

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.

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Consolidated Financial Highlights

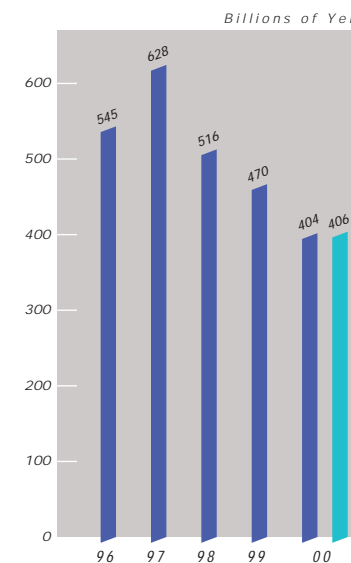
Penta-Ocean Construction Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2000

	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

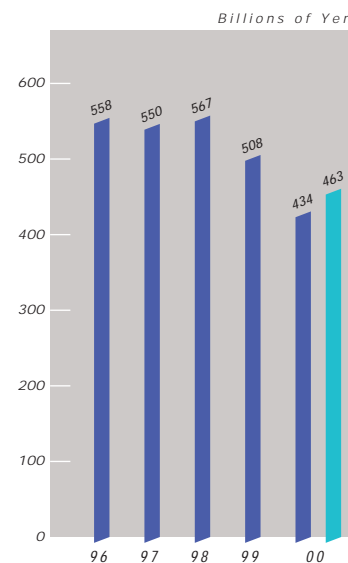
Per share of common stock:	Yen	U.S. Dollars
Shareholders' equity	¥128	\$(1.21)
Net income (loss)	(37.06)	(0.35)
Cash dividends	2.50	0.02

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.

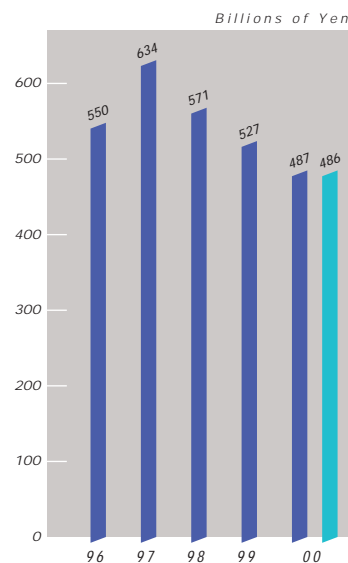
Orders Received



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 per-

formance 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