectly, is approved under a certain limitation in accordance with Japanese tax regulations.

(10) Accrued employees' severance indemnities

The Company has a plan which provides for lump-sum severance benefits to employees whose services with the Company are terminated. The amount to be paid is generally determined by reference to length of service and current basic salary at the time of termination or retirement. The Company set aside the amount which is 100 percent of the amount which would be required to be paid, if all employees voluntarily terminated their service at the balance sheet date.

The Company established retirement annuity funds with private life insurance companies and trust banks in the fiscal year ended March 31, 1992. These had been to cover 70 percent of the amount which would be required to be paid, if all employees voluntarily terminated their service at the balance sheet date. Japanese tax regulations require deduction of the amount contributed to the retirement annuity fund from the basic amount of the calculations which the regulations allow companies to reserve as accrued employees' severance indemnities referred to above.

Employees can require lump-sum severance benefits when they reach the retirement age of 60, and the amount to be paid is satisfied by 70 percent from the retirement annuity fund and 30 percent from the Company.

They can select a method to be paid as a pension only after fifteen years of service at the time of their retirement. When employees whose length of service with the Company is fifteen years or over, voluntarily terminate their service before retirement age, they are also entitled to receive pension payments which continue to be payable a survivors' annuity upon death.

The total amount of pension assets was ¥7,235 million (U.S.$68,158 thousand) as of March 31, 2000. Past service cost must be amortized for ten years, and such amounts charged to income as an expense were ¥1,919 million (U.S.$18,078 thousand) for the fiscal year ended March 31, 2000.

(11) Accrued directors' and statutory auditors' retirement allowance

The Company provides the retirement allowance equal to the amount required if all directors and statutory auditors retired on the balance sheet date.

(12) Legal reserve

Legal reserve is included in retained earnings in this accompanying consolidated financial statements.

(13) Net income per share

Primary net income per share is calculated on the basis of the weighted average number for a period of outstanding common stocks from the beginning to the end of the fiscal period.

Assuming full dilution has not been presented with the results that convertible bonds and bonds with detachable warrant have not been issued as of the end of March 31, 2000.

(14) Statement of cash flows

Cash and cash equivalents included in the statement of cash flows consists of cash, time deposits which can draw out less than three months.

(15) Deferred charge

Preoperating and start-up expenses are deferred and amortized over five years on the straight-line method.

(16)Derivative transactions

The Company and the consolidated subsidiaries enter into interest rate swap agreements and forward exchange contracts to hedge risks from fluctuations in interest rate and foreign exchange rate, respectively.

4. Marketable securities

Marketable securities current and non-current at March 31, 2000 are summarized as follows:

Market value of current and non-current marketable securities against book value is listed below.

	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2000
Marketable securities:		
Listed stocks	¥14,103	$132,859
Bonds and debentures	636	5,992
Total	¥14,739	$138,851
Investments in marketable securities:		
Listed stocks	¥10,680	$100,612
Other	120	1,131
Total	¥10,800	$101,743

	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2000
Market value of listed securities included in:		
Marketable securities	¥21,663	$204,079
Investments in marketable securities	21,673	204,174
Total	¥43,336	$408,253
Net unrealized gain	¥17,797	$167,659

	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2000
Not available for sale		
Currents:		
Unlisted bond (within 1 year)	¥ 125	$ 1,177
Non current:		
Unlisted stocks	¥2,542	$23,947
Privately placed internal bond	2,500	23,552

5. Pledged assets

The following assets were placed instead of guaranty money relating to fulfillment of construction contracts at March 31, 2000.

	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2000
Marketable securities	¥359	$3,382
Investment in securities	265	2,496
Sundry investments	150	1,414
Total	¥774	$7,292

6. Loans and long-term debt

Short-term bank loans as of March 31, 2000 are represented primarily in the form of overdraft facility notes bearing annual interest rates ranging from 0.595 percent to 6.620 percent for the fiscal year ended March 31, 2000. Long-term debt as of March 31, 2000 is summarized as follows:

	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2000
Long-term loans from banks and insurance companies maturing in 2010 (bearing annual interest rates ranging from 1.280 percent to 3.520 percent)	¥99,305	$935,515
Less: current portion of long-term debt	(26,233)	(247,131)
Total	¥73,072	$688,384

The aggregate annual maturing amounts of long-term loans after March 31, 2000 are as follows:

	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2000
Years ending March 31,		
2001	¥26,233	$247,131
2002	21,136	199,114
2003	14,827	139,680
2004	8,929	84,117
2005 and after that	28,180	265,473
Total	¥99,305	$935,515

7. Other income

The composition of "other income-others" for the year ended March 31, 2000 is as follows:

	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2000
Rent received from real estate	¥223	$2,101
Others	462	4,352
Total	¥685	$6,453

8. Other expenses

The composition of "other expenses-others" for the year ended March 31, 2000 is as follows:

	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2000
Foreign exchange loss	¥1,327	$12,501
Equity in loss of affiliates	336	3,165
Others	349	3,288
Total	¥2,012	$18,954

9. Extraordinary gain

The composition of "Extraordinary gain" for the year ended March 31, 2000 is as follows:

	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2000
Gain on cancellation of land contract	¥3,562	$33,556
Gain on sale for investment in securities	18	170
Gain on sale of fixed assets	14	132
Prior period adjustments	757	7,131
Others	335	3,156
Total	¥4,686	$44,145

10. Extraordinary loss

The composition of "Extraordinary loss" for the year ended March 31, 2000 is as follows:

	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2000
Loss from sale of fixed assets	¥ 634	$ 5,973
Loss from disposition of fixed assets	414	3,900
Provision for bad debt	3,065	28,874
Loss on revaluation of real estate for trade	18,502	174,301
Loss on securities revaluation	228	2,148
Loss resulting from cancellation of interest rate swap agreements	3,441	32,416
Loss resulting from recognizing the shortage of past service costs by the change in accounting	3,309	31,173
Others	2,971	27,989
Total	¥32,564	$306,774

11. Research and development costs

Research and development costs changed to income as expenses for the fiscal year ended March 31, 2000 were ¥2,334 million (U.S.$21,988 thousand).

12. The summary of finance lease transactions

The Company has entered into contracts of finance lease transactions. The summary of them is as follows:

(1) Fair value of properties leased by the Company, accumulated depreciation and present value of them are as follows:

	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2000
Equipment	¥332	$3,128
Vehicles	278	2,619
Buildings	21	197
	631	5,944
Accumulated depreciation	(391)	(3,683)
Present value	¥240	$2,261

Depreciation is calculated under the straight-line method for lease periods and the scrap value is zero.

(2) The future lease payments in the fiscal year ended March 31, 2000 are as follows:

	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2000
Within less than one year	¥135	$1,272
Later years	113	1,064
Total	¥248	$2,336

(3) The difference between the aggregate payment amounts of lease properties and the acquisition fair value of them is regarded as an interest to be paid and it is allocated to each of the accounting periods through the lease period of initial contracts by the interest-method and its summary is as follows:

	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2000
Lease payment	¥169	$1,592
Depreciation	158	1,488
Interest expense	9	85

13. Derivative transactions

The Company and consolidated subsidiaries have entered into interest rate swap agreements to hedge risk incurring from fluctuating of interest rate.

At March 31, 2000	Millions of Yen			Thousands of U.S. Dollars (Note 1)		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Non-market transactions						
Interest rate swap						
Fixed rate payment, floating rate receipt	¥6,427	¥(71)	¥(71)	$60,546	$(669)	$(669)
Total	¥6,427	¥(71)	¥(71)	$60,546	$(669)	$(669)

Fair value is based on the price offered by the banks concluding the derivative agreements.

14. Commitments and contingent liabilities

As of March 31, 2000, commitments for the purchase of machinery and equipment and other assets are ¥75 million (U.S.$707 thousand).

As of March 31, 2000 the Company is contingently liable for the borrowings of its subsidiaries, affiliates and others amounting to ¥8,522 million (U.S.$80,283 thousand).

15. Income taxes

Deferred tax assets and deferred tax liabilities result from time differences between financial reporting purpose and tax reporting purposes and those are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2000	2000
Deferred tax assets		
Deficit incurred on tax return	¥ 9,727	$ 91,634
Loss on revaluation of real estate for trade	8,576	80,791
Excess allowance for doubtful receivables	1,749	16,477
Excess accrued employees' severance indemnities	1,642	15,469
Others	3,403	32,058
Total: deferred tax assets	¥25,097	$236,429
Deferred tax liabilities		
Others	¥ (238)	$ (2,242)
Total: deferred tax liabilities	¥ (238)	$ (2,242)
Net: deferred tax assets	¥24,859	$234,187

16. Consumption tax

Consumption tax is usually levied at the rate of 5 percent on all transactions in connection with transferences (including services) and purchases, except for tax-free transactions. Consumption tax is eliminated from transferences (including services) and purchases stated in the statement of income.

17. Additional paid in capital

Paid in capital is capital surplus in excess of par value ¥10,635 million (U.S.$100,188 thousand), regulated by Japanese Commercial Code.

18. Land revaluation excess

The Company revalued the land of ownership used for its own business purpose based on the value appraised by an appraiser who is regulated by Article 2 No. 4 and 5 of an Enforcement Ordinance No. 119 of the Law concerning Land Revaluation promulgated on March 31, 1999.

As its result the revaluation excess was recognized and taxes to be levied to its excess in future was declared as a deferred tax liability and net excess having deducted the above taxes was presented in shareholders' equities as a Land Revaluation Excess.

The day of the revaluation: On March 31, 2000

Book value	¥39,305 million (U.S.$370,278 thousand)
Appraisal value	¥47,292 million (U.S.$445,520 thousand)

19. Segment Information

(1) Business segments

Business segments are primarily composed of the followings:

Construction	Civil engineering, Construction, etc.
Real estate development	Sale or rental of real estate
Others	Sale of construction materials, shipbuilding, etc.

	Millions of Yen					
Year ended March 31, 2000:	Construction	Real estate development	Others	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	¥436,910	¥17,283	¥ 9,759	¥463,952	¥ —	¥463,952
Internal sales or transfer	604	102	3,114	3,820	(3,820)	—
Total	437,514	17,385	12,873	467,772	(3,820)	463,952
Operating expenses	421,446	18,419	13,408	453,273	(3,865)	449,408
Operating income	16,068	(1,034)	(535)	14,499	45	14,544
Assets	344,416	71,920	35,557	451,893	58,772	510,665
Depreciation	3,665	207	1,528	5,400	—	5,400
Capital expenditures	1,036	5	4,273	5,314	—	5,314

	Thousands of U.S. Dollars (NOTE 1)					
Year ended March 31, 2000:	Construction	Real estate development	Others	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	$4,115,968	$162,817	$91,936	$4,370,721	$ —	$4,370,721
Internal sales or transfer	5,690	961	29,336	35,987	(35,987)	—
Total	4,121,658	163,778	121,272	4,406,708	(35,987)	4,370,721
Operating expenses	3,970,287	173,519	126,312	4,270,118	(36,411)	4,233,707
Operating income	151,371	(9,741)	(5,040)	136,590	424	137,014
Assets	3,244,616	677,532	334,969	4,257,117	553,670	4,810,787
Depreciation	34,527	1,950	14,394	50,871	—	50,871
Capital expenditures	9,760	47	40,254	50,061	—	50,061

(2) Geographic segments

Geographic segments are primarily composed of the followings:

Japan
Southeast Asia .... Singapore, Hong Kong, Malaysia
Others .... Egypt, Micronesia, Sri Lanka

	Millions of Yen					
Year ended March 31, 2000:	Japan	Southeast Asia	Others	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	¥383,902	¥76,064	¥3,986	¥463,952	¥ —	¥463,952
Internal sales or transfer	—	—	—	—	—	—
Total	383,902	76,064	3,986	463,952	—	463,952
Operating expenses	370,237	75,145	4,026	449,408	—	449,408
Operating income	13,665	919	(40)	14,544	—	14,544
Assets	396,161	42,129	4,869	443,159	67,506	510,665

	Thousands of U.S. Dollars (NOTE 1)					
Year ended March 31, 2000:	Japan	Southeast Asia	Others	Total	Eliminations and/or addition	Consolidated
Net sales:						
Customers	$3,616,599	$716,571	$37,551	$4,370,721	$ —	$4,370,721
Internal sales or transfer	—	—	—	—	—	—
Total	3,616,599	716,571	37,551	4,370,721	—	4,370,721
Operating expenses	3,487,866	707,913	37,928	4,233,707	—	4,233,707
Operating income	128,733	8,658	(377)	137,014	—	137,014
Assets	3,732,087	396,882	45,869	4,174,838	635,949	4,810,787

All the operating expenses are allocated to the respective segments applicably.

The assets unable to allocate belong to general control division in the head office of the Company and subsidiaries at March 31, 2000 was ¥67,506 million (U.S.$635,949) thousand).

These principally consisted of cash and time deposits, marketable securities, investment in securities and sundry assets

(3) Overseas sales

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
For the year ended March 31, 2000	Southeast Asia	Others	Total	Total
Overseas sales	¥76,064	¥3,985	¥ 80,050	$ 754,122
Consolidated sales			¥463,952	$4,370,721
The proportion of overseas sales to consolidated sales	16.4%	0.9%	17.3%	17.3%

Segments of countries or areas are set up on the basis of geographical closeness.

Principal countries and areas included in each category.
— Southeast Asia: Singapore, Hong Kong, Malaysia
— Others: Egypt, Micronesia, Sri Lanka

Report of Independent Certified Public Accountants on the Consolidated Financial Statements

The Board of Directors
Penta-Ocean Construction Co., Ltd.

We have audited the consolidated balance sheet of Penta-Ocean Construction Co., Ltd. and its consolidated subsidiaries as of March 31, 2000 and the related consolidated statement of income and retained earnings or deficit, shareholders' equity and cash flow for the year ended March 31, 2000, all stated in yen.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with **auditing standards, procedures and practices generally accepted and applied in Japan.** Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statement is free of material misstatement. An audit includes examining, on a test basis,evidence supporting the amounts and disclosures in the consolidated financial statement. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentations.

In our opinion, the consolidated financial statement referred to above present fairly, in all material respects, the financial position of Penta-Ocean Construction Co., Ltd. and its consolidated subsidiaries as of March 31, 2000, and the result of operation and the shareholders' equity, and the cash flow for the year then ended in conformity with accounting principles and practices in Japan generally accepted and applied.

The accompanying consolidated financial statement expressed in United States dollar has been translated into dollar solely for convenience of the reader. We have reviewed the translation and, in our opinion, the consolidated financial statement expressed in yen has been translated into dollar on the basis described in Note I to the consolidated financial statements.

Tokyo, Japan
June 29, 2000

Century Ota Showa & Co.

CENTURY OTA SHOWA & CO.

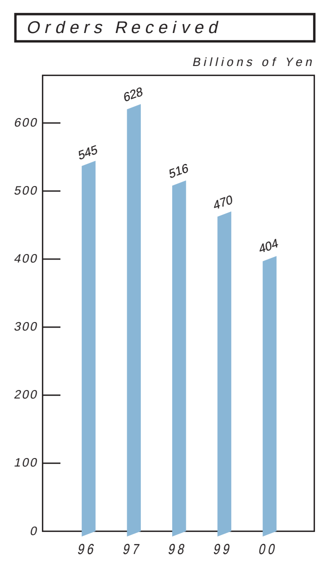
See notes to the consolidated financial statements which explains the basis of preparing the non-consolidated financial statements of Penta-Ocean Construction Co., Ltd. under Japanese accounting principles and practices.

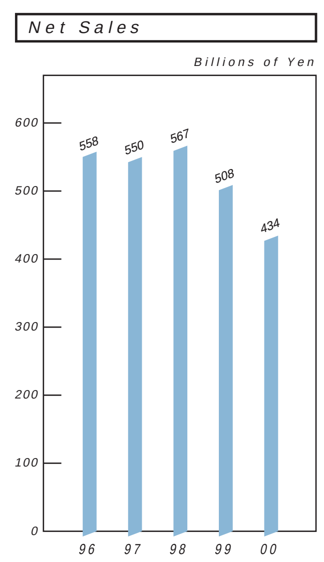
Non-Consolidated Financial Highlights

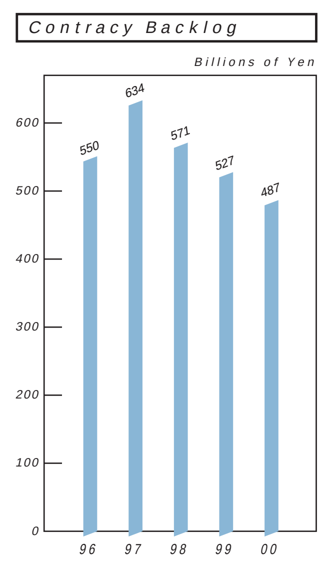
Penta-Ocean Construction Co., Ltd.
Years ended March 31

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	**2000**	**2000**
Orders received	¥470,010	**¥404,259**	**$3,808,375**
Net sales	508,925	**434,811**	**4,096,194**
Contract backlog	527,702	**487,252**	**4,590,221**
Total assets	503,272	**474,959**	**4,474,414**
Shareholders' equity	44,606	**51,634**	**486,425**
Ordinary income	3,173	**11,305**	**106,501**
Income (Loss) before income taxes	(40,796)	**(23,321)**	**(219,699)**
Net income (loss)	(41,341)	**(15,024)**	**(141,536)**
Cash dividends	—	**904**	**8,516**
	Yen		U.S. Dollars
Per share of common stock:			
Shareholders' equity	¥123	**¥143**	**$1.35**
Net income (loss)	(114.22)	**(41.57)**	**(0.39)**
Cash dividends	—	**2.50**	**0.02**

Note: Figures stated in U.S. dollars are converted for convenience only, at the rate of ¥106.15 per US$1, prevailing on March 31, 2000.







Non-Consolidated Five-Year Summary

Penta-Ocean Construction Co., Ltd.
Years ended March 31

	Millions of Yen				
	1996	1997	1998	1999	**2000**
Orders received	¥545,085	¥628,185	¥516,020	¥470,010	**¥404,259**
Civil engineering	340,081	385,429	265,688	319,246	**249,349**
Architectural engineering	199,029	240,417	246,738	147,257	**144,055**
Real estate and others	5,975	2,339	3,594	3,507	**10,855**
Net sales	558,319	550,695	567,176	508,925	**434,811**
Civil engineering	333,199	335,046	319,165	280,180	**270,443**
Architectural engineering	216,882	212,551	244,604	225,525	**153,288**
Real estate and others	8,238	3,098	3,407	3,220	**11,080**
Contract backlog	550,976	634,771	571,317	527,702	**487,252**
Civil engineering	304,509	360,075	295,832	330,850	**302,537**
Architectural engineering	245,694	274,683	275,285	196,364	**184,453**
Real estate and others	773	13	200	488	**262**
Total assets	602,507	533,785	583,978	503,272	**474,959**
Shareholders' equity	84,190	88,616	88,978	44,606	**51,634**
Ordinary income	14,377	12,517	11,683	3,173	**11,305**
Income (Loss) before income taxes	12,785	13,231	9,478	(40,796)	**(23,321)**
Net income (loss)	4,315	3,807	3,209	(41,341)	**(15,024)**
Cash dividends	3,032	2,717	2,717	—	**904**
Per share of common stock:	Yen				
Shareholders' equity	¥ 236	¥ 245	¥ 246	¥ 123	**¥ 143**
Net income (loss)	12.19	10.56	8.86	(114.22)	**(41.57)**
Cash dividends	8.50	7.50	7.50	0.00	**2.50**
Number of employees	5,116	5,080	4,671	3,937	**3,774**

Penta-Ocean Construction Co., Ltd.

Non-Consolidated Balance Sheets

March 31, 1999 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	1999	**2000**	**2000**
Current assets:			
Cash and time deposits	¥ 40,875	**¥ 30,521**	**$ 287,527**
Marketable securities (Notes 2(3), 3 and 4)	15,360	**14,864**	**140,028**
Trade receivables:			
Note	26,560	**14,847**	**139,868**
Account	169,033	**150,433**	**1,417,174**
Subsidiaries and affiliates	11,465	**13,612**	**128,234**
Allowance for doubtful receivables (Note 2(5))	(2,086)	**(4,060)**	**(38,248)**
Inventories: (Note 2(6))			
Cost of uncompleted contracts	63,675	**58,458**	**550,711**
Real estate for trade and real estate in progress	44,005	**32,138**	**302,760**
Raw materials and supplies	2,951	**1,726**	**16,260**
Deferred tax assets (Note 2(10) and 14)	—	**16,767**	**157,956**
Other current assets	4,387	**6,761**	**63,693**
Total current assets	376,225	**336,067**	**3,165,963**
Investments and non-current assets:			
Investments in and loans to subsidiaries and affiliates (Note 2(4))	10,074	**23,130**	**217,899**
Investment in securities (Notes 2(3), 3 and 4)	16,137	**15,769**	**148,554**
Long-term receivables	10,614	**2,860**	**26,943**
Sundry investments	22,253	**20,498**	**193,104**
Allowance for doubtful receivables (Note 2(5))	(7,999)	**(9,238)**	**(87,028)**
Deferred tax assets (Notes 2(10) and 14)	—	**9,424**	**88,780**
Total investments and non-current assets	51,079	**62,443**	**588,252**
Property and equipment (Note 2 (7)):			
Land	41,480	**47,292**	**445,521**
Buildings and structures	38,074	**37,646**	**354,649**
Machinery, equipment and vehicles	16,167	**16,319**	**153,735**
Dredgers and vessels	28,823	**27,875**	**262,600**
Construction in progress	1,126	**152**	**1,432**
Total property and equipment	125,670	**129,284**	**1,217,937**
Less accumulated depreciation	(52,710)	**(53,741)**	**(506,274)**
Property and equipment – net	72,960	**75,543**	**711,663**
Other assets (Note 2 (8))	3,008	**906**	**8,536**
Total assets	¥503,272	**¥474,959**	**$4,474,414**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND SHAREHOLDERS' EQUITY	1999	**2000**	**2000**
Current liabilities:			
Bank loans (Note 5)	¥129,568	**¥127,726**	**$1,203,260**
Commercial paper	5,000	**3,000**	**28,262**
Current portion of long-term debt (Note 5)	15,861	**22,306**	**210,137**
Trade payables:			
Note	45,686	**38,429**	**362,025**
Account	103,138	**91,370**	**860,763**
Subsidiaries and affiliates	3,676	**4,616**	**43,486**
Advance on contracts in progress	63,111	**46,959**	**442,383**
Deposit received	11,252	**8,790**	**82,807**
Accrued taxes on income	423	**211**	**1,988**
Accrued expenses	10,960	**8,123**	**76,524**
Other current liabilities	3,891	**3,064**	**28,865**
Total current liabilities	392,566	**354,594**	**3,340,500**
Long-term debt (Note 5)	60,284	**56,983**	**536,816**
Accrued directors' and statutory auditors' and employees' severance indemnities (Note 2(11) and 2(12))	4,200	**6,848**	**64,512**
Deferred tax liabilities for land revaluation (Note 2(10) and 18)	—	**3,358**	**31,634**
Other long-term liabilities	1,616	**1,542**	**14,527**
Total long-term liabilities	66,100	**68,731**	**647,489**
Shareholders' equity:			
Common stock, ¥50 par value			
Authorized – 599,135,000 shares			
Issued – 361,407,443 shares at March 31, 1999	33,971	**—**	**—**
Issued – 361,407,443 shares at March 31, 2000	—	**33,971**	**320,028**
Additional paid-in capital (Note 16)	29,662	**10,635**	**100,188**
Land revaluation excess (Note 18)	—	**4,628**	**43,599**
Legal reserve (Note 17)	5,197	**—**	**—**
Retained earnings (deficit):			
Appropriated for general reserve	14,049	**—**	**—**
Unappropriated	(38,273)	**2,400**	**22,610**
Total shareholders' equity	44,606	**51,634**	**486,425**
Total liabilities and shareholders' equity	¥503,272	**¥474,959**	**$4,474,414**

Commitments and contingent liabilities (Note 13)

See accompanying Notes to Non-Consolidated Financial Statements.

Penta-Ocean Construction Co., Ltd.

Non-Consolidated Statements of Income

For the years ended March 31, 1999 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	**2000**	**2000**
Construction business:			
Net sales	¥505,705	**¥423,732**	**$3,991,823**
Cost of sales	464,386	**378,458**	**3,565,313**
	41,319	**45,274**	**426,510**
Real estate and others (Note 11):			
Net sales	3,220	**11,080**	**104,381**
Cost of sales	3,351	**10,776**	**101,517**
	(131)	**304**	**2,864**
Total net sales	508,925	**434,812**	**4,096,204**
Total cost of sales	467,737	**389,234**	**3,666,830**
Total gross profit	41,188	**45,578**	**429,374**
Selling, general and administrative expenses	35,504	**29,831**	**281,027**
Operating income	5,684	**15,747**	**148,347**
Other income:			
Interest and dividends	1,099	**739**	**6,962**
Interest and dividends from subsidiaries and affiliates	100	**168**	**1,583**
Other (Note 6)	1,465	**567**	**5,341**
	2,664	**1,474**	**13,886**
Other expenses:			
Interest	4,210	**4,930**	**46,443**
Other (Note 7)	965	**986**	**9,289**
	5,175	**5,916**	**55,732**
Ordinary income	3,173	**11,305**	**106,501**
Extraordinary gain (Note 8)	493	**465**	**4,380**
Extraordinary loss (Note 9)	44,462	**35,091**	**330,580**
Income (loss) before income taxes	(40,796)	**(23,321)**	**(219,699)**
Income taxes (Notes 2 (10) and 14)			
Current	545	**470**	**4,428**
Tax effect adjustment	—	**(8,767)**	**(82,591)**
Net income (loss)	¥ (41,341)	**¥ (15,024)**	**$ (141,536)**
Income (loss) per share of common stock (Note 2 (14))	Yen		U.S. Dollars (Note 1)
Primary	¥(114.22)	**¥(41.57)**	**$(0.39)**
Assuming full dilution	—	**—**	**—**

See accompanying Notes to Non-Consolidated Financial Statements.

Penta-Ocean Construction Co., Ltd.

Non-Consolidated Statements of Shareholders' Equity

For the years ended March 31, 1999 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	**2000**	**2000**
Common stock:			
Balance at the beginning of the period	¥ 33,971	**¥ 33,971**	**$ 320,028**
Balance at the end of the period	¥ 33,971	**¥ 33,971**	**$ 320,028**
Additional paid-in capital (Note 16):			
Balance at the beginning of the period	¥ 29,866	**¥ 29,662**	**$ 279,435**
Cancellation of treasury stocks	(204)	**—**	**—**
Reversal for covering the deficit	—	**(19,027)**	**(179,247)**
Balance at the end of the period	¥ 29,662	**¥ 10,635**	**$ 100,188**
Legal reserve (Note 17):			
Balance at the beginning of the period	¥ 4,907	**¥ 5,197**	**$ 48,959**
Reversal for covering the deficit	290	**(5,197)**	**(48,959)**
Balance at the end of the period	¥ 5,197	**¥ —**	**$ —**
Retained earnings:			
Appropriated for general reserve (Note 2(13))			
Balance at the beginning of the period	¥ 14,163	**¥ 14,049**	**$ 132,350**
Transfer to unappropriated retained earnings	(114)	**—**	**—**
Reversal for covering the deficit	—	**(14,049)**	**(132,350)**
Balance at the end of the period	¥ 14,049	**¥ —**	**$ —**
Land revaluation excess: (Note 18)			
Balance at the beginning of the period	¥ —	**¥ —**	**$ —**
Land revaluation excess	—	**4,628**	**43,599**
Balance at the end of the period	¥ —	**¥ 4,628**	**$ 43,599**
Unappropriated: (Note 2(13))			
Balance at the beginning of the period	¥ 6,071	**¥(38,273)**	**$(360,556)**
Net income (loss)	(41,341)	**(15,024)**	**(141,536)**
Prior period tax effect adjustment	—	**17,424**	**164,146**
Cash dividends	(2,717)	**—**	**—**
Directors' and statutory auditors' bonuses	(110)	**—**	**—**
Transfer to legal reserve	(290)	**—**	**—**
Reversal of legal reserve for covering the deficit	—	**5,197**	**48,959**
Reversal of additional paid-in capital for covering the defiicit	—	**19,027**	**179,247**
Appropriated retained earnings	114	**14,049**	**132,350**
Balance at the end of the period	¥(38,273)	**¥ 2,400**	**$ 22,610**

See accompanying Notes to Non-Consolidated Financial Statements.

1. Basis of non-consolidated financial statements

These non-consolidated financial statements in English are based on the Company's accounts in Japanese. They have been prepared in accordance with **auditing standards, procedures and practices generally accepted and applied in Japan.** Except for the recording of unappropriated retained earnings, these financial statements have been reclassified from those submitted to the Director of Kanto Local Finance Bureau of Japan.

The figures in these financial statements are shown in U.S. dollars at the conversion rate of U.S.$1=¥106.15, the exchange rate prevailing on March 31, 2000. This is solely for the convenience of the readers outside Japan and does not mean that assets and liabilities originating in yen can be converted into or settled in dollars at the above rate.

The accompanying Non-consolidated Financial Statements of the Company for the fiscal years ended March 31, 1999 and 2000 had been prepared in conformity with the accounting and reporting standards for annual financial statements which had been promulgated by the Business Accounting Deliberation Council, an Advisory Committee of the Japanese Minister of Finance, however the above standards and its related regulations were revised and enforced on/from April 1, 1999, as a result, both the accompanying non-consolidated financial statements in 1999 and 2000 were prepared according to the revised standards and regulations due to comparison for two years.

2. Summary of significant accounting policies

(1) Foreign currency conversion
Transactions in foreign currencies are converted into yen at the exchange rate prevailing at the time of the transactions. Short-term receivables and payables denominated in foreign currencies are converted into yen at the exchange rate prevailing on the balance sheet date. The other items denominated in foreign currencies are converted into yen at the exchange rate prevailing at time when assets were acquired or liabilities were incurred. Exchange gains or losses, realized or unrealized, are included in current income.

(2) Recognition of contract revenue
The Company generally recognizes revenue upon the completed-contract method. However it uses the percentage of completion method to recognize revenue derived from large, long-term construction projects which meet a certain specified term. Advances received in excess of revenue incurred on long-term contracts are shown as a current liability. Unbilled costs are included in inventories.

(3) Securities
Securities included in current assets and investments are stated at cost determined by the moving average method except for those of a remarkable fall in market price.

(4) Investments in subsidiaries and affiliates
Investments in subsidiaries and affiliates are stated at cost determined by the moving average method.

(5) Allowance for doubtful receivables
The Company declared estimated amounts based on the ratio of actual bad debt to monetary credit balances and certain amounts for individual receivables which are considered uncollectable.

(6) Inventories
Inventories are stated at specific cost, except for raw materials and supplies which are determined by the first-in first-out method.

(7) Property and equipment
Property and equipment is stated at cost and its depreciation is calculated under the declining balance method using the estimated useful lives stipulated by Japanese tax regulations except buildings (except for equipment fixed inside buildings) which were acquired on/after April 1, 1998 and which are calculated under the straight-line method.

At the time of sale or disposal, the cost and related accumulated depreciation are eliminated from the account, and gains or losses are reflected in income. Maintenance and repair costs, including minor renewals and betterments and purchases of small equipment, are included in the expenses incurred during the fiscal year under review.

(8) Research and development costs, and Computer software
Research and development costs are charged to income as they are incurred. Computer software (¥745 million (U.S.$7,018 thousand)) which has been purchased for internal use was reclassified from Sundry investments to Other assets in the current fiscal year, according to Accounting Standards for Research and Development Costs which was promulgated by Business Accounting Deliberation Council on March 13, 1998. The computer software is amortized as no scrap values by the straight-line method for five years based on the estimated useful lives of internal use.

(9) Accounting for finance lease
To transactions of finance lease other than these which the right of ownership to lease assets is recognized to belong to lessee, the same accounting method as that of operating is adopted.

(10) Income taxes
The Company declares corporation and other taxes for the current fiscal year on the basis of the taxable income calculated under the provisions of the Corporation Tax Law and other tax regulations. Taxable income thus calculated is different from earnings in the account book. Japanese corporation and other taxes applicable to the Company comprise of (a) corporation tax of 30.0 percent on taxable income, (b) enterprise tax of 9.6 percent on taxable income after a certain adjustment, and (c) prefectural and municipal taxes averaging 20.4 percent on the amount of corporation tax after a certain adjustment. When paid, enterprise tax is deductible for income tax purposes. Tax-effect accounting was applied in the current year. As a result, deferred tax assets were recognized by ¥26,190 million (U.S.$246,726 thousand), net loss decreased by ¥8,767 million (U.S.$82,591 thousand), and appropriate retained earnings increase by ¥26,190 million (U.S.$246,726 thousand) compared with those in the case where tax-effect accounting is not applied.

(11) Accrued employees' severance indemnities
The Company has a plan which is provided for lump-sum severance benefits to employees whose services with the Company are terminated. The amount to be paid is generally determined by reference to length of service and current basic salary at the time of termination or retirement. Previously the Company set aside the amount which is 40 percent of the amount which would be required to be paid, if all employees voluntarily terminated their service at the balance sheet date. The Company determined to change from 40 percent to 100 percent for the above calculation from March 31, 2000. This change was decided by the reason why the Company reexamined the plan of lump-sum retirement benefits based on investigations of the changes in an age structure, length of service with the Company or retirement circumstances and surroundings of employees who applied the extra retirement pay, together with foreseeing increase of liability of retirement severance benefits which will be required the large retirement pay in future, and the Company promotes further more sound financial position and presents periodic income or loss more fairly. Consequently, the current service costs were charged to income as a general and administrative expenses, cost of sales and cost of uncompleted contracts and those were ¥59 million (U.S.$556 thousand), ¥74 million (U.S.$697 thousand), and ¥11 million (U.S.$104 thousand), the past service costs were charged to income as an extraordinary loss and it was ¥3,309 million (U.S.$31,173 thousand).

The Company established retirement annuity funds with private life insurance companies and trust banks in the fiscal year ended March 31, 1992. These have been to cover 70 percent of the amount which would be required to be paid, if all employees voluntarily terminated their service at the balance sheet date. Japanese tax regulations require deduction of the amount contributed to the retirement annuity fund from the basic amount of the calculations which the regulations allow companies to reserve as accrued employees' severance indemnities referred to above.

Employees can require lump-sum severance benefits when they reach the retirement age of 60, and the amount to be paid is satisfied by 70 percent from the retirement annuity fund and 30 percent from the Company.

They can select a method to be paid as a pension only after fifteen years of service at the time of their retirement. When employees whose length of service with the Company is fifteen years or over, voluntarily terminate their service before retirement age, they are also entitled to receive pension payments which continue to be payable as a survivors' annuity upon death.

The total amount of pension assets was ¥7,235 million (U.S.$68,158 thousand) as of March 31, 2000. Past service cost must be amortized for ten years, and such amounts charged to income as an expense were ¥1,919 million (U.S.$18,078 thousand) for the fiscal year ended March 31, 2000.

(12) Accrued directors' and statutory auditors' retirement allowance
The Company provides the retirement allowance equal to the amount required if all of directors and statutory auditors retired on the balance sheet date.

(13) Appropriations of retained earnings or deficit
Appropriations of retained earnings or deficits are reflected in the accompanying non-consolidated financial statements when approved by shareholders.

(14) Net income per share
Primary net income per share is calculated on the basis of the weighted average number for a period of outstanding common stocks from the beginning to the end of the fiscal period.

Assuming full dilution has not been presented with the results that convertible bonds and bonds with detachable warrant have not been issued as of the end of March 31, 2000.

(15) Derivative transactions
The Company enters into interest rate swap agreements and forward exchange contracts to hedge risks from fluctuations in interest rate and foreign exchange rate respectively.

3. Marketable securities

Marketable securities current and non-current at March 31, 1999 and 2000 are summarized as follows:

Market value of current and non-current marketable securities against book value is listed below.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	**2000**	**2000**
Marketable securities:			
Listed stocks	¥13,675	**¥14,103**	**$132,859**
Bonds and debentures	1,427	**636**	**5,992**
Total	¥15,102	**¥14,739**	**$138,851**
Investments in marketable securities:			
Listed stocks	¥10,506	**¥10,631**	**$100,151**
Other	30	**120**	**1,130**
Total	¥10,536	**¥10,751**	**$101,281**

	Millions of Yen 1999	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2000
Market value of listed securities included in:			
Marketable securities	¥21,228	**¥21,662**	**$204,070**
Investments in marketable securities	21,815	**21,632**	**203,787**
Total	¥43,043	**¥43,294**	**$407,857**
Net unrealized gain	¥17,405	**¥17,804**	**$167,725**

	Millions of Yen 1999	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2000
Not available for sale			
Current:			
Unlisted bond (within 1 year)	¥ 258	**¥ 125**	**$ 1,177**
Non Current:			
Unlisted stocks	¥3,101	**¥2,518**	**$23,721**
Privately placed internal bond	2,500	**2,500**	**23,552**

4. Pledged assets

The following assets were placed instead of guaranty money relating to fulfillment of construction contracts at March 31, 1999 and 2000.

	Millions of Yen 1999	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2000
Marketable securities	¥438	**¥359**	**$3,382**
Investment in securities	311	**265**	**2,496**
Total	¥749	**¥624**	**$5,878**

5. Loans and long-term debt

Short-term bank loans as of March 31, 1999 and 2000 are represented primarily in the form of overdraft facility notes bearing annual interest rates ranging from 0.595 percent to 1.875 percent for the two fiscal years ended March 31, 1999 and 2000. Long-term debt as of March 31, 1999 and 2000 is summarized as follows:

	Millions of Yen 1999	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2000
Long-term loans from banks and insurance companies maturing in 2010 (bearing annual interest rates ranging from 1.380 percent to 3.500 percent)	¥76,145	**¥79,289**	**$746,953**
Less: current portion of long-term debt	(15,861)	**(22,306)**	**(210,137)**
Total	¥60,284	**¥56,983**	**$536,816**

The aggregate annual maturing amounts of long-term loans after March 31, 2000 are as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 1)
2001	¥22,306	$210,137
2002	19,568	184,343
2003	13,485	127,037
2004	7,684	72,388
2005 and after that	16,246	153,048
Total	¥79,289	$746,953

6. Other income

The composition of "other income-others" for the two years ended March 31, 1999 and 2000 is as follows:

	Millions of Yen 1999	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2000
Rent received from real estate	¥ 299	**¥261**	**$2,459**
Gain on sale of marketable securities	736	**11**	**104**
Others	430	**295**	**2,778**
Total	¥1,465	**¥567**	**$5,341**

7. Other expenses

The composition of "other expenses-others" for the two years ended March 31, 1999 and 2000 is as follows:

	Millions of Yen 1999	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2000
Foreign exchange loss	¥586	**¥778**	**$7,329**
Others	379	**208**	**1,960**
Total	¥965	**¥986**	**$9,289**

8. Extraordinary gain

The composition of "Extraordinary gain" for the two years ended March 31, 1999 and 2000 is as follows:

	Millions of Yen 1999	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2000
Gain on sale of marketable securities	¥217	**¥ 16**	**$ 151**
Gain on sale of fixed assets	13	**13**	**122**
Prior period adjustments	232	**424**	**3,994**
Others	31	**12**	**113**
Total	¥493	**¥465**	**$4,380**

9. Extraordinary loss

The composition of "Extraordinary loss" for the two years ended March 31, 1999 and 2000 is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	2000	2000
Loss from sale of fixed assets	¥ 59	¥ 380	$ 3,580
Loss from disposition of fixed assets	93	410	3,862
Extra pay for voluntary retirement	5,857	199	1,875
Loss from disposition of plants to collect and convey earth and sand	5	—	—
Bad debt written off	2,517	—	—
Provision for bad debt	7,150	3,020	28,450
Loss from sale of real estate	4,745	—	—
Loss on revaluation of real estate for trade	11,059	18,469	173,990
Loss on liquidation of affiliated companies	7,050	3,471	32,699
Loss from sale of securities	284	—	—
Loss on securities revaluation	2,224	154	1,451
Loss resulting from cancellation of interest rate swap agreements	—	3,441	32,416
Loss resulting from recognizing the shortage of past service costs by the change in accounting	—	3,309	31,173
Others	3,419	2,238	21,084
Total	¥44,462	¥35,091	$330,580

10. The summary of finance lease transactions

The Company has entered into contracts of finance lease transactions. The summary of those is as follows:

(1) Fair value of properties leased by the Company, accumulated depreciation and present value of them are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	2000	2000
Machinery	¥ 341	¥ —	$ —
Equipment	1,442	620	5,841
Vehicles	439	259	2,440
Buildings	22	21	197
	2,244	900	8,478
Accumulated depreciation	(1,661)	(555)	(5,228)
Present value	¥ 583	¥345	$3,250

Depreciation is calculated under the straight-line method for lease periods and the scrap value is zero.

(2) The future lease payments in the fiscal years ended March 31, 1999 and 2000 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	2000	2000
Within less than one year	¥224	¥188	$1,771
Later years	373	170	1,602
Total	¥597	¥358	$3,373

(3) The difference between the aggregate payment amounts of lease properties and the acquisition fair value of them is regarded as an interest to be paid and it is allocated to each of the accounting periods through the lease period of initial contracts by the interest-method and its summary is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	2000	2000
Lease payment	¥436	¥242	$2,280
Depreciation	400	225	2,120
Interest expense	21	14	132

11. Rental fee-received, sales on real estate and others

The summary of rental fee-received on operating leases and of sales on real estate and others are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	2000	2000
Land	¥2,178	¥10,009	$ 94,291
Rental	1,034	1,024	9,647
The others	8	47	443
Total	¥3,220	¥11,080	$104,381

12. Derivative transactions

The Company has entered into interest rate swap agreements to hedge risk incurring from fluctuating of interest rate.

At March 31, 2000

	Millions of Yen			Thousands of U.S. Dollars (Note 1)		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Non-market transactions						
Interest rate swap						
Floating rate receipt, fixed rate payment	¥ 95,000	¥ (48)	¥ (48)	$ 894,960	$ (452)	$ (452)
Floating rate payment, fixed rate receipt	50,000	2,533	2,533	471,032	23,863	23,863
Fixed rate payment, floating rate receipt	96,000	(6,770)	(6,770)	904,380	(63,778)	(63,778)
Total	¥241,000	¥(4,285)	¥(4,285)	$2,270,372	$(40,367)	$(40,367)

Fair value is based on the price offered by the banks concluding the derivative agreements.

Derivative transactions information of the Company of March 31, 2000 was omitted according to the revised standards and regulation. Consolidated derivative transactions information of March 31, 2000 are presented on Notes of Consolidated Financial statements.

13. Commitments and contingent liabilities

As of March 31, 1999 and 2000, commitments for the purchase of machinery and equipment and other assets are ¥872 million (U.S.$8,215 thousand) and ¥75 million (U.S.$707 thousand) respectively.

As of March 31, 1999 and 2000 the Company is contingently liable for the borrowings of its subsidiaries, affiliates and others amounting to ¥37,671 million (U.S.$354,885 thousand) and ¥24,862 million (U.S.$234,216 thousand), respectively.

14. Income taxes

Deferred tax assets and deferred tax liabilities result from time differences between financial reporting purpose and tax reporting purposes and those are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Deferred tax assets		
Deficit incurred on tax return	¥ 9,685	$ 91,239
Loss on revaluation real estate for trade	8,576	80,791
Loss on liquidation of affiliated companies	2,039	19,209
Excess allowance for doubtful receivables	1,749	16,477
Excess accrued employees' severance indemnities	1,622	15,280
Others	2,612	24,606
Total: deferred tax assets	¥26,283	$247,602
Deferred tax liabilities		
Others	¥ (92)	$ (866)
Total: deferred tax liabilities	¥ (92)	$ (866)
Net: deferred tax assets	¥26,191	$246,736

15. Consumption tax

Consumption tax is usually levied at the rate of 5 percent on all transactions in connection with transferences (including services) and purchases, except for tax-free transactions. Consumption tax is eliminated from transferences (including services) and purchases stated in the statement of income.

16. Additional paid-in capital

It was provided in the articles of incorporation by the resolution of the Shareholders' meeting held at June 26, 1998 that the Company could repurchase treasury stocks within the limit of 18,000,000 shares and ¥5,400 million on behalf of cancellation of stocks by additional paid-in capital and the Board of Directors meeting held immediately after that decided to repurchase 1,000,000 shares of the number of above stocks according to Article 3 of the Law Concerning Special Measures under the commercial code with respect to procedures of cancellation of stocks as to the procedure of the cancellation of stocks enforced in 1997.

The Company repurchased 865,000 shares of par value common stock at a total amount of ¥204 million (U.S.$1,922 thousand) and cancelled all of them by the resolution of the Board of Directors' meeting.

17. Legal reserve

The Japanese Commercial Code provides that an amount equivalent to at least 10 percent of cash dividends and directors' bonus paid in each fiscal period will be appropriated as a legal reserve until such reserve reaches 25 percent of stated capital. This reserve is not available for dividend payments, but it may be used to reduce deficits by a resolution of the shareholders' meeting or transferred to capital by a resolution of the Board of Directors.

18. Land revaluation excess

The Company revalued the land of ownership used for its own business purposes based on the value appraised by an appraiser who is regulated by Article 2 No. 4 and 5 of an Enforcement Ordinance No. 119 of the Law concerning Land Revaluation promulgated on March 31, 1999.

As its result the revaluation excess was recognized and taxes to be levied to its excess in future was declared as a deferred tax liability and net excess having deducted the above taxes was presented in shareholders' equities as a Land Revaluation Excess.

The day of the revaluation: On March 31, 2000

Book value	¥39,305 million (U.S.$370,278 thousand)
Appraisal value	¥47,292 million (U.S.$445,520 thousand)

Report of Independent Certified Public Accountants on the Non-Consolidated Financial Statements

The Board of Directors
Penta-Ocean Construction Co., Ltd.

We have audited the non-consolidated balance sheets of Penta-Ocean Construction Co., Ltd. as of March 31, 1999 and 2000 and the related non-consolidated statements of income and shareholders' equity for the two years ended March 31, 1999 and 2000, all stated in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with **auditing standards, procedures and practices generally accepted and applied in Japan.** Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentations.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Penta-Ocean Construction Co., Ltd. as of March 31, 1999 and 2000, and the results of their operations and their shareholders' equity for the two years then ended in conformity with accounting principles and practices in Japan generally accepted and applied on a consistent basis excepting the following affair.

As described in Summary of significant accounting policies Note 2(11), Previously the Company had reserved for lump-sum severance benefits of 40 percent of the amount which would be required to be paid if all employees voluntarily terminated their service at the balance sheet date, but the Company determined to change from the above method to the method which provided 100 percent of the above benefits from the current year.

This change was decided by the reason why the Company reexamined the plan of lump-sum retirement benefits based on investigations of the changes in an age structure, length of service with the Company or retirement circumstances and surroundings of employees who applied the extra retirement pay, together with foreseeing increase of liability of retirement severance benefits which will be required the large retirement pay in future, and the Company promotes further more sound financial position and presents periodic income or loss more fairly. We accepted it as the change under rational reason.

The current service costs were charged to income as general and administrative expenses and cost of sales and those were ¥59million (U.S.$556 thousand) and ¥74million (U.S.$697 thousand) respectively. The past service costs were charged ¥3,309million (U.S.$31,173 thousand) to income as an extraordinary loss. As the result of this change, operating income and ordinary income decreased by ¥134million (U.S.$1,262 thousand), and loss before income taxes increase by ¥3,444million (U.S.$32,445 thousand) compare with the previous accounting measures.

The accompanying non-consolidated financial statements expressed in United States dollar have been translated into dollar solely for convenience of the reader. We have reviewed the translation and, in our opinion, the non-consolidated financial statements expressed in yen have been translated into dollar on the basis described in Note 1 to the non-consolidated financial statements.

Tokyo, Japan
June 29, 2000

Century Ota Showa & Co.

CENTURY OTA SHOWA & CO.

See notes to the non-consolidated financial statements which explains the basis of preparing the non-consolidated financial statements of Penta-Ocean Construction Co., Ltd. under Japanese accounting principles and practices.

(As of June 29, 2000)

Company Outline

Company Name:	Penta-Ocean Construction Co., Ltd.
Established:	April 1896
Head Office:	2-8, Koraku 2-chome, Bunkyo-ku, Tokyo 112-8576, Japan
Telephone:	81-3-3817-7181
Facsimile:	81-3-3817-7642
Paid-in Capital:	¥33,971 million
No. of Employees:	3,774
Website:	www.penta-ocean.co.jp

Board of Directors and Auditors

Chairman and President
Rempei Mizuno *

Executive Vice Presidents
Yasuro Mizuno *
Jitsuo Takashina
Kazujiro Tetsumura
Hisao Nakashita
Tadayoshi Saeki

Executive Directors
Michio Morihira
Yasuhiro Mizuno
Toshiro Yamada
Tojiro Kimura
Hideaki Kato

Managing Directors
Yasukazu Sato
Nagahiro Asano
Eisuke Anryu
Masakatsu Matsushita
Mitsuto Yokota
Hiroshi Okada
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Yusaku Nakahara
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Terumi Tawara
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Toshinori Tajimi
Hayuru Tsuda
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Corporate Auditors
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Toshio Hosono
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* Representative Director

(As of June 29, 2000)

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