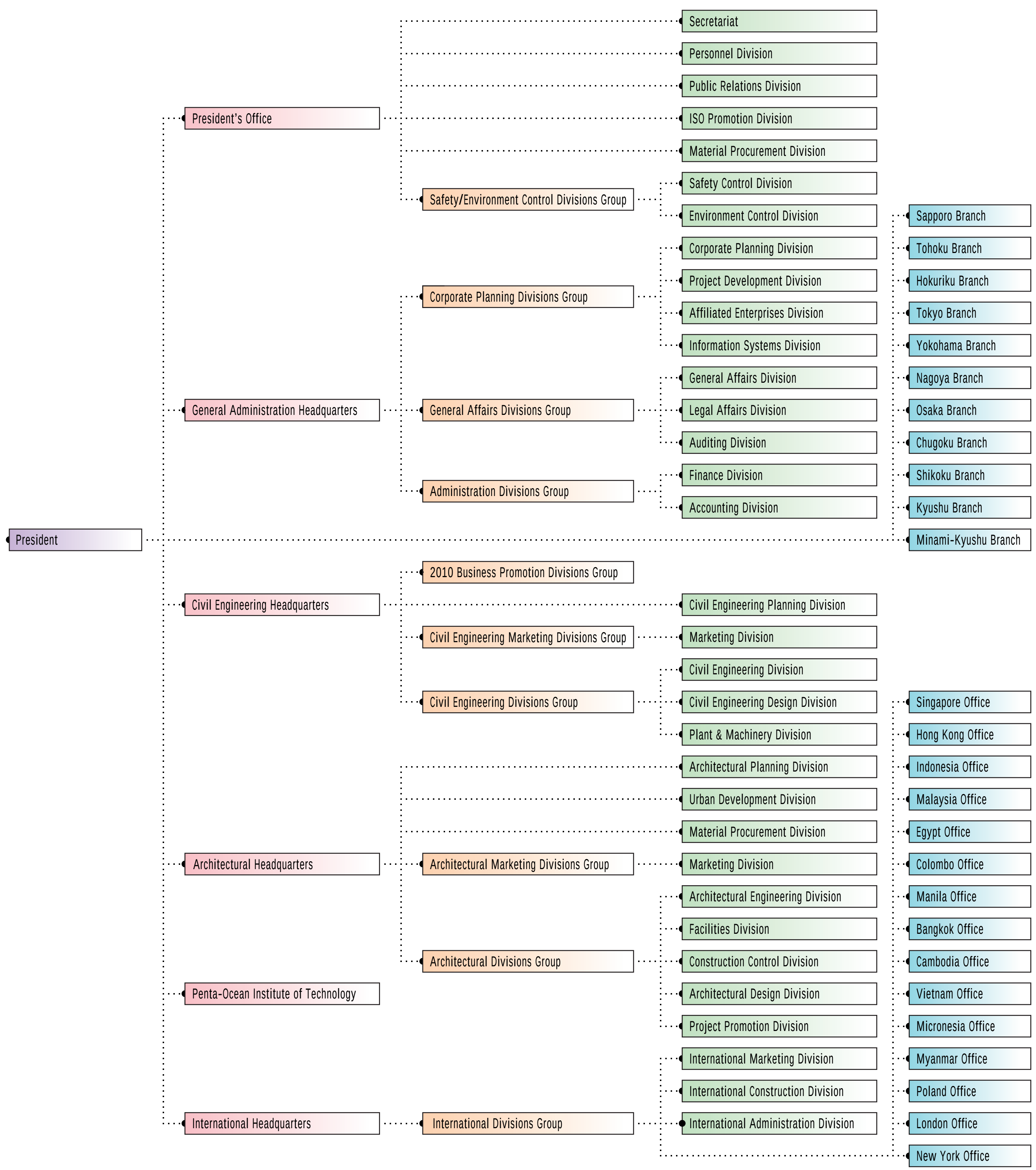
Organization Chart



Financial Statements

Consolidated Summary

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

	Millions of Yen 2000	Thousands of U.S. Dollars 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.

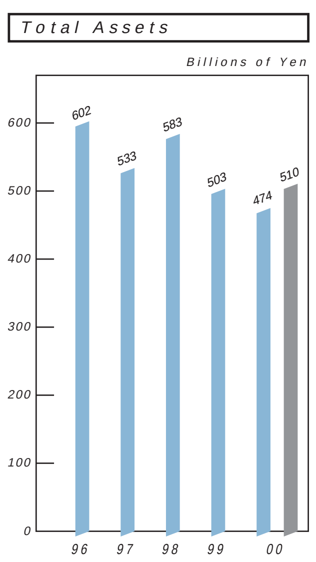
Net cash used in financing activities totaled ¥14,695 million (US$138 million), consisting mainly of payments on long-term debt. As a result, cash and cash equivalents at the end of the term were reduced by ¥11,291 million (US$106 million), to ¥35,871 million (US$337 million).

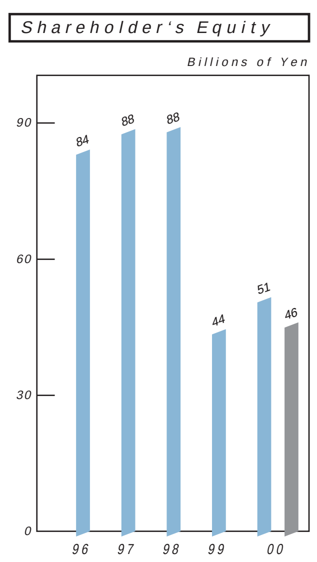
Dividends

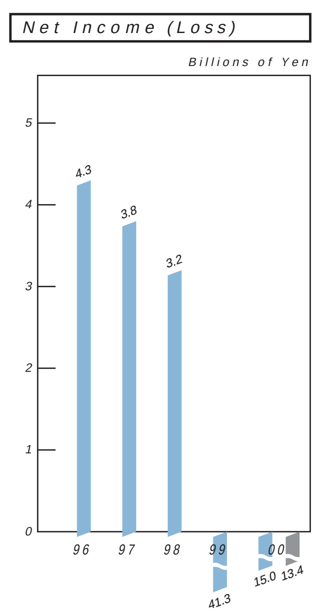
It is the Company's basic policy to pay dividends to its shareholders in a consistent manner based on performance and overall financial stability. However, despite a net loss owing to revaluation on real estate held by the Company for sale during the term under review, the Management decided to pay a 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.

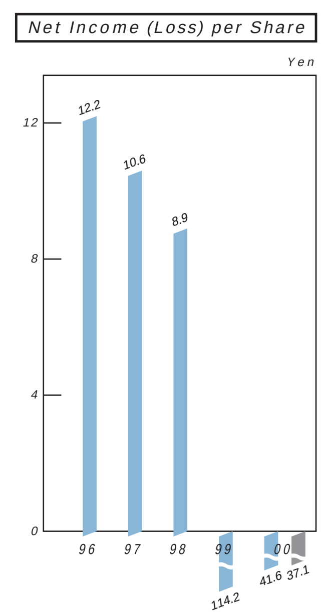
Y2K

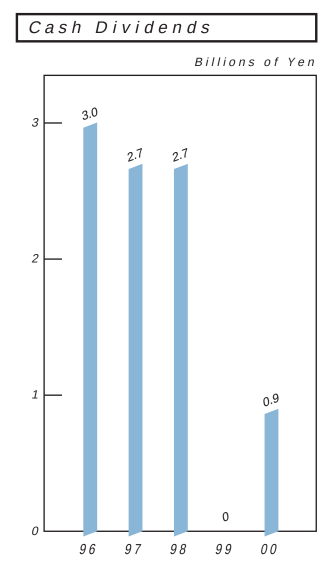
Expenses related to preparations for Y2K represented an extremely small amount for the Company and no problems were found to have occurred as a result.

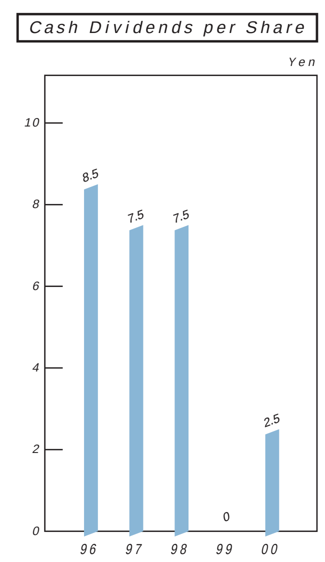












Non-consolidated Consolidated